



Pakistan Reinsurance Company Limited



ANNUAL REPORT 2019

Commitment To Excellence

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Vision

To be a leading provider of reinsurance and risk management services in the region





Mission

To provide secure reinsurance capacity and outstanding risk management advice in a profitable manner and to conduct business in a dependable and professional way with the highest standards of customer service.



Strategy

To remain the best provider of reinsurance and risk management services to the insurance industry and to have good business relationship with local insurers, reinsurance brokers and foreign reinsurers.





Objectives

- ❖ To provide the best reinsurance services to the local insurance industry in order to check outflow of foreign exchange, to the maximum possible extent.
- ❖ To develop good business relations with foreign reinsurers.
- ❖ To train staff in pace with the fast changing business requirements as well as to provide them with conducive working environment.
- ❖ To assist in the development of national insurance industry.
- ❖ To enhance Domestic retention capacity in the country in order to save valuable foreign exchange.

Corporate Information

BOARD OF DIRECTORS OF PRCL

	Members	Types
Mr. Abdul Sami Kehar	Chairman Board / Director	Independent
Mr. Riaz Ahmed Memon	Chief Executive Officer	Executive
Mr. Mumtaz Ali Rajper	Director	Non-Executive
Mr. Musleh-ud-Din	Director	Non-Executive
Mrs. Maria Kazi	Director	Non-Executive

COMPANY SECRETARY / COMPLIANCE OFFICER

Mr. Shams-ud-Din

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Mumtaz Ali Rajper	Chairman
Mr. Abdul Sami Kehar	Member
Mr. Musleh-ud-Din	Member
Company Secretary	Secretary

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Abdul Sami Kehar	Chairman
Mr. Mumtaz Ali Rajper	Member
Chief Executive Officer	Member
Company Secretary	Secretary
Manager (Human Resource)	In attendance

INVESTMENT COMMITTEE

Mr. Musleh-ud-Din	Chairman
Mr. Abdul Sami Kehar	Member
Mr. Mumtaz Ali Rajper	Member
Chief Executive Officer	Member
Manager (Head of Investment)	Secretary

MANAGEMENT COMMITTEES

RISK MANAGEMENT AND COMPLIANCE COMMITTEE

Mr. Mumtaz Ali Rajper	Chairman
Chief Executive Officer	Member
Compliance Officer	Secretary

PROCUREMENT COMMITTEE

Mr. Musleh-ud-Din	Chairman
Chief Executive Officer	Member
Manager (Administration)	Secretary

UNDERWRITING / REINSURANCE COMMITTEE

Mr. Musleh-ud-Din	Chairman
Chief Executive Officer	Member
Executive Director (Underwriting)	Secretary

CLAIMS SETTLEMENT COMMITTEE

Mr. Mumtaz Ali Rajper
Chief Executive Officer
Executive Director (Underwriting)

Chairman
Member
Secretary

SENIOR MANAGEMENT

Mr. Riaz Ahmed Memon
Mr. Muhammad Junaid Moti
Mr. Jamil Ahmed
Mr. Sultan Hammad Gul
Mr. Shams-ud-Din
Mrs. Raana Muneer Ahmad
Mr. Muhammad Sheraz Ashraf
Mr. Zohaib Hasan
Mrs. Erum Nadeem
Mr. Naveed Iqbal
Mr. Muhammad Tayyab
Mr. Muhammad Khurram Shoukat
Mr. Muhammad Usman Ghani
Mr. Hassan Javed
Mr. Aaron Ambrose
Mr. Tameezuddin

Chief Executive Officer
Executive Director (Underwriting)
Chief Financial Officer
Chief Internal Auditor
Company Secretary / Compliance Officer
General Manager (Administration)
General Manager (Risk Management)
Manager / Head of IT Department
Manager / Head of Legal
Manager / Head of Investment
Manager / Head of NZO
Manager / Head of HR
Manager / Head of Retrocession
Manager / Head of Underwriting
Manager / Internal Audit
Manager / Head of Finance

AUDITORS

GRANT THORNTON ANJUM RAHMAN
Chartered Accountants
1st & 3rd Floor, Modern Motors House,
Beaumont Road
Karachi. – 75530

REGISTERED OFFICE

PRC Towers, 32-A, Lalazar Drive
M. T. Khan Road, P.O. Box: 4777
Karachi-74000, Pakistan.
Tele: (92-21) 99202908-15
Telefax: (92-21) 99202921-22
Email: prcl@pakre.org.pk
Website: www.pakre.org.pk

BANKERS

National Bank of Pakistan
Bank Al-Habib Limited
Sindh Bank Limited
Dubai Islamic Bank
Meezan Bank
Askari Islamic Bank

ZONAL OFFICE

1st Floor, 15-A, Davis Road
State Life Building, Lahore.
Tele: (92-42) 36360242-45
Telefax: (92-42) 36360246

SHARE REGISTRAR

Central Depository Company of Pakistan Limited
CDC House, 99-B, Block-B, SMCHS
Main Shahra-e-Faisal
Karachi-74400, Pakistan
Tele: (92-21) 111-111-500

Directors' Profiles



Mr. Kehar completed his MBA from the California State University Dominguez Hills after obtaining degree of Bachelors of Science from California State University at Los Angeles and Associate of Arts degrees, from Los Angeles Pierce College. He has over 23 years of diverse experience in banking and capital markets with prominent financial institutions in the Pakistan.

He has also been an Advisor / Member Sindh Revenue Board. Prior to Chief Executive Officer and Managing Director of NBP Leasing Ltd Pakistan he has also served over 15 years at Pak Libya Holding Company. During his stay at different institutions, he was exposed to Corporate, Investment, Equities and merchant banking, consultation for quality solutions in areas of financial management, SMEs Financing etc.

Mr. Kehar has also been a visiting faculty member for teaching in leading business institutes including IBA & Greenwich University, for over 12 years. Besides, he has represented as Director on the boards of various companies.

He is a Certified Board Director from Pakistan institute of corporate governance.

Role of the Chairman

The Chairman is responsible for leadership of the Board and is elected from non-executive directors. The Chairman:

1. encourages and fosters an environment in which the Board as a whole is enabled to play a full and constructive part in the development and determination of the Company's strategy and overall business objectives.
2. engages the Board in discussions to promote constructive session which results in effective decision making.
3. ensures effective and efficient manner of the Board proceedings in conformity with best Practices of the Code of Corporate Governance.
4. ensures that the Board members receive accurate, timely and sufficient information which enables them to form appropriate judgments.
5. ensures that the views of the relevant stakeholders are understood by the Board.
6. engages into effective communication with shareholders, and other relevant stakeholders.
7. ensures effective operations of the Board and its Committees.



Mr. Mumtaz Ali Rajper holds a Masters Degree in Economics.

He has more than 33 Years of experience with Pakistan International Airline, Sindh TV and Mehran TV.

He was on PAKRE Board as a Nominee Director of Government of Pakistan since April 2010 and now he has been elected as Director effective December 2013. He also serves on the Board of Matrix (Pvt) Limited. He is also a certified Board Director from Institute of Chartered Accountants of Pakistan.



Dr. Musleh ud Din holds Ph.D. in Economics from the Johns Hopkins University. He has more than 30 years of experience in teaching and policy oriented research. He has published widely in national and international journals in the areas of macroeconomics, financial sector development, and trade policy. He has served as member of various high level committees and is currently a member of the Economic Advisory Council. He also serves as executive editor of the Pakistan Development Review. Dr. Musleh ud Din has conducted a number of research projects under the aegis of the World Bank, Asian Development Bank, and United Nations. He is also a certified Board Director from Institute of Chartered Accountants of Pakistan.



Mrs. Maria Kazi is in Civil Service for last 19 years and presently serving as Joint Secretary FT-II in the Ministry of Commerce Islamabad.. She has previously served in TDAP Karachi, Ministry of commerce and Embassy of Pakistan Jakarta as Commercial Attache. Hence she has vast experience of dealing with international trade issues and policies. She did Doctorate in International Marketing and Retailing from AUK, Kuwait and has represented Pakistan in multilateral and bilateral trade negotiations

Company Profile

PRCL is a Public Sector Company attached to the Ministry of Commerce. The Company is supervised by a Board of Directors, which is assisted by the Management comprising a strong team of professionals who effectively manage the business affairs of the Company. The Seven Member Board comprises four Government Nominee Directors, two Elected and Directors, one Nominee of State Life Insurance Corporation.

PRCL's prime objective is provision of reinsurance services in Pakistan. The company is the only national reinsurer. It provides reinsurance protection to the local insurance industry by way of treaty and facultative businesses.

Company History

PRCL was established in 1952 as Pakistan Insurance Corporation under PIC Act, 1952, with the objective of supporting the local insurance industry. In the year 2000, Pakistan Insurance Corporation was converted and incorporated as a public limited company namely Pakistan Reinsurance Company Limited vide Ministry of Commerce SRO No.98(1)/2000 was issued under the Presidential Ordinance No. XXXVI of 2000 dated 14th February, 2001.

Types of Businesses undertaken by Company

- ✓ Fire – Building, Stock, Plant, Machinery, Crop;
- ✓ Marine – Hull, Cargo, (Primary, War liabilities);
- ✓ Aviation – (Aircraft, Cargo, Crew, Passengers, Third Party Liability);
- ✓ Accident – Motor, Fidelity Guarantee, Personal Lines;
- ✓ Liability – Employers Liability, Professional Indemnity, Workman Compensation;
- ✓ Engineering – Property Damage, Business Interruption, Plant, Machinery Breakdown, TPL, Erection All Risks, Contractor All Risks etc.
- ✓ Public Sector Risks: Oil Refineries, Power Projects, Oil and Gas Exploration, Fields / Operations, Hydel Power and Nuclear Power Projects.

Business Operations

The reinsurance operation of the Company consists of the following departments:

- ✓ **Underwriting Department** deals scrutiny and acceptance of risk offered by local insurers, both under the Facultative and Treaty arrangements;
- ✓ **Retrocession Department** undertakes tendering of risks ceded by National Insurance Company Limited including their placement with foreign insurers;
- ✓ **Claims Department** deals with claim notified by cedants under both the Facultative and Treaty arrangements and approval of claims.

Six Year Performance At A Glance

Rupees in million

S. No.	PARTICULARS	2019	2018	2017	2016	2015	2014
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FINANCIAL DATA

1	Paid up capital	3,000	3,000	3,000	3,000	3,000	3,000
2	General & Capital Reserves	6,829	6,408	7,050	4,403	3,938	3,987
3	Equity	9,829	9,408	10,050	7,403	6,938	6,987
4	Investment	10,942	8,634	9,223	6,625	6,318	6,650
5	Investment Property	27	28	30	31	32	34
6	Fixed Assets	67	43	37	39	44	49
7	Cash & Bank Deposits	816	2,602	2,517	2,680	3,285	3,081
8	Total Assets	35,836	24,459	23,983	25,984	17,388	17,621
9	Total liabilities	26,007	15,051	13,933	13,667	10,450	10,633

OPERATING DATA

1	Gross Premium	17,655	10,734	8,036	8,807	8,135	8,661
2	Net Premium	6,905	5,464	5,006	5,802	5,219	4,784
3	Net Claims	4,259	2,990	3,740	3,336	2,775	2,793
4	Net Comission	1,243	1,047	1,148	1,264	1,101	950
5	Underwriting Results	501	583	(677)	545	722	515
6	Total Management Expenses	902	844	796	657	621	523
7	Investment Income	1,008	691	3,326	961	935	1,079
8	Profit Before Tax	2,189	1,730	2,876	1,427	1,772	1,565
9	Profit After Tax	1,484	1,228	2,226	974	1,377	1,244

SHARE INFORMATION & PAYOUTS

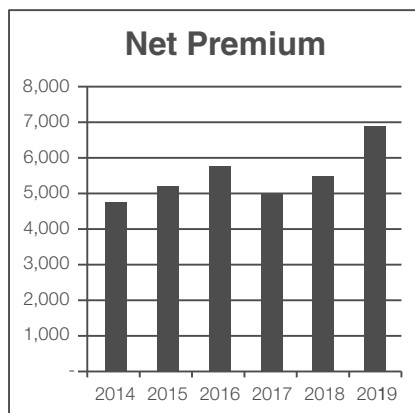
1	No of shares (In million)	300	300	300	300	300	300
3	Cash dividend %	10	20	35	25	25	25
4	Bonus Shares %	-	-	-	-	-	-
5	Total Dividend %	10	20	30	25	25	25

FINANCIAL RATIO ANALYSIS

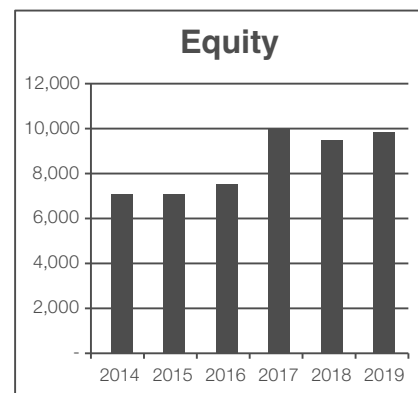
1	Claims ratio	61.68	54.72	74.71	57.50	53.17	58.38
2	Total Assets Turnover (Times)	0.49	0.44	0.34	0.34	0.47	0.49
3	Total Liabilities / equity (%)	264.59	159.98	138.64	184.61	150.62	152.18
4	Paid up Capital / Total Assets (%)	8.37	12.27	12.51	11.55	17.25	17.03
5	Equity / Total Assets (%)	27.43	38.46	41.90	28.49	39.90	39.65

Financial Review

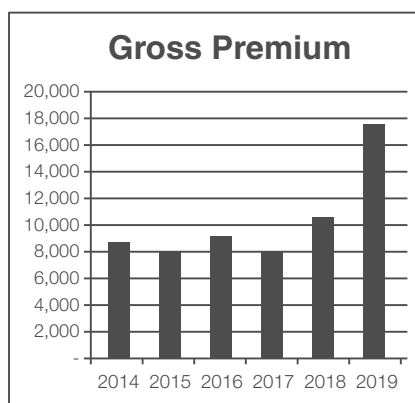
Year	Net Premium
2014	4,784
2015	5,219
2016	5,802
2017	5,006
2018	5,464
2019	6,905



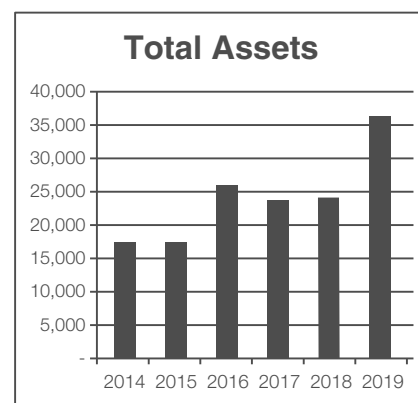
Year	Equity
2014	6,987
2015	6,938
2016	7,403
2017	10,050
2018	9,408
2019	9,829



Year	Gross Premium
2014	8,661
2015	8,135
2016	8,807
2017	8,036
2018	10,734
2019	17,655



Year	Total Assets
2014	17,621
2015	17,388
2016	25,984
2017	23,983
2018	24,459
2019	35,836



Chairman's Review Report

For the Year Ended December 31, 2019

I am pleased to present the Chairman's Review to the stakeholders of Pakistan Reinsurance Company Limited.

During the year the economic conditions were challenging, nevertheless, your Company crossed the milestone of achieving more than Rs 1.4 billion Profit after tax. This feat has been reached by posting a growth of over 20%. The Company's growth is supported by all classes of business. The Company expects to maintain growth momentum in its core reinsurance business.

Your Board carries out its fiduciary duties in a comprehensive manner and is assisted in its governance by three Board Committees and four Management Committees. A comprehensive system of controls, governance and risk management is in place to ensure that the Company's assets and the interests of the shareholders are always protected. The Company not only ensures strict adherence to the laws of the country but goes beyond by inculcating values that require its employees to operate and deliver with integrity. Furthermore, channels have been established and made available for anyone working in or with the Company to raise their concerns in confidence and without fear of reprisal.

I would like to thank all our business producers and employees for their professionalism and hard work. I also thank the shareholders and Board members for their commitment and confidence in the Company.

Abdul Sami Kehar
Chairman



C.E.O's Message

It gives me immense pleasure to present the performance of the Company for the year 2019.

Business Performance

During 2019, the company achieved a healthy top line growth and improved profitability in core underwriting business. There was an all-round improvement in all lines of business activity-both treaty & facultative business.

Commencement of Re-takaful Operations

Retakaful window operation has started to perform well and started with operator fund amounting to Rs. 50 million, which has later on been increased to Rs 300 million and ceded money paid to the participant's retakaful fund of Rs.1 million. Since this was the first year of operation of Window Retakaful Operation, therefore the Participants' Retakaful Fund ended in deficit of Rs. 36.5 million. However, operators' fund earned Profit After Tax amounting to Rs. 9.24 million as compared to Rs. 0.078 million in previous year.

Risk Management

The Company continued its efforts to improve its risk management function. The Company's retrocession covers were strengthened to protect the company in case of catastrophic events.

Human Resources

The Company values the efforts of its employees and is working on improving the incentive systems to align the performance of the employees with that of the company. Subsequent to the period under review, the Company has initiated the process of strengthening its middle & senior management through hiring of professionals from the market.

Training & development of its employees continues to remain a priority for the long terms growth of the Company.

Technological Upgradation

The Company strongly believes that the role of I.T. is very important for progress of our business. In order to achieve better market infrastructure & implement sound techniques to control risks, the role of I.T. is critical. The Company is currently working on upgradation of its I.T. infrastructures. Towards this objective, the ERP implementation contract was awarded during the period of 2019. The implementation is expected to be completed in CY20. This will bring the company's technological infrastructure in sync with its current & future requirements, enabling it to better manage business processes and strengthen its risk management systems.

Credit Rating

The credit rating of the Company for the year 2019 was undertaken by M/s. JCR-VIS. The Company's credit rating of AA was re-affirmed with stable outlook. As per standard rating scale & definition, "AA" rating denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments, no significant vulnerability to foreseeable events.

Directors' Report

to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Report of the Company along with the audited financial statements and Auditors' report for the year ended December 31, 2019.

Economic Review:

During 2019, Pakistan's economy underwent considerable changes. The GDP recorded a growth of 3.3%.

The outgoing year also witnessed some of the structural imbalances of Pakistan economy. Average headline CPI inflation stood at 8.91% for 2nd half of CY19, which is significantly higher than 5% recorded during the same period last year. Core inflation reached 7% in December 2019 which is reflective of an increasing trend in inflation.

In view of the likely impact of an expansionary fiscal policy and worsening external account on the macroeconomic stability, especially the future inflation path, SBP started raising policy rate from January 2019, reversing the multi-year easy monetary policy. During 2019, upward revision in SBP Policy rate was witnessed which stood at 13.25% as on December 31, 2019 as against 8.5% as on December 31, 2018. Going forward, the second round impact of the exchange rate movements, upwards adjustments in gas and electricity tariffs and higher government borrowings from SBP are likely to be offset by the lagged impact of the increase in policy rates.

Though the inflationary pressures were to some extent manageable, the depleting foreign exchange reserves amid trade imbalances and the debt repayments placed Pakistan in a difficult situation. The huge current account deficit continued to strain foreign reserves which declined by 16.7% to USD.

11.5 billion at the end of CY19. While the country's decision on formally entering the IMF programme remained under review, external support from Saudi Arabia, China & UAE during the last quarter of 2019 eased the burden on balance of payments positions. However, pressure remained on the exchange rate resulting in 10.4% devaluation in the rupee over the year with the closing level in Dec 19 at PKR 154.95/USD.

Going forward, the pickup in inflation and the continuation of economic challenges are taking their toll on economic performance. Real economic activity is witnessing a slowdown. The recent policy measures and developments including monetary tightening, exchange rate depreciation, changes in import and custom duties and reduction in development expenditure are all likely to dampen domestic demand especially imports. However, the consolidation is expected to facilitate the economy to post a sustainable economic growth in future.

Company Performance Highlights:

2019 has been a good year for Pakistan Reinsurance Company Limited. There was a marked improvement in the overall profit of the company.

The comparative financial highlights for the year 2019 and 2018 are presented as follows:

Rupees in million (Except as otherwise stated)	2019	2018	%
Gross Premium Written	17,655	10,734	64.48
Net Premium	6,905	5,464	26.39
Net Claims	(4,259)	(2,990)	(42.46)
Underwriting Profit	501	583	(14)
Other Investment Income	1,008	691	45.93
Rental Income	71	62	14.47
Other Income	612	405	51.26
Profit after tax	1,484	1,228	20.92
Total Assets	35,836	24,459	46.51
Paid-up Capital	3,000	3,000	-
Total Equity	9,829	9,408	4.47
Earnings per share – Rs.	4.95	4.09	21.03
* (Re-stated)			

During the year under review, gross premiums increased to Rs. 17,655 million from Rs. 10,734 million in 2018, an increase of Rs. 6,921 i.e. 64.48% Net premium increased to Rs. 6,905 million from Rs. 5,464 million in 2018, an increase of Rs. 1,441 million i.e. 26.39%. Net claims increased to Rs. 4,259 million as compared to Rs. 2,990million in 2018, an increase of Rs. 1,267 million, i.e. 42.46%. The Underwriting result declined by 14% to Rs. 501 million as compared to Rs. 583 million in 2018.

Treaty Business:

Treaty business constitutes 27.61% of the Companies' total business portfolio. Gross Premium underwritten during the year was Rs. 4,874 million as compared to Rs. 4,462 million in 2018, an

increase of Rs. 413 million i.e. 9.21%. Net premium stood at Rs. 4,033 million as against Rs. 3,268 million in 2018. Net claim to net premium ratio for the year under review was 67.61% resulting in an underwriting loss of Rs. 261 million as against underwriting loss Rs. 224 million in 2018, further decrease of 37 million i.e. 16.52%.

Facultative Business:

Fire:

On facultative side, Fire class of business constitutes 14.86% of the total premium portfolio. Gross premium underwritten during the year was Rs. 1,899 million as compared to Rs. 1,634 million in 2018, an increase of Rs. 265 million i.e. 16.22%. Net premium stood at Rs. 1,357 million as against Rs. 1,338 million in 2018. The net claim to net premium ratio for the year under review was 43.19% resulting in an underwriting profit of Rs. 402 million as against Rs. 284 million in 2018, an increase of Rs. 118 million i.e. 41.55%.

Marine Cargo & Hull:

On facultative side, Marine Cargo & Hull class of business constitutes 4.20% of the total premium portfolio. Gross premium underwritten during the year was Rs. 537 million as compared to Rs. 150 million in 2018, an increase of Rs. 387 million i.e. 258%. Net premium stood at Rs. 208 million as against Rs. 103 million in 2018. The net claim to net premium ratio for the year under review was 15.34% resulting in an underwriting profit of Rs.140 million as against Rs.37 million in 2018, an increase of Rs. 103 million i.e.278%.

Aviation:

Aviation class of business constitutes 26.84% of the total premium portfolio. Gross premium underwritten during the year was Rs. 3,431 million as compared to Rs. 1,401 million in 2018, an increase of Rs. 2,030 million i.e. 144.90%.Netpremium stood at Rs. 325million as against Rs. 154 million in 2018. The net claim to net premium ratio for the year under review was 140% resulting in an underwriting loss of Rs.166 million as against profit of Rs.101 million in 2018, decrease of Rs. - 267million i.e. 264.36%.

Accident:

On facultative side, the Accident and Health class of business constitutes 2.05% of the total premium portfolio. Gross premium underwritten during the year was Rs.263 million as compared to Rs.193 million in 2018, an increase of Rs. 70million i.e. 36.27%. Net premium increased to Rs. 264 million as against Rs. 163 million in 2018, an increase of Rs. 101 million. The net claim to net premium ratio for the year under review was 51.88% resulting in an underwriting profit of Rs.73 million as against an underwriting profit of Rs.48 million in 2018, an increase of Rs. 25 million i.e. 52.08%.

Engineering:

On facultative side, the Engineering class of business constitutes 52.04% of the total premium portfolio. Gross premium underwritten during the year was Rs. 6,651 million as compared to Rs. 2,895 million in 2018, an increase of Rs. 3,756 million i.e. 130%. Net premium increased to Rs. 718 million as against Rs. 437 million in 2018, an increase of Rs. 281 million i.e. 39.14%. The net claim to net premium ration for the year under review was 45% resulting in an underwriting profit of Rs. 314 million as against an underwriting profit of Rs. 380 million in 2018, a decrease of Rs. 66 million i.e.17.37%.

Investment Income:

During the year under review, Investment and Other Income contributed Rs. 1,008 million to the bottom line of the company as against Rs. 691 million in 2018.

Company's Assets:

The total assets of the Company as on 31st December, 2019 stood at Rs.35, 836 million against Rs. 24,459 million last year which is increase of Rs. 11,377 million, i.e. 46.51%.

Claims Settlement:

Timely settlement of claims and customers satisfaction is the company's highest priority as it helps build the trust of its valued clients and earns their goodwill. The claim to net premium ratio during the year was 61.68% as against 54.72% in CY-2018.

Cost Control Measures:

The Management expenses during the year under review were Rs. 902 million as against Rs. 844 million during the previous year, registering increase of only 6.87%. The increase was primarily triggered by increase in post-retirement benefits. The management expenses as percentage of Net Premium was 13.06% in CY19 as compared to 15.46% in CY18. Going forward, the management will continue to strive to further reduce costs as a percentage of net premiums.

Auditors' Remarks

There were some qualifications in the Audit Report for the year 2018 relating to provisioning of IBNR and confirmation of receivable balances from ceding insurance companies. However, the Auditors issued unqualified opinion in their report for the year 2019.

The auditors emphasized the matter of dispute of the Company with Sindh Revenue Board and Employees Old Age Benefit Institution as disclosed in note 31 to the Financial Statements

Public Sector Business:

The Company acts as the re-insurer of National Insurance Company Limited. This includes some of the prestigious accounts such as PIA, PARCO, PSO, OGDCL, PPL, PNSC, KSEW, Public Sector Power Projects etc. During the year under review, the company's Gross revenues from Public Sector business grew from Rs. 4,353 million to Rs.10,203million – an increase of 134%.

Reinsurance Arrangements:

PRCL has excess of loss re-insurance arrangements & relationship with some of top global reinsurers such as Hannover Re (rated AA- by S&P), XL Re (rated AA- by S&P), Partner Re (A+ by S&P) and Korean Re (rated A by S&P) etc. The Company follows a policy of optimizing risk retention through a carefully designed program of re-insurance. The reinsurance coverage of the company is based on Company's exposures, accumulation & concentration of risk at the location.

E.C.O. Reinsurance Company:

The Articles of Agreement (AoA) of ECO Reinsurance Company were signed on February 10, 2010 by the representatives of three Member States, Islamic Republic of Pakistan, the Islamic Republic of Iran and the Republic of Turkey, at Islamabad (Pakistan). The AoA were further ratified by Member States and the last ratification was made by Republic of Turkey on November 22, 2017. The objective of the Company shall be to supplement the existing Reinsurance

services, promote the growth of the underwriting & retention capacities and support the economic development in the region.

The authorized capital of the Company shall be thirty million USD, divided into three thousand shares with par value of ten thousand US Dollars each, to be equally subscribed by the entities of three countries. Any investment by PRCL in ECO Reinsurance Company shall be subject to approval of Board of Directors, Shareholders / AGM and Compliance of Section 199 of Companies Act-2017.

Credit Rating:

The credit rating of the Company for the year 2019 was undertaken by M/s. JCR-VIS. The Company's credit rating of AA was re-affirmed with stable outlook. As per standard rating scale & definition, "AA" rating denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments, no significant vulnerability to foreseeable events.

Profit After Tax:

The profit after tax of the Company is Rs.1,484 million as compared to Rs. 1,228million of last year, showing an increase of Rs.256 million.

Appropriations: (Rs. in millions)

Profit before tax	2,189
Less: Tax	(705)
Profit after tax	<u>1,484</u>

Add: Unappropriated profit brought forward

Add: Comprehensive Income

Less: Final cash dividend 2019 @ 20%	(600)
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Unappropriated profit carried forward	<u>884</u>
---------------------------------------	------------

Proposed Dividend:

In view of the recommendation of the SECP and decision of Board of Directors to strengthen the Balance Sheet thereby enabling the Company to improve its retention / capacity, the Board of Directors has proposed the dividend for 2019 @ 20% for AGM.

Earnings Per Share:

The earnings per share of the Company were Rs. 4.95 for the year 2019 as compared to Rs.4.09in the year 2018.

Retakaful:

Alhamdulillah Retakaful window operation has started to perform well and started with operator fund amounting to Rs.50million, which has later on been increased to Rs. 300 million and ceded money paid to the participant's Retakaful fund of Rs.1 million. Since this was the first year of operation of Window Retakaful Operation, therefore the Participants' Retakaful Fund ended in deficit of Rs. 36.5 million. However, operators' fund earned Profit after Tax amounting to Rs. 9.24 million as compared to Rs. 0.078 million in previous year.

Revenue account

	2019 (Rupees)	2018 (Rupees)
Participants' Retakaful fund	-	-
Net Contribution Revenue	188,319,490	-
Wakala expense	(53,496,589)	-
Net Retakaful benefits	(172,856,227)	-
Retakaful Rebate	-	144
Underwriting Results	(38,033,326)	144
Profit on bank deposit	1,567,004	-
Dividend Income	471,022	-
Modarib's shares	(509,507)	-
	1,528,519	144
Ceded money received	-	-
Surplus/(Deficit) for the period	(36,504,807)	144
Accumulated surplus	144	144
Deficit for the period	(36,504,807)	-
	(36,504,663)	144
Revenue Account		
Operator's fund		
Wakala fee	53,496,589	-
Management expenses	(4,243,734)	(2,075,329)
Commission expense	(38,208,941)	-
Ceded money paid to participant's Retakaful fund	-	(1,000,000)
	11,043,914	(3,075,329)
Modarib's share of participants' Retakaful fund investment	509,507	-
Dividend Income	83,277	-
Profit on bank deposit	1,378,609	3,184,317
Profit before taxation	13,015,307	108,988
Taxation	(3,774,439)	(30,517)
Profit for the period	9,240,868	78,471
Profit and loss appropriation account		
Balance at the beginning of the period	78,471	-
Profit for the Period	9,240,868	78,471
	9,319,339	78,471

Employees' Welfare:

The Company has in place a fund to provide welfare facilities to its employees whereby six employees are sent for Hajj every year. Besides, the Company grants (a) cash awards to the Employees' Children who are Hafiz-e-Quran and secure A+ grade in Secondary and Higher Education, (b) pension to the retiring employees having long association with company, and (c) burial & compensation packages for family of employees who die during service.

Board Structure and Committees:

The Board structure is in accordance with the Listed Companies (Code of Corporate Governance), 2019, Public Sector Companies (Code of Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016, issued by the Securities and Exchange Commission of Pakistan.

In order to ensure effective implementation of sound internal control systems and compliance with the Code of Corporate Governance, the Board has constituted various Committees which are seven (07) in number. This includes three Board Committees and four Management Committees. The composition of all Committees is separately shown in the report under the section of Corporate Information.

Future Outlook:

The Business environment continues to be challenging. The macroeconomic environment, higher inflation & multiple rounds of currency devaluation has made the business conditions even more demanding. Despite the challenges, the company remains committed to enhancing shareholder value and is focused on enhancing its shares in both treaty and facultative business. Re-takaful operations will also add to the income stream of the Company. In view of higher returns on fixed income instruments, the fixed income portfolio of the Company shall bring higher returns while we remain cautiously optimistic about the performance of our equity portfolio. It has been assessed that COVID-19 shall not affect the operations of the Company except decline in the value of its investments due to decrease in stock prices. Overall the company maintains an optimistic outlook on its business performance going forward.

Internal Controls:

The internal control framework has been effectively implemented through an in-house Internal Audit function established by the Board which is independent of the External Audit Function. The Internal Audit function has carried out its duties under the charter defined by the Audit Committee. The Audit Committee has reviewed Internal Audit reports taking appropriate action where necessary. Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with the laws and regulations.

Risk Management Policy:

The company has developed and implemented a risk management policy which identifies major risks which may threaten the existence of the Company. The Company's Risk Management approach comprises of quantitative & qualitative evaluation of risk and minimizing its hazards. An elaborate risk management policy has been approved by the Board which is subject to its review from time to time. Risk mitigation process and measures have been formulated and clearly spelled out in the said guidelines.

Code of Conduct:

The Company has designed code of conduct to ensure ethical conduct & integrity by all employees. All the operations of the company are undertaken in a fair and transparent manner strictly following the code of conduct.

Directors' Training Program:

All the directors of the company are certified directors under the Directors Training program.

Directors' Remuneration Policy:

The remuneration of directors is approved by the Annual General meeting of Shareholders on the recommendation of Board of Directors.

Performance Evaluation of Board of Directors:

Pursuant to Rule 8 (1) of the Public Sector Corporate Governance, Rules 2013 & the policy approved by the Board, the Performance Evaluation of CEO & Nominee Directors of the Board is undertaken by the Federal Government & that of independent directors by the Chairman of the Board. The evaluation framework comprises of qualitative assessment of individual Board members.

Related Party Transactions:

At each board meeting, the Board of Directors approves the Company's transactions with Associated Companies / Related Parties. All the transactions executed with related parties are on arm's length basis.

Ownership:

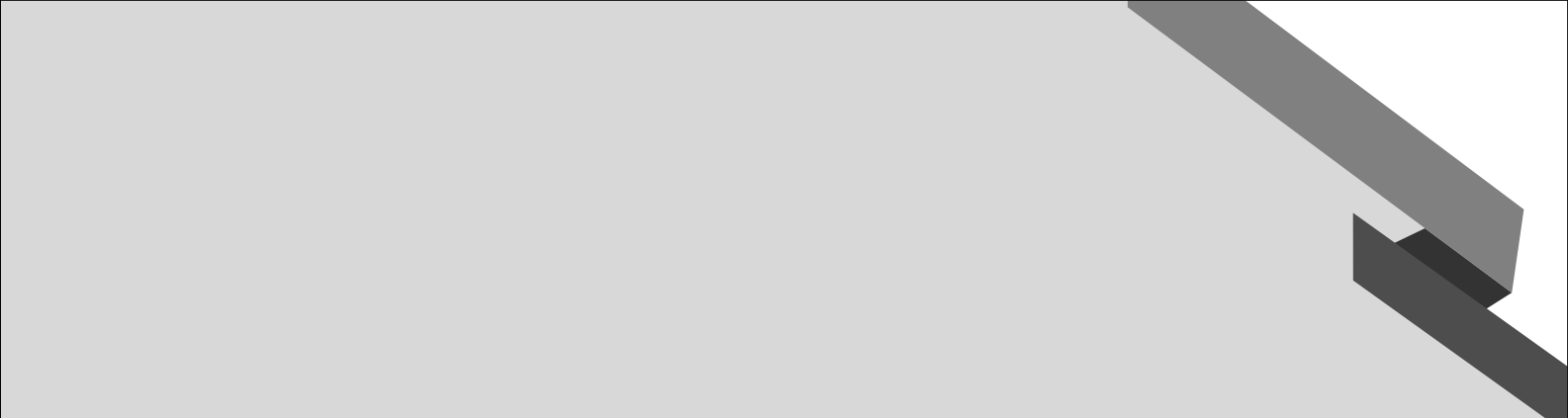
As of December 31, 2019, there were 2,608 shareholders on the record of the Company.

Pattern of Shareholding:

The pattern of shareholding of the company as at December 31, 2019, along with the necessary information is available at the end of this report.

Statement on Corporate and Financial Reporting Framework:

PRCL being a Listed Company adheres to the Listed Companies (Code of Corporate Governance), 2019 and all other listing regulations. The Company is also public sector enterprise and operates under the framework of Public Sector Companies (Code of Corporate Governance Rules), 2013 and Code of Corporate Governance for Insurers, 2016. The Directors confirm compliance with all reporting and disclosure requirements as envisaged in the Companies Act, 2017, Insurance Ordinance 2000, and Rules, made there under. The Directors confirm compliance with the corporate and Financial Reporting Framework of the SECP Code of Corporate Governance for the following:-

- 
- a) The financial statements, prepared by the management of the company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity;
 - b) The Company has maintained proper books of accounts;
 - c) The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes have been adequately disclosed and accounting estimates are made on the basis of prudent and reasonable judgement;
 - d) Financial statements have been prepared by the company in accordance with the International Accounting Standards, as applicable in Pakistan, requirements of Companies Act, 2017, Insurance Ordinance, 2000, and the Securities and Exchange Commission (Insurance) Rules, 2017;
 - e) The system of internal control is in place and internal audit department is in complete function;
 - f) There are no doubts upon the Company's ability to continue as a going concern;
 - g) There is no material departure from the best practices of Listed Companies (Code of Corporate Governance), 2019, as laid down in the listing regulations and Public Sector Companies (Code of Corporate Governance) Rules, 2013, and Code of Corporate Governance for Insurers, 2016;
 - h) The directors are qualified under directors Training Programme;
 - i) Presentation was given to newly appointed Directors to acquaint them with the relevant laws and their responsibilities;
 - j) The Company has 8.34% shareholding of National Investment Trust Limited (NITL) and as such has its representation on the Board of NITL by one of its Directors. Currently the CEO of PRCL is representing the Company on NITL Board.
 - k) The appointment of the Chairman and other members of the Board and the terms of their appointment along with the remuneration policy are adopted in the best interests of the Company as well as in line with the best practices;
 - l) The Non-executive Directors do not have fixed remuneration and are being paid a fixed fee for each meeting attended. Disclosure on remuneration of Chief Executives, Directors and Executives as applicable is separately shown in the report;
 - m) Summarised key operating and financial data of the last 6 years is separately shown in the report;
 - n) The statement of pattern of shareholding is separately shown in the report;
 - o) The value of investment in pension, gratuity and provident fund is also disclosed as under:

2019 **2018**
(Rs. in millions)

Pension and Gratuity Fund	931.448	930.581
General Provident Fund / Provident Fund	447.665	431.080

Board Meetings and Attendance:

In the year 2019, the Board formed various Committees, the detail of the meetings held and the attendance of each director is given hereunder:-

		Board of Directors	Audit Committee	Ethics, HR & Remuneration / Committee	Underwriting / Reinsurance Committee	Claim Settlement Committee	Risk Management & Compliance Committee	Investment Committee	Procurement Committee
		No. of Meetings	12	5	5	4	4	3	5
Sl.	Name of Directors	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
1	Mr.Shahab Anwar Khawaja, Chairman	11	---	---	3	---	---	4	---
2	Mr.Shakeel Ahmed Mangnejo, CEO	6	---	---	---	---	---	2	---
3	Mr. Abdul Sami Kehar	*12	5	5	4	---	---	5	---
4	Mr.Mumtaz Ali Rajper	12	5	3	---	4	1	5	---
5	Mr.Mushtaq Ahmed Mahar	9	2	4	---	---	---	2	
6	Mr.Musleh-ud-Din	11	3	---	1	---	2	5	1
7	Dr.Nazim Latif	7	2	2	---	3	---	---	1
8	Mr.Taimur Tajjamal	1	---	1	---	1	---	---	---

*Mr. Abdul Sami Kehar attended the last meeting as the Chairman of the Board.

Leave of absence was granted by Board to the Directors who could not attend some of the meetings after intimating the Board in advance.

Change in the Board of Directors:

The Board welcomed every Non-executive / Nominee / Ex-officio Directors, who joined it and it also recorded appreciation of the services and contribution of all those Directors who were transferred / separated during the period under review.

Contribution to National Exchequer:

During the year, your Company contributed an amount of Rs. 412 million (2018: Rs.749 million) into the government treasury on account of Taxes, Levies and other duties.

Compliance with the Code of Corporate Governance:

The requirements of the Code of Corporate Governance set out by the regulatory authorities have been duly complied with.

Audit Committee of the Board:

The Board, in compliance with the Code of Corporate Governance, has constituted an Audit Committee and its terms of reference have been approved by the Board. The names of the members of Committee are given in the section of Corporate Information.

Performance of the Company during the last six years:

	2019	2018	(Rs. in millions)		2015	2014
		Restated	2017	2016		
			Restated			
Gross Premium	17,655	10,734	8,036	8,807	8,135	8,661
Net Premium	6,905	5,464	5,006	5,802	5,219	4,784
Net Commission	(1,243)	(1,047)	(1,148)	(1,264)	(1,101)	(950)
Net Claims	(4,259)	(2,990)	(3,740)	(3,336)	(2,775)	(2,793)
Management Expenses	(902)	(844)	(796)	(657)	(621)	(523)
Underwriting Profit/(Loss)	501	583	(677)	545	722	515
Investment Income	1,008	691	3,326	961	935	1,079
Profit before Tax	2,189	1,730	2,876	1,427	1,772	1,565
Profit after Tax	1,484	1,228	2,226	974	1,377	1,244

Trading in the Company Shares:

No trading in the shares of Company was undertaken by Directors and Key Officers.

Appointment of Auditors:

Financial Statements for the year 2019 have been audited by M.s Grant Thornton Anjum Rahman Chartered Accountants. Being eligible, they have offered themselves for reappointment for the year 2020. The Board of Directors, on the recommendation of Audit Committee recommends the name of M.s Grant Thornton Anjum Rahman Chartered Accountants. For appointment as external auditors for the year 2020.

The external auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under all applicable laws.

Acknowledgement:

In the end, your directors would like to thank all insurance companies, Securities and Exchange Commission of Pakistan and Pakistan Stock Exchange for their support and guidance. We also acknowledge the hard work and dedication of the officers and staff of the Company.

For and on behalf Of the Board of Directors

Chairman / Director

ناظمین کی رپورٹ

برائے حصص کنندگان

محترم حصص کنندگان

بورڈ کے ناظمین کی جانب 31 دسمبر 2019 کو اختتام پذیر سال پر، ناظمین کی رپورٹ بمع محتسب شدہ مالیاتی دستاویزات اور محاسبین (Auditors) کی رپورٹ پیش کرتے ہوئے ہمیں خوشی محسوس کرتے ہیں۔

معاشی جائزہ

سال 2019 کے دوران پاکستان کی معیشت میں خاصی نمایاں تبدیلیاں ہوئیں۔ مجموعی قومی پیداوار (GDP) کی نمو میں 3.3 فیصد نمو کا اندراج رکاوٹ کیا۔

گذرے ہوئے سال میں پاکستان کی معیشت نے ڈھانچاتی (structural) عدم توازن دیکھا۔ اوسط شدہ سرخی صارفین کی قیمتوں کے انڈیکس کی افراط زر سال 2019 کی دوسری ششماہی میں بڑھ کر 8.91 فیصد ہو گیا جو گزشتہ سال اسی مدت کی 5 فیصد سے کافی زیادہ ہے۔ دسمبر 2019 میں کلیدی (core) افراط زر 7 فیصد تک پہنچ گیا جو افراط زر میں اضافے کا عکاس ہے۔

اثر ہوتے ہوئے بیرونی کھاتے اور کئی معیشت کے استحکام کے لیے توسیعی اقتصادی پالیسی، خاص طور پر مستقبل میں افراط زر کے رجحان کے پس منظر میں، بینک دولت پاکستان جنوری 2019 سے پالیسی نرخ میں اضافہ شروع کر دیا تھا، جو کئی سالوں کی سہل مالیاتی پالیسی سے انحراف کر رہا ہے۔ سال 2019 کے دوران SBP کی بڑھتی ہوئی پالیسی نرخ کا نتیجہ میں پالیسی نرخ 31 دسمبر 2018 میں 8.5 فیصد کے مقابلے 31 دسمبر 2019 میں یہ 13.25 فیصد رہا۔ آنے والے دنوں میں، مبادلہ نرخ کی نقل و حرکات (movements) کے اثرات گیس اور بجلی کے نرخوں میں اضافے کی صورت میں اور گورنمنٹ کی SBP سے زیادہ قرضوں سے امکان ہے بڑھے ہوئے پالیسی نرخ کی وجہ سے سست روی کا سدباب ہو سکے گا۔

اگرچہ افراطی (inflationary) دباؤ کسی حد تک سنبھالا جاسکتا ہے، تجارتی عدم توازن (37.5 ارب امریکی ڈالر) اور قرضوں کی ادائیگی کے درمیان گھٹتے ہوئے غیر ملکی زرمبادلہ کے ذخائر نے پاکستان کو ایک مشکل صورتحال میں ڈال دیا ہے۔ جاری کھاتے کا بڑے خسارے کی وجہ سے غیر ملکی زرمبادلہ کے ذخائر پر دباؤ رکھا اور سال 2019 کے اختتام پر وہ 16.7 فیصد کمی کے ساتھ 11.5 ارب امریکی ڈالر رہ گئے۔ جبکہ ملک کا باضابطہ طور پر IMF کے پروگرام میں شامل ہونے کا فیصلہ زیر غور ہے، اور سال 2019 کی آخری سہ ماہی میں سعودی عرب، چین اور متحدہ عرب امارات کی مالی معاونت سے ادائیگیوں کے توازن کے بوجھ میں آسانی ہوئی ہے۔ تاہم، شرح مبادلہ پر دباؤ برقرار رہا جس کا نتیجہ سال کے دوران روپے کی قدر میں 10.4 فیصد کمی کے ساتھ دسمبر 2019 کے اختتام پر سطح 154.95 روپے / امریکی ڈالر رہی۔

پاکستان کے اقتصادی محاذ پر اس کا سال بہ سال 2.26 کھرب روپے بلند ترین مالی خسارہ تھا جس کی وجہ محصولات کی وصولی میں خراب کارکردگی رہی (جس میں صرف 5.9 فیصد اضافہ ہوا) اور بڑھتے ہوئے اخراجات جس کا تعلق ڈھانچاتی اور توانائی کے منصوبوں سے ہے۔ مالی خسارہ مجموعی قومی پیداوار (GDP) کا 6.6 فیصد رہا۔ آنے والے دنوں میں، افراط زر میں تیزی اور معاشی مسائل کا تسلسل معاشی کارکردگی پر اپنے اثرات دکھا رہے ہیں۔ حقیقی معاشی سرگرمیاں سست روی دکھا رہی ہیں۔ حالیہ پالیسی کے اقدامات اور ارتقاء بشمول مالیاتی سختی، مبادلہ نرخ کی فرسودگی (depreciation)، درآمدی اور کسٹم کی دیوٹیز اور ترقیاتی اخراجات میں کمی سے امکان ہے کہ ملکی طلب میں کمی لائے گی خاص طور پر درآمد پر۔ تاہم، انضمام سے توقع ہے کہ وہ معیشت میں سہولت دے گا کہ وہ مستقبل میں برقرار رہنے والی معاشی نمو (growth) دکھائے۔

کمپنی کی کارکردگی کا جائزہ

سال 2019 پاکستان ری انشورنس کمپنی لمیٹڈ کے لیے اچھا رہا۔ اور کاروبار کے تمام شعبے اور درجے منقطع پیش رہے اور کمپنی کے انڈر رائٹنگ (underwriting) کے نتائج میں نمایاں بہتری رہی۔

سال 2019 اور 2018 کا مالیاتی جھلکیوں کا تقابلی جائزہ درج ذیل ہے؛

روپے ملین میں (سوائے بصورت دیگر بیان کردہ)			
فیصد تبدیلی	2018	2019	
64.48	10,734	17,655	مجموعی پر بیمہ
26.39	5,464	6,905	خالص پر بیمہ
(42.46)	(2,990)	(4,259)	خالص دعوے
(14)	583	501	ضماقی بیمہ (underwriting) کا منافع
45.93	691	1,008	دیگر سرمایہ کاری سے آمدنی
14.47	62	71	کرایہ داری کی آمدنی
51.26	405	612	دیگر آمدنی
20.92	1,228	1,484	منافع بعد از محصول
46.51	24,459	35,836	کل اثاثہ جات
-	3,000	3,000	اداشدہ سرمایہ
4.47	9,408	9,829	کل ملکیتی سرمایہ
21.03	4.09	4.95	آمدنی فی حصص - روپے * دوبارہ بیان کردہ

سال 2018 کے 10,734 ملین روپے کے مجموعی پر بیمہ میں 6,921 ملین روپے یعنی 64.48 فیصد اضافے کے ساتھ زیر غور جائزہ سال میں بڑھ کر 17,655 ملین روپے ہو گیا۔ سال 2018 کے خالص پر بیمہ 5,464 ملین روپے میں 1,441 ملین روپے یعنی 26.39 فیصد اضافے سے رواں سال بڑھ کر 6,905 ملین روپے ہو گیا۔ سال 2018 کے 2,990 ملین روپے کے خالص دعووں میں 1,267 ملین روپے یعنی 42.46 فیصد اضافے کے ساتھ رواں سال بڑھ کر 4,259 ملین روپے ہو گئے۔ ضماقی بیمہ (Underwriting) کے نتیجے میں 12.63 فیصد کمی کے ساتھ 509 ملین روپے ہو گیا جبکہ سال 2018 میں 581 ملین تھا۔

معاهداتی (Treaty) کاروبار جس میں

کمپنی کے کل کاروبار کے پورٹ فولیو میں معاهداتی (Treaty) کاروبار کا 27.61 فیصد حصہ ہے۔ سال کے دوران 2018 کے 4,462 ملین روپے کے تحریر شدہ مجموعی پر بیم کے مقابلے میں 413 ملین روپے یعنی 9.21 فیصد اضافے سے رواں سال میں 4,874 ملین روپے تھا۔ خالص پر بیم سال 2018 کے 3,268 ملین روپے کے مقابلے میں رواں سال 4,033 ملین روپے رہا۔ زیر جائزہ سال کا خالص دعوے سے خالص پر بیم کا تناسب 67.61 فیصد تھا جس کا نتیجہ سال 2018 کے 224 ملین روپے کے ضامنی بیمہ (underwriting) نقصان میں 32 ملین روپے یعنی 14.37 فیصد کی کمی کے ساتھ 256 ملین روپے تھا۔

اختیاری کاروبار:

آگ:

اختیاری کاروبار کے سلسلے میں، آگ کے کاروبار کی قسم کا کل پر بیم پورٹ فولیو میں 14.86 فیصد حصہ ہے۔ سال کے دوران مجموعی پر بیم جو تحریر کیا گیا 1,899 ملین روپے تھا اس کے مقابلے میں 2018 میں 1,634 ملین روپے تھا جس میں 265 ملین روپے یعنی 16.22 فیصد اضافہ ہوا۔ خالص پر بیم سال 2018 کے 1,338 ملین روپے کے مقابلے میں 1,357 ملین روپے تھا۔ زیر غور سال کے لیے خالص دعوے سے خالص پر بیم کا تناسب 43.19 فیصد تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 404 ملین روپے تھا جو سال 2018 میں 284 ملین روپے تھا جس میں 120 ملین روپے یعنی 42.25 فیصد اضافہ ہوا۔

بحری ترسیل بار برداری (Marine Cargo) اور جہاز کا ڈھانچہ (Hull):

اختیاری کاروبار کے دیگر سلسلے میں بحری ترسیل بار برداری اور جہاز کے ڈھانچے کی قسم کے کاروبار کا کل پر بیم پورٹ فولیو میں 4.20 فیصد حصہ ہے۔ سال کے دوران مجموعی پر بیم 537 ملین روپے اور اس کے مقابلے میں سال 2018 میں 150 ملین روپے تھا اس میں 387 ملین روپے کا یعنی 258 فیصد اضافہ رہا۔ خالص پر بیم 208 ملین روپے رہا اس کے مقابلے میں سال 2018 میں 103 ملین روپے تھا۔ زیر غور سال کے لیے خالص دعوے سے خالص پر بیم کا تناسب 15.34 فیصد تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 140 ملین روپے تھا جو سال 2018 میں 37 ملین روپے تھا جس میں 103 ملین روپے یعنی 278 فیصد اضافہ ہوا۔

ہوا بازی (Aviation):

اختیاری کاروبار کے دیگر سلسلے میں ہوا بازی کی قسم کے کاروبار کا کل پر بیم پورٹ فولیو میں 26.84 فیصد حصہ ہے۔ سال کے دوران مجموعی پر بیم جو تحریر کیا گیا 3,431 ملین روپے تھا اس کے مقابلے میں 2018 میں 1,401 ملین روپے تھا جس میں 2,030 ملین روپے یعنی 144.90 فیصد اضافہ ہوا۔ خالص پر بیم 325 ملین روپے رہا اس کے مقابلے میں سال 2018 میں 154 ملین روپے تھا۔ زیر غور سال کے لیے خالص دعوے سے خالص پر بیم کا تناسب 140 فیصد تھا جس کا نتیجہ انڈر رائٹنگ کا نقصان 165 ملین روپے تھا جبکہ سال 2018 میں 101 ملین روپے کا منافع تھا جس میں 64 ملین روپے یعنی 63.92 فیصد اضافہ ہوا۔

حادثات

اختیاری کاروبار کے دیگر سلسلے میں۔ حادثات اور صحت کی قسم کے کاروبار کا کل پر بیمہ پورٹ فولیو میں 2.05 فیصد حصہ ہے۔ سال کے دوران مجموعی پر بیمہ جو تحریر کیا گیا 263 ملین روپے تھا اس کے مقابلے میں 2018 میں 193 ملین روپے تھا جس میں 70 ملین روپے یعنی 36.27 فیصد اضافہ ہوا۔ خالص پر بیمہ سال 2018 کے 163 ملین روپے کے مقابلے میں 264 ملین ہو گیا جس میں 101 ملین روپے کا اضافہ ہوا۔ زیر غور سال کے لیے خالص دعوے سے خالص پر بیمہ کا تناسب 51.88 فیصد تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 73 ملین روپے تھا جو سال 2018 میں 48 ملین روپے تھا جس میں 25 ملین روپے یعنی 52.08 فیصد کا اضافہ ہوا۔

انجینئرنگ

اختیاری کاروبار کے دیگر سلسلے میں انجینئرنگ کی قسم کے کاروبار کا کل پر بیمہ پورٹ فولیو میں 52.04 فیصد حصہ ہے۔ سال کے دوران مجموعی پر بیمہ جو تحریر کیا گیا 6,651 ملین روپے تھا اس کے مقابلے میں 2018 میں 2,895 ملین روپے تھا جس میں 3,756 ملین روپے یعنی 130 فیصد اضافہ ہوا۔ خالص پر بیمہ سال 2018 کے 437 ملین روپے کے مقابلے میں 718 ملین ہو گیا جس میں 281 ملین روپے یعنی 39.14 فیصد اضافہ۔ زیر غور سال کے لیے خالص دعوے سے خالص پر بیمہ کا تناسب 45 فیصد تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 314 ملین روپے تھا جو سال 2018 میں 380 ملین روپے کا منافع تھا جس میں 66 ملین روپے یعنی 17.37 فیصد کا اضافہ ہوا۔

سرمایہ کاری سے آمدن

زیر جائزہ سال کے دوران، سرمایہ کاری اور دیگر آمدنی نے کمپنی کے مالی معاملات میں 1,008 ملین روپے کا حصہ ڈالا اس کے مقابلے میں 2018 میں 691 ملین روپے تھا۔

کمپنی کے اثاثہ جات

31 دسمبر 2019 پر کمپنی کے کل اثاثہ جات 35,844 ملین روپے جبکہ گذشتہ سال یہ 24,459 ملین روپے تھے، جس میں 11,385 ملین روپے یعنی 46.55 فیصد کا اضافہ تھا۔

دعووں کا تصفیہ (Claims Settlement):

کمپنی کی بلند ترین ترجیح دعووں کے بروقت تصفیہ اور گاہکوں کا اطمینان ہے جس نے معزز گاہکوں کا اعتماد کی تشکیل میں مدد دی اور تجارتی ساکھ حاصل کی۔ سال 2018 میں 54.72 فیصد کے کل دعووں سے خالص پر بیمہ کا تناسب کے مقابلے میں رواں سال 61.68 فیصد رہا۔

لاگت میں کمی کے اقدامات

زیر جائزہ سال کے دوران انتظامی اخراجات 894 ملین روپے تھے جبکہ گذشتہ سال کے دوران 844 ملین روپے تھے جس میں صرف 6 فیصد اضافے کا اندراج کر رہی ہے۔ یہ اضافہ بنیادی طور پر بعد از ملازمت (post-retirement) کے فوائد میں اضافے سے بڑھا۔ سال 2019 میں انتظامی اخراجات، خالص پر بیمہ کا 12.95 فیصد تھا اس کے مقابلے میں یہ 2018 میں 15.46 فیصد تھا۔ آنے والے دنوں میں انتظامیہ کی کوشش ہوگی کہ لاگتوں کو خالص پر بیمہ کی فیصد کو کم کرنے کی کوشش کو جاری رکھے گی۔

محاسبین (Auditors) کا تبصرہ

سال 2018 کی آڈٹ رپورٹ چند سیڈنگ کمپنیوں سے قابل وصولی رقم کی عدم وصولی پر IBNR کی مختص (provisioning) کرنے سے متعلق کچھ تحفظات کا اظہار کیا گیا تھا۔ تاہم محاسبین نے اپنی سال 2019 کی رپورٹ میں غیر معیاری رائے دی ہے۔

محاسبین نے کمپنی کا سندھ ریونیو بورڈ اور اولڈ ایج بینیفٹ انسٹیٹیوشن کے ساتھ تنازع کے معاملات پر زور دیا ہے جیسا کہ مالیاتی دستاویزات کے نوٹ 31 میں ظاہر کیا گیا ہے۔

پبلک سیکٹر کاروبار

کمپنی نیشنل انشورنس کمپنی لمیٹڈ کے ری انشورنس کرنے والی کمپنی کے طور پر کام کرتی ہے۔ اس میں شامل چند اعلیٰ شہرت کے اکاؤنٹس ہیں مثلاً PSO، PARCO، PIA، KSEW، PNSC، PPL، OGDC، پبلک سیکٹر کے توانائی کے منصوبے وغیرہ شامل ہیں۔ زیر جائزہ سال کے دوران، کمپنی کی پبلک سیکٹر کاروبار سے مجموعی مالگڈ اری (revenues) 4,353 ملین روپے سے بڑھ کر 10,203 ملین روپے ہو گئی تھی جس میں 134 فیصد اضافہ ہوا۔

ری انشورنس کے انتظامات

PRCL کے پاس اضافی ری انشورنس کے نقصان کے انتظامات ہیں اور دنیا کے معروف ری انشورنس کرنے والی کمپنیوں سے تعلقات ہیں جیسا کہ ہانور ری (S&P کی AA- درجہ بندی)، XL ری (S&P کی AA- درجہ بندی)، پارٹنری (S&P کی A+ درجہ بندی) اور کورین ری (S&P کی A درجہ بندی) وغیرہ وغیرہ۔ کمپنی بہتر طور پر تیار کردہ پروگرام کے ذریعے خطرے کو قائم رکھنے کی بہتر پالیسی پر عملدرآمد کرتی ہے۔ کمپنی کے ری انشورنس کا احاطہ کی بنیاد خطرے کے مقام پر کمپنی کی شمولیت، اس کا جمع ہونا اور اس کا ارتکاز (concentration) ہے۔

E.C.O. ری انشورنس کمپنی

10 فروری 2010 پر اسلام آباد (پاکستان) میں E.C.O. ری انشورنس کمپنی کا آرٹیکل آف ایگریمنٹ (AoA) تین رکن ریاستوں، اسلامی جمہوریہ پاکستان، اسلامی جمہوریہ ایران اور ترکی کے نمائندگان کے درمیان دستخط ہوئے۔ AoA کی مزید منظوری رکن حکومتوں نے دی اور آخری منظوری ترکی نے 22 نومبر 2017 میں دی۔ کمپنی کا مقصد موجودہ ری انشورنس کی خدمات کو بڑھانا، انڈر رائٹنگ (underwriting) اور قائم رکھنے کی صلاحیتوں کی نمونہ فروغ دینا اور خطے کی معاشی ترقی میں معاونت کرنا ہے۔

کمپنی کا منظور شدہ سرمایہ تیس ملین امریکی ڈالر ہو گا جو دس ہزار امریکی ڈالر فی حصص کی مالیت کے تین ہزار حصص پر مشتمل ہو گا اور تینوں ملکوں کے اداروں میں مساوی طور پر تقسیم ہو گا۔ PRCL کی جانب سے ECO ری انشورنس کمپنی میں کوئی بھی سرمایہ کاری بورڈ کے ناظمین، حصص کنندگان / AGM کی منظوری اور کمپنیز ایکٹ 2017 کے شق 199 کی تعمیل سے مشروط ہو گا۔

کریڈٹ درجہ بندی

کمپنی کی سال 2019 کی درجہ بندی میسرز JCR-VIS نے کی ہے۔ کمپنی کی دوبارہ تفویض کردہ درجہ بندی ”AA“ تھی اور مستقبل کا منظر نامہ (outlook) مستحکم تھا۔ درجہ بندی کے معیار کے پیمانے اور تعریف کے مطابق ”AA“ درجہ بندی کریڈٹ رسک کی انتہائی کم توقع ظاہر کرتا ہے، اور یہ مالی ادائیگیوں کے وعدوں کی بروقت ادائیگی کی انتہائی مستحکم استعداد کی نشاندہی کرتی ہے اور کسی ممکنہ واقعات میں کوئی خاص عدم تحفظ (vulnerability) نہیں ہے۔

منافع بعد از محصول

کمپنی کا منافع بعد از محصول گزشتہ سال کے 1,228 ملین روپے کے مقابلے میں رواں سال 1,484 ملین روپے ہے جو 256 ملین روپے کا اضافہ دکھاتا ہے۔

مختصات (appropriations)	(روپے ملین میں)
منافع قبل از محصول	2,189
نفی: محصول	(705)
منافع بعد از محصول	1,484
جمع: غیر مختص شدہ پچھلا منافع جو آگے بڑھایا گیا	
جمع: مجموعی آمدن	
نفی: حتمی نقد منقسمہ منافع 2018 @ 20%	(600)
غیر مختص شدہ منافع جو آگے بڑھایا گیا	884

مجوزہ منقسمہ منافع

SECP کی تجاویز اور بورڈ کے ناظمین کے بیلنس شیٹ کو مستحکم کرنے اور قائم رکھنے (retention) / استعداد (capacity) میں بہتری کے فیصلوں کے پیش نظر، بورڈ آف ڈائریکٹرز نے سالانہ عام اجلاس کی منظوری کے سال 2019 کے لیے 20% منافع تجویز کیا ہے۔

آمدنی فی حصص

سال 2018 کے میں کمپنی کی آمدنی فی حصص 4.09 روپے کے مقابلے میں سال 2019 میں کمپنی کی آمدنی فی حصص کی 4.98 روپے رہی۔

ری تکافل

الحمد للہ، ری تکافل ونڈو کا آپریشن 50 ملین روپے کے آپریٹر فنڈ سے اچھی طرح سے کام کرنے کا آغاز کیا جا چکا ہے، جس میں بعد میں 300 ملین روپے تک کا اضافہ کیا جا چکا ہے اور ایک ملین کی سیڈ کی رقم شراکت داروں کی ری تکافل فنڈ میں جمع کروادی ہے۔ کیونکہ ونڈو-ری تکافل کے آپریشن کا پہلا سال تھا اس لیے پارٹیسپینٹس (Participants) کے ری تکافل فنڈ کا اختتام 36.5 ملین روپے کی کمی سے ہوا۔ تاہم آپریٹر فنڈ گذشتہ سال کے 0.078 ملین روپے کے منافع بعد از محمول کے مقابلے میں زیر غور مدت میں اس کی مالیت 9.24 ملین روپے تھی۔

(روپے)

2018	2019
-	-
-	188,319,490
-	(53,496,589)
-	(172,856,227)
144	-
144	(38,033,326)
-	1,567,004
-	471,022
-	(509,507)
144	1,528,519
-	-
144	(36,504,807)
144	144
0	(36,504,807)
144	(36,504,663)
-	53,496,589
(2,075,329)	(4,243,734)
-	(38,208,941)
(1,000,000)	-
(3,075,329)	11,043,914

مالگذاری کا کھاتہ

شراکت داروں کاری-تکافل فنڈ

مالگذاری میں خالص حصہ

وکالہ اخراجات

خالص ری تکافل کے فوائد

ری تکافل میں تخفیف (Rebate)

انڈر رائٹنگ کے نتائج

بینک میں ڈپازٹ پر منافع

منقسمہ منافع کی آمدنی

مضارب کا حصہ

سیڈ کی موصول شدہ رقم

مدت کے لیے زائد از ضرورت / (خسارہ)

جمع شدہ زائد از ضرورت

مدت کے لیے خسارہ

مالگذاری کا کھاتہ

آپریٹر کا فنڈ

وکالہ کی فیس

انتظامی اخراجات

کمیشن کے اخراجات

سیڈ کی رقم جو شراکت داروں کے ری تکافل فنڈ کو ادائیگی

(روپے)

2018	2019	
-	509,507	ری نکافل فنڈ کی سرمایہ کاری کی آمدنی میں مضارب کا حصہ
-	83,277	منقسمہ منافع کا منافع
3,184,311	1,378,609	بینک ڈپازٹ پر منافع
108,988	13,015,307	منافع قبل از محصول
(30,517)	(3,774,439)	محصول
78,471	9,240,868	مدت کا منافع
0	78,471	نفع اور نقصان کی تخصیص (appropriation) کا کھاتہ
78,471	9,240,868	مدت کے آغاز پر بقایا جات
78,471	9,319,339	مدت کا منافع

ملازمین کی فلاح و بہبود

کمپنی کے پاس ملازمین کی فلاح و بہبود کا فراہم کرنے کا فنڈ موجود ہے جس کے تحت چھ ملازمین کو ہر سال حج پر بھیجا جاتا ہے۔ اس کے علاوہ کمپنی (a) کمپنی کے ملازمین کے بچوں کو قرآن حفظ کرنے پر اور سیکنڈری اور ہائر سیکنڈری تعلیم میں A+ گریڈ حاصل کرنے پر نقد انعام دیتی ہے، (b) کمپنی کے ساتھ طویل رفاقت رکھنے والے ملازمین کے لیے معاوضہ بعد از ملازمت (pension) اور (c) دوران ملازمت انتقال کرنے والے ملازمین کے اہل خانہ کے لیے تدفین اور علاجی کا ٹیکس دیا جاتا ہے۔

بورڈ کی ساخت اور کمیٹیاں

بورڈ کی ساخت لسٹڈ کمپنیز کے ادارتی نظم و ضبط 2019، پبلک سیکٹر کمپنیز (کوڈ آف کارپوریٹ گورننس) 2013 اور کارپوریٹ گورننس برائے بیہ ساز اداروں، 2016، جس کا اجراء سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، کے مطابق ہے۔

مضبوط اندرونی کنٹرول کے نظام اور ادارتی نظم و ضبط کے ضابطے کی موثر نفاذ کو یقینی بنانے کے لیے، بورڈ نے متعدد کمیٹیاں تشکیل دی ہیں جن کی تعداد سات (7) ہیں۔ ان میں بورڈ کی تین (3) کمیٹیاں اور انتظامیہ کی چار (4) کمیٹیاں شامل ہیں۔ تمام کمیٹیوں کی ساخت اس رپورٹ میں علیحدہ سے ادارتی معلومات کے حصے میں پیش کی گئیں ہیں۔

مستقبل کا منظر نامہ

ملک کا کاروباری ماحول مسلسل مسائل کا شکار رہا۔ کئی معیشت (macroeconomic) کا ماحول، بلند تر افراط زر، متعدد مراحل میں کرنسی کی قدر میں کمی کی وجہ سے کاروبار کے حالات زیادہ محنت کا تقاضہ کر رہے ہیں۔ مسائل کے باوجود، کمپنی حصص کنندگان کی قدر میں اضافے کے لیے پرعزم ہے اور اس کی توجہ دونوں طرح یعنی معاہداتی (treaty) اور اختیاری (facultative) کاروبار کے اضافے پر مرکوز ہے۔ ری تکافل (Re-takaful) کا آپریشن بھی کمپنی کی آمدنی میں اضافہ کرے گا۔ متعین آمدنی (fixed income) کی مالیاتی دستاویزات پر بلند تر منافع کی بنیاد کو مد نظر رکھتے ہوئے، کمپنی کا متعین آمدنی (fixed income) کا پورٹ فولیو زیادہ منافع لائے گا جبکہ ہم اپنے ملکی سرمایے (equity) کے پورٹ فولیو کی کارکردگی کے بارے میں محتاط طور پر پر امید رہیں گے۔ اس بات کا اندازہ لگایا جا چکا ہے کہ کورونا کی وبا کمپنی کے آپریشن کو متاثر نہیں کرے گی ماسوائے اسٹاک کی قیمتیں کم ہونے کی وجہ سے سرمایہ کاری کی قدر میں کمی کے۔ مجموعی طور پر کمپنی کے اپنے کاروبار کی کارکردگی کی آگے بڑھنے کا پر امید منظر نامہ پیش کرتی ہے۔

اندرونی نگرانی (Internal Controls)

کمپنی میں بورڈ کا تشکیل کردہ محاسب کا شعبہ، جو بیرونی آڈٹ فنکشن کے تحت نہیں ہے، کے ذریعے سے اندرونی نگرانی کا ڈھانچے کا موثر نفاذ کیا جا چکا ہے۔ محاسبہ کمپنی کی متعین کردہ ہدایات کے تحت اندرونی محاسبے کے شعبے نے اپنی ذمہ داریاں شروع کر دی ہیں۔ محاسبہ کمپنی اندرونی محاسبہ رپورٹ کا جائزہ لے چکی ہے اور جہاں ضروری ہو مناسب قدم اٹھایا۔ بیرونی اور اندرونی محاسبین میں تعاون کی سہولت فراہم کی گئی ہے تاکہ بہتر کارکردگی کو یقینی بنایا جائے اور کمپنی کے مقاصد کو پورا کیا جاسکے بشمول معتبر مالیاتی رپورٹنگ نظام اور قوانین اور ضوابط کی تعمیل بھی کی جاسکے۔

خطرے سے انتظام کی پالیسی (Risk Management Policy)

کمپنی نے خطرے کے انتظام کی پالیسی کی تشکیل اور اس کا نفاذ کر چکی ہے جو کمپنی کے جاری رہنے (existence) کے امکان کو درپیش بڑے خطرات کی نشاندہی کرتی ہے۔ کمپنی کی خطرے کا انتظام کی کاروبار سے متعلق خطرے کی حکمت عملی (approach) معیار اور مقدار سے متعلق کی قدر پذیری (evaluation) پر مشتمل ہے اور اس سے متعلق خطرے کو کم سے کم کیا جاسکے۔ بورڈ، ایک تفصیلی خطرے کے انتظام کی پالیسی کی منظوری دے چکا ہے جس کا وقتاً فوقتاً جائزہ لیا جاتا ہے۔ خطرے کو کم کرنے کے طریقے اور اقدامات تیار کیے جا چکے ہیں اور ہدایات میں وضاحت سے بیان کیا جا چکا ہے۔

ضابطہ اخلاق

کمپنی نے ضابطہ اخلاق تیار کیا ہے تاکہ تمام ملازمین کے اخلاقی رویے اور سالمیت کو یقینی بنایا جاسکے۔ کمپنی کے تمام آپریشنز ضابطہ اخلاق کی سختی سے تعمیل کرتے ہوئے جائز اور شفاف طریقے سے کئے جاتے ہیں۔

ناظمین کا تربیتی پروگرام

کمپنی کے تمام ناظمین، "ناظمین کے تربیتی پروگرام" کے تحت مستند ناظمین ہیں۔

ناظمین کی مشاہدہ پالیسی

بورڈ کی تجویز پر ناظمین کا مشاہدہ کی منظوری حصص کنندگان کے سالانہ عام اجلاس میں کیا جاتا ہے۔

بورڈ کے ناظمین کا کارکردگی کی قدر پندیری (Evaluation)

پبلک سیکٹر کارپوریشن گورننس، رولز 2013 کے رول 8 اور بورڈ کی منظور کردہ پالیسی کے تحت، CEO، بورڈ کے نامزد ناظمین کی کارکردگی کا جائزہ وفاقی گورنمنٹ لیتی ہے اور آزاد ناظمین کی کارکردگی کا جائزہ بورڈ کے چیئرمین لیتے ہیں۔ قدر پندیری کا ڈھانچہ، بورڈ کے ہر انفرادی ارکان کے ماہیتی (qualitative) تجزیے پر مشتمل ہے۔

متعلقہ فریق کے لین دین

بورڈ کے ناظمین ہر بورڈ کے اجلاس میں کمپنی کی شریک کمپنیوں / متعلقہ فریقوں کے لین دین کی منظوری دیتے ہیں۔ تمام متعلقہ فریقوں سے کئے گئے تمام لین دین متعین حدود کی بنیاد پر کئے گئے ہیں۔

ملکیت

31 دسمبر 2019 پر کمپنی کے رکارڈ پر 2,609 حصص کنندگان موجود ہیں۔

حصص رکھنے کا رجحان

31 دسمبر 2019 پر کمپنی کے حصص رکھنے کا رجحان بمع ضروری معلومات کے اس رپورٹ کے آخر میں دستیاب ہے۔

اداراتی اور مالیاتی رپورٹنگ کے ڈھانچے کا بیان

PRCL ایک مندرجہ (listed) کمپنی ہے اور لسٹڈ کمپنیز کے (اداراتی نظم و ضبط کے قواعد)، 2019 اور دیگر تمام لسٹڈ قواعد کی پابندی کرتی ہے۔ کمپنی پبلک سیکٹر ادارہ بھی ہے اور پبلک سیکٹر کمپنیز (اداراتی نظم و ضبط کے ضوابط) قوانین 2013 اور اداراتی نظم و ضبط کے ضابطہ برائے انشوررز 2016 کے تحت کام کرتی ہے۔ ڈائریکٹرز تمام رپورٹنگ اور معلومات کو افشا کرنے کی ضروریات جو کمپنیز ایکٹ 2017، انشورنس آرڈیننس 2000 اور ان کے تحت بنائے گئے قوانین کی تعمیل کی تصدیق کرتے ہیں۔ ڈائریکٹرز SECP کے اداراتی گورننس کے ضابطے کے اداراتی اور مالیاتی رپورٹنگ کے مندرجہ ذیل ڈھانچے کی تعمیل کی تصدیق کرتے ہیں:-

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اس کے معاملات کی حالت، عملی امور کے نتائج، کیش فلو اور ملکیتی سرمایہ (equity) میں تبدیلی بہتر طور پر پیش کرتے ہیں۔
- کمپنی نے موزوں کھاتوں کی کتابیں (Books of Accounts) قائم رکھی ہوئی ہیں۔
- کمپنی نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب عملی پالیسیاں یکساں طور پر اپنائی گئی ہے، تبدیلیوں کو مناسب طور پر ظاہر کیا گیا ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط پر رکھی ہے۔
- پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیار، کمپنیز ایکٹ 2017، انشورنس آرڈیننس 2000 اور سیکیورٹیز ایکٹیویشن کمیشن (انشورنس) قوانین 2017 کی ضروریات کے مطابق عمل کرتے ہوئے مالیاتی گوشوارے تیار کئے گئے ہیں۔
- اندرونی نگرانی کا نظام موجود ہے اندرونی آڈٹ کا شعبہ پوری طرح کام کر رہا ہے۔
- کمپنی کے کاروبار کے جاری رہنے والے ادارے کے طور پر کوئی ابہام نہیں ہے۔

g. لسٹڈ کمپنیز کے ادارتی نظم و ضبط کا ضابطہ 2019 جیسا کہ لسٹنگ ریگولیشن میں درج ہے اور پبلک سیکٹر کمپنیز (ادارتی نظم و ضبط کا ضابطہ) 2013 برائے انشوررز 2016 میں درج بہترین پریکٹسز سے کسی قسم کا مادی انحراف نہیں کیا گیا ہے۔

h. ڈائریکٹرز کے تربیتی پروگرام کے تحت تمام ڈائریکٹرز تعلیم یافتہ ہیں۔

i. نو منتخب ڈائریکٹرز کو متعلقہ قوانین اور ان کی ذمہ داریوں کے بارے آگاہی کا تعارفی پروگرام کیا گیا تھا۔

j. کمپنی کی نیشنل انویسٹمنٹ ٹرسٹ لمیٹڈ (NITL) میں 8.34 فیصد کی حصصی شراکت داری ہے اور اس طرح سے اس کے ڈائریکٹرز میں سے ایک، جو PRCL کے موجودہ CEO ہیں، کے ذریعے سے NITL کے بورڈ میں نمائندگی ہے۔

k. چیرمین اور دیگر بورڈ کے ارکان کے انتخاب اور ان کے انتخاب کی شرائط کے ساتھ ساتھ ان کے مشاہرہ پالیسی کو کمپنی کے بہترین مفاد اور بہترین پریکٹسز کو مد نظر رکھتے ہوئے اختیار کیا گیا ہے۔

l. نان ایکزیکوٹو ڈائریکٹرز کا متعین معاوضہ نہیں ہے اور ان کو ہر اجلاس میں شرکت کی ایک متعین فیس ادا کی جاتی ہے۔ چیف ایکزیکوٹو، ڈائریکٹرز اور ایکزیکوٹوز پر لاگو معاوضے علیحدہ سے رپورٹ میں دیے گئے ہیں۔

m. گزشتہ 6 سالوں کے کلیدی آپرٹنگ اور مالیاتی اعداد و شمار کا خلاصہ علیحدہ سے اس رپورٹ میں شامل ہے۔

n. حصص رکھنے کے رجحان کا بیان علیحدہ سے اس رپورٹ میں شامل ہے۔

o. وظیفہ بعد از ملازمت (pension)، گریجویٹ اور پراویڈنٹ فنڈ کی سرمایہ کاری کی مالیت درج ذیل ہے؛

(روپے ملین میں)

2018	2019	پینشن اور گریجویٹ فنڈ
930.581	931.448	
431.080	447.665	عام پراویڈنٹ فنڈ / پراویڈنٹ فنڈ

بورڈ کے ناظمین اجلاس اور حاضری

سال 2019 میں بورڈ نے متعدد کمیٹیاں تشکیل دیں، اور منعقدہ اجلاس اور ہر ڈائریکٹر کی حاضری کی تفصیلات درج ذیل ہیں

پروڈیکٹ منٹ کمیٹی	سرمایہ کاری کمیٹی	رہنما مینٹ اور تعمیل کمیٹی	دعوت کے تصفیہ کمیٹی	انڈر رائٹنگ / آری انشورنس کمیٹی	ضابطہ اخلاق / انسانی وسائل / مشاورہ کمیٹی	آڈٹ کمیٹی	بورڈ آف ڈائریکٹرز	
1	5	3	4	4	5	5	12	اجلاس کی تعداد
اجلاس میں شرکت کی تعداد								ناظمین کے نام
--	4	--	--	3	--	--	11	جناب شہاب انور خواجہ، چیئر مین
--	2	--	--	--	--	--	6	جناب نکیل احمد منگنیو CEO
--	5	--	--	4	5	5	12*	جناب عبدال سمیع کبیر
--	5	1	4	--	3	5	12	جناب ممتاز علی راجپر
--	2	--	--	--	4	2	9	جناب مشتاق احمد مہر
1	5	2	--	1	--	3	11	جناب مصلح الدین
1	--	--	3	--	2	2	7	ڈاکٹر ناظم لطیف
--	--	--	1	--	1	--	1	جناب تیمور تجمل

* جناب عبدال سمیع کبیر نے بورڈ کے چیئر مین کے طور پر آخری اجلاس میں شرکت کی

جو ڈائریکٹرز اجلاس میں شرکت نہ کر سکے اور انہوں نے اس کی پیشگی اطلاع دے دی تھی، بورڈ نے ان کی اجلاس سے غیر حاضری کی رخصت کی منظوری دے دی تھی۔

بورڈ آف ڈائریکٹرز کی تبدیلی

زیر غور مدت میں، بورڈ ہر نان ایگزیکٹو/نامزد، ایکس آفیسو (Ex-officio) ڈائریکٹرز اور CEOs جنہوں نے بورڈ میں شامل ہوئے ان کو خوش آمدید کیا اور بورڈ سے علیحدہ ہونے والے تمام ارکان کی خدمات اور کمپنی کی کامیابی میں حصہ ڈالنے کو کارڈ پر سراہتا ہے۔

قومی خزانے میں حصہ

آپ کی کمپنی نے محصولات، لیویز اور ڈیوٹیز کی مدد میں گورنمنٹ کے خزانے میں 412 ملین روپے (2018: 749 ملین روپے) جمع کروائے۔

اداراتی نظم و ضبط کی تعمیل

نگرانی کرنے کے حکام کی جانب سے جاری کردہ اداراتی نظم و ضبط کے قواعد تعمیل کی گئی ہیں۔

بورڈ کی آڈٹ کمیٹی

بورڈ نے اداراتی نظم و ضبط کے ضابطے کی تعمیل کرتے ہوئے ایک آڈٹ کمیٹی تشکیل دے دی ہے اور بورڈ اس کے قواعد و ضوابط منظور کر چکا ہے۔ کمیٹی کے ارکان کے نام اداراتی معلومات کے سیکشن میں دئے گئے ہیں۔

(روپے ملین میں)

گذشتہ 6 سالوں میں کمپنی کی کارکردگی

2014	2015	2016	2017 دوبارہ بیان کیا گیا	2018 دوبارہ بیان کیا گیا	2019	
8,661	8,135	8,807	8,036	10,734	17,655	مجموعی پریمیم
4,784	5,219	5,802	5,006	5,464	6,905	خالص پریمیم
(950)	(1,101)	(1,264)	(1,148)	1,047	(1,243)	خالص کمیشن
(2,793)	(2,775)	(3,336)	(3,740)	(2,990)	(4,259)	خالص دعوے
(523)	(621)	(657)	(796)	(844)	(894)	انتظامی اخراجات
515	722	545	(677)	583	509	انڈر رائٹنگ - نفع / نقصان
1,079	935	961	3,326	691	1,008	سرمایہ کاری سے آمدنی
1,565	1,772	1,427	2,876	1,730	2,189	نفع قبل از محصول
1,244	1,377	974	2,226	1,228	1,484	نفع بعد از محصول

کمپنی کے حصص کی تجارت

ڈائریکٹرز اور اہم افسران نے کمپنی کے حصص کے لین دین نہیں کیا گیا۔

محاسبین (Auditors) کا انتخاب

سال 2019 کے لیے کمپنی کی مالیاتی دستاویزات کا آڈٹ میسرز گرانٹ تھورنٹن انجم رحمان، چارٹرڈ اکاؤنٹینٹس، کرپکے ہیں۔ اس بات کے اہل ہونے کی وجہ سے انہوں نے سال 2020 کے لیے اپنا نام بطور بیرونی محاسبین کے پیش کیا ہے۔ بورڈ کے ناظمین نے آڈٹ کمیٹی کی سفارش پر میسرز گرانٹ تھورنٹن انجم رحمان، چارٹرڈ اکاؤنٹینٹس، کے سال 2020 کے لیے ان کی بطور بیرونی آڈیٹرز کے انتخاب کی منظوری کی تجویز دی ہے۔

بیرونی آڈیٹرز نے اس بات کی توثیق کی ہے کہ انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان کے معیار کی نگرانی کے جائزہ پروگرام کے تحت ان اطمینان بخش درجہ بندی دی گئی ہے اور اس کے تمام شرائط داروں انٹرنیشنل فیڈریشن آف اکاؤنٹینٹس (IFAC) کے ضابطہ اخلاق، جس انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان نے بھی اپنا رکھا ہے، کو ان میں دی گئی ہدایات کی تعمیل کرنے والے ہیں۔

ستاکش

آخر میں آپ کے ڈائریکٹرز تمام انشورنس کمپنیوں، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کا ان کی حمایت اور رہنمائی کا شکریہ ادا کرنا چاہتے ہیں۔ ہم کمپنی کے افسران اور عملے کے سخت محنت اور ان کی لگن کو بھی سراہتے ہیں۔

بورڈ آف ڈائریکٹرز کے لیے اور ان کی جانب سے

چیرمین / ڈائریکٹر

Notice of the 20th Annual General Meeting

Notice is hereby given that the 20th Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on May 28, 2020 at 11:00am, at Jasmine Hall, Ground Floor, Beach Luxury Hotel, Karachi to transact the following business :-

ORDINARY BUSINESS:

1. To confirm the Minutes of the last General Meeting of the Company held on 31st December, 2019.
2. To consider and adopt the audited Annual Accounts of the Company for the year ended 31st December, 2019 and the reports of Directors and Auditors thereon.
3. To consider and approve the payment of final dividend @20%. That is Rs. 2 per ordinary share of Rupees Ten (10.00) for the year ended 31st December 2019.
4. To appoint M/s. Grant Thornton Anjum Rahman (Chartered Accountants) as Auditors of the Company for the year ending 31st December 2020 and fix their remuneration.
5. To consider any other business with the permission of Chair.

By Order of the Board

(Shams-ud-Din)
Company Secretary

Place: Karachi.

Dated: 7 May, 2020.

NOTES:

1. The share transfer books of the company shall remain closed for eight days i.e. from 21st May, 2020 to 28th May 2020 (both days inclusive), no transfer will be accepted for registration during the period.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. A proxy must be deposited at the Company not less than 48 hours before the meeting and in case of default, form of proxy will not be treated as valid.
3. CDC Accountholders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

- i. In the case of individuals, the accountholder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In the case of corporate entity, the Board of Director's Resolution / Power of attorney with specimen signature of the nominee, shall be produced (Unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

- i. In the case of individuals, the account holder or sub accountholder and/or the person whose securities are in a group and their registration details are uploaded as per the CDC Regulation, shall submit the proxy form (provided at Company's website) as per the above requirement.
- ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- iii. Attested copies of the CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iv. The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- v. In the case of corporate entity, the Board of Directors' Resolution/Power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
4. Shareholders are requested to communicate to Company's Share Registrar, M/s. CDC Pakistan Limited, CDC House, 99-B, Block-B, SMCHS, Main Shahrah-e-Faisal, Karachi, in case of any change in their address and provide the Zakat Declaration / Tax exemption certificate (if any), immediately along with contact details.

5. VIDEO CONFERENCE FACILITY

Pursuant to Section 132(2) of the Companies Act 2017, if the Company receives consent from members holding in aggregate 10% or more shareholding residing at geographical location, to participate in the meeting through video conference at least 7 days prior to the date of meeting, the Company will arrange video conference facility in that city subject to availability of such facility in that city.

6. PAYMENT OF CASH DIVIDEND ELECTRONICALLY-COMPULSORY

Members of the Company are hereby requested to comply with the provisions of Section 242 of the Companies Act, 2017 and provide the particulars of their bank accounts through E-Dividend Form (annexed at the end of annual report as well as available at Company's website i.e., www.pakre.org.pk) as dividends payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders instead of, through issuance of Dividend Warrants. In the absence of bank account details or in case of incomplete details, the Company will be constrained to withhold the payment of cash dividend of those shareholders who have not provided the same.

7. AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON COMPANY'S WEBSITE

The audited financial statements of the Company for the year ended December 31, 2019 have been placed at the Company's website www.pakre.org.pk

اطلاع برائے 20 سالانہ اجلاس عام

(B) نامزد نمائندوں کی تقرری

(i) انفرادی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور/یا وہ شخص جس کی سیکورٹیز گروپ اکاؤنٹ میں ہیں اور جن کی رجسٹریشن کی تفصیلات CDC کی شرائط کے مطابق آپ لوڈ کی جا چکی ہیں، مندرجہ بالا شرائط کے مطابق نامزدگی کا فارم (Proxy) جمع کروائیں گے، جو کمپنی کی ویب سائٹ پر جاری کر دیا گیا ہے۔

(ii) نامزدگی کے فارم پر دو گواہان کے دستخط ہوں گے جن کے نام، پتے اور CNIC نمبر فارم پر موجود ہوں گے۔

(iii) نامزدگی کے فارم (Proxy) کے ساتھ اصل ماکان اور نامزد نمائندہ کے کپیڈ ٹرانزڈ قومی شناختی کارڈ (CNIC) یا پاسپورٹ کی تصدیق شدہ نقول جمع کرانی جائیں۔

(iv) نامزد کردہ نمائندہ اجلاس میں شرکت کے وقت اپنا اصلی کپیڈ ٹرانزڈ قومی شناختی کارڈ (CNIC) یا اصلی پاسپورٹ پیش کرے گا/گی۔

(v) کاروباری ادارے کی صورت میں ڈائریکٹرز کی قرارداد اختیار نامہ نامزد کردہ شخص کے دستخط کے نمونے کے ساتھ پیش کرنا ہوگا۔ (اگر پہلے نامزدگی کے فارم (Proxy) کے ہمراہ کمپنی کو فراہم نہ کیا جا چکا ہو)۔

4- شیئر ہولڈرز سے درخواست کی جاتی ہے کہ اپنے پتے میں کسی بھی تبدیلی سے فوری طور پر ہمارے شیئر رجسٹرار میسرزی ڈی سی پاکستان لمیٹڈ، ڈی سی ہاؤس، 99-B، بلاک B، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی سے رابطہ کریں اور رابطہ کی تفصیلات کے ساتھ ڈی سی کوئی ٹیکس سے استثناء کا سرٹیفکیٹ (اگر کوئی ہو) فوراً فراہم کریں۔

5- وڈیو کانفرنس کی سہولت

کمپنیز ایکٹ 2017 کے سیکشن 132(2) کے مطابق اگر کمپنی کو کسی مخصوص جغرافیائی مقام پر ہڈ پش پیر، مجموعی شیئر ہولڈنگ کے 10 فیصد تناسب کے حامل ممبران کی جانب سے اجلاس کے انعقاد کی تاریخ سے کم از کم 07 روز قبل وڈیو کانفرنس کے ذریعے اجلاس میں شرکت کی رضامندی موصول ہو جاتی ہے تو ایسی صورت میں کمپنی اس شہر میں وڈیو کانفرنس کی سہولت کا انتظام کرے گی، جو اس شہر میں وڈیو کانفرنس سہولت کی دستیابی سے شروط ہے۔

6- نقد ڈیویڈنڈ کی الیکٹرانک طریقے سے ادائیگی۔ لازمی تقاضا

کمپنی کے ممبران سے بذریعہ انڈاگراش کی جاتی ہے کہ وڈیویز ایکٹ 2017 کے سیکشن 242 پر عمل درآمد کریں اور اپنے بینک اکاؤنٹ کی تفصیلات بذریعہ ای ڈیویڈنڈ فارم (جو سالانہ رپورٹ کے ساتھ منسلک ہے اور اس کے ساتھ ساتھ کمپنی کی ویب سائٹ www.pakre.org.pk پر بھی دستیاب ہے) فراہم کریں کیونکہ نقد ڈیویڈنڈ کی ادائیگی ڈیویڈنڈ وارنٹس کے اجراء کے بجائے الیکٹرانک طریقے سے متعین کردہ بینک اکاؤنٹس میں الیکٹرانک طریقے سے براہ راست کی جائے گی۔ بینک اکاؤنٹ کی تفصیلات کی عدم موجودگی یا نامطلوبہ تفصیلات کی صورت میں کمپنی ایسے شیئر ہولڈرز کے نقد ڈیویڈنڈ کی ادائیگی روکنے کی پابند ہوگی جنہوں نے مذکورہ تفصیلات فراہم نہ کی ہوں

7- آڈٹ شدہ مالیاتی گوشواروں کی کمپنی کی ویب سائٹ پر دستیابی

31 دسمبر، 2019 کو ختم ہونے والے سال کے لئے کمپنی کے آڈٹ شدہ مالیاتی گوشواروں کی تفصیل کمپنی کی ویب سائٹ www.pakre.org.pk پر آڈین اس کر دی گئی ہے۔

بذریعہ مطلع کیا جاتا ہے کہ پاکستان ری انشورنس کمپنی لمیٹڈ (PRCL) کا 20 سالانہ اجلاس عام بمقام ٹیمین ہال، گراؤنڈ فلور، بیچ گلوری ہوٹل، کراچی میں 28 مئی، 2020 صبح 11:00 بجے مندرجہ ذیل کارروائی پر عمل درآمد کے لئے منعقد ہوگا:

عمومی کارروائی

- 1- کمپنی کے 31 دسمبر، 2019 کو منعقد ہونے والے گزشتہ سالانہ اجلاس عام کی کارروائی کی توثیق۔
- 2- 31 دسمبر، 2019 کو ختم ہونے والے سال کے آڈٹ شدہ سالانہ اکاؤنٹس بمعہ ڈائریکٹرز اور آڈیٹرز کی رپورٹ کی وصولی اور ان پر غور و خوض۔
- 3- فیصد حتمی ڈیویڈنڈ کی ادائیگی پر غور اور اس کی منظوری دینا جو کہ 31 دسمبر، 2019 کو ختم ہونے والے سال کے لئے فیصد کے حساب سے 10 روپے کے عمومی شیئر پر روپے فی شیئر ہے۔
- 4- 31 دسمبر، 2020 کو ختم ہونے والے سال کے لئے میسرز گرانٹ ٹھورنٹن انجم رحمان (چارٹرڈ اکاؤنٹنٹس) کا ایگور کمپنی آڈیٹرز تقریر اور ان کے معاہدے کے تین۔
- 5- چیئرمین کی اجازت سے کسی دیگر کارروائی پر غور و خوض۔

تکلم بورڈ

(محس الدین)

کمپنی سیکریٹری

مقام: کراچی

تاریخ: 07 مئی، 2020

نوٹس:

- 1- کمپنی کے شیئر ٹرانسفر کے کھاتے آٹھ روز کے لئے یعنی 21 مئی، 2020 سے 28 مئی، 2020 تک بند رہیں گے (دونوں ایام شامل ہیں)۔ اس دوران رجسٹریشن کے لئے کوئی ٹرانسفر قابل قبول نہیں ہوگا۔
- 2- سالانہ اجلاس میں حاضر ہونے اور ووٹ دینے کا حق دار کوئی بھی ممبر کسی دوسرے ممبر کو اجلاس میں حاضر ہونے اور ووٹ دینے کے لئے اپنی/اپنا نمائندہ مقرر کر سکتا ہے۔ نمائندوں کے باضابطہ تقرر نامے اجلاس سے کم از کم 48 گھنٹے پہلے جمع کرانے ہوں گے، تاہم نامی کی صورت میں پر کسی فارم فعال نہیں سمجھے جائیں گے۔ ایک ممبر ایک سے زیادہ نمائندہ مقرر کرنے کا اہل نہیں ہے۔
- 3- ڈی سی اکاؤنٹ ہولڈرز کو مشورہ دیا جاتا ہے کہ وہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی مندرجہ ذیل ہدایات پر عمل کریں:

A- اجلاس میں شرکت کے لیے

(i) انفرادی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور/یا وہ شخص جس کی سیکورٹیز گروپ اکاؤنٹ میں ہیں اور جن کی رجسٹریشن کی تفصیلات قواعد کے مطابق آپ لوڈ کی جا چکی ہیں، کو اجلاس میں شمولیت کے موقع پر اپنی شناخت کی تصدیق کے لئے کپیڈ ٹرانزڈ قومی شناختی کارڈ (CNIC) یا اصلی پاسپورٹ پیش کرنا ہوگا۔

(ii) کاروباری ادارے کی صورت میں اجلاس میں شمولیت کے موقع پر بورڈ آف ڈائریکٹرز کی قرارداد/مقرر نامہ بمعہ نامزد کردہ شخص کے دستخط کے نمونے کے ساتھ پیش کرنا ہوگا (اگر پہلے فراہم نہ کیا جا چکا ہو)۔

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013, Listed Companies (Code of Corporate Governance) Regulations, 2019, and Code of Corporate Governance for Insurers, 2016.

Name of company
Name of the Line Ministry
For the year ended

PAKISTAN REINSURANCE COMPANY LIMITED
COMMERCE (GoP)
DECEMBER 31, 2019

i. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.

ii. The company has complied with the provisions of the Rules in the following manner:

Sr. No	Provision of the Rules	Rule No	Y	N															
			Tick the relevant box																
1	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	Y																
2	<div>The Board has at least one-third of its total members as independent directors. At present the Board includes:</div> <table><tr><th>Category</th><th>Name</th><th>Date of Appointment</th></tr><tr><td>Independent Directors</td><td>Mr. Abdul Sami Kehar</td><td>16-03-2017</td></tr><tr><td>Non-Executive Directors</td><td>Mr. Mumtaz Ali Rajper</td><td>16-03-2017</td></tr><tr><td></td><td>Mr. Musleh-ud-Din</td><td>16-03-2017</td></tr><tr><td></td><td>Mrs. Maria Kazi</td><td>30-12-2019</td></tr></table>	Category	Name	Date of Appointment	Independent Directors	Mr. Abdul Sami Kehar	16-03-2017	Non-Executive Directors	Mr. Mumtaz Ali Rajper	16-03-2017		Mr. Musleh-ud-Din	16-03-2017		Mrs. Maria Kazi	30-12-2019	3(2)		N
Category	Name	Date of Appointment																	
Independent Directors	Mr. Abdul Sami Kehar	16-03-2017																	
Non-Executive Directors	Mr. Mumtaz Ali Rajper	16-03-2017																	
	Mr. Musleh-ud-Din	16-03-2017																	
	Mrs. Maria Kazi	30-12-2019																	
3	The directors have confirmed that none of them is serving as a director on more than five public sector / Listed companies and listed companies simultaneously, except their subsidiaries	3(5)	Y																
4	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board Members under the provisions of the Act`	3(7)	Y																
5	The Chairman of the Board is working separately from the Chief Executive of the Company.	4(1)	Y																
6	The Chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government.	4(4)	Y																
7	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the chief executive has been nominated by the Government)	5(2)	Y																

Sr. No	Provision of the Rules	Rule No	Y	N
			Tick the relevant box	
8	(a) The Board has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.	5(4)	Y	
	(b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website (www.pakre.org.pk)	5(4)	Y	
	(c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	Y	
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	Y	
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b) (ii)	Y	
11	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)	Y	
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c) (ii)	Y	
13	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services	5(5) c) (iii)	Y	
14	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	Y	
15	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(7)	Y	
16	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	Not applicable	

Sr. No	Provision of the Rules	Rule No	Y	N
			Tick the relevant box	
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	Y	
18	(a) The Board has met at least four times during the year.	6(1)	Y	
	(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	Y	
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	Y	
19	The Board has monitored and assessed the performance of senior management on annual basis. And held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	Y	
20	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	Y	
21	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of the first, second and third quarter of the year as well as the financial year end.	10	Y	
	(b) In case of listed PSCs the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.	10	Y	
	(c) The Board has placed the annual financial statements on the company's website.	10	Y	
22	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	Y	
23	(a) The Board has formed the requisite committees, as specified in the Rules.	12	Y	
	(b) All the committees were provided with written terms of reference defining their duties, authority and composition.	12	Y	

Sr. No	Provision of the Rules	Rule No	Y	N																																
			Tick the relevant box																																	
	(c) The minutes of the meetings of the committees were circulated to all the board members.	12	Y																																	
	(d) The committees were chaired by the following non-executive directors:	12	Y																																	
	<table><tr><th>Sr.No</th><th>Committees</th><th>No. of Members</th><th>Name of Chair</th></tr><tr><td>1</td><td>Audit Committee</td><td>Two</td><td>Mr. Mumtaz Ali Rajper</td></tr><tr><td>2</td><td>Investment Committee</td><td>Four</td><td>Mr. Musleh-ud-Din</td></tr><tr><td>3</td><td>* Ethics, Human Resource & Remuneration Committee</td><td>Three</td><td>Mr. Abdul Sami Kehar</td></tr><tr><td>4</td><td>Underwriting / Reinsurance Committee</td><td>Two</td><td>Mr. Musleh-ud-Din</td></tr><tr><td>5</td><td>Claim Settlement Committee</td><td>Two</td><td>Mr. Mumtaz Ali Rajper</td></tr><tr><td>6</td><td>Risk Management and Compliance Committee</td><td>Two</td><td>Mr. Mumtaz Ali Rajper</td></tr><tr><td>7</td><td>Procurement Committee</td><td>Two</td><td>Mr. Musleh-ud-Din</td></tr></table>	Sr.No	Committees		No. of Members	Name of Chair	1	Audit Committee	Two	Mr. Mumtaz Ali Rajper	2	Investment Committee	Four	Mr. Musleh-ud-Din	3	* Ethics, Human Resource & Remuneration Committee	Three	Mr. Abdul Sami Kehar	4	Underwriting / Reinsurance Committee	Two	Mr. Musleh-ud-Din	5	Claim Settlement Committee	Two	Mr. Mumtaz Ali Rajper	6	Risk Management and Compliance Committee	Two	Mr. Mumtaz Ali Rajper	7	Procurement Committee	Two	Mr. Musleh-ud-Din		
	Sr.No	Committees	No. of Members		Name of Chair																															
	1	Audit Committee	Two		Mr. Mumtaz Ali Rajper																															
	2	Investment Committee	Four		Mr. Musleh-ud-Din																															
	3	* Ethics, Human Resource & Remuneration Committee	Three		Mr. Abdul Sami Kehar																															
	4	Underwriting / Reinsurance Committee	Two		Mr. Musleh-ud-Din																															
	5	Claim Settlement Committee	Two		Mr. Mumtaz Ali Rajper																															
	6	Risk Management and Compliance Committee	Two		Mr. Mumtaz Ali Rajper																															
7	Procurement Committee	Two	Mr. Musleh-ud-Din																																	
*The Board has assigned the responsibility and functions of Nomination Committee to the Ethics, HR & Remuneration Committee as per guidelines provided in COCG for Insurers, 2016.																																				
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	Y																																	
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	Y																																	
26	The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of Section 225 of the Act.	16	Y																																	
27	The Directors' Report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient features required to be disclosed.	17	Y																																	
28	The Directors, CEO and Executives or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	Y																																	
29	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.	19	Y																																	

Sr. No	Provision of the Rules	Rule No	Y	N																				
			Tick the relevant box																					
	(b) The annual report of the company contains criteria and details of remuneration of each director.	19	Y																					
30	The financial statements of Company were duly endorsed by the Chief Executive and Chief Financial Officer, before consideration and approval of the audit committee and the Board.	20	Y																					
31	<div>The board has formed an audit committee, with defined and written terms of reference and having the following members:</div> <table><tr><th>Sr.No</th><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr><tr><td>1</td><td>Mr. Mumtaz Ali Rajper</td><td>Non-executive</td><td>MA (Economics)</td></tr><tr><td>2</td><td>Mr. Abdul Sami Kehar</td><td>Independent</td><td>MBA</td></tr><tr><td>3</td><td>Mr. Musleh-ud-Din</td><td>Non-executive</td><td>Ph.D (Economics)</td></tr><tr><td>4</td><td>Mr. Shams-ud-Din, Company Secretary</td><td>Secretary of the Committee</td><td>MBA</td></tr></table> <div>The Chief Executive and Chairman of the Board are not Members of the Audit Committee.</div>	Sr.No	Name of Member	Category	Professional Background	1	Mr. Mumtaz Ali Rajper	Non-executive	MA (Economics)	2	Mr. Abdul Sami Kehar	Independent	MBA	3	Mr. Musleh-ud-Din	Non-executive	Ph.D (Economics)	4	Mr. Shams-ud-Din, Company Secretary	Secretary of the Committee	MBA	21(1) and 21(2)	Y	
Sr.No	Name of Member	Category	Professional Background																					
1	Mr. Mumtaz Ali Rajper	Non-executive	MA (Economics)																					
2	Mr. Abdul Sami Kehar	Independent	MBA																					
3	Mr. Musleh-ud-Din	Non-executive	Ph.D (Economics)																					
4	Mr. Shams-ud-Din, Company Secretary	Secretary of the Committee	MBA																					
32	<div>(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.</div> <div>(b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.</div> <div>(c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditor.</div>	21(3) 21(3) 21(3)	Y Y Y																					
33	<div>(a) The board has set up an effective internal audit function which has an audit charter, duly approved by the audit committee,</div> <div>(b) The chief internal auditor has requisite qualification and experience prescribed in the rules.</div> <div>(c)The internal audit reports have been provided to the external auditors for their review.</div>	22 22 22	Y Y Y																					
34	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on Code of Ethics as applicable in Pakistan.	23(4)	Y																					

Sr. No	Provision of the Rules	Rule No	Y	N
			Tick the relevant box	
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services	23(5)	Y	

Certain additional disclosures, required under the Listed Companies (Code of Corporate Governance) Regulations, 2019:

36 The total number of directors are Four as per the following:

- a. Male: Three
- b. Female: One

37 All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board / shareholders as empowered by the relevant provisions of the Act and these Regulations.

38 The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

39 The Board has arranged Directors' Training program for all its members.

40 The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:

S.No.	Committees	Meeting Date
1	Audit Committee	April 03, 2019 April 29, 2019 August 28, 2019 October 29, 2019 December 16, 2019
2	Ethics, HR & Remuneration Committee	March 14, 2019 May 25, 2019 October 2, 2019 November 14, 2019 December 24, 2019
3	Investment Committee	January 24, 2019 April 18, 2019 August 5, 2019 October 2, 2019 December 16, 2019

S.No.	Committees	Meeting Date
4	Risk Management and Compliance	March 06, 2019 October 14, 2019 December 24, 2019
5	Claims Settlement	January 23, 2019 April 19, 2019 August 22, 2019 November 14, 2019
6	Underwriting / Reinsurance Committee	January 24, 2019 March 15, 2019 October 09, 2019 December 23, 2019
7	Procurement Committee	April 30, 2019

41 We confirm that all other requirements of the Regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and

42 Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below (if applicable):

Further disclosures, required under Code of Corporate Governance for Insurers, 2016:

43 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 Developing Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI) or being a member of stock exchange, has been declared as a defaulter by that stock exchange.

44. A casual vacancy occurred on the Board for nominee Director in January 2017, which could not be filled up by the Government till December 31, 2019.

45. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.

46. The Board has formed the following Management Committees:

Underwriting / Reinsurance Committee

Name of the Member	Category
Mr. Musleh-Ud-Din	Chairman
Chief Executive Officer	Member
Executive Director (Underwriting)	Secretary

Claim Settlement Committee

Name of the Member	Category
Mumtaz Ali Rajper	Chairman
Chief Executive Officer	Member
Executive Director (Underwriting)	Secretary

Risk Management & Compliance Committee

Name of the Member	Category
Mr. Mumtaz Ali Rajper	Chairman
Chief Executive Officer	Member
Compliance Officer	Secretary

Procurement Committee

Name of the Member	Category
Mr. Musleh-Ud-Din	Chairman
Chief Executive Officer	Member
Manager (Administration)	Secretary

47. The Board has formed the following Board Committees:

Ethics, Human Resource & Remuneration Committee

Name of the Member	Category
Mr. Abdul Sami Kehar	Chairman
Mr. Mumtaz Ali Rajper	Member
Chief Executive Officer	Member
Company Secretary	Secretary
Manager (Human Resource)	In attendance

Investment Committee

Name of the Member	Category
Mr. Musleh-Ud-Din	Chairman
Mr. Abdul Sami Kehar	Member
Mr. Mumtaz Ali Rajper	Member
Chief Executive Officer	Member
Manager (Investment)	Secretary

Audit Committee

Name of the Member	Category
Mr. Mumtaz Ali Rajper	Chairman
Mr. Abdul Sami Kehar	Member
Mr. Musleh-ud-Din	Member
Company Secretary	Secretary

- 48 The Committees Meeting of Underwriting, Claims and Investment were held in every quarter but Risk Management & Compliance Committee was not held in 2nd quarter of the year. Prior to approval of interim and final results of the insurer and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.
- 49 The Chief Financial Officer and the Head of Internal Audit possess such qualifications and experience as is required under the Code of Corporate Governance for Insurers, 2016. Moreover, the following persons heading the underwriting, claim, reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under Section 12 of the Insurance Ordinance, 2000 (Ordinance No.XXXIX of 2000).

Key Officers in Management

Name of the Person	Designation
1 Mr. Riaz Ahmed Memon	Chief Executive Officer
2 Mr. Muhammad Junaid Moti	Executive Director (Underwriting)
3 Mr. Jamil Ahmed	Chief Financial Officer
4 Mr. Sultan Hammad Gul	Chief Internal Auditor
5 Mr. Shams-ud-Din	Company Secretary / Compliance Officer
6 Mrs. Raana Muneer Ahmad	General Manager (Administration)
7 Mr. Muhammad Sheraz Ashraf	General Manager (Risk Management)
8 Mr. Zohaib Hasan	Manager / Head of IT Department
9 Mrs. Erum Nadeem	Manager / Head of Legal
10 Mr. Naveed Iqbal	Manager / Head of Investment
11 Mr. Muhammad Tayyab	Manager / Head of NZO
12 Mr. Muhammad Khurram Shoukat	Manager / Head of HR
13 Mr. Muhammad Usman Ghani	Manager / Head of Retrocession
14 Mr. Hassan Javed	Manager / Head of Underwriting
15 Mr. Aaron Ambrose	Manager / Internal Audit
16 Mr. Tameezuddin	Manager / Head of Finance

- 50 The Board ensures that the investment policy of the insurer has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
- 51 The Board ensures that the risk management system of the insurer is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.
- 52 The Company has set up a risk management function / department, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.
- 53 The Board ensures that as part of the risk management system, the insurer gets itself rated from JCR-VIS (credit rating agency) which is being used by its risk management function / department and the respective Committee as a risk monitoring tool/ The rating assigned by the said rating agency on December 19, 2019 is AA (rating) with Stable outlook.
- 54 The Board has set up a grievance department/function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.
- 55 We confirm that all other material principles contained in the Code of Corporate Governance for Insurer, 2016 have been complied with.

CHIEF EXECUTIVE OFFICER

CHAIRMAN

Review Report to the members on the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (“the Code”), Listed Companies (Code of Corporate Governance) Regulations, 2019 (“the Code”), and Code of Corporate Governance For Insurers, 2016

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013, Code of Corporate Governance for Insurers, 2016 and Listed Companies (Code of Corporate Governance) Regulations, 2019 (referred to as ‘the Codes’) prepared by the Board of Directors of Pakistan Reinsurance Company Limited for the year ended December 31, 2019 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange where the Company is listed, provisions of Public Sector Companies (Corporate Government) Rules, 2013 and Code of Corporate Governance for Insurers, 2016.

The responsibility for compliance with the Codes is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company’s compliance with the provisions of the Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. 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 Codes.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company’s compliance, in all material respects, with the requirements contained in the Codes as applicable to the Company for the year ended December 31, 2019.

Further, we highlight below instance of non-compliance with the requirement of the Codes as reflected in the paragraphs 2, 44 and 48 where these are stated in the Statement of Compliance:

Public Sector Companies (Corporate Governance) Rules, 2013

S.No.	Reference	Description
1	3(2)	The Board has at least one-third of its total members as independent directors.

Code of Corporate Governance for Insurers, 2016

S.No.	Reference	Description
1	Viii	Casual vacancy on the board was not filled by the Government within the time specified in the Rule.
2	Xliii	The Committee meetings of Risk Management and Compliance committee were not held as required

Dated:
Karachi

Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement partner

Explanation for Non-Compliance with Code of Corporate Governance.

We confirm that all other material requirements envisaged in the Rules have been complied with, except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:

Code of Corporate Governance for Insurers, 2016			
Sr. No	Rule/Sub-rule No.	Reason for noncompliance	Future Course of Action
1	viii	The Board of Directors completed its fiduciary responsibility by reminding the Government to nominate a Director to fill up the vacancy on board. The Government however, could not nominate a director till the end of the year.	Though the Company has less than seven directors on the Board during the year, as per Section 154(1)(d) of Companies' Act, 2017. However the Board has decided to further expedite its efforts to get the matter resolved as soon as possible, to bring the number of directors in line with the Company's Articles of Association.
2	xliii	The Management could not have sizeable agenda to call the relevant Committees Meetings in each quarter of the year but the management called the meetings whenever the respective agenda deserved the attention of committees. Besides, the Management mainly focused on the restructuring of the operational and digital infrastructural areas so could not strictly observe the quarterly requirement of meetings, as required in the Code of Corporate Governance for Insurers, 2016.	The Management is determined to hold these Committees' Meeting in each quarter regularly, in the year 2020 and onward.
3	xxxvi, xxxvii, xxxvi	The Company has SOPs of Underwriting, Claim Settlement and Retrocession. They contain the segregation of duties and authorization mechanism.	The Company has ToRs for Underwriting and Claims Committee duly approved by the Board which cater to the requirement of relevant rules of Code of Corporate Governance for Insurers, 2016. However, the management is determined to revisit the same in order to fully address the requirements of the Code.

CHIEF EXECUTIVE OFFICER

CHAIRMAN

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PAKISTAN REINSURANCE COMPANY LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Reinsurance Company Limited (the "Company") which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at December 31, 2019 and of the profit or loss, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matters

We draw attention to;

1. Note 31.2 to the financial statements relating to the matter of sales tax on reinsurance activities. The ultimate outcome of the matter stated cannot presently be determined and no provision for any loss that may result has been made in these financial statements, for the reason discussed in aforementioned note.
2. Note 31.1.2 to the financial statements stating contingency related to registration of the Company with Employees Old Age Benefit Institution.

Our opinion is not modified in respect of the above matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Sr. No	Key audit matters	How the matter was addressed in our audit
1	<p>Valuation of claims liabilities including Incurred But Not Reported (IBNR)</p> <p>Refer note 5.5 and 22 to the financial statements for accounting policy and details in respect of claim liabilities. The Company's claim liabilities represent 31% of the Company's total liabilities. Valuation of these liabilities involves significant management judgment because it requires a number of assumptions to be made with high estimation uncertainty such as loss ratios, estimates of the frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimate. Company also maintains provision for facultative IBNR claim reserves on the basis of actuarial valuation by independent actuary. However, provision for treaty IBNR claim reserves have been made based on average of claims paid for past five years.</p> <p>We have considered this as a key audit matter due to significant estimate and judgement involved. Any change in the estimate and judgment could have significant financial impact.</p>	<p>Our audit procedures to address this matter included the following:</p> <p>Assessed the appropriateness of the Company's accounting policy for recording of claims in line with the requirements of applicable accounting and reporting standards.</p> <p>Obtained an understanding of the design of Company's policies and procedures over the capturing, processing and recording of information related to claims. In addition, our procedures included testing and evaluating the appropriateness of established controls and procedures.</p> <p>Examined the report of an external independent actuary to evaluate the actuarial assumptions used by actuary in determining provision for IBNR so that these are in line with industry practices.</p> <p>Reviewed and examined the arrangements with reinsurers to assess the terms of contracts to evaluate whether recoveries from reinsurance on account of claims reported have been accounted for based on the terms of the contract.</p> <p>Re-performance of reconciliations between the claims data recorded in the policy administration systems and the data used in the actuarial reserving calculations to ensure the integrity, completeness and accuracy of the data used in the actuarial reserving process.</p> <p>We also tested claims transaction on sample basis with appropriate documentation to evaluate that whether the claims reported during the year are recorded in accordance with the requirements of Company's policies and insurance regulations.</p>

Sr. No	Key audit matters	How the matter was addressed in our audit
		<p>We used data analysis to focus our procedures on significant or anomalous claims.</p> <p>Considered the adequacy of Company's disclosures about estimates used and the sensitivity to key assumptions.</p>
2	<p>Classification and Valuation and impairment of investments</p> <p>Refer note 5.2, 13 and 14 to the financial statements relating to classification and valuation of investments. The Company's total investment portfolio which represents 31% of the Company's total assets. These investments comprise of equity and debt instruments.</p> <p>Due to significance of the investment balances in relation to the total assets of the Company, we have considered it as a key audit matter and management judgment involved in the valuation.</p>	<p>Our audit procedures in respect of valuation of investments included the following:</p> <p>Obtained understanding, evaluated the design and implementation of key controls designed for the classification, valuation and impairment of investments.</p> <p>Assessing pricing model methodologies and assumptions against accounting policies, industry practices and valuation guidelines.</p> <p>Testing investments buying and selling trades made during the year and test classification of investments with underlying documentation</p> <p>Ensured completeness and existence assertion of investment portfolio with IPS statements and Central Depository Company's report.</p> <p>Peperforming our own valuation assessment of the investment portfolio to identify any potential impairment and review management's assessment in relation to impairment of investments.</p> <p>We also assessed whether the Company's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements and appropriately present the sensitivities in the valuations based on alternative outcomes.</p>

Sr. No	Key audit matters	How the matter was addressed in our audit
3	<p>Existence and impairment of insurance/ reinsurance receivables</p> <p>Refer note 16 to the financial statements, for the year ended December 31, 2019 Company's total insurance/ reinsurance receivables balance stands at Rs9,776 million representing 27% of the total assets of the Company.</p>	<p>Our audit procedures included the following:</p> <p>Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for the recognition and valuation of receivables;</p> <p>Tested the accuracy of insurance / reinsurance receivables aging report, on a sample basis, by comparing individual balances in the report with under lying documentation to evaluate that the balances appearing in the aging report were classified with in appropriate aging bucket;</p> <p>Assessed the appropriateness of assumptions and estimates made by the management for the provision for impairment by comparing, on a sample basis, past experience and historical trends of collection, actual write-offs and receipts and settlement from / with customers and reinsurer subsequent to the financial year end;</p> <p>Assessed the reinsurance share of claims outstanding against the terms of the reinsurance contracts and the related recorded liabilities; and</p> <p>Assessed the historical accuracy of provisions for bad debt recorded by examining the utilization or release of previously recorded provisions.</p>

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matters

The financial statements for the year ended December 31, 2018 of the Company were audited by another firm of Chartered Accountants, whose audit report dated April 03, 2019 expresses modified opinion on the aforementioned audited financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Shaukat Naseeb.

**Karachi
Dated**

**Grant Thornton Anjum Rahman
Chartered Accountants**



FINANCIAL STATEMENTS

(CONVENTIONAL)

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2019

		2019	2018	2017
			(Restated)	(Restated)
	Note	----- (Rupees) -----		
ASSETS				
Property and equipment	9	67,270,717	42,756,737	36,570,719
Assets relating to Bangladesh	10	-	-	-
Investment properties	11	26,849,593	28,284,000	29,806,753
Investments				
- Equity securities	12	3,865,745,207	4,163,297,395	5,006,807,519
- Debt securities	13	7,076,694,763	4,470,399,038	4,185,863,614
- Term deposit		-	-	30,000,000
		10,942,439,970	8,633,696,433	9,222,671,133
Loans and other receivables	14	2,865,239,725	2,863,798,300	2,971,139,157
Insurance / reinsurance receivables	15	9,775,513,552	5,435,766,163	4,304,750,965
Reinsurance recoveries against outstanding claims	16	3,934,364,721	874,771,237	1,682,694,037
Deferred commission and other acquisition costs	17	918,544,431	565,597,974	696,641,093
Taxation - payments less provision		646,673,594	884,893,081	645,478,660
Prepayments	18	5,454,167,080	2,476,126,074	1,875,781,584
Stock of stationery		499,806	517,646	401,120
Cash and bank	19	815,678,747	2,602,483,789	2,517,093,774
		35,447,241,936	24,408,691,434	23,983,028,995
Total assets from Window Retakaful Operations - Operator's Fund		388,724,067	50,545,771	-
Total Assets		35,835,966,003	24,459,237,205	23,983,028,995
EQUITY AND LIABILITIES				
Capital and reserves attributable to Company's equity holders				
Ordinary share capital	20.2	3,000,000,000	3,000,000,000	3,000,000,000
Reserves	21	6,828,797,675	6,407,899,593	7,049,685,539
Total Equity		9,828,797,675	9,407,899,593	10,049,685,539
Liabilities				
Underwriting provisions				
- Outstanding claims including IBNR	22	8,011,646,909	4,284,119,864	4,829,225,309
- Unearned premium reserves	23	8,451,658,849	4,990,287,940	3,856,658,995
- Unearned reinsurance commission	24	452,020,316	74,957,159	284,665,087
Retirement benefit obligations	25	2,998,194,096	2,583,248,954	2,193,559,697
Deferred taxation	26	293,019,659	347,584,969	591,623,924
Insurance / reinsurance payables	27	5,511,514,237	2,538,418,948	1,976,119,106
Lease liabilities	28	24,287,522	-	-
Unclaimed dividends	29	107,273,466	151,373,107	129,369,029
Other creditors and accruals	30	78,419,901	80,879,371	72,122,309
		25,928,034,955	15,050,870,312	13,933,343,456
Total liabilities from Window Retakaful Operations - Operator's Fund		79,133,373	467,300	-
Total Liabilities		26,007,168,328	15,051,337,612	13,933,343,456
Total Equity and Liabilities		35,835,966,003	24,459,237,205	23,983,028,995

CONTINGENCIES AND COMMITMENTS

31

The annexed notes from 1 to 54 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2019

		<u>2019</u>	<u>2018</u> (Restated)
	Note	----- (Rupees) -----	
Net insurance premium	32	6,905,155,171	5,463,586,365
Net insurance claims	33	(4,258,866,001)	(2,989,581,642)
Net commission and other acquisition costs	34	(1,242,908,813) (5,501,774,814)	(1,046,692,517) (4,036,274,159)
Management expenses	35	(902,015,672)	(844,492,508)
Underwriting results		501,364,685	582,819,698
Investment income	36	1,008,308,968	690,969,818
Rental income	37	71,334,534	62,319,058
Other income	38	612,440,579	404,884,009
Other expenses	39	(13,440,254) 1,678,643,827	(11,354,981) 1,146,817,904
Results of operating activities		2,180,008,512	1,729,637,602
Profit from Window Retakaful Operations - Operator's fund		9,240,868	108,988
Profit before tax		2,189,249,380	1,729,746,590
Taxation	40	(704,966,847)	(501,699,403)
Profit for the year		1,484,282,533	1,228,047,187
			Restated
Earnings (after tax) per share - basic and diluted	41	4.95	4.09

The annexed notes from 1 to 54 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
	----- (Rupees) -----	
Profit for the year	1,484,282,533	1,228,047,187
Other comprehensive loss		
Items that may be subsequently reclassified to profit or loss account		
Unrealized loss on available for sale investments - net	(31,031,439)	(537,625,298)
Unrealized loss on available for sale investments - Window		
Retakaful Operations - Operator's fund	271,355	-
Transfer to profit or loss account on disposal of available for sale investments	(130,857,159)	(193,459,994)
Impact of deferred tax	109,115,792	235,813,458
	(52,501,451)	(495,271,834)
Items that will not be subsequently reclassified to profit or loss account		
Remeasurement of defined benefit obligation	(410,883,000)	(324,561,299)
Other comprehensive loss for the year	(463,384,451)	(819,833,133)
Total comprehensive income for the year	<u>1,020,898,082</u>	<u>408,214,054</u>

The annexed notes from 1 to 54 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

Share capital	Reserves				Total reserves	Total
	Capital		Revenue			
	Reserve for exceptional losses	Unrealized gain on available for sale investment	General reserve	Unappropriated profit		

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

Balance as at January 01, 2018 - as previously reported	3,000,000,000	281,000,000	2,200,414,464	1,777,419,085	3,247,201,942	7,506,035,491	10,506,035,491
Less: effect of correction of errors - net of tax (note 8)	-	-	-	-	(456,349,952)	(456,349,952)	(456,349,952)
Balance as at January 01, 2018 - as restated	<u>3,000,000,000</u>	<u>281,000,000</u>	<u>2,200,414,464</u>	<u>1,777,419,085</u>	<u>2,790,851,990</u>	<u>7,049,685,539</u>	<u>10,049,685,539</u>

Total comprehensive income for the year

Profit for the year - as restated	-	-	-	-	1,228,047,187	1,228,047,187	1,228,047,187
Unrealized loss on available for sale investments - net	-	-	(495,271,834)	-	-	(495,271,834)	(495,271,834)
Remeasurement of defined benefit obligations - net	-	-	-	-	(324,561,299)	(324,561,299)	(324,561,299)
	-	-	(495,271,834)	-	903,485,888	408,214,054	408,214,054

Transaction with owners

Final cash dividend 2017: Rs.3.50 @ 35% (2016 : Rs.3.00 @ 30%) per share	-	-	-	-	(1,050,000,000)	(1,050,000,000)	(1,050,000,000)
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Balance as at December 31, 2018 (restated)	<u>3,000,000,000</u>	<u>281,000,000</u>	<u>1,705,142,630</u>	<u>1,777,419,085</u>	<u>2,644,337,878</u>	<u>6,407,899,593</u>	<u>9,407,899,593</u>
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Balance as at January 01, 2019	<u>3,000,000,000</u>	<u>281,000,000</u>	<u>1,705,142,630</u>	<u>1,777,419,085</u>	<u>2,644,337,878</u>	<u>6,407,899,593</u>	<u>9,407,899,593</u>
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Total comprehensive income for the year

Profit for the year	-	-	-	-	1,484,282,533	1,484,282,533	1,484,282,533
Unrealized loss on available for sale investments - net	-	-	(52,772,806)	-	-	(52,772,806)	(52,772,806)
Unrealized loss on available for sale investments - Window Retakaful Operations - Operator's fund"	-	-	271,355	-	-	271,355	271,355
Remeasurement of defined benefit obligations - net	-	-	-	-	(410,883,000)	(410,883,000)	(410,883,000)
	-	-	(52,501,451)	-	1,073,399,533	1,020,898,082	1,020,898,082

Transaction with owners

Final cash dividend 2018: Rs.2.00 @ 20% (2017 : Rs.3.50 @ 35%) per share	-	-	-	-	(600,000,000)	(600,000,000)	(600,000,000)
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Balance as at December 31, 2019	<u>3,000,000,000</u>	<u>281,000,000</u>	<u>1,652,641,179</u>	<u>1,777,419,085</u>	<u>3,117,737,411</u>	<u>6,828,797,675</u>	<u>9,828,797,675</u>
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The annexed notes from 1 to 54 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018 (Restated)
	----- (Rupees) -----	
Operating cash flows		
Underwriting activities:		
Insurance premium received	13,307,677,162	9,600,378,264
Reinsurance premium paid	(6,691,097,296)	(3,762,161,754)
Claims paid	(6,154,840,384)	(2,999,830,452)
Reinsurance and other recoveries received	2,563,907,944	273,066,165
Commission paid	(2,008,093,531)	(1,160,887,195)
Commission received	789,301,418	35,529,868
Premium and claim reserves retained from retrocessionaires/withheld by ceding companies	5,538,230	3,062,361
Management expenses paid	(892,282,240)	(798,515,971)
Net cash generated from underwriting activities	920,111,303	1,190,641,286
Other operating activities:		
Income tax paid	(412,196,875)	(749,308,803)
Other operating payments	(13,440,254)	(57,331,600)
Loans received	10,355,827	16,642,552
Other operating receipts	26,171,093	143,723,067
Net cash used in other operating activities	(389,110,209)	(646,274,784)
Total cash generated from all operating activities	531,001,094	544,366,502
Investing activities:		
Fixed capital expenditure	(7,676,015)	(5,082,859)
Sale proceeds of fixed assets	310,483	419,594
Payment for investments	(12,562,833,147)	(7,802,215,605)
Rental income received	54,533,664	64,159,301
Dividend income received	163,249,584	140,313,374
Profit / return received	171,703,139	72,332,920
Investment income received - net of expenses	649,381,755	574,794,403
Proceeds from investments	9,857,624,042	7,524,298,307
Total cash (used in) / generated from investing activities	(1,673,706,495)	569,019,435
Financing activities:		
Dividend paid	(644,099,641)	(1,027,995,922)
Total cash used in financing activities	(644,099,641)	(1,027,995,922)
Net cash (used in) / generated from all activities	(1,786,805,042)	85,390,015
Cash and cash equivalents at beginning of the year	2,602,483,789	2,517,093,774
Cash and cash equivalents at end of the year	815,678,747	2,602,483,789

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018 (Restated)
	----- (Rupees) -----	
Reconciliation to profit or loss account		
Operating cash flows	531,001,094	544,366,502
Depreciation expense	(9,733,432)	(7,904,108)
Exchange gain	603,312,067	415,090,413
Rental income	71,334,534	62,319,058
Reinsurance recoveries against outstanding claims	3,059,593,484	(807,922,800)
Provision for outstanding claims	(3,727,527,045)	542,891,644
Provision for unearned premium	(3,461,370,909)	(1,133,628,945)
Prepaid reinsurance	2,981,067,951	602,311,492
Provision for employee benefits	(4,062,142)	(389,689,257)
Dividend income	163,249,584	136,643,466
Other investment income	(7,994,394)	(119,983,528)
Interest income	669,026,914	455,850,008
Amortization of discount / (premium)	5,295,360	(3,966,374)
Profit on disposal of investments	178,731,505	222,426,247
Increase in operating assets other than cash	4,304,502,520	1,033,530,999
Increase in operating liabilities	(3,588,615,454)	(571,749,162)
	1,767,811,637	980,585,655
Other adjustments:		
Income tax paid	412,196,875	749,051,947
Profit before taxation	2,180,008,512	1,729,637,602
Provision for taxation	(704,966,847)	(501,699,403)
Profit after taxation from conventional reinsurance operations	1,475,041,665	1,227,938,199
Profit from Window Retakaful Operations - Operator's Fund	9,240,868	108,988
Profit after tax	1,484,282,533	1,228,047,187

The annexed notes from 1 to 54 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

1 STATUS AND NATURE OF BUSINESS

Pakistan Reinsurance Company Limited (the Company) was incorporated in Pakistan as a public limited company on March 30, 2000 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company is engaged in providing reinsurance and other insurance business. The shares of the Company are quoted on Pakistan Stock Exchange Limited.

With effect from February 15, 2001, the Company took over all the assets and liabilities of former Pakistan Insurance Corporation (PIC) vide SRO No.98(1)/2000 dated February 14, 2001 of the Ministry of Commerce issued in terms of Pakistan Insurance Corporation (Re-organization) Ordinance, 2000 to provide for conversion of Pakistan Insurance Corporation into Pakistan Reinsurance Company Limited which was established in 1952 as Pakistan Insurance Corporation (PIC) under PIC Act 1952. Accordingly, PIC has been dissolved and ceased to exist and the operations and undertakings of PIC are being carried out by the Company.

On September 26, 2018, the Securities and Exchange Commission of Pakistan (SECP) has granted license under Rules 6 of Retakaful Rules, 2012 to undertake General Window Retakaful Operations in respect of general Retakaful product.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at PRC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi. The zonal office of the Company is located at 1st Floor, 15-A, Davis Road, State Life Building, Lahore, Pakistan.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements are prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017 ; and
- Provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.

In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017 and Takaful Rules, 2012 shall prevail.

Total assets, total liabilities and profit of the Window Retakaful Operations of the Company referred to as the Operator's Fund has been presented in these financial statement in accordance with the requirements of Circular 25 of 2015 dated July 09, 2015. A separate set of financial statements of the General Window Retakaful Operations has been reported which is annexed to these financial statements as per the requirements of the SECP Takaful Rules, 2012.

3.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except certain investments which have been measured at fair value and the Company's liability under retirement benefit obligations that is determined based on present value of defined benefit obligation less fair value of plan assets. No adjustment for the effect of inflation has been accounted for in the financial statements. All transactions reflected in these financial statements are on accrual basis except for those reflected in Statement of Cash Flows.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

3.3 Functional and presentation currency

These financial statements have been prepared and presented in Pakistan Rupees, which is the Company's functional and presentation currency.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Standards, amendments and interpretations to the published standards that are relevant to the Company and adopted in the current year

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standards:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 16	Leases	January 01, 2019

Refer note - 7 for the impacts of the above newly adopted financial reporting standard on the financial statements for the year ended December 31, 2019.

IFRS 9 'Financial Instruments' and amendment (effective for period ending on or after June 30, 2019) replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It has also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2021.

For the companies adopting the temporary exemption, the IFRS 4 requires certain disclosures which have been disclosed as follows:

Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below:

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

Fair value of financial assets as at December 31, 2019 and changes during the year

	As at December 31, 2019	As at December 31, 2018	Changes during the year
Financial assets with contractual cash flows that meet the SPPI criteria, excluding those held for trading			
Pakistan Investment Bonds - held to maturity	<u>1,949,351,760</u>	<u>2,163,261,750</u>	<u>(213,909,990)</u>
Debt securities - available-for-sale	<u>553,208,750</u>	<u>-</u>	<u>553,208,750</u>
Financial assets that do not meet the SPPI criteria			
Listed securities - available-for-sale	<u>2,307,404,138</u>	<u>2,407,046,705</u>	<u>(99,642,568)</u>

4.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2019 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.

4.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Standard or Interpretation		Effective date (annual periods beginning on or after)
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework		January 01, 2020
IAS 1	Presentation of Financial Statements - Amendments regarding the definition of materiality	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of materiality	January 01, 2020
IFRS 3	Business Combinations - Amendments to clarify the definition of a business	January 01, 2020

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

4.4 Standards, amendments and interpretations to the published standards that are not yet notified by the SECP

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the SECP:

Standard or Interpretation		IASB effective date (Annual periods beginning on or after)
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 17	Insurance Contracts	January 1, 2021

5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below and are consistent with those of the previous financial years, except for change in accounting policies of 'Leases' as disclosed in note 7.1 to the financial statements.

5.1 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and liabilities are extinguished or expired.

In addition to direct insurance, at times the Company also participates in risks under co-insurance from other companies and also accepts risks through reinsurance inward by way of facultative acceptances on case to case basis provided such risks are within the underwriting policies of the Company.

The Company neither issues investment contracts nor does it issue insurance contracts with Discretionary Participation Features (DPF).

5.1.1 Premiums

Premium written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned portion of premium income is recognized as a liability. For Treaty Business the liability is calculated by applying 1/8 method and for Facultative Business over the period of insurance from the date of issuance of the policy to which it relates to its expiry.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

5.1.2 Reinsurance contracts

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amount payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balance due from reinsurance companies. Amount recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related insurance contract.

Reinsurance assets are not offset against related insurance liabilities. Income for expenses from reinsurance contracts are not offset against expenses or income from related insurance assets. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired.

The Company assesses its reinsurance assets for impairment on reporting date. If there is an objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognizes that impairment loss in the profit or loss account.

5.1.3 Receivables and payables related to insurance contracts

Receivables including premium due but unpaid, relating to insurance contracts are recognised when due. The claim payable is recorded when intimation is received. These are recognised at cost, which is the fair value of the consideration given less provision for impairment losses, if any. Premium received in advance is recognised as liability till the time of issuance of insurance contract thereagainst

5.1.4 Reinsurance recoveries against outstanding claims

Claims recoveries receivable from the reinsurer are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

5.1.5 Commission

Commission and other acquisition costs incurred in obtaining and recording on direct, facultative and reinsurance cessions has been deferred and recognized as assets and liability as under:

a) Commission income

The revenue recognition policy for commission from reinsurer is given under note 5.11.2.

b) Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with pattern of recognition of premium revenue.

Other acquisition are charged to Profit or Loss at the time policies are accepted.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

5.1.6 Premium deficiency reserve

The Company is required to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that class of business at the reporting date. The movement in the premium deficiency reserve is recognised as an expense in the profit or loss account. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims.

The management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the reporting date in respect of policies in those classes of business in force at the reporting date. Hence, no reserve for the same has been made in these financial statements.

5.2 Investments

5.2.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investments through profit or loss in which case transaction costs are charged to the profit or loss account. These are recognized and classified as follows:

- Held-for-trading;
- Held-to-maturity; and
- Available-for-sale .

5.2.2 Measurement

(a) Held for trading.

Investments which are designated as held for trading upon initial recognition.

After initial recognition, the above investments are remeasured at fair value determined with reference to the rates prevailing in the stock exchange, where applicable. Gains or losses on remeasurement of these investments are recognized in profit or loss account.

(b) Held-to-maturity

Investments with fixed maturity and fixed income investments, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity. After initial recognition, these are carried at amortized cost less provision for impairment, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition using effective yield method.

(c) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

5.2.3 Quoted

Subsequent to initial recognition, quoted investments are stated market value for available for sale investments and fixed income investments redeemable at a given date and where the cost is different from the redemption value, require such difference to be amortised uniformly between the date of acquisition and the date of maturity. The Company uses stock exchange quotations at the reporting date to determine the market value.

5.2.4 Unquoted

Unquoted investments are recorded at cost less impairment loss (if any).

5.2.5 Date of recognition

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

5.2.6 Investment properties

Investment properties are accounted for under the cost model in accordance with the International Accounting Standard (IAS) 40 "Investment Property" and Insurance Rules, 2017 issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

Freehold land and building are considered as investment property only when they are being held to earn rentals or capital appreciation or both.

- Leasehold land is stated at cost.

- Building on leasehold land is depreciated to its estimated salvage value on reducing balance method over its useful life.

- Installations forming a part of building on leasehold land but having separate useful lives are depreciated at the rate of 20 percent under the reducing balance method.

Depreciation policy, subsequent capital expenditures on existing properties and gains or losses on disposals are accounted for in the same manner as tangible fixed assets.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss account in the period of derecognition.

5.3 Liability adequacy test

At each end of the reporting year, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognized in the profit or loss account.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

5.4 Commission expense, other acquisition costs and commission income

Commission expense and other acquisition costs are charged to the profit or loss account at the time the policies are accepted. Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to accounts as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

5.5 Provision for outstanding claims including IBNR

A liability is recognized for outstanding claims incurred up to the reporting date and is considered to be incurred at the time of incident giving rise to the claim. Unpaid reported claims are based on prescribed statutory returns submitted by the ceding companies. Outstanding claims reserve and claims incurred but not reported (IBNR) to the Company up to the reporting date are recorded on the basis of actuarial valuation, results of which have been recognized in the financial statements. The above liability is measured at undiscounted value and includes expected settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates and provision for those claims which are incurred and not reported as at reporting date are made on the basis of specified guidelines issued by the Securities and Exchange Commission of Pakistan, according to which the Company should record those claims which are incurred but not reported on the basis of collection of data of IBNR claims reserves from the ceding companies (non-life insurers) in accordance with the share of Company on the account of facultative and treaty business.

5.6 Prepaid reinsurance ceded

Reinsurance premium is recognized as an expense evenly over the period of the underlying policies. The portion of reinsurance premium not yet recognized as expense is recognized as prepayment.

5.7 Staff retirement benefits

5.7.1 Defined benefits plan

The Company operates approved gratuity and pension scheme for all its permanent employees who are entitled / have opted for either of the above schemes. The Company makes contributions or record liability in respect of defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries and in line with the provisions of the Income Tax Ordinance, 2001. The latest actuarial valuations were carried out as of December 31, 2019 using the Projected Unit Credit Method based on the significant assumptions stated in relevant note for valuation of the funds.

The Company also operates post retirement medical benefit plan and recognizes liability for post retirement medical facilities in respect of its eligible employees in accordance with requirements of IAS - 19 (Revised).

5.7.2 Defined contribution plan

The Company contributes to a provident fund scheme which covers all permanent employees. Equal contributions are made both by the Company and the employees to the fund at the rate of 10 percent of basic salary.

5.7.3 Other long term employment benefits - Compensated absences

The Company accounts for all accumulated compensated absences when the employees render service that increases their entitlement to future compensated absences based on actuarial valuation.

The Company makes periodic provisions in the financial statements for its liability towards defined encashment of leaves up to maximum of 365 days in respect of leave preparatory to retirement (LPR) on the basis of basic pay. The liability is estimated on the basis of actuarial advice under the Projected Unit Credit method carried out by a qualified actuary.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

5.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

5.8.1 Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Provision for taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

5.8.2 Deferred

Deferred tax is accounted for using the balance sheet liability method, in respect of 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 generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is 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. Deferred tax is charged or credited to the profit or loss account except in the case of items credited or charged to equity in which case it is included in equity.

5.9 Fixed assets - tangibles

Fixed assets except leasehold lands (other than land of PRC House and PRC Building, which has not been bifurcated) are stated at cost less accumulated depreciation calculated on written down values and accumulated impairment losses thereon. Leasehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method. The rates of depreciation are stated in note 9.4 to the financial statements.

Depreciation on additions during the financial year is charged from the month in which asset is available for use whereas no depreciation is charged from the month in which the asset is disposed off. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The carrying amount of fixed assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed their estimated recoverable amount, assets are written down to their recoverable amount.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

Maintenance and normal repairs are charged to profit or loss account as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any are retired.

Gains and losses on disposal of fixed assets, if any, are included in current income.

5.10 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. All expenditure including borrowing costs connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to operating assets as and when these are available for use.

5.11 Revenue recognition

5.11.1 Premium

Premium received / receivable under a policy are recognized evenly over the period of underlying policies or in accordance with the pattern of reinsurance service provided. Where the pattern of incidence of risk varies over the period of the policy, the premium is recognized as an income in accordance with the pattern of incidence of risk.

Revenue from premium is based on prescribed statutory returns submitted by the ceding companies. Premiums are taken to income, after (i) deducting reinsurance and (ii) adjusted for provision for unearned premium.

Premium recognition in case of coinsurance or pool arrangements is restricted to the Company's share only.

5.11.2 Commission income

Commission income is being taken to profit or loss account on a time proportion basis in accordance with the pattern of recognition of reinsurance premium.

5.11.3 Investment income

- Gain / loss on sale of investments is taken to the profit or loss account in the year of sale.
- Profit / interest income on investments securities are recognized on effective interest method.
- Gains or losses on investments on remeasurement of these investments held for trading are recognized in profit or loss account.
- Profit on bank deposits is recognized on a time proportion basis taking into account the effective yield.
- Dividend income is recognized when the right to receive such dividend is established.

5.11.4 Rental income

Rentals from investment properties are recognized over the term of the lease.

5.12 Management expenses

Management expenses allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated on the basis of net premium revenue under individual business.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

5.13 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to profit or loss account.

5.14 Foreign currency translations

Transactions in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the date of transactions. Significant exchange rates applied during the year are provided in relevant note. Non-monetary assets and liabilities are translated into Pakistani Rupees using exchange rates prevalent on transaction date. Exchange differences on foreign currency translations are included in profit or loss account currently.

5.15 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss account. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss account.

5.16 Cash and cash equivalents

Cash and cash equivalents are carried at amortised cost. They comprise (a) cash in deposit accounts with banks (b) cash (and cheques) in hand, in transit and at banks in current accounts (c) stamps in hand and (d) term deposits maturing within 12 months.

5.17 Off setting of financial assets and financial liabilities

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

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

5.18 Segment reporting

For management purposes, the Company is organized into six departments which deal with specific type of insurance policies. These departments are business segments for financial reporting purposes. Moreover, there are 'treaty arrangement' under each department and is treated as a separate segment. Thus the Company has seven segment - fire, marine cargo, marine hull, accident and others, aviation, engineering and treaty.

These segments are the basis on which the Company report its primary segment information. Other operations of the Company comprises investment in securities and in properties. The Company operates in Pakistan only. There are no transactions between segments.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

5.19 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

5.20 Provision for doubtful debts

An estimated provision is made against debts considered doubtful of recovery whereas debts considered irrecoverable are written off.

5.21 Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, loans, investments, amounts due from / to other insurers / reinsurers, premium and claim reserves retained from / by retrocessionaires / cedants, accrued investment income, sundry receivables, provision for outstanding claims, long term deposits, other creditors and accruals, retention money payable, dividend payable and surplus profit payable.

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets, and in the case of financial liabilities, when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income directly.

5.22 Dividend and other appropriations

Dividend and appropriation to reserves are recognised as liability in the Company's financial statements in the year in which these are approved.

5.23 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. However, there were no dilutive potential ordinary shares in issue at December 31, 2019.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

6 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to 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 the revision and future periods if the revision affects both current and future periods.

Significant areas where assumptions and estimates were exercised in application of accounting policies relate to:

6.1 Classification of investments

In classifying investments as held to maturity, the Company has determined financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Company evaluates its intention and ability to hold such investment to maturity.

In classifying investments as held for trading, the Company has determined securities, which are acquired with the intention to trade, taking advantage of short-term market / interest rate movements.

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale. Subsequent to the initial recognition at cost, quoted investments are stated at market value. Unquoted investments are stated at cost less impairment losses, if any.

6.2 Income tax

In making the estimates for income taxes currently payable by the Company, the management looks, at the current income tax laws and the decision of appellate authorities on certain issues in the past. In making the provision for deferred taxes, estimates of the Company's future taxable profits are taken into account.

6.3 Fixed assets and depreciation

In making estimates of the depreciation method, the management uses method which reflects pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

6.4 Impairment of available for sale investments

The Company determines that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged, requires judgment. In making this judgment, the Company evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

6.5 Premium deficiency reserve

The Company carries out an analysis of loss / combined ratios for the expired period, such ratio being calculated after taking into account the relevant IBNR provision for the determination of premium deficiency reserve for each class of business.

6.6 Outstanding claims including incurred but not reported (IBNR)

The Company estimates the liability for claims, which include amounts relating to unpaid, reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates and provision for those claims which are incurred and not reported as at balance sheet date are made on the basis of specified guidelines issued by the Securities and Exchange Commission of Pakistan through letter no. ID/PRDD/IBNR/2017/9695 dated May 30, 2017, which states that Company should record those claims which are incurred but not reported on the basis of collection of data of IBNR claims reserves from the ceding companies (non-life insurers) in accordance with the share of Company on the account of facultative and treaty business.

6.7 Reinsurance

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with and the strength of its reinsurers.

6.8 Unearned premium reserve

The Company's estimate of the unearned premium reserve is based on current insurance industry practices in Pakistan and the directives issued by the Securities and Exchange Commission of Pakistan.

7 CHANGE IN ACCOUNTING POLICY

7.1 From January 01, 2019, IFRS 16 'Leases' became applicable on all companies having lease arrangements. IFRS 16 replaces existing guidance on accounting for leases as per IAS 17 - Leases, IFRIC 4 - Determining whether an Arrangement contains a Lease, SIC-15 - Operating Leases - Incentive, and SIC - 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 introduced a single balance sheet accounting model for long term lessees. As a result, the Company as a lessee, recognizes right-of-use assets representing its right of using the underlying assets and a corresponding lease liability representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Company has applied IFRS 16 'Modified approach' to transition, therefore, the comparative information has not been restated i.e. it is presented as previously reported under IAS 17 and related interpretations.

7.1.1 Summary of new accounting policies in respect of adoption of IFRS 16

Set out below are the new accounting policies of the Company upon adoption of IFRS 16, which have been applied from the date of initial application:

7.1.2 Right-of-use asset

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to impairment.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

7.1.3 Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are to be paid during the lease term, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company uses incremental borrowing rate. The Company has applied incremental borrowing rate as the discount rate i.e. 6 months KIBOR at the date of initial recognition.

The lease liability is subsequently increased by the interest cost and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from the change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, change in the assessment of whether a purchase or extension option is reasonably certain to be exercised.

7.1.4 Impact of IFRS 16 - Leases

The effect of adoption of IFRS 16 as at January 01, 2019 is as follows:

Impact on statement of financial position	Note	----- Rupees -----
Increase in right-of-use asset	9	25,475,815
Increase in lease liabilities		25,475,815
Impact on statement of profit or loss		
Increase in finance cost - lease liabilities	39	1,466,709
Increase / (decrease) in management expenses		
- Depreciation expense - right-of-use assets	9	1,756,953
- Rent expense		(2,655,002)
		<u><u>568,660</u></u>

The weighted average incremental borrowing rate applied to the lease liabilities on January 01, 2019 was 10.55%.

8 CORRECTION OF ERRORS

The amount of reinsurance recoveries against outstanding claims was overstated in the prior periods. The Company has corrected the same amount by restating the financial statements. Previously, no underwriting provision on outstanding claims including IBNR (treaty) was recorded. The Company recorded the said provision and restated outstanding claims including IBNR. Further, interest free loan provided to employees was not discounted. During the year, Company restated the figures and recognized related expenses in the respective accounting periods.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

Statement of financial position

As at December 31, 2017

Assets

		As previously reported	Adjustment	As restated
	Note		Rupees	
Reinsurance recoveries - treaty	16	837,338,073	(477,000,000)	360,338,073
Loan to employees	14	181,767,723	(59,353,394)	122,414,329
Taxation - payments less provision		467,706,127	177,772,533	645,478,660
		1,486,811,923	(358,580,861)	1,128,231,062

Liabilities

Outstanding claims including IBNR	22	2,113,857,589	115,575,109	2,229,432,698
Deferred taxation	26	609,429,942	(17,806,018)	591,623,924

Net impact on equity

		(1,236,475,608)	(456,349,952)	(1,692,825,560)
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Statement of profit of loss

For the year December 31, 2017

Net insurance claims		(3,739,973,981)	(592,575,309)	(4,332,549,290)
Other income		234,845,030	(59,353,194)	175,491,836
Taxation		(649,493,110)	195,578,551	(453,914,559)
Net impact on equity		(4,154,622,061)	(456,349,952)	(4,610,972,013)

Statement of financial position

As at December 31, 2018

Assets

Loan to employees	14	105,771,777	(12,410,747)	93,361,030
Taxation - payments less provision		885,535,083	(642,002)	884,893,081
		991,306,860	(13,052,749)	978,254,111

Liabilities

Outstanding claims including IBNR	22	2,139,701,428	(2,213,801)	2,137,487,627
Deferred taxation	26	351,184,086	(3,599,117)	347,584,969

Net impact on equity

		(1,499,578,654)	(7,239,831)	(1,506,818,485)
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Statement of profit of loss

For the year December 31, 2018

Net insurance claims		(2,991,795,443)	2,213,801	(2,989,581,642)
Other income		417,294,756	(12,410,747)	404,884,009
Taxation		(504,656,518)	2,957,115	(501,699,403)
Net impact on equity		(3,079,157,205)	(7,239,831)	(3,086,397,036)

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

9	PROPERTY AND EQUIPMENT	Note	2019	2018
			----- (Rupees) -----	-----
	Operating fixed assets - WDV			
	Owned			
	Land and building	9.1	12,533,075	13,180,941
	Furniture and fixtures, books, office and computer equipment	9.2	19,907,417	19,574,143
	Electrical installation, air-conditioning and lifts	9.3	4,100,611	5,154,106
	Motor vehicles		3,621,085	4,847,547
			40,162,188	42,756,737
	Leased			
	Land and building		23,718,862	-
	Capital work-in-progress			
	Computer equipment		3,389,667	-
			67,270,717	42,756,737
9.1	Land and building - WDV			
	PRC House		321,244	338,152
	PRC Tower-leasehold land		223,622	223,622
	PRC Tower-building		11,988,209	12,619,167
		9.4	12,533,075	13,180,941
9.2	Furniture and fixtures, books, office and computer equipment - WDV			
	Furniture and fixtures		1,351,419	1,437,937
	Office equipment		2,406,536	2,710,072
	Books		280,328	311,476
	Computers		15,869,134	15,114,658
		9.4	19,907,417	19,574,143
9.3	Electrical installation, air-conditioning and lifts - WDV			
	Electrical installation		910,739	1,166,766
	Air-conditioning		2,425,429	3,031,786
	Lifts		764,443	955,554
		9.4	4,100,611	5,154,106

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

9.4 The statement of tangible operating fixed asset is as follows:

2019	OWNED											LEASED		Total		
	Land and building			Furniture and fixtures, books, office and computer equipment				Electrical installation, air-conditioning and lifts				Motor vehicles			Right-of-use Assets	
															Leasehold land	
	Leasehold PRC House*	Leasehold land**	Building	Furniture and fixture	Office equipment	Books	Computers	Electrical installation	Air-conditioning	Lifts		Leasehold land				
Rupees																
As at January 01, 2019																
Cost	807,956	223,622	38,344,491	11,755,762	6,996,887	665,706	36,644,691	12,659,713	23,032,657	11,405,548	11,840,400	-	-	154,377,433		
Accumulated depreciation	(469,804)	-	(25,725,324)	(10,317,825)	(4,286,815)	(354,230)	(21,530,033)	(11,492,947)	(20,000,871)	(10,449,994)	(6,992,853)	-	-	(111,620,696)		
	338,152	223,622	12,619,167	1,437,937	2,710,072	311,476	15,114,658	1,166,766	3,031,786	955,554	4,847,547	-	-	42,756,737		
December 31, 2019																
Opening net book amount	338,152	223,622	12,619,167	1,437,937	2,710,072	311,476	15,114,658	1,166,766	3,031,786	955,554	4,847,547	-	-	42,756,737		
Additions	-	-	-	61,150	107,300	-	4,117,898	-	-	-	-	25,475,815	-	29,762,163		
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Cost	-	-	-	-	-	-	-	99,800	-	-	1,014,000	-	-	1,113,800		
Accumulated depreciation	-	-	-	-	-	-	-	(71,458)	-	-	(703,516)	-	-	(774,974)		
	-	-	-	-	-	-	-	(28,342)	-	-	(310,484)	-	-	(338,826)		
Depreciation charge for the year	(16,908)	-	(630,958)	(147,668)	(410,836)	(31,148)	(3,363,422)	(227,685)	(606,357)	(191,111)	(915,979)	(1,756,953)	-	(8,299,025)		
Written down value	321,244	223,622	11,988,209	1,351,419	2,406,536	280,328	15,869,134	910,739	2,425,429	764,443	3,621,084	23,718,862	-	63,881,050		
As at December 31, 2019																
Cost	807,956	223,622	38,344,491	11,816,912	7,104,187	665,706	40,762,589	12,559,913	23,032,657	11,405,548	10,826,400	25,475,815	-	183,025,796		
Accumulated depreciation	(486,712)	-	(26,356,282)	(10,465,493)	(4,697,651)	(385,378)	(24,893,455)	(11,649,174)	(20,607,228)	(10,641,105)	(7,205,316)	(1,756,953)	-	(119,144,746)		
Written down value	321,244	223,622	11,988,209	1,351,419	2,406,536	280,328	15,869,134	910,739	2,425,429	764,443	3,621,084	23,718,862	-	63,881,050		
Depreciation rate - percentage	5%	-	5%	10%	15%	10%	20%	20%	20%	20%	20%	Lease term**	-			

*This represents lease hold land of 1,388 Square Yards located at House No. 30-B, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

**This represents lease hold land of 7,918 Square Yards located at Plot No. 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

***The lease term of lease included in right-of-use asset is 14.5 years.

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PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

2018	OWNED											LEASED		Total
	Land and building			Furniture and fixtures, books, office and computer equipment				Electrical installation, air-conditioning and lifts			Motor vehicles	Right-of-use Assets		
	Leasehold PRC House*	Leasehold land**	Building	Furniture and fixture	Office equipment	Books	Computers	Electrical installation	Air-conditioning	Lifts		Leasehold land		
As at January 01, 2018														
Cost	807,956	223,622	38,344,491	11,479,362	6,132,464	665,706	24,798,545	12,659,713	23,032,657	11,405,548	13,317,900	-	142,867,964	
Accumulated depreciation	(452,006)	-	(25,061,157)	(10,164,042)	(3,853,121)	(319,622)	(18,953,142)	(11,201,255)	(19,242,924)	(10,211,106)	(6,838,870)	-	(106,297,245)	
	355,950	223,622	13,283,334	1,315,320	2,279,343	346,084	5,845,403	1,458,458	3,789,733	1,194,442	6,479,030	-	36,570,719	
December 31, 2018														
Opening net book amount	355,950	223,622	13,283,334	1,315,320	2,279,343	346,084	5,845,403	1,458,458	3,789,733	1,194,442	6,479,028	-	36,570,719	
Additions	-	-	-	276,400	864,423	-	11,846,146	-	-	-	-	-	12,986,969	
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	-	-	-	-	-	1,477,500	-	1,477,500	
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	(1,057,906)	-	(1,057,906)	
Depreciation charge for the year	(17,798)	-	(664,167)	(153,783)	(433,694)	(34,608)	(2,576,891)	(291,692)	(757,947)	(238,888)	(419,594)	-	(419,594)	
Written down value	338,152	223,622	12,619,167	1,437,937	2,710,072	311,476	15,114,658	1,166,766	3,031,786	955,554	4,847,547	-	42,756,737	
As at December 31, 2018														
Cost	807,956	223,622	38,344,491	11,755,762	6,996,887	665,706	36,644,691	12,659,713	23,032,657	11,405,548	11,840,400	-	154,377,433	
Accumulated depreciation	(469,804)	-	(25,725,324)	(10,317,825)	(4,286,815)	(354,230)	(21,530,033)	(11,492,947)	(20,000,871)	(10,449,994)	(6,992,853)	-	(111,620,696)	
Written down value	338,152	223,622	12,619,167	1,437,937	2,710,072	311,476	15,114,658	1,166,766	3,031,786	955,554	4,847,547	-	42,756,737	
Depreciation rate - percentage	5%	-	5%	10%	15%	10%	20%	20%	20%	20%	20%	-	-	

*This lease hold land of 1,388 Square Yards are located at House No. 30-B, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

**This lease hold land of 7,918 Square Yards are located at Plot No. 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

9.5 Details of Tangible Assets Disposed are as follows:

Particulars of items	Purchase price	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal	Particulars of purchaser
During the year ended December 31, 2019							
Vehicles							
Suzuki Cultus BAT-295	1,014,000	(703,516)	310,484	310,484	-	Company's policy	Mrs. Raana Munir (General Manager)
Total	1,014,000	(703,516)	310,484	310,484	-		
During the year ended December 31, 2018							
Vehicles							
Toyota Corolla AXS-917 (Model 2012)	1,477,500	(1,057,906)	419,594	419,594	-	Company's policy	Mr. Shakeel Ahmed (CEO)
Total	1,477,500	(1,057,906)	419,594	419,594	-		

10 ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN) - NET

2019	2018
----- (Rupees) -----	

Assets relating to Bangladesh which comprise of fixed assets and investments are as follows:

Fixed assets

Land and building	8,608,000	8,608,000
Furniture and fixtures	4,000	4,000
	8,612,000	8,612,000

Investments

Stock and shares	7,112,000	7,112,000
Debenture	250,000	250,000
	7,362,000	7,362,000
	15,974,000	15,974,000

Liabilities

Outstanding claims	(4,952,000)	(4,952,000)
Other liabilities	(809,000)	(809,000)
	(5,761,000)	(5,761,000)
	10,213,000	10,213,000
	(10,213,000)	(10,213,000)
	-	-

Provision for loss on assets in Bangladesh

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

11 INVESTMENT PROPERTIES

2019	PRC Building, Karachi	PRC House	Lease hold land	PRC Towers, Karachi	Electrical installations	Air conditioning plant	Lifts	Total
Rupees								
As at January 01, 2019								
Cost	150,302	1,885,230	572,406	89,470,479	18,995,068	26,556,830	21,085,825	158,716,140
Accumulated depreciation	(87,397)	(1,096,206)	-	(62,936,331)	(18,902,930)	(26,425,661)	(20,983,615)	(130,432,140)
Book value	62,905	789,024	572,406	26,534,148	92,138	131,169	102,210	28,284,000
December 31, 2019								
Opening net book amount	62,905	789,024	572,406	26,534,148	92,138	131,169	102,210	28,284,000
Depreciation charge for the year	(3,145)	(39,451)	-	(1,326,707)	(18,428)	(26,234)	(20,442)	(1,434,407)
Book value	59,760	749,573	572,406	25,207,441	73,710	104,935	81,768	26,849,593
As at December 31, 2019								
Cost	150,302	1,885,230	572,406	89,470,479	18,995,068	26,556,830	21,085,825	158,716,140
Accumulated depreciation	(90,542)	(1,135,657)	-	(64,263,038)	(18,921,358)	(26,451,895)	(21,004,057)	(131,866,547)
Book value	59,760	749,573	572,406	25,207,441	73,710	104,935	81,768	26,849,593
Depreciation rate - percentage	5%	5%	-	5%	20%	20%	20%	
2018	PRC Building, Karachi	PRC House	Lease hold land	PRC Towers, Karachi	Electrical installations	Air conditioning plant	Lifts	Total
Rupees								
As at January 01, 2018								
Cost	150,302	1,885,230	572,406	89,470,479	18,995,068	26,556,830	21,085,825	158,716,140
Accumulated depreciation	(84,086)	(1,054,678)	-	(61,539,797)	(18,879,895)	(26,392,869)	(20,958,062)	(128,909,387)
Book value	66,216	830,552	572,406	27,930,682	115,173	163,961	127,763	29,806,753
December 31, 2018								
Opening net book amount	66,216	830,552	572,406	27,930,682	115,173	163,961	127,763	29,806,753
Additions	-	-	-	-	-	-	-	-
Depreciation charge for the year	(3,311)	(41,528)	-	(1,396,534)	(23,035)	(32,792)	(25,553)	(1,522,753)
Book value	62,905	789,024	572,406	26,534,148	92,138	131,169	102,210	28,284,000
As at December 31, 2018								
Cost	150,302	1,885,230	572,406	89,470,479	18,995,068	26,556,830	21,085,825	158,716,140
Accumulated depreciation	(87,397)	(1,096,206)	-	(62,936,331)	(18,902,930)	(26,425,661)	(20,983,615)	(130,432,140)
Book value	62,905	789,024	572,406	26,534,148	92,138	131,169	102,210	28,284,000
Depreciation rate - percentage	5%	5%	-	5%	20%	20%	20%	

11.1 The market value of investment is Rs. 1,92,420 million's per valuation carried out by a professional value as at december 31, 2019

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

12 INVESTMENTS IN EQUITY SECURITIES

Note	2019				2018			
	Cost	Impairment / provision	Unrealized gain / (loss)	Market value	Cost	Impairment / provision	Unrealized gain / (loss)	Carrying value
	Rupees							
Available for sale								
Related Parties								
Listed shares 12.1	88,521,808	-	1,205,178,299	1,293,700,107	88,521,808	-	1,219,499,778	1,308,021,586
Unlisted shares 12.2	1,235,840	(618,227)	-	617,613	1,235,840	(618,227)	-	617,613
Mutual funds 12.3	800,000,000	(273,411,423)	-	526,588,577	800,000,000	(274,323,624)	-	525,676,376
	889,757,648	(274,029,650)	1,205,178,299	1,820,906,297	889,757,648	(274,941,851)	1,219,499,778	1,834,315,575
Others								
Listed shares 12.4	308,712,513	-	704,991,518	1,013,704,031	325,765,286	-	773,259,833	1,099,025,119
Unlisted shares 12.5	1,372,264	(1,372,264)	-	-	1,372,264	(1,372,264)	-	-
Mutual funds 12.6	792,488,810	-	142,420,101	934,908,911	901,457,734	(131,348,979)	374,909,601	1,145,018,356
	1,102,573,587	(1,372,264)	847,411,619	1,948,612,942	1,228,595,284	(132,721,243)	1,148,169,434	2,244,043,475
Sub total	1,992,331,235	(275,401,914)	2,052,589,918	3,769,519,239	2,118,352,932	(407,663,094)	2,367,669,212	4,078,359,050
Held for trading								
Related Parties								
Listed shares 12.7.1	19,388,357	-	(2,100,139)	17,288,218	19,388,357	-	(2,607,207)	16,781,150
Others								
Listed shares 12.7.2	88,158,765	-	(9,221,015)	78,937,750	88,158,765	-	(20,001,570)	68,157,195
Sub total	107,547,122	-	(11,321,154)	96,225,968	107,547,122	-	(22,608,777)	84,938,345
Grand total	2,099,878,357	(275,401,914)	2,041,268,764	3,865,745,207	2,225,900,054	(407,663,094)	2,345,060,435	4,163,297,395

Number of shares / certificates / units	2019		Number of shares / certificates / units	2018	
	Cost	Market value		Cost	Market value
	Rupees			Rupees	

Available for sale - Related parties

12.1 Listed shares

National Bank of Pakistan	6,359,119	6,824,793	275,349,853	6,359,119	6,824,793	267,273,771
Pakistan State Oil Company Limited	14,042	371,225	2,691,009	11,702	371,225	2,637,982
Pakistan Petroleum Limited	546,480	27,388,953	74,944,267	455,400	27,388,953	68,155,164
Sui Southern Gas Company Limited	12,694,227	36,461,488	273,179,765	12,694,227	36,461,488	293,236,644
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	662,542,122	8,698,203	17,110,611	670,370,505
Pakistan Engineering Company Limited	43,776	364,738	4,993,091	43,776	364,738	6,347,520
	28,355,847	88,521,808	1,293,700,107	28,262,427	88,521,808	1,308,021,586

12.2 Unlisted shares

State Bank of Pakistan	4,900	517,613	517,613	4,900	517,613	517,613
Industrial Development of Pakistan **	6,213	618,227	-	6,213	618,227	-
National Investment Trust Limited	79,200	100,000	100,000	79,200	100,000	100,000
	90,313	1,235,840	617,613	90,313	1,235,840	617,613

12.3 Mutual funds

National Investment Unit Trust	8,292,733	800,000,000	526,588,577	8,292,733	800,000,000	525,676,376
Grand total	36,738,893	889,757,648	1,820,906,297	36,645,473	889,757,648	1,834,315,575

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

*

Frozen shares

This represents 8,698,203 ordinary shares of Sui Northern Gas Pipelines Limited which are frozen on the basis of Government of Pakistan (GoP) directives F.10(6&14)EN-94/2005 dated April 13, 2005, as the same form part of the strategic shareholding under the control of the GoP. As a result, the Company is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus/right shares in respect thereof.

**

Industrial Development Bank of Pakistan (IDBP) has been dissolved and all assets and liabilities are vested in the Industrial Development Bank Limited (IDBL) vide Government of Pakistan (GoP)'s Finance division's S.R.O. (1)/2012 dated November 13, 2012.

Available for sale - Other

12.4 Listed shares

	2019			2018		
	Number of shares	Cost	Market value	Number of shares	Cost	Market value
		----- Rupees -----			----- Rupees -----	
Banks						
Bank Alfalah Limited	-	-	-	1,155	3,709	46,881
Faysal Bank Limited	88,606	391,273	1,685,286	88,606	391,273	2,132,746
MCB Bank Limited	500,000	93,131,314	102,470,000	573,370	106,797,403	110,987,231
	588,606	93,522,587	104,155,286	663,131	107,192,385	113,166,858
Insurance						
Adamjee Insurance Company Limited	1,398,536	32,124,622	58,864,380	1,398,536	32,124,622	58,766,483
Asia Insurance Company Limited	33,104	224,800	529,664	33,104	224,800	529,664
Crescent Star Insurance Company Limited	504,491	1,008,982	1,084,656	604,491	1,208,982	1,033,680
Habib Insurance Company Limited	12,700	1,724	138,176	12,700	1,724	139,700
Pakistan Guarantee Insurance Company Limited	22,029	-	-	22,029	-	-
Sterling Insurance Company Limited	23,250	-	-	23,250	-	-
United Insurance Company of Pakistan Limited	1,158,031	166,165	10,577,318	1,014,318	166,165	11,362,959
	3,152,141	33,526,293	71,194,194	3,108,428	33,726,293	71,832,486
Personal Goods						
Brothers Textile Mills Limited	353	-	-	353	-	-
Khurshid Spinning Mills Limited	7,600	5,700	41,800	7,600	-	-
Sahrish Textile Mills Limited	13,510	-	-	13,510	-	-
Crescent Jute Products Limited	157,314	-	-	157,314	-	-
Usman Textile Mills Limited	300	-	-	300	-	-
Muhammad Farooq Textile Mills Limited	4,100	-	-	4,100	-	-
Taj Textile Mills Limited	5,600	-	-	5,600	-	-
	188,777	5,700	41,800	188,777	-	-
General Industries						
Packages Limited	821,714	90,388,540	327,650,240	821,714	90,388,540	317,855,409
Hashmi Can Company Limited	5,250	-	-	5,250	-	-
	826,964	90,388,540	327,650,240	826,964	90,388,540	317,855,409
Household Goods						
Hussain Industries Limited	15,820	-	-	15,820	-	-
Towellers Limited	129,759	1,048,453	9,591,785	129,759	1,048,453	9,844,815
	145,579	1,048,453	9,591,785	145,579	1,048,453	9,844,815
Food Producers						
Imperial Sugar Mills Limited	39,924	71,863	578,898	39,924	71,863	878,328
Jauharabad Sugar Mills Limited	5,520	15,942	125,304	4,601	15,942	202,400
Pangrio Sugar Mills Limited	100,000	-	-	100,000	-	-
Shahtaj Sugar Mills Limited	324	2,427	28,149	397	2,974	22,562
Sindh Abadgar's Sugar Mills Limited	65,500	327,500	1,318,515	65,500	327,500	1,265,460
Universal Oil Mills Limited	30,000	-	-	30,000	-	-
	241,268	417,732	2,050,866	240,422	418,279	2,368,750

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Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

Construction and Materials

Akzo Nobel Pakistan Limited
Dadabhoi Cement Industries Limited
Zeal Pak Cement Factory Limited

Tobacco

Philip Morris (Pakistan) Limited
Pakistan Tobacco Company Limited

Electricity

The Hub Power Company Limited
K-Electric Limited
Kot Addu Power Company Limited
Southern Electric Power Company Limited

Refinery

National Refinery Limited

Engineering

Dewan Automotive Engineering Limited

Forestry and Paper

Security Papers Limited

Chemicals

ICI Pakistan Limited

Total

Number of shares	2019		Number of shares	2018	
	Cost	Market value		Cost	Market value
	Rupees			Rupees	
154,518	17,899,449	41,545,255	154,518	17,899,449	23,766,414
17,300	-	-	17,300	-	-
39,130	-	-	39,130	-	-
210,948	17,899,449	41,545,255	210,948	17,899,449	23,766,414
10,580	18,403	26,439,208	10,620	18,403	36,201,456
3,000	9,961	7,321,650	3,000	9,961	8,700,000
13,580	28,364	33,760,858	13,620	28,364	44,901,456
480,000	8,884,043	44,808,000	500,000	9,254,243	42,895,000
100,000	223,790	437,000	100,000	223,790	594,000
30,000	1,481,678	945,900	30,000	1,481,678	1,486,500
13,963	-	-	13,963	-	-
623,963	10,589,511	46,190,900	643,963	10,959,711	44,975,500
452,363	25,494,538	63,819,372	502,363	28,312,467	143,565,298
52,333	-	-	52,333	-	-
928,689	195,915	106,334,891	928,689	195,915	82,653,322
307,281	35,595,431	207,368,583	307,281	35,595,431	244,094,811
7,732,492	308,712,513	1,013,704,031	7,832,498	325,765,287	1,099,025,119

12.5 Unlisted shares

Cost of investment in unlisted companies
Less: provision for diminution in value

Note

12.5.1

2019	2018
Rupees	
1,372,264	1,372,264
(1,372,264)	(1,372,264)
-	-

12.5.1 Insurance

Indus Assurance Limited *

Cotton and Textile

Afsar Textile Mills Limited *
Kohinoor Cotton Mills Limited *

Chemical

Synthetic Chemical Limited *

Vanaspati and Allied Industries

Burma Oil Limited *
Burma Soap Limited *

Miscellaneous

Arag Industries Limited *

Sub total of others

Less: Provision for diminution in value

2019		2018	
Number of shares / certificates	Cost in Rupees	Number of shares / certificates	Cost in Rupees
25,000	250,000	25,000	250,000
1,000	9,950	1,000	9,950
22,397	219,801	22,397	219,801
23,397	229,751	23,397	229,751
20,000	200,000	20,000	200,000
861	6,470	861	6,470
64	640	64	640
925	7,110	925	7,110
133,333	685,403	133,333	685,403
	1,372,264		1,372,264
	(1,372,264)		(1,372,264)
202,655	-	202,655	-

*

Financial statements of these companies are not available, therefore, the break-up value and the name of the Chief Executive Officer is not presented.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

12.6 Mutual funds

Open-End Mutual Funds

Pakistan Capital Market Fund
JS Value Fund
MCB Pakistan Stock Market Fund Limited
NAFA Stock Fund
JS Growth Fund
HBL Growth Funds - Class B Segment
HBL Investment Funds - Class B Segment

Close-End Mutual Funds

HBL Growth Funds - Class A
HBL Investment Funds - Class A

2019			2018		
Number of units	Cost	Market value	Number of units	Cost	Market value
	Rupees			Rupees	
-	-	-	23,957	108,959	250,825
40,949	2,267,483	8,143,489	40,949	2,267,483	8,335,578
-	-	-	7,376	170,657	623,392
20,671,728	400,000,000	292,670,325	20,671,728	400,000,000	268,230,142
-	-	-	3,496	140,039	554,715
15,000,000	105,632,400	286,171,500	30,406,721	214,128,994	517,105,819
-	-	-	17,246	52,675	153,329
35,712,677	507,899,883	586,985,314	51,171,473	616,868,807	795,253,800
30,406,721	284,541,230	347,852,888	30,406,721	284,541,230	349,677,291
17,246	47,697	70,709	17,246	47,697	87,265
30,423,967	284,588,927	347,923,597	30,423,967	284,588,927	349,764,556
66,136,644	792,488,810	934,908,911	81,595,440	901,457,734	1,145,018,356

Held-for-trading

Note

12.7 Listed shares

Cost of investment in listed companies
Unrealised loss

	2019	2018
	(Rupees)	
	107,547,122	107,547,122
	(11,321,154)	(22,608,777)
	96,225,968	84,938,345

12.7.1 Related parties

National Bank of Pakistan

2019			2018		
Number of shares	Cost	Market value	Number of shares	Cost	Market value
	----- Rupees -----			----- Rupees -----	
399,266	19,388,357	17,288,218	399,266	19,388,357	16,781,150

12.7.2 Others

Cement

Attock Cement Limited

Technology and Communication

Pakistan Telecommunication

Company Limited

Commercial Bank

United Bank Limited

Construction

Aisha Steel Mills Limited

Household

Pak Elektron Limited

Chemical

Fauji Fertilizer Company Limited

Sub total of others

Grand total

69,000	10,408,075	7,132,530	69,000	10,408,075	7,810,800
319,500	4,169,475	2,990,520	319,500	4,169,475	3,070,395
250,000	40,200,850	41,125,000	250,000	40,200,850	30,660,000
700,000	10,139,080	6,713,000	700,000	10,139,080	7,350,000
550,000	18,494,685	14,888,500	550,000	18,494,685	13,695,000
60,000	4,746,600	6,088,200	60,000	4,746,600	5,571,000
1,948,500	88,158,765	78,937,750	1,948,500	88,158,765	68,157,195
2,347,766	107,547,122	96,225,968	2,347,766	107,547,122	84,938,345

PAKISTAN REINSURANCE COMPANY LIMITED

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13 INVESTMENTS IN DEBT SECURITIES

Note	2019		2018	
	Cost	Carrying value	Cost	Carrying value
	Rupees		Rupees	
Investments - Held to maturity				
Pakistan Investment Bonds	13.1 & 13.2	1,968,571,127	1,949,351,760	2,227,198,249
Treasury Bills	13.2	4,361,503,400	4,445,556,500	2,184,623,575
Term Finance Certificates	13.3	99,960,000	99,960,000	100,000,000
		6,430,034,527	6,494,868,260	4,511,821,824
Investments - Available for sale				
Pakistan Investment Bonds	13.4	553,208,750	581,826,503	-
		6,983,243,277	7,076,694,763	4,470,399,038

13.1 This include an amount of Pakistan Investment Bonds Rs. 308 million (2018: Rs. 308 million) deposited with the State Bank of Pakistan as required by section 29 of the Insurance Ordinance, 2000.

13.2 Held-to-maturity - secured

	2019	2018	2019	2018
	Treasury bills	Pakistan Investment Bonds	Pakistan Investment Bonds	Pakistan Investment Bonds
	Rupees			
Carrying value	4,445,556,500	2,207,137,288	1,949,351,760	2,163,261,750
Tenure	up to 12 months	up to 3 months	3 years to 10 years	3 years to 10 years
Face value - Rupees in million	4,700	2,225	2,012	2,159
Fair value - Rupees in million	4,687	2,206	1,878	2,173
Maturity dates	January 2020 to December 2020	January 2018 to March 2018	March 2020 to September 2029	March 2018 to March 2025
Profit repayment - frequency	On maturity	On maturity	Half yearly	Half yearly
Principal repayment - frequency	On maturity	On maturity	On maturity	On maturity
Effective interest rate / coupon rate - per annum	12.71% to 13.76%	8.74% to 10.29%	7.25% to 12.00%	7.00% to 12.00%

13.3 This represent investment in Term Finance Certificate having an aggregate face value Rs. 99.96 million (2018: Rs. 100 million) carrying markup at 6 months KIBOR + 0.5%. These have been placed with Habib Bank Limited for a term of 10 years, maturing on 2028. Accrued profit on these certificates amounting to Rs. 0.993 million (2018: Rs. 0.79 million).

13.4 Available-for-sale - secured

	2019	2018
	Pakistan Investment Bonds	Pakistan Investment Bonds
	Rupees	
Carrying value	581,826,503	-
Tenure	3 years to 10 years	-
Face value - Rupees in million	625	-
Market value - Rupees in million	582	-
Maturity dates	July 2021 to September 2029	-
Profit repayment - frequency	Half yearly	-
Principal repayment - frequency	On maturity / disposal	-
Effective interest rate / coupon rate - per annum	7.25% to 10.00%	-

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

		2019	2018	2017
			Restated	Restated
Note			(Rupees)	
14	LOANS AND OTHER RECEIVABLES			
	Loan to employees	14.1 91,397,706	93,361,030	122,414,330
	Accrued investment income	14.2 178,633,601	153,705,215	164,005,201
	Sundry receivables	14.3 21,319,691	42,843,328	110,830,899
	Receivable from Sindh Revenue Board	31.2 2,573,888,727	2,573,888,727	2,573,888,727
		2,865,239,725	2,863,798,300	2,971,139,157

14.1 LOANS TO EMPLOYEES

Non current portion	78,505,824	83,005,203	105,771,778
Current portion	12,891,882	10,355,827	16,642,552
	91,397,706	93,361,030	122,414,330

14.1.1 No loan has been provided to the Directors of the Company. Details of loans to Executives of the Company is as under:

	2019	2018
	(Rupees)	
Balance at the beginning of the year	56,799,288	64,688,267
Add: disbursements during the year	20,971,450	4,250,000
Less: receipts during the year	(19,130,822)	(12,138,979)
Balance at the end of the year	58,639,916	56,799,288

14.1.2 Loans to employees represent mark-up free loans and are secured against retirement benefits of the respective employee including, where applicable, documents of assets for which the loan has been given. None of the amount is either past due or impaired, consequently no provision for bad or doubtful loans has been made.

14.1.3 The maximum month-end amount of these loan during the year has been amounting to Rs.91,397,706 (2018: Rs. 165,125,171).

	2019	2018
	(Rupees)	
14.2	Accrued investment income	
Dividend receivable	-	1,997,534
Interest on held to maturity investments	83,694,454	97,901,208
Interest on banks deposits maturity within 12 months	24,112,195	1,777,925
Rentals receivable	70,826,952	54,026,082
	178,633,601	155,702,749
Provision for dividend receivable	-	(1,997,534)
	178,633,601	153,705,215

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FOR THE YEAR ENDED DECEMBER 31, 2019

		2019	2018
	Note	----- (Rupees) -----	
14.3 Sundry receivables			
Employee welfare fund receivable		-	888,135
Export Credit Guarantee schemes	14.3.1	56,142,435	56,142,435
Receivable against National Co-insurance Scheme		4,939,471	4,939,471
Receivable against War Risk Insurance-Karachi	14.3.2	7,724,303	7,724,303
Receivable against War Risk Insurance-Lahore		10,541,524	10,541,524
Receivable from Investment Corporation of Pakistan		868,470	868,470
Advances		3,706,355	6,720,146
Security deposits		4,917,065	4,917,065
Receivable from NAB	14.3.3	-	21,964,067
Electricity charges receivable from tenants		6,398,013	5,338,028
Other receivable		6,846,369	3,563,998
		102,084,005	123,607,642
Less: Provision for doubtful debts			
Balance brought forward from last year		(80,764,314)	(80,764,314)
		(80,764,314)	(80,764,314)
		21,319,691	42,843,328

14.3.1 This represents the total amount of income tax deposited by the Company since the year 1984-85 to the year 2001-02 in respect of Export Credits Guarantee Scheme (ECGS). The income of the respective years under the Scheme was transferred to the Government. The income tax department, however, taxed ECGS income by clubbing it with the Company's income. The Company's appeal in this respect which was pending before Honorable High Court has been dismissed. This amount was previously classified as advance tax and has been transferred as amount receivable from the Ministry of Finance, Government of Pakistan.

The Company had filed an appeal in the Honorable Supreme Court of Pakistan (SCP) in this respect which vide order dated August 21, 2007 granted leave to appeal filed by the Company against the judgment of the Honorable High Court. The matter is now before Alternate Dispute Resolution Committee (ADRC).

The ADRC therefore concluded that they would refer the matter to the FBR for providing a legal expert to the ADRC or to re-constitute the ADRC by including therein the legal expert who can interpret and decide on the applicability of the Article 165A of the Constitution of Pakistan in this case.

FBR via letter No. 2(48) IT-Jud/2006-ADR/45098-R regretted the request for reconstitution of ADRC. Therefore the Company pursued its case with the SCP which has already granted a leave to appeal against order of High Court, has remanded back the case to the High Court of Sindh where the matter is still pending for date of hearing. The Company has recorded provision amounting to Rs. 56.142 million (2018: Rs. 56.142 million) in these financial statements.

14.3.2 Amount is receivable from Government of Pakistan against expenses for running the affairs of War Risk Insurance Department (the Department) working under the supervision of Pakistan Insurance Corporation (defunct). The Department was set up for insurance of losses which could have occurred due to war.

14.3.3 National Accountability Bureau Lahore office informed the Company through letter Ref No. 1(9)/1780/CO-M/T-37/NAB-L dated August 24, 2017 about conducting an inquiry which had been forwarded by SECP under section 18 of National Accountability Ordinance, 1999 which states that SECP conducted an investigation under the Insurance Ordinance, 2000 with the findings that, through bogus claims the Pakistan General Insurance Company Limited (PGIL) has caused loss to the Company amounting to Rs. 57.156 million on account of re-insurance bogus claims.

PAKISTAN REINSURANCE COMPANY LIMITED

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After lodging complaint NAB in collaboration with SECP conducted Investigations under the provisions of National Accountability Ordinance, 1999 and during the course of investigation, it was revealed from the available record that, PGIL caused loss to PRCL of Rs. 86.219 million (Principal + consequential gains) by way of submitting 87 bogus reinsurance claims as against the loss calculated by SECP i.e. Rs. 57.156 million by the way of 57 bogus reinsurance claims. The said investigation had been culminated as the accused PGIL opted for Plea Bargain under section 25(b) of National Accountability Ordinance, 1999 of Rs. 86.219 million as liability and accused is convicted by the accountability court no. 4, Lahore vide order dated December 13, 2017 and the recovered amount from accused will be reimbursed to the Company within due course of time.

On March 28, 2018, the Company has received an amount of Rs. 64.665 million after deduction of 25% share (Rs. 21.964) of NAB as per notification no.2(2)DFA(Cabinet) dated July 6, 2000. Subsequent to the receipt of amount from NAB, the Company has written letter ref: 6(1)/2017 dated May 21, 2018 to Director General NAB to release the remaining balance deducted by NAB amounting to Rs. 21.964 million. The amount was written off during the year.

			<u>2019</u>	<u>2018</u>
15	INSURANCE / REINSURANCE RECEIVABLES	Note	----- (Rupees) -----	
	Amount due from other reinsurers		327,339,588	149,386,240
	Amount due from other insurers		10,064,503,581	5,802,957,068
		15.1	10,391,843,169	5,952,343,308
	Less: Provision for impairment in due from other insurers / reinsurers	15.2	(616,329,617)	(524,634,292)
			9,775,513,552	5,427,709,016
	Premium and claim reserves retained by cedants		24,831,633	25,057,147
	Less: Provision for impairment in premium and claim reserves retained by cedants		(24,831,633)	(17,000,000)
			-	8,057,147
			9,775,513,552	5,435,766,163

15.1 This includes an amount of Rs. 5,377,764,168 (2018: Rs. 2,277,213,869) due from related party National Insurance Company Limited. The age analysis of amount due from related party is as follows:

	<u>2019</u>	<u>2018</u>
	----- (Rupees) -----	
Up to 3 months	3,391,257,210	2,277,213,869
Over 3 months and above	1,986,506,958	-
	5,377,764,168	2,277,213,869

15.2 Movement of provision for impairment

Balance at the beginning of the year	524,634,292	524,634,292
Provisions made during the year	91,695,325	-
Balance at the end of the year	616,329,617	524,634,292

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

		2019	2018	2017
			Restated	Restated
	Note	(Rupees)		
16 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS				
Facultative business	16.1	3,766,560,170	679,595,450	1,322,355,964
Treaty		167,804,551	195,175,787	360,338,073
		3,934,364,721	874,771,237	1,682,694,037
16.1 Facultative business				
Fire		206,495,743	388,223,063	542,010,270
Marine cargo		39,267,000	18,693,025	-
Marine hull		23,402,252	43,266,176	27,864,737
Accident		612,403	-	-
Aviation		1,242,590,061	96,177,837	46,134,162
Engineering		2,254,192,711	133,235,349	706,346,795
		3,766,560,170	679,595,450	1,322,355,964
			2019	2018
	Note	(Rupees)		
17 DEFERRED COMMISSION AND OTHER ACQUISITION COSTS				
Facultative business	17.1	394,177,408	145,177,040	
Treaty		524,367,023	420,420,934	
		918,544,431	565,597,974	
17.1 Facultative business				
Fire		85,237,464	79,641,772	
Marine cargo		516,378	1,142,398	
Marine hull		10,140,080	950,730	
Accidents and others		5,305,244	5,607,110	
Aviation		150,913,962	1,164,364	
Engineering		142,064,280	56,670,666	
		394,177,408	145,177,040	
18 PREPAYMENTS				
Prepaid reinsurance ceded - facultative business	18.1	5,059,023,826	2,131,942,610	
Prepaid reinsurance ceded - treaty business		394,450,439	340,463,704	
		5,453,474,265	2,472,406,314	
Other prepayments		692,815	3,719,760	
		5,454,167,080	2,476,126,074	
18.1 Prepayment reinsurance ceded - facultative business				
Fire		20,949,844	20,689,140	
Marine hull		79,508,541	8,245,057	
Accidents and others		3,272,048	2,834,005	
Aviation		2,501,613,136	1,363,388,470	
Engineering		2,453,680,257	736,785,938	
		5,059,023,826	2,131,942,610	

PAKISTAN REINSURANCE COMPANY LIMITED

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			2019	2018
	Note		----- (Rupees) -----	
19 CASH AND BANK				
Cash in hand			148,775	39,508
Cash at bank in:				
Current accounts			65,470,831	11,673,945
Saving accounts	19.1		750,059,141	2,590,770,336
			815,529,972	2,602,444,281
			815,678,747	2,602,483,789
19.1	These carry markup at the rates ranging from 8.75% to 11.25% (2018: 3.75% to 8.75%) per annum.			
20 SHARE CAPITAL				
20.1 Authorized capital				
			2019	2018
			----- (Rupees) -----	
			2,500 million	2,500 million
		Ordinary shares of Rs.10/- each	25,000,000,000	25,000,000,000
20.2 Issued, subscribed and paid-up share capital				
			2019	2018
			(Number of shares)	
			8	8
		Ordinary shares of Rs.10/- each fully paid in cash	80	80
			5,000,000	5,000,000
		Ordinary shares of Rs.10/- each issued for consideration other than cash	50,000,000	50,000,000
			294,999,992	294,999,992
		Ordinary shares of Rs.10/- each issued as fully paid bonus shares	2,949,999,920	2,949,999,920
			3,000,000,000	3,000,000,000
21 RESERVES				
			2019	2018
			----- (Rupees) -----	
Capital				
Reserve for exceptional losses	21.1		281,000,000	281,000,000
Available for sale reserve			1,652,641,179	1,705,142,630
Revenue				
Unappropriated profit			3,117,737,411	2,644,337,878
General reserve			1,777,419,085	1,777,419,085
			6,828,797,675	6,407,899,593

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- 21.1** These reserves for exceptional losses was set aside prior to 1979 and was charged to profit or loss account with the provision of Income Tax Act, 1922 (repealed), and has been so retained to date.

	Note	2019	2018 (Rupees) Restated	2017 Restated
22	OUTSTANDING CLAIMS INCLUDING IBNR			
Facultative business	22.1	5,827,427,587	2,151,584,237	2,604,744,611
Treaty		2,189,171,322	2,137,487,627	2,229,432,698
		8,016,598,909	4,289,071,864	4,834,177,309
Claims related to Bangladesh, adjusted in note 9	22.3	(4,952,000)	(4,952,000)	(4,952,000)
		8,011,646,909	4,284,119,864	4,829,225,309
22.1	Facultative business			
Fire		1,317,826,301	1,239,691,600	1,250,561,544
Marine cargo		105,809,839	71,695,793	45,634,627
Marine hull		62,691,477	122,226,552	98,270,441
Accident and others		305,059,745	207,521,776	172,267,889
Aviation		1,413,414,449	179,605,059	116,351,952
Engineering		2,622,625,776	330,843,457	921,658,158
		5,827,427,587	2,151,584,237	2,604,744,611

- 22.2** The Securities and Exchange Commission of Pakistan (SECP) issued guidelines for estimation of Incurred but Not Reported (IBNR) claim reserves for non-life insurer companies through Circular No. 9 of 2016 dated March 09, 2016. The guidelines prescribe the standard method for estimation of IBNR claim reserves so as to bring industry wide-uniformity in respect of such estimation and to ensure adequacy of IBNR claims reserve. All non-life insurance companies are required to comply with these guidelines with effect from July 01, 2016.

However, on May 30, 2017 SECP issued separate guidelines for the Company for estimation of Incurred but Not Reported (IBNR) claim through letter No. ID/PRDD/IBNR/2017/9695 which prescribe that, for the purposes of ascertaining IBNR claim reserves by the Company, guidance is hereby extended, that the Company shall collect the data of IBNR claim reserves from the cedants (non-life insurers) and in accordance with its share in the reinsurance program (both on treaty and facultative basis) of the cedant(s) it shall record its IBNR claim reserves.

On the basis of above SECP specified guidelines, the Company wrote letter to each ceding Company to share data of IBNR Claims Reserves in accordance with its share in the reinsurance program both for facultative and treaty business. However, only one ceding company shared their Treaty IBNR Claim Reserves on the basis of which the Company recorded IBNR amounting to Rs. 10.3 million. Further, the Company recorded Facultative IBNR on basis of actuarial valuation amounting to Rs. 324.4 million.

	2019	2018
	----- (Rupees) -----	
22.3	Claims related to Bangladesh	
Facultative business		
Fire	2,382,000	2,382,000
Marine	1,470,000	1,470,000
Miscellaneous	1,100,000	1,100,000
	4,952,000	4,952,000

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

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			2019	2018
	Note		----- (Rupees) -----	
23		UNEARNED PREMIUM RESERVES		
		Facultative business	23.1 6,396,477,814	3,080,511,165
		Treaty	2,055,181,035	1,909,776,775
			<u>8,451,658,849</u>	<u>4,990,287,940</u>
23.1		Facultative business		
		Fire	563,735,480	515,086,813
		Marine cargo	6,552,853	10,212,945
		Marine hull	118,792,816	19,682,975
		Accident and others	56,340,140	63,414,119
		Aviation	2,980,344,955	1,561,443,913
		Engineering	2,670,711,570	910,670,400
			<u>6,396,477,814</u>	<u>3,080,511,165</u>
24		UNEARNED REINSURANCE COMMISSION		
		Facultative business	24.1 451,833,681	71,094,492
		Treaty	186,635	3,862,667
			<u>452,020,316</u>	<u>74,957,159</u>
24.1		Facultative business		
		Fire	1,025,832	683,462
		Marine hull	10,256,170	1,246,405
		Accident and others	327,205	283,401
		Aviation	249,843,471	567,150
		Engineering	190,381,003	68,314,074
			<u>451,833,681</u>	<u>71,094,492</u>
25		RETIREMENT BENEFITS OBLIGATIONS		
		Defined benefit obligations of post employee benefits		
		Employees' pension fund	25.1 572,392,083	437,384,000
		Officers' pension benefits	25.1 1,393,804,831	1,316,191,000
		Gratuity fund	25.1 16,252,749	13,780,000
		Other post employment benefits		
		Post retirement medical benefits	25.1 903,757,664	698,828,000
		Other long term employment benefits		
		Compensated absences	25.1 111,986,769	117,065,954
			<u>2,998,194,096</u>	<u>2,583,248,954</u>

PAKISTAN REINSURANCE COMPANY LIMITED

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25.1 EMPLOYEE BENEFITS - Defined benefit plans

	Note	2019							2018						
		Post employment benefits				Other long term employment benefits			Post employment benefits				Other post-employment benefits		
		Retirement benefits				Total			Retirement benefits				Total		
		Pension		Gratuity	Other post-employment benefits	Compensated absences	Total	Pension		Gratuity	Other post-employment benefits	Compensated absences	Total		
		Officer	Employees		Officer			Employees	Medical		Medical				
Rupees in millions															
25.1.1 Payable to defined benefit plan															
Present value of defined benefit obligation (PVDBO)	25.1.3	2,646,071	459,463	16,252	903,759	118,534	4,144,079	2,514,529	413,769	13,780	698,828	117,066	3,757,972		
Fair value of plan assets	25.1.4	(1,252,268)	112,928	-	-	-	(1,139,340)	(1,198,338)	23,615	-	-	-	(1,174,723)		
	25.1.2	1,393,803	572,391	16,252	903,759	118,534	3,004,739	1,316,191	437,384	13,780	698,828	117,066	2,583,249		
25.1.2 Movement in payable to / (receivable) from defined benefit plan															
Opening balance		1,316,189	437,384	13,779	698,828	123,613	2,589,793	1,054,596	369,752	8,705	635,816	124,559	2,193,428		
Expenses recognized															
- Current service cost		12,775	9,250	1,545	14,274	4,973	42,817	43,339	8,808	2,449	5,322	11,968	71,886		
- Gain and loss arising on plan settlements		-	-	-	-	-	(9,089)	-	-	(3,931)	-	-	(3,931)		
- Gain and loss arising on PVDBO		-	-	-	-	(9,089)	(9,089)	-	-	-	(11,555)	(11,555)	(11,555)		
- Interest cost		168,060	27,436	1,712	47,150	21,546	265,904	192,000	36,351	1,126	59,530	9,556	298,563		
- Interest income on plan assets		(77,572)	2,635	-	-	-	(74,937)	(99,042)	(1,796)	(0,299)	-	-	(101,137)		
		103,263	39,321	3,257	61,424	17,430	224,695	136,297	43,363	(0,655)	64,852	9,969	253,826		
Other comprehensive income															
Actuarial (gain) / loss on defined benefit obligations arising from															
- Financial assumptions		-	-	-	-	-	-	78,813	16,919	0,048	15,031	-	110,811		
- Experience (gains)/ losses		90,746	38,416	1,876	169,525	(15,962)	284,601	247,976	(24,920)	1,759	1,487	-	226,302		
		90,746	38,416	1,876	169,525	(15,962)	284,601	326,789	(8,001)	1,807	16,518	-	337,113		
Actuarial (gain) / loss on plan assets															
Contributions to the fund		23,642	86,678	-	-	-	110,320	(56,745)	44,322	3,922	-	-	(8,501)		
Benefits paid - net		(140,037)	(29,408)	(2,660)	-	-	(172,105)	(144,748)	(12,052)	-	-	-	(156,800)		
		-	-	-	(26,018)	-	(26,018)	-	-	-	(18,358)	(10,915)	(29,273)		
Closing balance	25.1.1	1,393,803	572,391	16,252	903,759	125,081	3,011,286	1,316,189	437,384	13,779	698,828	123,613	2,589,793		

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	2019										2018									
	Post employment benefits					Other long term employment benefits					Post employment benefits					Other long term employment benefits				
	Retirement benefits					Other post-employment benefits					Retirement benefits					Other post-employment benefits				
	Pension					Gratuity					Pension					Gratuity				
	Officer	Employees	Officer	Employees	Total	Officer	Employees	Officer	Employees	Total	Officer	Employees	Officer	Employees	Total	Officer	Employees	Officer	Employees	Total
	Rupees in millions										Rupees in millions									
25.1.3 Movement in PVDBO																				
Opening balance	2,514,529	413,769	13,780	698,827	117,066	3,757,971		2,097,149	388,663	12,329	635,815	124,559		3,258,515						
Current service cost	12,775	9,250	1,545	14,274	4,973	42,817		43,339	8,808	2,449	5,322	11,968		71,886						
Interest cost	168,060	27,436	1,712	47,150	21,546	265,904		192,000	36,351	1,126	59,530	9,556		298,563						
Benefits paid	(140,037)	(29,408)	(2,660)	(26,018)	(9,089)	(207,212)		(144,748)	(12,052)	-	(18,358)	(17,462)		(192,620)						
Liability transferred from Employees' pension fund	-	-	-	-	-	-		-	-	(3,931)	-	-		(3,931)						
Actuarial (gain) or loss on obligation - balancing figure	-	-	-	-	-	-		78,813	16,919	0,048	15,031	-		110,811						
Experience adjustment	90,746	38,416	1,876	169,525	(15,962)	284,601		247,976	(24,920)	1,759	1,487	(11,555)		214,747						
Present value of obligation at the end of the period	2,646,071	459,463	16,252	903,759	118,534	4,144,081		2,514,529	413,769	13,780	698,827	117,066		3,757,971						
25.1.1																				
25.1.4 Fair value of plan assets																				
Fair value at the beginning of the year	1,198,338	(23,615)	-	-	-	1,174,723		1,042,551	18,911	3,623	-	-		1,065,085						
Contributions to the fund	140,037	29,408	-	-	-	169,445		144,748	12,052	-	-	-		156,800						
Interest income on plan assets	77,572	(2,635)	-	-	-	74,937		99,042	1,796	0,299	-	-		101,137						
Benefits paid	(140,037)	(29,408)	-	-	-	(169,445)		(144,748)	(12,052)	(3,922)	-	-		(156,800)						
Actuarial gain / (loss) on plan assets	(23,642)	(86,678)	-	-	-	(110,320)		56,745	(44,322)	-	-	-		8,501						
Fair value at the end of the year	1,252,268	(112,928)	-	-	-	1,139,340		1,198,338	(23,615)	-	-	-		1,174,723						
25.1.1																				
25.1.5 Actual return on plan assets	53,930	(89,313)	-	-	-	-		155,787	(42,526)	(3,623)	-	-		109,638						
25.1.6 Composition of fair value of plan assets																				
	2019					2018					2019					2018				
	Pension - officers'		Pension - employees'		Gratuity	Pension - officers'		Pension - employees'		Gratuity	Pension - officers'		Pension - employees'		Gratuity	Pension - officers'		Pension - employees'		Gratuity
	Amount in Rupees	Percentage	Amount in Rupees	Percentage	Amount in Rupees	Amount in Rupees	Percentage	Amount in Rupees	Percentage	Amount in Rupees	Amount in Rupees	Percentage	Amount in Rupees	Percentage	Amount in Rupees	Amount in Rupees	Percentage	Amount in Rupees	Percentage	Amount in Rupees
Assets with an active market	156,147,000	12.47%	-	-	-	180,190,000	-	-	-	0.00%	152,735,000	12.75%	-	-	-	176,253,000	-746.33%	156,125,000	0%	-
Open ended mutual funds units / Equity / Term Finance Certificates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets with no active market	88,000,000	7.03%	294,000,000	-260.34%	-	294,000,000	-	59,000,000	4.92%	243,000,000	343,403,000	-1454.11%	9,800,000	0%	9,800,000	0%	9,800,000	0%	9,800,000	0%
Term deposit receipts	1,008,121,000	80.50%	287,223,000	-254.34%	-	287,223,000	-	986,603,000	82.33%	786,272,000	343,403,000	-1454.11%	816,000	0%	816,000	0%	816,000	0%	816,000	0%
Others (including cash and bank balances)	-	-	(874,342,000)	774.24%	(16,253,000)	(874,342,000)	-	-	-	-	(786,272,000)	3329.40%	(166,741,000)	0%	(166,741,000)	0%	(166,741,000)	0%	(166,741,000)	0%
Liabilities	1,252,268,000	100.00%	(112,929,000)	100.00%	(16,253,000)	(112,929,000)	-	1,198,338,000	100.00%	(23,616,000)	1,198,338,000	100.00%	-	0.00%	-	1,198,338,000	100.00%	-	0.00%	-

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25.1.7 The funds have no holding in the Company's equity instruments as plan assets. Moreover, the funds have no property or other assets, as its plan assets, occupied or used by the Company.

25.1.8 Actuarial valuation assumptions

	2019					2018				
	Pension		Gratuity	Medical	Compensated absences	Pension		Gratuity	Medical	Compensated absences
	Officer	Employees				Officer	Employees			
Valuation discount rate	13.75%	13.75%	13.75%	13.75%	13.75%	9.50%	9.50%	9.50%	9.50%	8.25%
Expected return in plan assets	11.75%	11.75%	11.25%	-	-	13.75%	13.75%	13.75%	-	-
Salary increase rate	11.75%	11.75%	11.25%	-	11.25%	13.75%	13.75%	13.75%	-	13.75%
Indexation in pension	7.25%	7.25%	-	-	-	9.25%	9.25%	-	-	-
Medical inflation rate	-	-	-	12.50%	-	-	-	-	13.75%	-

25.1.9 The effect of one percentage movement in the assumptions (rates) would have following effects:

	Original	1% Increase	1% Decrease
	Rupees in millions		
Valuation discount rate			
Present value of obligation - other than medical	3,121.786	3,090.568	3,153.004
Financial impact on present value of obligation	-	(31.218)	31.218
Valuation discount rate %	13.75%	14.8%	12.8%
Salary increase rate			
Present value of obligation - other than medical	3,121.786	3,090.568	3,153.004
Financial impact on present value of obligation	-	(31.218)	31.218
Salary increase rate %	11.75%	12.8%	10.8%
Medical inflation rate			
Present value of obligation - medical	903.759	894.721	912.797
Financial impact on present value of obligation	-	(9.038)	9.038
Medical inflation rate %	12.50%	13.5%	11.5%
Life expectancy			
Present value of obligation	4,144.079	4,102.638	4,185.520
Financial impact on present value of obligation	-	(41.441)	41.441

25.1.10 Expected charge to the Funds for the year ending December 31, 2020

Post employment benefits				Other long term employment benefits
Retirement benefits		Other post-employment benefits		
Pension		Gratuity	Medical	Compensated absences
Officer	Employees			
96.162	43.965	1.907	72.543	-

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26 DEFERRED TAXATION

Deferred tax liabilities on taxable temporary differences:

	2019	2018	2017
		(Rupees)	
		Restated	Restated
Property and equipment	3,311,107	1,797,015	586,535
Held to maturity investments	(1,535,654)	1,193,290	(3,825,350)
Right-of-use assets	6,878,470	-	-
Unrealized gain / (loss) on held for trading investments	3,273,411	(6,222,939)	(8,718,138)
Unrealized gain on available for sale investments	553,831,584	662,947,379	898,760,838
	<u>565,758,918</u>	<u>659,714,745</u>	<u>886,803,885</u>

Deferred tax assets on deductible temporary differences:

Provision for doubtful debts	(23,421,651)	(22,614,006)	(23,421,651)
Provision for impairment of insurers / reinsurers receivable	(178,735,589)	(146,897,602)	(152,143,944)
Provision for impairment of receivables from other insurers / reinsurers	(4,930,000)	(4,760,000)	(4,930,000)
Provision for dividend receivable	(579,285)	(559,310)	(579,285)
Lease liabilities	(7,043,381)	-	-
Notional interest on interest free loans	(18,887,384)	(21,405,135)	(17,806,018)
Provision for impairment in available for sale investments	(39,141,969)	(115,893,723)	(96,299,063)
	<u>(272,739,259)</u>	<u>(312,129,776)</u>	<u>(295,179,961)</u>
	<u>293,019,659</u>	<u>347,584,969</u>	<u>591,623,924</u>

27 INSURANCE / REINSURANCE PAYABLES

Note

	2019	2018
	(Rupees)	
Due to other insurers/reinsurers	27.1 5,495,689,881	2,520,075,675
Premium and claim reserves retained from retrocessionaires	27.2 15,824,356	18,343,273
	<u>5,511,514,237</u>	<u>2,538,418,948</u>

27.1 Due to other insurers / reinsurers

Due to other insurers	414,455,590	280,365,513
Due to other reinsurers	5,081,234,291	2,239,710,162
	<u>5,495,689,881</u>	<u>2,520,075,675</u>

27.2 Premium and claim reserves retained from retrocessionaires

Premium reserves	(2,851,182)	228,411
Losses reserves	17,033,417	16,472,741
Cash losses received from retrocessionaires	1,642,121	1,642,121
	<u>15,824,356</u>	<u>18,343,273</u>

27.2.1 This represents the Company's retention of deposits withheld against the total amount retroceded to other companies.

28 LEASE LIABILITIES

	2019	2018
	(Rupees)	
Present value of future minimum lease payments	24,287,522	-
Current portion	(2,416,331)	-
Non-current portion	<u>21,871,191</u>	<u>-</u>

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28.1 The Company has entered into lease arrangement with Karachi Port Trust (KPT) for lease of land. Minimum lease payments, which are payable by the year 2033, have been discounted by using 6 months KIBOR.

28.2 The amount of future payments under the finance lease arrangements and the year in which these payments will become due are as follows:

	2019	2018
Note	----- (Rupees) -----	
Not later than one year	2,761,202	-
Later than one year but not later than five years	45,447,658	-
Total future minimum lease payments	48,208,860	-
Finance charge allocated to future years	(23,921,338)	-
Present value of future minimum lease payments	24,287,522	-
Not later than one year	(2,416,331)	-
Later than one year but not later than five years	21,871,191	-

29 UNCLAIMED DIVIDENDS

Balance at beginning of the year	151,373,107	129,369,026
Add: dividend for the year	600,000,000	1,050,000,000
Less: payments during the year	(644,099,641)	(1,027,995,919)
Balance at end of the year	107,273,466	151,373,107

30 OTHERS CREDITORS AND ACCRUALS

Other creditors and accruals	38,014,683	33,635,846
Security deposits	26,974,889	26,556,464
Accrued expenses	12,217,727	19,474,459
Surplus profit payable	1,212,602	1,212,602
	78,419,901	80,879,371

30.1 This includes security deposits amounting to Rs. 20.607 million (2018: Rs. 20.188 million) received from tenants in connection with letting of PRC Towers and earnest money deposits for the purpose of securing tenders of suppliers and contractors.

30.2 This represents the amount set aside for the shareholders in accordance with the requirements of Pakistan Insurance Corporation Act, 1952 (repealed).

31 CONTINGENCIES AND COMMITMENTS

31.1 Others

31.1.1 The Company has dispute in respect of the unilateral increase in rentals of its lease hold land by Karachi Port Trust (KPT) being exorbitant and unreasonable, a view supported by the Company's legal advisor. The amount not acknowledged in this regard, however, the Company has recorded provision in this regard as at December 31, 2019 amounting to Rs. 31.767 million (December 31, 2018: Rs. 29.112 million). This amount has been netted off with right-of-use asset.

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Currently, a stay is operating in favour of the Company and the matter is pending before the Honourable High Court of Sindh, for the issue and hearing of application. The matter is currently being contested by both parties and there has been no negotiation to settle the matter out of the Court. Most likely outcome of the case, may be in accordance with the market rate in the vicinity. The case is pending in the Honourable High Court of Sindh and a hearing was fixed on 18th January, 2020 which was however adjourned and the matter is still pending.

31.1.2 The Company has received a notice from the Regional Director of Employee Old Age Benefit Institution (EOBI) vide letter dated October 31, 2009 that Pakistan Reinsurance Company Limited is required to be registered with EOBI. The Company is of the view that since it is a statutory body corporate under the management and control of Ministry of Commerce, Government of Pakistan and have its own pensioner rules and limitation and therefore provisions of EOBI Act, 1976 are not applicable. A suit was filed with the Honourable Civil Court in 2011 where the judgment was passed against the Company.

Further, the Company filed an appeal in the Honourable High Court of Sindh against the Civil Court judgment and there has been no further proceeding but the management expects a favourable outcome. The financial impact to the financial statements is currently not quantifiable. Therefore, no provision has been made in these financial statements.

31.2 Sindh Sales Tax

The Company received a notice from Sindh Revenue Board (SRB) relating to non-filing of Sales Tax return on services provided by PRCL to Insurance Companies. The Company contested the notice, however, the decision was made against the Company giving rise to sales tax liability amounting to Rs. 3,242 million and tax penalty of Rs. 880 million for financial year 2011 and 2012. The Company filed an appeal with Commissioner of Appeals, Sindh Revenue Board, however, it was rejected. The Company again filed an appeal with the Appellate Tribunal where the decision was made against the Company vide order number AT-02/2013/109/2013 dated February 03, 2016. As a result, the Company filed reference in the Honourable High Court of Sindh against the orders of Appellant Tribunal.

In the aforementioned tribunal orders, the SRB was directed to reconcile and separate the sales tax liability on reinsurance premium generated within the province of Sindh and rest of Pakistan.

Subsequently, the Company received two orders in pursuance of Appellate Tribunal (SRB) Order against Appeal No. AT-02/2013 and AT-109/2015 dated May 23, 2016 from Sindh Revenue Board (SRB) demanding the amount of sales tax liability on re-insurance services provided / rendered by the Company in Sindh from the period from July 2011 to November 2011 and for the period from December 2011 to December 2012 which were worked out and calculated by SRB amounting to Rs. 372.2 million and Rs. 1,118.1 million respectively. The Company has filed reference in the Honourable High Court of Sindh, dated April 18, 2016 against the Orders of Appellant Tribunal.

Further, the Company has also received a notice from Sindh Revenue Board (SRB) for the period from January 2013 to December 2013. The Company contested the notice; however, the order was passed against the Company giving rise to sales tax liability amounting to Rs. 1,385 million and tax penalty amounting to Rs. 424 million. The Company filed an appeal against the order with Commissioner of Appeals, Sindh Revenue Board which was decided against the Company. The Company being aggrieved by the said order has filed an appeal before Appellant Tribunal-SRB which has been heard and order is awaited. Stay of tax demand has been obtained in this regard which was valid up to April 05, 2017.

During the year 2017, the Company has paid an amount of Rs. 2,131.464 million under protest against the principal amount of sales tax liability in respect of above notices issued by SRB for tax years 2011, 2012 and 2013.

The Company has also appraised Ministry of Commerce through letter dated April 14, 2017, on the matter of disputed sales tax demand raised by SRB. Ministry of Commerce through letter dated on May 03, 2017, directed to take action as per Board of Directors decision and also directed that the Company may keep contesting the case in High Court vigorously.

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After obtaining legal opinion and approval from Board of Directors and Ministry of Commerce, the Company wrote a letter dated May 17, 2017, to the Commission (SRB) that the Company is in agreement to make payment of the principal amount of the demand under protest subject to the condition that SRB will withdraw all notices issued u/s 66 of Sindh Sales Tax Act, 2011, to the clients and debtors of the Company for the attachment of payables to Company, SRB will not initiate any further proceedings in relation to the amount of default surcharge and penalty until the liability of tax on reinsurance services is finally decided by the Superior courts and SRB will not initiate any further proceedings against the Company for the tax periods subsequent to these three tax periods and matter shall be decided after the decision of the final appellate forum which is the Honourable Supreme Court of Pakistan.

SRB vide letter dated May 17, 2017, assured that SRB shall abide by all conditions as stated in the Company letter dated May 17, 2017.

Subsequently, SRB offered out of court settlement and proposed the following terms:

- a) the Company should forgo Rs. 1 billion out of Rs. 2,573 million, already recovered by SRB in lieu of SST for the year 2011 to 2013 and remaining Rs. 1,573 million to be adjusted against future sales tax liability of Company from 2014-2018;
- b) all liabilities of Company up to the year 2018 in respect of SST will be waived off; and
- c) parties will withdraw petition before Honorable High Court of Sindh.

During the year, Company wrote a letter to SRB dated April 15, 2019 offering amicable settlement proposal in which the Company proposed the following terms:

- a) waive all the sales tax liabilities for the years 2011 to 2018;
- b) the Company to start prospective sales tax invoicing on reinsurance services provided to local insurers;
- c) The Company will pay two-third of its prospective sales tax liabilities for the years 2019 and onwards and adjust the remaining one-third against already paid under protest amount of Rs. 2,574 million; and
- d) Parties to withdraw pending case before Honorable High Court of Sindh.

SRB vide letter SRB/TP/57/2016 dated April 26, 2019 advised the Company with the provisions of Sindh Sales Tax Act, 2011 by issuing tax invoices, e-filing of tax returns and e-depositing the SST invoice. Further, SRB suggested that in case the Company desires to make any out of court settlement it may present its proposal and meet SRB in person for further deliberations and considerations. However, the Company and SRB have not reached to any agreement yet.

The aggregate amount of Rs. 2,573.889 million paid has been recorded as "receivable from SRB" in the financial statements. Moreover, the Company has not recorded provision against the orders passed by SRB in pursuance of Appellate Order dated February 01, 2016 in Appeal No. AT-02/2013 and order dated February 03, 2016 in Appeal No. AT-109/2015.

However, in the event the matter is decided against the Company, the charge to profit or loss account would amount to Rs. 3,299.130 million pertaining to the years 2011, 2012 and 2013, excluding any additional penalty or default surcharge. Further, in the event of adverse decision, the Company would also have to record sales tax liability on re-insurance services with a corresponding charge to profit or loss accounts for the years 2014, 2015, 2016, 2017, 2018 and 2019, the financial impact of which on the financial statements would be Rs. 9,587 million (approximately).

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During the year, the SECP vide letter No. ID/PRDD/TAXATION/2019/15 dated March 13, 2019 highlighted taxation issues to SRB faced by the insurance industry in Pakistan. SECP highlighted that, insurance companies obtained reinsurance services to mitigate their risk by sharing it with other insurance/reinsurance companies, hence, forming part of the overall risk management function of insurance companies. The imposition of sales tax on reinsurance services through service charge mechanism, may lead to double taxation on the insurance business, in the context of foreign reinsurance.

Imposition of sales tax on the reinsurance services would increase the cost of doing business for insurance companies, which may reflect as an increase in the rates of insurance premiums, making insurance more costly for the policyholders. As lowering the cost of business is the primary agenda of the Government of Pakistan and as such, the imposition of sales tax on reinsurance services would be working at odds with measures taken by the Government of Pakistan for ease of doing business in Pakistan.

Based on the legal opinion of the Company's legal advisor, management is confident that strong grounds exist to contest the case and that the eventual resolution of the matter would be in favor of the Company. Accordingly, no provision for sales tax liability for the years 2011 to 2019 has been recorded in these financial statements.

31.3 Income Tax

Federal Board of Revenue (FBR) has issued show-cause notices dated November 22, 2017, whereby the Company is required to explain as to why Federal Excise Duty (FED) on aggregate reinsurance premium revenue has not been paid in respect of tax periods from October 2012 to September 2017. The Company has submitted its reply against show-cause challenging levy of FED on various legal grounds. Further, the Company also filed Constitutional Petition against show cause notices in the Honourable High Court of Sindh and the Honourable High Court of Sindh vide order dated January 29, 2018 has suspended the proceedings initiated through the above show-cause notice. This case is pending for finalization before the Honourable High Court of Sindh. The Company is confident that outcome of the case will be in favour of Company in light of the 18th amendment in the Constitution of Pakistan.

The Assistant Commissioner of Inland Revenue (ACIR) has issued show cause notices under section 161/205 of the Income Tax Ordinance, 2001 for the Tax Years 2012, 2014, 2015 and 2016 for non-deduction of tax on commission paid to local reinsurance companies. The tax demand against these show causes notices amounts to Rs. 148,318,431, Rs. 260,214,169, Rs. 55,305,922 and Rs. 182,669,756, respectively.

The Company filed appeals against the orders pertaining to Tax Years 2014, 2015 and 2016 which have been decided against the Company by (Commissioner Inland Revenue Appeals) CIRA before Appellate Tribunal Inland Revenue (ATIR) which are still pending in ATIR.

Further, ATIR has passed the order in favour of the Company through by ATIR for Tax Year 2012 and 2015 under section 161/205 amounting to Rs. 148,318,431 and Rs. 15,764,077 respectively. Pursuant to ATIR order, the Company filed an appeal effect order before FBR (department), which is granted and thus eliminated the aforementioned tax liabilities and also created refunds to Company for Tax year 2012 the appeal is pending before Additional Commissioner FBR.

The Assistant Commissioner of Inland Revenue (ACIR) has also issued order under section 122(5A) of the Income Tax Ordinance, 2001 for the Tax Years 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018 by initiating the concept of single/one basket income to insurance industry, i.e., clubbing all other sources of income (e.g. dividend and rental income) into business income for charging the business rate of tax under Fourth Schedule of the Ordinance, and charging Worker Welfare Fund and disallowance of actuarial loss through other comprehensive income) from Tax Year 2016 and onwards.

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The tax demand against these show causes notices amounts to Rs. 217,443,078, Rs. 622,813,927, Rs. 159,499,231, Rs. 508,263,856, Rs. 320,013,363, Rs. 191,405,099, Rs. 542,653,335, Rs. 515,794,286, Rs. 28,080,000, Rs. 776,220,462, Rs. 655,869,725 and Rs. 799,153,338 respectively. The Company filed appeal before Commissioner Inland Revenue Appeal (CIRA). The Commissioner Inland Revenue Appeal (CIRA) passed order against the Company for tax year 2009, the Company filed an appeal against CIRA order before ATIR. ATIR decided issues in favour of Company and appeal effect given thereon. Company filed appeal before CIRA against additional demand of tax liability of Rs.799,153,388 for the tax year 2018. CIRA deleted demand created under various issues for which Department filed appeal before ATIR. However, CIRA upheld the order of ACIR on Commission expenses regarding non-withholding of income tax under section 233 of ITO against which Company filed appeal before ATIR which is still pending for hearing.

Out of above orders, in tax year 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018 certain issues have been decided in favour of the Company by CIRA and deleted tax liability in aggregate amounting to Rs. 3,596,069,873. Pursuant to these orders, the Company filed appeal effect/refund applications to FBR (department), this resulted in reduction in tax liability for Tax Years 2010 and 2016 amounting to Rs. 82,409,843, Rs. 224,242,362 and refund created in favour of Company for the tax years 2011, 2015 and 2017 amounting to Rs. 220,905,279, Rs. 24,228,768 and Rs. 92,401,764 respectively. The Company is contesting remaining outstanding issues before ATIR, (i.e. withholding tax on commission expense, disallowance of actuarial loss through other comprehensive income).

Further, the Commissioner Inland Revenue (Appeals-II) passed order dated August 20, 2017 in respect of appeal filed by the Company against re-assessment order for Tax Year 2015 dated April 24, 2017 passed by ACIR under section 122(5A) of the Income Tax Ordinance, 2001 on Remeasurement of defined benefit obligation in favour of Company. However, during the year the Company paid an amount of Rs. 100 million under protest.

FBR issued demand order for the tax year 2019 creating additional tax liability amounting to Rs. 423,1215,775 against which Company filed appeal before CIRA. CIRA decided all matters in favour of Company and remanded one issue of short declaration of income from property with specific direction to Department to pass order after examination of records.

31.4 There are no commitments as on the reporting date (2018: Nil).

		2019	2018
		----- (Rupees) -----	
32	NET INSURANCE PREMIUM		
	Written gross premium	17,655,481,698	10,734,455,823
	Add: Unearned premium reserve opening	4,990,287,940	3,856,658,995
	Less: Unearned premium reserve closing	(8,451,658,849)	(4,990,287,940)
	Premium earned	14,194,110,789	9,600,826,878
	Less:	10,270,023,569	4,739,552,006
	Add: Prepaid reinsurance premium opening	2,472,406,314	1,870,094,821
	Less: Prepaid reinsurance premium closing	(5,453,474,265)	(2,472,406,314)
	Reinsurance expense	7,288,955,618	4,137,240,513
		6,905,155,171	5,463,586,365

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

		2019	2018	2017
			Restated	Restated
	Note	----- (Rupees) -----		
33	NET INSURANCE CLAIMS			
Claims paid		6,154,840,384	2,999,830,452	4,919,821,648
Add: Outstanding claims including IBNR closing	22	8,016,598,909	4,289,071,864	4,834,177,309
Less: Outstanding claims including IBNR opening		(4,289,071,864)	(4,834,177,309)	(4,595,623,723)
Claims expense		9,882,367,429	2,454,725,007	5,158,375,234
Less: Reinsurance and other recoveries received		2,563,907,944	273,066,165	1,875,914,050
Add: Reinsurance and other recoveries in respect of outstanding claims closing	16	3,934,364,721	874,771,237	1,682,694,037
Less: Reinsurance and other recoveries in respect of outstanding claims opening		(874,771,237)	(1,682,694,037)	(2,732,782,143)
Reinsurance and other recoveries revenue		5,623,501,428	(534,856,635)	825,825,944
		4,258,866,001	2,989,581,642	5,984,201,178
		2019	2018	
	Note	----- (Rupees) -----		
34	NET COMMISSION AND OTHER ACQUISITION COSTS			
Commission paid or payable		2,008,093,531	1,160,887,195	
Add: Deferred commission expense opening		565,597,974	696,641,093	
Less: Deferred commission expense closing	17	(918,544,431)	(565,597,974)	
Net commission		1,655,147,074	1,291,930,314	
Less: Commission received or recoverable		789,301,418	35,529,868	
Add: Unearned reinsurance commission opening		74,957,159	284,665,088	
Less: Unearned reinsurance commission closing	24	(452,020,316)	(74,957,159)	
Commission from reinsurers		412,238,261	245,237,797	
		1,242,908,813	1,046,692,517	

FOR THE YEAR ENDED DECEMBER 31, 2019

*This represents expenses incurred to earn rental and investment income which are specific and identifiable in nature.

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PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

			2019	2018
	Note		----- (Rupees) -----	
35.2 Depreciation				
Property and equipment	9.4		6,542,072	6,381,355
Right-of-use assets	9.4		1,756,953	-
Investment properties	11		1,434,407	1,522,753
			9,733,432	7,904,108
36 INVESTMENT INCOME				
Income from equity securities				
Available for sale				
Dividend income			159,376,834	129,511,393
Profit on Pakistan Investment Bonds			26,892,829	-
Held for trading				
Dividend income			3,872,750	7,132,073
			190,142,413	136,643,466
Income from debt securities				
Held to maturity				
Return on debt securities				
Pakistan Investment Bonds			223,395,821	276,519,025
Treasury Bills			265,800,437	106,998,063
Profit on Term Finance Certificates			13,009,646	790,411
Premium / (amortization) of discount on Pakistan Investment Bonds			5,295,360	(3,966,374)
			507,501,264	380,341,125
Profit received from bank			139,928,180	71,542,509
Net realized gains on investments				
Available for sale financial assets				
Realized gain on Equity securities			178,731,505	207,843,216
Held for trading financial assets				
Realized gain on Equity securities			-	14,583,030
Net unrealized gain \ (loss) on investments				
Net unrealized gain \ (loss) on held for trading investment			11,287,623	(22,224,781)
Total investment income			1,027,590,985	788,728,565
Less: Impairment in value of available for sale investment			-	(81,840,419)
Less:			(19,282,017)	(15,918,328)
Net Investment income			1,008,308,968	690,969,818
37 RENTAL INCOME				
Rental income	37.1		99,827,864	89,317,945
Less: expenses of investment property	35		(28,493,330)	(26,998,887)
			71,334,534	62,319,058
37.1	The rental income represents income from letting out of PRC Tower.			

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

		2019	2018 Restated	2017 Restated
	Note	----- (Rupees) -----		
38	OTHER INCOME			
Return on deposits	38.1	269,779	800,656	605,653
Miscellaneous income		466,230	1,403,687	131,288,891
Net return on loans to employees		8,392,503	(12,410,747)	(59,352,328)
Exchange gain		603,312,067	415,090,413	102,949,620
		<u>612,440,579</u>	<u>404,884,009</u>	<u>175,491,836</u>
38.1	This represents interest received by the Company in respect of premium deposits retained by the ceding companies.			
		2019	2018	
	Note	----- (Rupees) -----		
39	OTHER EXPENSES			
Legal and professional fee other than business related		144,460	83,600	
Auditor's remuneration	39.1	1,241,737	1,601,175	
Fee and subscription		1,778,787	851,676	
Subscription and membership fee		778,191	907,326	
PRC Employees Welfare Fund		5,015,000	5,000,000	
Provision against lease rental payable-KPT		3,015,370	2,911,204	
Finance cost - leases		1,466,709	-	
		<u>13,440,254</u>	<u>11,354,981</u>	
39.1	Auditor's remuneration			
Annual audit fee		658,627	702,979	
Interim review		158,304	163,944	
Out-of-pocket expenses		123,956	114,246	
Other certification fee		300,850	620,006	
		<u>1,241,737</u>	<u>1,601,175</u>	
40	TAXATION			
For the year				
Current		651,137,726	462,407,982	
Deferred		54,550,485	(8,225,496)	
		<u>705,688,211</u>	<u>454,182,486</u>	
Prior year		(721,364)	47,516,917	
		<u>704,966,847</u>	<u>501,699,403</u>	
40.1	Relationship between tax expense and accounting profit			
Profit before tax		<u>2,189,249,380</u>	<u>1,729,637,602</u>	
Tax at the applicable rate of 29% (2018: 29%)		634,882,320	501,594,905	
Tax effect of income that are deductible in determining the taxable profit		70,805,891	(47,412,419)	
Prior year tax adjustment		(721,364)	47,516,917	
Charge for the year		<u>704,966,847</u>	<u>501,699,403</u>	
Effective tax rate		29.00%	29.00%	

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

41 EARNINGS PER SHARE - basic and diluted

Basic earning per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding as at the year end as follows:

	2019	2018 (Restated)
Profit after tax (in Rupees)	1,484,282,533	1,228,047,187
Weighted average number of ordinary shares (number of shares)	300,000,000	300,000,000
Earnings per share (Rupees)	4.95	4.09

41.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

42 COMPENSATION OF DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2019	2018	2019	2018	2019	2018
	Rupees in '000					
Fees	-	-	7,200	7,912	-	-
Managerial remuneration	711	1,180	-	-	148,496	146,236
Leave encashment	146	140	-	-	14,250	6,423
Bonus	1,850	-	-	-	56,540	52,782
Charge for defined benefit plan	-	-	-	-	218,147	214,385
Rent and house maintenance	604	1,337	-	-	104,188	98,458
Utilities	164	362	-	-	28,354	26,818
Dearness allowance	-	-	-	-	14,983	20,474
Conveyance / car monetization	1,297	2,400	-	-	23,199	21,897
Adhoc relief (2016, 2017 and 2018)	204	311	-	-	-	-
Qualification pay	19	36	-	-	-	-
Deputation allowance	78	144	-	-	-	-
Order allowance	91	168	-	-	-	-
Education allowance	75	138	-	-	14,563	16,233
Others	306	336	-	-	39,079	8,472
	5,545	6,552	7,200	7,912	661,799	612,178
Number of persons	1	1	7	7	164	138

Executive means any employee who satisfies the definition / criteria as mentioned in the Insurance Regulations, 2017.

Non Executive Directors are entitled to meeting fee for attending each board and committee meeting amounting to Rs. 50,000 and other benefits comprising of accommodation, air travel allowance and conveyance allowance as recommended by Board on its 133rd meeting held on August 30, 2018 in accordance with the articles of association of the Company.

Certain Executives of the Company are provided with company maintained cars as per terms of employment. During the year, a car was sold at net book value to an executive, as per the Company policy. Provision in respect of compensated absences is also made and charged in accounts as per the requirements of International Financial Reporting Standards.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

	2019	2018
43 EMPLOYEES		
Number of employees at the year end		
Permanent	122	174
Others	27	20
Average number of employees during the year		
Permanent	148	181
Others	23	19

44 IMPLICATIONS OF REVISED IFRS 2 - SHARE-BASED PAYMENT ON BENAZIR EMPLOYEES' STOCK OPTION SCHEME (BESOS)

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and Non-State Owned Enterprises, where GoP holds significant investments (Non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities including the Corporation on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP has transferred 12% of its investment in such SOEs and Non-SOEs to a Trust Fund, established under a Trust Deed, created for the purpose by each of such entities. The eligible employees are entitled to be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination, such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units, as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Corporation, under the provisions of amended International Financial Reporting Standard-2, "Share-based Payments" (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP, on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated June 07, 2011 to such entities including the Corporation from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, Staff costs of the Company for the year would have been higher by Rs. 42.235 million, profit before taxation would have been lower by Rs. 42.235 million, earnings per share would have been lower by Rs. 0.14, reserves for the year would have been higher by Rs. 42.235 million.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

45 RELATED PARTIES TRANSACTIONS

Government of Pakistan through Ministry of Commerce owns 51% (2018: 51%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. The related parties comprise major shareholders, associated company, directors, companies with common directorship, key management personnel, and staff retirement benefit funds. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material and hence not disclosed in these financial statements. Moreover, transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 43 of these financial statements, are as follows:

	2019	2018
Note	(Rupees)	
Major shareholders		
Government of Pakistan (GoP) through Ministry of Commerce		
Dividend paid for the preceding year	269,279,570	471,239,248
State Life Insurance Corporation of Pakistan		
Dividend paid for the preceding year	146,464,402	256,312,704
Related parties by virtue of GoP's holdings		
State Bank of Pakistan		
Purchase of investment (Treasury Bills)	10,792,274,775	6,661,719,852
Dividend received during the year	49,000	49,000
	10,792,323,775	6,661,768,852
Pakistan State Oil Company Limited		
Dividend received during the year	117,020	146,280
National Investment Trust Limited		
Dividend received during the year	47,520,000	47,520,000
National Insurance Company Limited		
Premium due but unpaid	2,277,212,868	1,544,908,122
Insurance premium written during the year	10,202,776,656	4,352,797,287
Premium received	(7,107,779,053)	(3,620,492,540)
Balance at the end of year	5,372,210,471	2,277,212,869
Insurance commission paid	501,442,551	61,143,627
Insurance claims paid	2,850,465,603	26,691,710
Amount received on account of PIGL bogus reinsurance claims from National Accountability Bureau	-	64,254,933
	8,724,118,625	2,429,303,139
Other related parties		
Remuneration including benefits and perquisites of key management personnel	42 456,397,000	626,642,000

The transactions with related parties are in the normal course of business at contracted rates and terms and conditions determined on commercial terms.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

46 SEGMENT INFORMATION

2019	Fire	Marine cargo	Marine hull	Accident	Aviation	Engineering	Treaty	Total
	1,898,855,274	42,384,553	495,021,497	262,630,575	3,430,859,479	6,651,361,331	4,874,368,989	17,655,481,698
Gross written premium	515,086,813	10,212,944	19,682,975	63,414,119	1,561,443,915	910,670,399	1,909,776,775	4,990,287,940
Unearned-Opening	563,735,480	6,552,853	118,792,816	56,340,140	2,980,344,955	2,670,711,570	2,055,181,035	8,451,658,849
Unearned-Closing	1,850,206,607	46,044,644	395,911,656	269,704,564	2,901,958,439	4,891,320,160	4,728,964,729	14,194,110,789
Premium earned								
Reinsurance-Ceded	493,367,620	-	305,286,006	6,562,075	2,824,778,783	5,889,997,797	750,031,288	10,270,023,569
Prepaid reinsurance-Opening	20,689,140	-	8,245,057	2,834,005	1,363,388,470	736,785,938	340,463,704	2,472,406,314
Prepaid reinsurance-Closing	20,949,844	-	79,508,541	3,272,048	2,501,613,136	2,453,680,257	394,450,439	5,453,474,265
Reinsurance expenses								
Net insurance premium	493,106,916	-	234,022,522	6,124,032	1,686,554,117	4,173,103,478	696,044,553	7,288,955,618
Commission premium	1,357,099,691	46,044,644	161,889,134	263,580,522	325,404,322	718,216,682	4,032,920,176	6,905,155,171
Commission income	26,925,708	-	29,261,993	612,403	17,267,451	334,042,486	4,128,220	412,238,261
Net underwriting income (A)								
Insurance claims paid	1,384,025,399	46,044,644	191,151,127	264,192,925	342,671,773	1,052,259,168	4,037,048,396	7,317,393,432
Outstanding-Opening	373,040,858	2,631,169	71,395,604	39,780,633	2,841,666,900	151,874,102	2,674,451,118	6,154,840,384
Outstanding-Closing	1,239,691,600	71,695,793	122,226,552	207,521,776	179,605,059	330,843,457	2,137,487,627	4,289,071,864
Outstanding-Closing	1,317,826,301	105,809,839	62,691,477	305,059,745	1,413,414,449	2,622,625,776	2,189,171,322	8,016,598,909
Insurance claims expenses								
Reinsurance recoveries received	451,175,559	36,745,215	11,860,529	137,318,602	4,075,476,290	2,443,656,421	2,726,134,813	9,882,367,429
Recovery-Opening	46,707,226	-	15,989,515	-	2,474,172,758	-	27,038,445	2,563,907,944
Recovery-Closing	388,223,063	18,693,025	43,266,176	-	96,177,837	133,235,349	195,175,787	874,771,237
Recovery-Closing	206,495,743	39,267,000	23,402,252	612,403	1,242,590,061	2,254,192,711	167,804,551	3,934,364,721
Insurance claims recovered from reinsures								
Net claims	(135,020,094)	20,573,975	(3,874,409)	612,403	3,620,584,982	2,120,957,362	(332,791)	5,623,501,428
Commission expense	586,195,653	16,171,240	15,734,938	136,706,199	454,891,308	322,699,059	2,726,467,604	4,258,866,001
Management expense	225,009,317	5,228,908	30,912,013	21,808,901	11,162,570	287,320,669	1,073,704,696	1,655,147,074
Net insurance claims and expenses (B)								
Underwriting results (C=A-B)	170,608,921	5,675,927	23,563,215	32,567,083	42,241,177	129,712,071	497,647,278	902,015,672
Net investment income	(981,813,891)	(27,076,075)	(70,210,166)	(191,082,183)	(508,295,055)	(739,731,799)	(4,297,819,578)	(6,816,028,747)
Rental income	402,211,508	18,968,569	120,940,961	73,110,742	(165,623,282)	312,527,368	(260,771,182)	501,364,685
Other expenses								1,008,308,968
Other income								71,334,534
Profit before tax								(13,440,254)
Segment assets	1,384,025,399	46,044,644	191,151,127	264,192,925	342,671,773	1,052,259,168	4,037,048,396	7,317,393,432
Unallocated assets								28,129,848,504
Segment liabilities	(981,813,891)	(27,076,075)	(70,210,166)	(191,082,183)	(508,295,055)	(739,731,799)	(4,297,819,578)	(6,816,028,747)
Unallocated liabilities								32,744,063,702
								35,447,241,936
								2,180,008,512
								612,440,579
								2,180,008,512

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	Fire	Marine cargo	Marine hull	Accident	Aviation	Engineering	Treaty	Total
	Rupees							
Gross written premium	1,633,857,813	49,798,027	100,034,717	192,687,573	1,401,089,439	2,895,353,321	4,461,634,933	10,734,455,823
Add: Unearned-Opening	569,580,358	14,456,478	18,199,494	39,481,845	1,197,098,427	580,418,372	1,437,424,021	3,856,658,995
Less: Unearned-Closing	515,086,813	10,212,944	19,682,975	63,414,119	1,561,443,915	910,670,399	1,909,776,775	4,990,287,940
Premium earned	1,688,351,358	54,041,561	98,551,236	168,755,299	1,036,743,951	2,565,101,294	3,989,282,179	9,600,826,878
Reinsurance-ceded								
Add: Prepaid reinsurance-Opening	349,342,363	-	50,386,987	4,806,849	1,176,704,242	2,415,420,804	742,890,761	4,739,552,006
Less: Prepaid reinsurance-Closing	21,982,924	-	7,395,637	3,752,269	1,069,008,688	449,111,482	318,843,821	1,870,094,821
Reinsurance expenses	20,889,140	-	8,245,057	2,834,005	1,363,388,470	736,785,938	340,463,704	2,472,406,314
Net insurance premium	350,636,147	-	49,537,567	5,725,113	882,324,460	2,127,746,348	721,270,878	4,137,240,513
Add: Commission income	1,337,715,211	54,041,561	49,013,669	163,030,186	154,419,491	437,354,946	3,268,011,301	5,463,586,365
Net underwriting income - A	17,825,924	-	5,527,074	197,284	4,922,716	207,563,150	9,201,649	245,237,797
Insurance claims paid	1,355,541,135	54,041,561	54,540,743	163,227,470	159,342,207	644,918,096	3,277,212,950	5,708,824,162
Less: Outstanding-Opening	499,598,002	7,908,434	13,149,639	34,664,745	14,019,471	77,863,581	2,352,626,580	2,999,830,452
Add: Outstanding-Closing	1,250,561,544	45,634,627	98,270,441	172,267,889	116,351,952	921,658,158	2,229,432,698	4,834,177,309
Insurance claims expenses	1,239,691,600	71,695,793	122,226,552	207,521,776	179,605,059	330,843,457	2,137,487,627	4,289,071,864
Reinsurance recoveries received	488,728,058	33,969,600	37,105,750	69,918,632	77,272,578	(512,951,120)	2,260,681,509	2,454,725,007
Less: recovery-Opening	-	-	7,500,519	-	9,181,349	358,440	256,025,857	273,066,165
Add: recovery-Closing	542,010,270	-	27,864,737	-	46,134,162	706,346,795	360,338,073	1,682,694,037
Insurance claims recovered from reinsures	388,223,063	18,693,025	43,266,176	-	96,177,837	133,235,349	195,175,787	874,771,237
Net claims	(153,787,207)	18,693,025	22,901,958	-	59,225,024	(572,753,006)	90,863,571	(534,856,635)
Commission expense	642,515,265	15,276,575	14,203,792	69,918,632	18,047,554	59,801,886	2,172,031,739	2,989,581,642
Management expense	227,524,235	7,935,441	7,129,437	13,022,418	6,155,866	136,381,102	893,781,815	1,291,930,314
Net insurance claims and expenses - B	200,521,911	7,994,237	8,068,080	24,145,844	23,571,106	95,401,169	484,790,161	844,492,508
Underwriting results C = A-B	1,070,561,411	31,206,253	29,401,309	107,086,894	47,774,526	291,584,157	3,550,603,715	5,126,004,464
Net investment income	284,299,305	15,416,415	21,887,881	48,115,987	100,815,266	380,270,589	(224,223,007)	582,819,698
Rental income								690,969,818
Other expenses								62,319,058
Other income								(11,354,981)
Profit before tax								404,884,009
Segment assets	1,355,541,135	54,041,561	54,540,743	163,227,470	159,342,207	644,918,096	3,277,212,950	5,708,824,162
Unallocated assets								18,750,413,043
Segment liabilities	1,070,561,411	31,206,253	29,401,309	107,086,894	47,774,526	291,584,157	3,550,603,715	5,126,004,464
Unallocated liabilities								9,925,333,148
								15,051,337,612

PAKISTAN REINSURANCE COMPANY LIMITED

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46.1 Geographical segment

Although the operations of the Company are based primarily on business segments, the Company also operates in geographical area. The following table shows the distribution of the Company's revenue, total assets and total liabilities by geographical segments:

Locations	2019		2018	
	Lahore	Karachi	Lahore	Karachi
	Rupees in thousands		Rupees in thousands	
Revenue - net insurance premium	852,012	14,795,376	703,156	8,870,413
Total assets	643,100	35,003,742	726,971	23,626,900
Total liabilities	608,029	25,504,997	444,669	14,464,246

46.2 Management has allocated indirect management expenses to underwriting business on the basis of net premium revenue under individual business as per the stated accounting policy of the Company.

46.3 Information about major customer

The following table presents insurance premium written from transactions with external customer where such amounts equals and / or exceed ten per cent of the total premium written by the Company.

National Insurance Company Limited	2019	2018
	Rupees in thousands	
Facultative business		
Fire	43,622,972	65,143
Marine hull	478,057,430	80,583
Aviation	3,289,846,677	1,369,990
Accident	7,363,543	6,789
Engineering	6,111,598,984	2,465,242
	9,930,489,606	3,987,747
Treaty business	272,286,957	456,312
	10,202,776,563	4,444,059

47 MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Fair value through profit or loss	Total
At beginning of previous year	4,315,863,617	4,903,774,666	103,032,850	9,322,671,133
Additions	7,495,795,522	-	159,670,111	7,655,465,633
Disposals / redemptions	(7,341,260,101)	(205,949,983)	(155,539,834)	(7,702,749,918)
Fair value net gains (excluding net realised gains)	-	(619,465,632)	(22,224,781)	(641,690,413)
At beginning of current year	4,470,399,038	4,078,359,051	84,938,346	8,633,696,435
Additions	12,310,329,538	560,902,684	-	12,871,232,222
Disposals / redemptions	(10,285,860,316)	(278,532,946)	-	(10,564,393,262)
Fair value net gains (excluding net realised gains)	-	(9,383,048)	11,287,623	1,904,575
At end of current year	6,494,868,260	4,351,345,741	96,225,969	10,942,439,970

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48 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty in the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

48.1 Insurance risk

The Company's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

a) Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

The Company's class wise major risk exposure is as follows:

	2019	2018
	Gross sum insured	
	Rupees in thousands	
Fire	3,432,750	5,940,000
Marine cargo	825,000	705,475
Marine hull	935,740	885,000
Accident and others	362,500	1,000,000
Aviation	23,250,000	22,176,000
Engineering	6,877,550	6,943,000
	35,683,540	37,649,475

The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

b) Source of uncertainty in estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events that occur during the term of the insurance contract including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. The estimation of provision of claims incurred but not reported (IBNR) is based on analysis of the past claim reporting pattern and confirmation received from ceding companies.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

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Key assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

The assumed net of reinsurance loss ratios for each class of business is as follows:

Class	2019	2018
	Assumed net loss ratio	
	Percentage	
Fire	50%	47%
Marine cargo	36%	43%
Marine hull	7%	29%
Accident and others	74%	72%
Aviation	140%	12%
Engineering	63%	55%

Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognized in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact of claims paid on profit before tax net of reinsurance recoveries.

	Profit before tax		Shareholders' equity	
	2019	2018	2019	2018
	----- Rupees in thousand -----		----- Rupees in thousand -----	
10% increase in loss	(425,887)	(298,958)	(302,379)	(212,260)
10% decrease in loss	425,887	298,958	302,379	212,260

48.2 Claims development

The development of claims against insurance contracts issued is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year.

48.3 Reinsurance and retrocession arrangements

The Company in the normal course of business, undertakes reinsurance business from local insurance companies and controls its exposure to potential losses from large risk, by retrocession to various foreign companies. Its significant portion of reinsurance and retrocession is effected under treaty pact and excess of loss contracts.

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The Company further evaluates the financial condition of ceding companies as well as it reinsures to minimize its exposures to significant losses from reinsurance insolvencies.

The Company continues to remain under obligation of the ceding companies during the validity of the contract and as a result it remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under their agreements.

An analysis of gross amount due from other insurers and reinsurers recognized by the rating of the entity, from which it is due are as follows:

	2019	2018
	Rupees in thousands	
A or above	4,407,627	3,196,187
BBB	1,427	493
Others	6,007,621	2,780,720
Total	10,416,675	5,977,400

48.4 Financial risk management objectives and policies

The Company's activities expose to financial risks, credit risk, liquidity risk and market risk (including interest / mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors (the Board) has overall responsibility to the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

a) Credit risk and concentration of credit risk

Credit risk is the risk that 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.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in the financial statements.

The management monitors and limits the company's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

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

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	2019	2018
	Rupees	
Bank deposits	815,529,972	2,602,444,281
Investments	10,942,439,970	8,633,696,433
Loan and other receivables	2,865,239,725	2,863,798,300
Insurance / reinsurance receivables	9,775,513,552	5,435,766,163
Reinsurance recoveries against outstanding claims	3,934,364,721	874,771,237
	28,333,087,940	20,410,476,414

The Company did not hold any collateral against the above during the year. General provision is made for insurance reinsurance receivables and other receivables according to the Company's policy. The impairment provision is written off when the Company expects that it cannot recover the balance due.

	2019	2018
	Rupees in thousands	
The age analysis of insurance / reinsurance receivable is as follows:		
Up to three months	4,005,899	3,149,834
Over three months but up to one year	4,406,628	2,260,324
Over one year but up to two years	1,159,098	175,652
Over two years but up to three years	392,326	115,148
Over three years	452,724	276,442
	10,416,675	5,977,400
Provision against amount due from other insurers and reinsurers	(641,161)	(541,634)
	9,775,514	5,435,766

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

	Rating			2019	2018
	Short term	Long term	Rating agency	Rupees in thousand	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	65,731	11,812
Bank Al-Habib Limited	A1+	AA+	PACRA	730,938	2,572,188
United National Bank Limited		Not available		730	638
Bank Alfalah Limited	A-1+	AA+	PACRA	18,131	17,806
				815,530	2,602,444

b) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity.

The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

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	Carrying amount	Contractual cash flows	Maturity in one year	Maturity exceeding one year
	Rupees in thousand			
December 31, 2019				
Outstanding claims including IBNR	8,011,647	8,011,647	8,011,647	-
Insurance / reinsurance payables	5,511,514	5,511,514	5,511,514	-
Other creditors and accruals	78,420	78,420	78,420	-
Lease liabilities	24,288	24,288	2,416	21,871
	13,625,869	13,625,869	13,603,997	21,871
December 31, 2018				
Outstanding claims including IBNR	4,284,120	4,284,120	4,284,120	-
Insurance / reinsurance payables	2,538,419	2,538,419	2,520,076	18,343
Other creditors and accruals	80,879	80,879	80,879	-
	6,903,418	6,903,418	6,885,075	18,343

c) Market risk

Market risk is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to market risk with respect to its investments. The Company has invested its funds in Government securities, ordinary shares, National Investment Trust Units and close ended mutual funds resulting in risk arising from fluctuation in the rate of interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

The Company minimizes such risk by having a diversified investments portfolio. In addition, the Company actively monitors the key factors that affect investment market.

Sensitivity analysis

The table below summarizes the Company's equity price risk as of December 31, 2019 and 2018 and shows the effects of a 10% increase and a 10% decrease in market prices as at the year end. The selected change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Fair value	Estimated fair value after change in price	Increase / (decrease) in shareholders equity	Profit before tax
	Rupees in thousand			
December 31, 2019				
10% increase	3,865,745	4,252,320	274,468	386,575
10% decrease	-	3,479,171	(274,468)	(386,575)
December 31, 2018				
10% increase	4,163,297	4,579,627	295,594	416,330
10% decrease	-	3,746,968	(295,594)	(416,330)

PAKISTAN REINSURANCE COMPANY LIMITED

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d) Fair value of Financial Statement

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for equity and debt instruments held whose fair values have been disclosed in their respective notes to these financial statements.

e) Interest/ Mark-up rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. Interest / mark-up rate risk to the Company is the risk of changes in market interest / mark-up rates reducing the overall return on its interest bearing securities. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated. The following table provides information about the exposure of the Company to interest / mark-up rate risk at the balance sheet date based on contractual re-pricing or maturity dates which ever is earlier:

	2019					
Effective rate per annum (percentage)	Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	Total
	Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total		
	Rupees in thousand					
Financial assets						
Cash and bank deposits	750,059	-	-	750,059	65,471	815,530
Investments	4,744,727	2,016,269	315,699	7,076,695	3,865,745	10,942,440
Insurance / reinsurance receivables	-	-	-	-	352,171	352,171
Loans and other receivables	-	-	-	-	2,773,842	2,773,842
Reinsurance recoveries against outstanding claims	-	-	-	-	3,934,365	3,934,365
Subtotal	5,494,786	2,016,269	315,699	7,826,754	10,991,594	18,818,348
Financial liabilities						
Outstanding claims including IBNR	-	-	-	-	8,011,647	8,011,647
Insurance / reinsurance payables	-	-	-	-	5,511,514	5,511,514
Lease liabilities	2,416	8,316	13,555	24,288	-	24,288
Other creditors and accruals	-	-	-	-	185,693	185,693
Subtotal	2,416	8,316	13,555	24,288	13,708,854	13,733,142
Total	5,492,370	2,007,953	302,144	7,802,466	(2,717,260)	5,085,206
Interest risk sensitivity gap	5,492,370	2,007,953	302,144	7,802,466		
Cumulative interest risk sensitivity gap	5,492,370	7,500,323	7,802,466			

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FOR THE YEAR ENDED DECEMBER 31, 2019

		2018					
	Effective rate per annum (percentage)	Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total		
		Rupees in thousand					
Financial assets							
Cash and bank deposits	2.75 to 3.75	2,590,770	-	-	2,590,770	11,674	2,602,444
Investments	5.90 to 12	3,222,745	1,071,251	176,403	4,470,399	4,163,297	8,633,696
Insurance / reinsurance receivables	-	-	-	-	-	174,443	174,443
Loans and other receivables	-	-	-	-	-	2,770,437	2,770,437
Reinsurance recoveries against outstanding claims	-	-	-	-	-	874,771	874,771
Subtotal		5,813,515	1,071,251	176,403	7,061,169	7,994,622	15,055,791
Financial liabilities							
Outstanding claims including IBNR	-	-	-	-	-	4,284,120	4,284,120
Insurance / reinsurance payables	-	-	-	-	-	2,538,419	2,538,419
Other creditors and accruals	-	-	-	-	-	232,252	232,252
Subtotal		-	-	-	-	7,054,791	7,054,791
Total		5,813,515	1,071,251	176,403	7,061,169	939,831	8,001,000
Interest risk sensitivity gap		5,813,515	1,071,251	176,403	7,061,169		
Cumulative interest risk sensitivity gap		5,813,515	6,884,766	7,061,169			

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a change of 100 basis points in interest rates at the reporting date would have decreased /(increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	2019		2018	
	Increase	Decrease	Increase	Decrease
	in profit / (loss) upon change of 100 bps		in profit / (loss) upon change of 100 bps	
Rupees in thousand ('000)				
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	78,268	(78,268)	70,612	(70,612)

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f) Foreign currency risk

Foreign currency risk is the risk that the value of financial instrument will fluctuate due to change in foreign exchange rates. The Company principal transactions are carried out in Pakistani Rupee and its exposure to foreign exchange risk arises primarily with respect to US Dollar and UK Pound. Financial assets exposed to foreign exchange risk amounted to Rs. 192.841 million (2018: Rs. 2,207,312 million) and Rs. Nil (2018: Rs. 0.270 million) respectively at reporting date.

The following significant exchange rates were applied during the year:

	2019	2018	2019	2018
	Rupees per US Dollars		Rupees per UK Pound	
Average rate	150.20	121.59	191.66	161.86
Report date rate	154.84	138.60	203.45	175.88

48.5 Capital risk management

Capital management objectives and requirements related to regulatory, solvency and paid up capital requirements are set and regulated by the Securities and Exchange Commission of Pakistan (SECP). These objectives and requirements are put in place to ensure sufficient solvency margins. Further, objective are set by the Company to maintain a strong credit rating and healthy capital ratios in order to support business objectives, maximize shareholders value and provide returns for benefits for other stakeholders.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

Currently the Company has a paid up capital of Rs. 3,000 million against the minimum required paid-up capital of Rs. 500 million set by the SECP for the life insurance companies for the year ended December 31, 2019.

49 FAIR VALUE OF FINANCIAL INSTRUMENTS

49.1 Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Company's financial assets and financial liabilities as at December 31, 2019.

The Company considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

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	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investments				
Equity securities				
Held for trading				
Ordinary shares - listed	96,225,968	96,225,968	84,938,345	84,938,345
Available for sale				
Ordinary shares - listed	2,307,404,138	2,307,404,138	2,407,046,705	2,407,046,705
Mutual fund units	1,461,497,488	1,461,497,488	1,670,694,732	1,670,694,732
Ordinary share - unlisted	617,613	617,613	617,613	617,613
Debt securities				
Pakistan Investment Bonds	2,531,178,263	2,531,178,263	2,163,261,750	2,163,261,750
Treasury Bills	4,445,556,500	4,445,556,500	2,207,137,288	2,207,137,288
Terms Finance Certificate	99,960,000	99,960,000	100,000,000	100,000,000
Loans and other receivables	2,865,239,725	2,865,239,725	2,863,798,300	2,863,798,300
Insurance / reinsurance receivables	9,775,513,552	9,775,513,552	5,435,766,163	5,435,766,163
Reinsurance recoveries against outstanding claims	3,934,364,721	3,934,364,721	874,771,237	874,771,237
Cash and bank	815,678,747	815,678,747	2,602,483,789	2,602,483,789
	28,333,236,714	28,333,236,714	20,410,515,922	20,410,515,922
Financial liabilities				
Outstanding claims including IBNR	8,011,646,909	8,011,646,909	4,829,225,309	4,829,225,309
Unearned premium reserves	8,451,658,849	8,451,658,849	3,856,658,995	3,856,658,995
Unearned reinsurance commission	452,020,316	452,020,316	284,665,087	284,665,087
Retirement benefit obligations	2,998,194,096	2,998,194,096	2,193,559,697	2,193,559,697
Insurance / reinsurance payables	5,511,514,237	5,511,514,237	2,538,418,948	2,538,418,948
Other creditors and accruals	78,419,901	78,419,901	80,879,371	80,879,371
Lease liabilities	24,287,522	24,287,522	-	-
	25,527,741,830	25,527,741,830	13,783,407,407	13,783,407,407

49.2 Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

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

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

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2019	Total	Level 1	Level 2	Level 3
	----- Rupees -----			
Financial assets measured at fair value				
Held-for-trading investment				
Ordinary shares - listed	96,225,968	96,225,968	-	-
Available-for-sale investment				
Ordinary shares - listed	2,307,404,138	2,307,404,138	-	-
Mutual fund units	1,461,497,488	1,461,497,488	-	-
Ordinary shares - unlisted	617,613	-	-	617,613
2018				
Financial assets measured at fair value				
Held-for-trading investment				
Ordinary shares - listed	84,938,345	84,938,345	-	-
Available-for-sale investment				
Ordinary shares - listed	2,407,046,705	2,407,046,705	-	-
Mutual fund units	1,670,694,732	1,670,694,732	-	-
Ordinary shares - unlisted	617,613	-	-	617,613

49.3 Transfers during the period

There were no transfers between Level 1 and Level 2 fair value measurements.
There were no transfers into or out of Level 3 fair value measurements.

49.4 Valuation techniques

For level 2 investments - held to maturity, the fair value has been determined by using the rates at reporting date as per Financial Market Association of Pakistan in respect of T bills and PIBs.

For Level 3 available-for-sale investments the Company values the investment at lower of carrying value and breakup value.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

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50 STATEMENT OF SOLVENCY

Assets

Property and equipment	67,270,717
Investment properties	26,849,593
Investments	
Equity securities	3,865,745,207
Debt securities	7,076,694,763
Loans and other receivables	2,865,239,725
Insurance / reinsurance receivables	9,775,513,552
Reinsurance recoveries against outstanding claims	3,934,364,721
Deferred commission expense	918,544,431
Prepayments	5,454,167,080
Cash and bank	815,678,747
Stock of stationery	499,806
Total assets from Window Retakaful Operations - Operator's Fund	388,724,067

Total assets (A)

35,189,292,409

In-admissible assets as per following clause of section 32 (2) of Insurance Ordinance, 2000

(d)	91,397,706
(p) & (s)	113,450,991
(u i, ii & iii)	54,737,642
(h)	5,962,572,838

Total in-admissible assets (B)

6,222,159,177

Total admissible assets (C=A-B)

28,967,133,232

Total liabilities

Underwriting provisions

Outstanding claims including IBNR	8,011,646,909
Unearned premium reserves	8,451,658,849
Unearned reinsurance commission	452,020,316
Retirement benefit obligations	2,998,194,096
Deferred taxation	293,019,659
Insurance / reinsurance payables	5,511,514,237
Unclaimed dividend	107,273,466
Other creditors and accruals	78,419,901
Total liabilities from Window Retakaful Operations - Operator's Fund	79,133,373

Total liabilities (D)

25,982,880,806

Total net admissible assets (E=C-D)

2,984,252,426

Minimum solvency requirement (higher of following)

Method A - u/s 36(3)(a)	150,000,000	
Method B - u/s 36(3)(b)	2,090,769,563	
Method C - u/s 36(3)(c)	1,754,754,803	(2,090,769,563)
Excess / deficit in net admissible assets over minimum requirements		893,482,863

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

51 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison. Significant reclassifications for purposes of correct presentation, are as under:

Reclassification from	Reclassification to	Note	--- (Rupees) ---
Other creditors and accruals	Unclaimed dividends	29	151,373,107
Unappropriated profit	Reserves	21	2,644,337,878

52 SUBSEQUENT NON ADJUSTING EVENTS

52.1 The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread globally including Pakistan affecting the health of individuals, causing disruptions to businesses and economic activity, which may eventually impact the insurance claim reported to and ultimately settled by the Company. The management and the Board of Directors will continue to monitor the impact of this outbreak on the Company's financial statements including ultimate cost of claims. The effect of COVID-19 and the response to the virus have also negatively impacted financial markets and overall economic conditions. The Company considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, we do not consider it practicable to provide a quantitative estimate of the potential impact of this outbreak on the Company except for the fair value of the Company's equity investments which has been decreased by Rs. 1 billion within four months of the close of financial year. The impact of this outbreak on the Company's financial statements, if any, will be considered in next financial statements.

52.2 The Board of Directors in its meeting held on May 05, 2020 have recommended a final cash dividend of Rs. 2.00 per share and a bonus issue of Rs. Nil per share for the approval of the members in the Annual General Meeting to be held on May 28, 2020.

These financial statements for the year ended December 31, 2019 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2020.

53 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on May 05, 2020 by the Board of Directors of the Company.

54 GENERAL

All figures have been rounded off to the nearest rupee unless otherwise stated.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer



Ministry of Commerce
Government of Pakistan



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INDEPENDENT REASONABLE ASSURANCE REPORT TO THE BOARD OF DIRECTORS ON THE STATEMENT OF MANAGEMENT'S ASSESSMENT OF COMPLIANCE WITH THE SHARI'AH PRINCIPLES

Introduction

We were engaged by the Board of Directors of Pakistan Reinsurance Company limited ("the Company") to report on the management's assessment of compliance of the Window Retakaful Operations ("Retakaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year ended December 31, 2019, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Operations with the Takaful Rules, 2012, in all material respects.

Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed comprises of the provisions of Takaful Rules, 2012.

Responsibilities of the Management

The Board of Directors /management of the Company are responsible for designing, implementing and maintaining internal controls relevant to the preparation of the annexed Statement and to ensure that it is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Retakaful Operations with the Takaful Rules, 2012.

The Board of Directors / management of the company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Retakaful operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Retakaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Retakaful Operations with the Takaful Rules, 2012, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Retakaful Operations compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the Retakaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed included:

- Evaluating the systems, procedures and practices in place with respect to the Retakaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shari'ah Advisor and the board of directors;
- Performing test for a sample of transactions relating to Retakaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Retakaful operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Retakaful transactions for the year ended December 31, 2019 with the Takaful Rules, 2012.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion the annexed statements for the year ended December 31, 2019, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Date:
Karachi:

Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement partner

INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan Reinsurance Company Limited

Report on the Audit of the Financial Statements of the Window Retakaful Operation

Opinion

We have audited the annexed financial statements of Pakistan Reinsurance Company Limited – Window Retakaful Operations (the Operations), which comprise the statement of financial position as at December 31, 2019, the statement of profit and loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position as at December 31, 2019, the statement of profit and loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operation's affairs as at December 31, 2019 and of the profit or loss, total comprehensive income or loss, its cash flows and the changes in fund for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Operation in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

1. We draw attention to Note 19.1 to the accompanying financial statements which describes the chargeability of sales tax on contribution by provincial authorities.
2. Note 29 to the financial statements, which fully explains the matter that the Operator has not complied with solvency requirements prescribed under Insurance Ordinance, 2000.

Our opinion is not modified in respect of the above matters.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Operation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Operation or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Operation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Operation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Operation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Operation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Operation as required by the Takaful Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operation's business; and
- d) we confirm that no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Other Matters

The financial statements of the Operations for the year ended December 31, 2018 were audited by another firm of Chartered Accountants, who expressed an unmodified opinion on those financial statements on April 03, 2019.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb.**

Grant Thornton Anjum Rahman
Chartered Accountants
Karachi
Date



FINANCIAL STATEMENTS

WINDOW RETAKAFUL OPERATIONS

STATEMENT OF FINANCIAL POSITION

AS AT YEAR ENDED DECEMBER 31, 2019

		December 31, 2019			December 31, 2018 Aggregate
		Operator's Fund	Participants Retakaful Fund	Aggregate	
	Note	----- (Rupees) -----			
Assets					
Takaful/retakaful receivables	7	-	117,396,079	117,396,079	-
Other receivable	8	-	73,559,476	73,559,476	
Receivable from Participant Retakaful Fund	9	80,373,475	-	80,373,475	1,000
Taxation - Payment less provision	10	-	299,855	299,855	287,915
Deferred rebate expense	11	34,719,365	-	34,719,365	-
Prepayment	12	-	20,300,625	20,300,625	-
Investments	13	16,121,995	78,936,186	95,058,181	-
Bank balances	14	257,509,232	27,265,685	284,774,917	51,258,000
Total Assets		388,724,067	317,757,906	706,481,973	51,546,915
Funds and Liabilities					
Funds attributable to:					
Waqf /Participants` Retakaful Fund					
Ceded money		-	1,000,000	1,000,000	1,000,000
Reserves	15	-	(35,484,040)	(35,484,040)	144
		-	(34,484,040)	(34,484,040)	1,000,144
Operator`s Fund					
Statutory Fund		300,000,000	-	300,000,000	50,000,000
Reserves	15	9,512,001	-	9,512,001	78,471
		309,512,001	-	309,512,001	50,078,471
Total Funds		309,512,001	(34,484,040)	275,027,961	51,078,615
Liabilities					
Underwriting provisions					
Outstanding benefits including IBNR	16	-	79,628,925	79,628,925	-
Unearned contribution reserves	17	-	192,193,746	192,193,746	-
Payable to Operator's Fund	9	-	80,373,475	80,373,475	1,000
Other payable	8	73,559,476	-	73,559,476	-
Taxation - Provision less payment	10	3,405,165	-	3,405,165	-
Other creditors and accruals	18	2,247,425	45,800	2,293,225	467,300
Total Liabilities		79,212,066	352,241,946	431,454,012	468,300
Total Equity and Liabilities		388,724,067	317,757,906	706,481,973	51,546,915
Contingencies and Commitments					
	19				

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2019

2019
For the period
September 26,
2018 to December
31, 2018

	Note	----- (Rupees) -----	
Participants' Retakaful Fund			
Revenue account			
Net retakaful contribution	20	188,319,490	-
Wakala expense	21	(53,496,589)	-
Net retakaful benefits	22	(172,856,227)	-
Underwriting result		(38,033,326)	-
Profit on bank deposit		1,567,004	144
Dividend income		471,022	-
Modarib's share of Participants' Retakaful Fund		(509,507)	-
		1,528,519	144
(Deficit)/ surplus for the year		(36,504,807)	144
Operator's Fund			
Revenue account			
Wakala fee	21	53,496,589	-
Management expenses	23	(4,243,734)	(2,075,329)
Rebate expense	24	(38,208,941)	-
Cede money paid to Participants' Retakaful Fund		-	(1,000,000)
		11,043,914	(3,075,329)
Modarib's share of Participants' Retakaful Fund		509,507	-
Dividend income		83,277	-
Profit on bank deposit		1,378,609	3,184,317
Profit before taxation		13,015,307	108,988
Taxation	25	(3,774,439)	(30,517)
Profit after taxation		9,240,868	78,471

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2019

Participants' Takaful Fund	2019	For the period September 26, 2018 to December 31, 2018
	----- (Rupees) -----	
(Deficit)/ surplus for the year	(36,504,807)	144
Other comprehensive income for the year		
Item that may be subsequently reclassified to profit or loss account		
- Net unrealised gain arising during the year on revaluation of available-for-sale investments	1,020,623	-
Item that will not be subsequently reclassified to profit or loss account	-	-
Total comprehensive (loss)/income for the year	(35,484,184)	144
Operator's Fund		
Profit after taxation	9,240,868	78,471
Other comprehensive income for the year		
Item that may be subsequently reclassified to profit or loss account		
- Net unrealised gain arising during the year on revaluation of available-for-sale investments - Net of tax	192,662	-
Item that will not be subsequently reclassified to profit or loss account	-	-
Total comprehensive income for the year	9,433,530	78,471

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019

Operator's Fund			
Statutory Fund	Reserves		Total
	Capital	Revenue	
	Unrealized gain on available for sale investment	Unappropriated Profit	

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

Balance as at January 01, 2018

	-	-	-	-
Increase in Statutory Fund	50,000,000	-	-	50,000,000
Total comprehensive income for the year	-	-	78,471	78,471
Balance as at December 31, 2018	50,000,000	-	78,471	50,078,471

Balance as at January 01, 2019

	50,000,000	-	78,471	50,078,471
Profit for the year	-	-	9,240,868	9,240,868
Increase in Statutory Fund	250,000,000	-	-	250,000,000
Unrealized gain on available for sale investments	-	192,662	-	192,662
Balance as at December 31, 2019	300,000,000	192,662	9,319,339	309,512,001

Participants Retakaful Fund			
Statutory Fund	Reserves		Total
	Capital	Revenue	
	Unrealized gain on available for sale investment	Unappropriated Profit	

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

Balance as at January 01, 2018

	-	-	-	-
Money Ceded	1,000,000	-	-	1,000,000
Total comprehensive income for the year	-	-	144	144
Balance as at December 31, 2018	1,000,000	-	144	1,000,144

Balance as at January 01, 2019

	1,000,000	-	144	1,000,144
Deficit for the year	-	-	(36,504,807)	(36,504,807)
Unrealized gain on available for sale investments	-	1,020,623	-	1,020,623
Balance as at December 31, 2019	1,000,000	1,020,623	(36,504,663)	(34,484,040)

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

	December 31, 2019			December 31, 2018 Aggregate
	Operator's Fund	Participants Retakaful Fund	Aggregate	
----- (Rupees) -----				
Operating cash flow				
Underwriting activities				
Contribution received	3,117,328	138,350,653	141,467,981	-
Retro takaful contribution paid	(32,287,500)	(32,287,500)	(64,575,000)	-
Net cash used in underwriting activities	(29,170,172)	106,063,153	76,892,981	-
Other operating activities				
Income tax paid	(160,049)	(299,855)	(459,904)	(318,432)
Management expenses paid	(2,051,012)	-	(2,051,012)	(3,075,329)
Other operating (payments) / receipts	-	(485,761)	(485,761)	467,300
Net cash (used)/ generated from other operating activities	(2,211,061)	(785,616)	(2,996,677)	(2,926,461)
Total cash used in all operating activities	(31,381,233)	105,277,537	73,896,304	(2,926,461)
Investing activities				
Purchase of investments	(12,745,000)	(80,580,000)	(93,325,000)	-
Statutory Fund	250,000,000	-	250,000,000	51,000,000
Profit on bank deposits	1,378,609	1,567,004	2,945,613	3,184,461
	238,633,609	(79,012,996)	159,620,613	54,184,461
Financing activities	-	-	-	-
Total cash generated from / (used in) financing activities	-	-	-	-
Net cash generated from all activities	207,252,376	26,264,541	233,516,917	51,258,000
Cash and cash equivalent at beginning of the year	50,256,856	1,001,144	51,258,000	-
Cash and cash equivalent at end of the year	257,509,232	27,265,685	284,774,917	51,258,000
Reconciliation to profit or loss account				
Operating cash flows	(31,381,233)	105,277,537	73,896,304	(2,926,461)
Dividend income	83,277	471,022	554,299	-
Profit on bank deposit	1,378,609	1,567,004	2,945,613	3,184,461
Increase in operating assets other than cash	118,114,203	208,120,721	326,234,924	1,144
Increase in operating liabilities	(75,339,598)	(352,240,946)	(427,580,544)	(468,588)
	12,855,258	(36,804,662)	(23,949,404)	(209,444)
Other adjustments:				
Income tax paid	160,049	299,855	459,904	318,432
Profit before taxation	13,015,307	(36,504,807)	(23,489,500)	108,988
Provision for taxation	(3,774,439)	-	(3,774,439)	(30,517)
Total profit/(deficit) for the year	9,240,868	(36,504,807)	(27,263,939)	78,471

The annexed notes 1 to 35 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

1 STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Reinsurance Company Limited (the Company) is a public listed company incorporated in Pakistan on March 30, 2000 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Pakistan Reinsurance Company Limited - Window Retakaful Operations (the Operator) is listed on Pakistan Stock Exchange and is engaged in general retakaful business comprise of fire, marine, aviation, engineering and accident.
- 1.2** The Operator has been authorized to undertake Window Retakaful Operations on September 26, 2018 by Securities and Exchange Commission of Pakistan (SECP) under Takaful Rules, 2012 to carry on General Window Retakaful Operations in Pakistan. For the purpose of carrying on the Retakaful business, the Operator has formed a Waqf (Participants' Retakaful Fund) on September 26, 2018 under the Waqf Deed with a Cede money of Rs. 1,000,000.
- 1.3** The Waqf Deed and Participant Retakaful Fund Policies (Waqf Rules) govern the relationship of Operator, Waqf and Participants for management of Retakaful operations, investment of Waqf and Operator's Fund as approved by the Shariah Advisor of the Operator. The accounts of the Waqf are maintained by the Operator in a manner that the assets and liabilities of Waqf remain separately identifiable. The financial statements of the Operator are prepared in such a manner that the financial position and results from the operations of Waqf and the Operator are shown separately.

2 GEOGRAPHICAL LOCATION AND ADDRESS OF BUSINESS OPERATIONS

The registered office of the Operator is situated at PRC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi. The zonal office of the Operator is located at 1st Floor, 15-A, Davis Road, State Life Building, Lahore, Pakistan.

3 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

1. International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
2. Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012.

In case requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012 shall prevail.

3.1 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the available- for-sale investments that have been measured at fair value.

3.2 Functional and presentation currency

These annual financial information have been presented in Pakistani Rupees, which is also the functional and presentation currency of the Operator.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Standards, amendments and interpretations to the published standards that are relevant to the Operation and adopted in the current year

The Operator has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standards:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 16	Leases - Amendments regarding recognition of a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts	January 01, 2019

There has no impact been made in the accompanying financial statement.

IFRS 9 'Financial Instruments' and amendment (effective for period ending on or after June 30, 2019) replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It has also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2021.

4.2 Standards, amendments to published standards and interpretations that are effective but not relevant

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on January 01, 2019 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations and are therefore not presented here.

4.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Company

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

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Standard or Interpretation		Effective date (annual periods beginning on or after)
Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework		January 01, 2020
IAS 1	Presentation of Financial Statements - Amendments regarding the definition of materiality	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of materiality	January 01, 2020
IFRS 3	Business Combinations - Amendments to clarify the definition of a business	January 01, 2020

4.4 Standards, amendments and interpretations to the published standards that are not yet notified by the SECP

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the SECP:

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 17	Insurance Contracts	January 1, 2021

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The policies are consistent in all the years presented in these financial statements.

5.1 Retakaful contracts

Retakaful contracts are based on the principles of Wakala. Retakaful contracts so agreed usually inspire concept of Tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

A separate Participants Retakaful Fund is created in which all contribution received under general Retakaful contribution net off any Government levies and administrative surcharge are credited. The role of Retakaful Operator is of the management of the Participants Retakaful Fund. At the initial stage of the setup of the Participants Retakaful Fund, the Retakaful Operator makes payment as ceded money to the Participants Retakaful Fund. The terms of the Retakaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Retakaful Operator.

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Once a contract has been classified as a Retakaful contract, it remains a Retakaful contract for the remainder of its lifetime, even if the Retakaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

The Operator underwrites non-life Retakaful contracts that can be categorised into:

- Fire and property damage
- Marine, aviation and transport
- Motor
- Miscellaneous

Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. The Retakaful risk involved in these contracts is similar to the contracts undertaken by the Operator as Retakaful operator.

Fire and property damage

Fire and property Retakaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

Marine, aviation and transport

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and liabilities to third parties and passengers arising from their use.

Motor

Motor Retakaful contracts cover physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

Miscellaneous

All other Retakaful contracts like machinery breakdown, bonds, cash in hand, cash in transit, personal accident, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under Miscellaneous Retakaful cover.

5.2 Retakaful surplus

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

5.3 Qard-e-Hasna

Qard-e-Hasna is provided by Operators' Fund to Participant Retakaful Fund in case of deficit in Participant Retakaful Fund. Qard-e-Hasna is recognised at the amount provided to Participant Retakaful Fund less impairment, if any. The Operator would be allowed to recover this Qard from the Participant Retakaful Fund over any period without charging any profit.

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5.4 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

5.4.1 Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Provision for taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

5.4.2 Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary difference arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. A deferred tax asset is generally recognized and only to the extent that is probable that future taxable profits will be available and the credits can be utilized. There are no temporary differences between accounting base and tax base of assets and liabilities, accordingly, no deferred tax has been recognized in these financial statements.

Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

5.5 Revenue recognition

5.5.1 Contribution

Contributions including administrative surcharge under a takaful contract are recognised as written from date of issuance to the date of attachment of risk to the policy / cover note.

Contributions income net of wakala fee is determined after taking into account the unearned portion of contributions. The unearned portion of contribution income is recognised as a liability in PTF.

Re-takaful ceded is recognised as expense after taking into account the proportion of deferred re-takaful contribution expense which is calculated using twenty fourths method. The deferred portion of re-takaful contribution expense is recognised as a prepayment.

5.5.2 Rebate From Retrotakaful Operator

Rebate and other forms of revenue (apart from recoveries) from re-takaful operators are deferred and recognised as liability and recognised in the profit and loss account as revenue of PTF in accordance with the pattern of recognition of the re-takaful contributions.

5.5.3 Investment income

Profit on bank deposits is recognised on a time proportion basis taking into account the effective yield.

Dividend income is recognised when the Operations' right to receive the payment is established.

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Return on fixed income securities classified as available for sale is recognised on a time proportion basis taking into account the effective yield on the investments.

Gain / loss on sale of investments is included in income currently.

5.6 Cash and cash equivalents

Cash and cash equivalents comprise of cash in deposit accounts with banks (and cheques) in hand, in transit and at banks in current accounts.

5.7 Provisions

A provision is recognized in the statement of financial position when the Operator has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

5.8 Creditors, accruals and provisions

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

Provisions are recognized when the Operator has a legal or constructive obligation as a result of a past event and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, the provisions are reviewed at financial statement date and adjusted to reflect current best estimates.

5.9 Wakala fee

Wakala fee is recognized in the Profit and loss account. Wakala Fee is taken 23% of Contribution earned from all business categories. This is recognized as an expense of Participant Fund and income of Operator Fund.

5.9.1 Provision for unearned wakala fee

The Operator manages the general takaful operations for the participants and charges wakala fee to PTF on gross contributions recognized for each class of business to meet the general and administrative expenses of the Operator including commissions to agents at the rate of 23 percent.

5.10 Commission

Commission and other acquisition costs incurred in obtaining and recording on direct, facultative and retrotakaful cessions has been deferred and recognized as assets and liability as under:

5.10.1 Commission income

Commission income is being taken to profit and loss account on a time proportion basis in accordance with the pattern of recognition of retrotakaful Contribution to comply with the requirements of Insurance Rules, 2017. issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

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5.10.2 Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with unearned Contribution that will be recognized in the subsequent reporting period to comply with the requirements of Insurance Rules, 2017. issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

5.11 Statutory fund

Amount of Rs. 250 million is deposited as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank.

5.12 Contribution

Contribution written under a policy is recognized as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, Contribution is recognized as revenue in accordance with the pattern of the incidence of risk.

5.12.1 Provision for unearned contribution

The portion of Contribution written relating to the unexpired period of coverage is recognized as unearned Contribution by the Company. The unearned portion of Contribution income is recognized as a liability. For Treaty Business the liability is calculated by applying 1/8 method and for Facultative Business over the period of insurance from the date of issuance of the policy to which it relates to its expiry.

5.13 Retrotakaful ceded

The Company enters into retrotakaful contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward retrotakaful Contributions are accounted for in the same period as the related Contributions for the accepted retrotakaful business being retakaful.

Retrotakaful liabilities represent balances due to retrotakaful companies. Amount payable are estimated in a manner consistent with the related retrotakaful contract. retrotakaful assets represent balance due from retrotakaful companies. Amount recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the retrotakaful policies and are in accordance with the related insurance contract.

Retrotakaful assets are not offset against related insurance liabilities. Income for expenses from retrotakaful contracts are not offset against expenses or income from related insurance assets. retrotakaful assets or liabilities are derecognized when the contractual rights are extinguished or expired.

The Company assesses its retrotakaful assets for impairment on balance sheet date. If there is an objective evidence that the retrotakaful asset is impaired. The Company reduces the carrying amount of the retrotakaful asset to its recoverable amount and recognizes that impairment loss in the profit and loss account.

5.14 Provision for outstanding claims including Incurred But Not Reported (IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred up to the financial statement date which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

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Retakaful recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

5.15 Retrotakaful recoveries against outstanding claims

Claims recoveries receivable from the reinsurer are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized as a liability and are measured at the amount expected to be received.

5.16 Off setting of financial assets and financial liabilities

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

5.17 Segment reporting

For management purposes, the Company is organized into six departments which deal with specific type of insurance policies. These departments are business segments for financial reporting purposes. Moreover, there are 'treaty arrangement' under each department and is treated as a separate segment. Thus the Company has seven segment - fire, marine cargo, marine hull, accident and others, aviation, engineering and treaty.

These segments are the basis on which the Company report its primary segment information. Other operations of the Company comprises investment in securities and in properties. The Company operates in Pakistan only. There are no transactions between segments.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

5.18 Investments

5.18.1 Classification and recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment at fair value through profit or loss in which case transaction costs are charged to profit and loss account.

These are recognized and classified as follows:

- Investment at fair value through profit or loss
- Held to maturity
- Available-for-sale

The classification depends on the purpose for which the financial assets were acquired.

5.18.2 Measurement

Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. These are subsequently measured according to IAS 39.

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5.19 Impairment of assets

The carrying amount of assets are reviewed at each reporting 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. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. Impairment losses are recognized in profit and loss account.

Impairment is recognized based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in fair value of an equity investments classified as available-for-sale below its cost is also considered an objective evidence of impairment. Impairment losses are reversed when there is an indication that impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. However, in case of equity securities classified as available for sale the decrease in impairment loss is not reversed.

5.20 Management expenses

Expenses of management have been allocated to various classes of business as deemed equitable by the Operator. Expenses not allocable to the underwriting business are charged under other expenses.

5.21 Mudarib's fee

The Operator also manages the participants' investment as Mudarib and charges 25 % of the investment income earned by the PTF as Mudarib's fee. It is recognized on the same basis on which related revenue is recognized.

5.22 Benefits

Benefits are charged to Participants Retakaful Fund as incurred based on estimated liability for compensation owed under the takaful contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

5.23 Receivables and payables related to retakaful contracts

Receivables including contribution due but unpaid relating to takaful contracts are recognized when due. The claim payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Contribution received in advance is recognized as liability till the time of issuance of takaful contract there against.

If there is an objective evidence that any contribution due but unpaid is impaired, the Operations reduces the carrying amount of that contribution receivable and recognizes the loss in profit and loss account.

5.24 Contribution deficiency reserve

The Company determines adequacy of liability of premium deficiency by carrying out analysis of its loss ratio of expired periods. For this purpose, average loss ratio of last three years inclusive of claim settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium/contribution. The liability of premium/contribution deficiency in relation to Accident and Health insurance is calculated in accordance with the advice of the actuary.

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6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Use of estimates and judgements

In preparing these financial statement, management has made judgement, estimates and assumptions that affect the application of the Operations' accounting policies and reported amounts of assets, liabilities, Income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years are included in following notes:

- a) provision for unearned contribution;
- b) provision for outstanding claims including IBNR and re-takaful recoveries there against;
- c) provision for unearned wakala fee;
- d) classification of investments;
- e) taxation;
- f) impairment of assets; and
- g) contribution deficiency reserves.

7 TAKAFUL/RETAKAFUL RECEIVABLES - Unsecured and considered good

	2019		2018
	Operator's Fund	Participants Retakaful Fund	
	-----Rupees-----		
Treaty retakaful	-	82,027,561	-
Facultative retakaful	-	35,368,518	-
	-	117,396,079	-

8 OTHER RECEIVABLE/(PAYABLE)

Commission payable	(72,928,306)	72,928,306	-
Expenses	(631,170)	631,170	-
	(73,559,476)	73,559,476	-

9 RECEIVABLE FROM PARTICIPANT RETAKAFUL FUND

Participant Takaful Fund (23% Premium earned)	53,496,589	53,496,589	-
Participant Takaful Fund (25% Profit)	509,507	509,507	-
Payments to retrocessionaries	26,366,379	26,366,379	-
Miscellaneous	1,000	1,000	1,000
	80,373,475	80,373,475	1,000

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		2019		2018	
		Operator's Fund	Participants Retakaful Fund		
		-----Rupees-----			
10	TAXATION- PAYMENT LESS PROVISION / (PROVISION LESS PAYMENT)				
	Opening balance (Asset)	287,915	-	-	
	Income tax deducted at source on dividend income	13,486	99,610	-	
	Income tax deducted at source on bank profit	146,566	200,245	287,915	
	Impact of deferred tax on available for sale investment	(78,693)			
	Provision for taxation	(3,774,439)	-	-	
	Closing balance (Liability)	(3,405,165)	299,855	287,915	
11	DEFERRED REBATE EXPENSE				
	Facultative business	11.1	1,988,054	-	-
	Treaty		32,731,311	-	-
			34,719,365	-	-
11.1	Facultative business				
	Fire		1,623,545	-	-
	Marine cargo		17,916	-	-
	Accident		195,198	-	-
	Engineering		151,395	-	-
			1,988,054	-	-
12	PREPAYMENT				
	Prepaid retakaful ceded-Treaty business		-	20,300,625	-

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13 INVESTMENTS Available for sale - Mutual Funds

	2019					
	Operator's Fund			Participant Retakaful Fund		
	Total cost of investment	Market value of investment	Unrealized gain	Total cost of investment	Market value of investment	Unrealized gain
	-----Rupees-----					
Al Hamra Islamic Income Fund	3,156,789	3,227,879	71,090	15,516,000	15,805,197	289,197
Al-Ameen Islamic Sovereign Fund	1,700,000	1,750,246	50,246	3,000,000	3,088,670	113,540
Al-Ameen Islamic Cash Fund	1,465,576	1,468,083	2,507	12,662,683	12,681,753	19,070
NBP Islamic Mahana Amdani Fund (Formerly: NBP Aitemaad Mahana Amdani)	3,156,931	3,230,031	73,100	15,516,000	15,814,738	298,738
ABL Islamic Income Fund	3,156,578	3,230,990	74,412	15,516,000	15,816,078	300,078
Meezan Rozana Amdani Fund	3,214,766	3,214,766	-	15,729,750	15,729,750	-
	15,850,640	16,121,995	271,355	77,940,433	78,936,186	1,020,623

14 BANK BALANCES

BANK BALANCES			
Note	2019		2018
	Operator's Fund	Participants Retakaful Fund	
-----Rupees-----			
Cash at bank in Saving accounts			
14.1	257,509,232	27,265,685	51,258,000

14.1 Saving accounts carry profit rates ranging from 5% to 7% (2018: 5% to 7%) per annum.

15 RESERVES

RESERVES	2019		2018
	Operator's Fund	Participants Retakaful Fund	
	-----Rupees-----		
Revenue			
Unappropriated profit	9,319,339	(36,504,663)	78,615
Capital			
Available for sale reserve	192,662	1,020,623	-
	9,512,001	(35,484,040)	78,615

16 OUTSTANDING BENEFITS INCLUDING IBNR

Facultative business	16.1	-	7,870,710	-
Treaty		-	71,758,215	-
		-	79,628,925	-

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	Note	2019		2018
		Operator's Fund	Participants Retakaful Fund	
-----Rupees-----				
16.1 Facultative business				
Fire		-	4,618,505	-
Marine cargo		-	92,115	-
Accident		-	2,998,400	-
Engineering		-	161,690	-
		-	7,870,710	-
17 UNEARNED CONTRIBUTION RESERVES				
Facultative business	17.1	-	18,289,920	-
Treaty		-	173,903,826	-
		-	192,193,746	-
17.1 Facultative business				
Fire		-	13,337,804	-
Marine cargo		-	165,628	-
Accident		-	3,416,224	-
Engineering		-	1,370,264	-
		-	18,289,920	-
18 OTHER CREDITORS AND ACCRUALS				
Salaries payable		150,000	-	150,000
Income tax deducted at source		122,400	43,600	65,400
Employee income tax payable		286	-	-
Sindh sales tax payable		4,800	2,200	800
Other payable	18.1	1,843,439	-	1,100
Audit fee payable		126,500	-	250,000
		2,247,425	45,800	467,300

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18.1 This represents salaries paid by Pakistan Reinsurance Company Limited

19 CONTINGENCIES AND COMMITMENTS

19.1 The Operator was served with a notice by Sindh Revenue Board (SRB) in 2016 for non filing of sales tax returns and raised sales tax liability via same notice on conventional reinsurance services provided by the Operator details of which are stated in note 31.2 to the operator's financial statement. Company has contested the notice and the case is pending with the Honorable High Court of Sindh. In case of unfavorable outcome of the said matter, the charge to profit or loss account would amount to Rs. 55 million pertaining to the year 2019 on retakaful operations excluding any additional penalty or default surcharge.

19.2 There are no commitments at year end. (2018: Nil)

20 NET RETAKAFUL CONTRIBUTION

	Note	2019	For the period September 26, 2018 to December 31, 2018
-----Rupees-----			
Written gross contribution		424,787,613	-
Add: Unearned contribution reserve opening		-	-
Less: Unearned contribution reserve closing		(192,193,748)	-
Contribution earned		232,593,865	-
Less: Retakaful contribution ceded		64,575,000	-
Add: Prepaid retakaful contribution opening		-	-
Less: Prepaid retakaful contribution closing		20,300,625	-
Retakaful expense		44,274,375	-
		188,319,490	-

21 WAKALA FEE/ EXPENSE

Gross wakala fee		97,701,151	-
Add: unearned wakala fee opening		-	-
Less: unearned wakala fee closing	21.1	(44,204,562)	-
		53,496,589	-

21.1 This represents expense for Participants Retakaful Fund and revenue for Operator's Fund.

22 NET RETAKAFUL BENEFITS

Benefits paid		93,227,302	
Add: Outstanding benefits including IBNR - closing		79,628,925	-
Less: Outstanding benefits including IBNR - opening		-	-
Benefits expense		172,856,227	-
Retakaful and other recoveries revenue		-	-
		172,856,227	-

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23 MANAGEMENT EXPENSES

	Note	2019	For the period September 26, 2018 to December 31, 2018
		-----Rupees-----	
Shariah advisor fee		1,950,000	-
Salaries expense		1,933,716	1,765,129
Auditor's remuneration	23.1	295,000	304,000
Others		65,018	6,200
		4,243,734	2,075,329

23.1 Auditor's Remuneration

Half yearly review	125,000	-
Annual audit fee	125,000	250,000
Other certifications	20,000	54,000
Out of pocket expense	25,000	-
	295,000	304,000

24 REBATE EXPENSE

Rebate paid	72,928,306	-
Add: Deferred rebate - opening	-	-
Less: Deferred rebate - closing	(34,719,365)	-
Rebate expense	38,208,941	-

25 TAXATION

For the year		
Current	3,774,439	30,517
Deferred	-	-
	3,774,439	30,517

25.1 Relationship between tax expense and accounting profit

Profit before tax	13,015,307	108,988
Tax at the applicable rate of 29% (2018: 29%)	3,774,439	30,517
Charge for the year	3,774,439	30,517
Effective tax rate	29%	29%

26 NUMBER OF EMPLOYEES

	2019	2018
Number of employees at the year end	3	3
Average number of employees during the year	3	3

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27 SEGMENT REPORTING

PARTICIPANTS' RETAKAFUL FUND

	2019				
	Fire and property damage	Marine	Accident	Treaty	Total
	-----Rupees-----				
Gross written contribution	32,455,522	858,910	17,413,091	374,060,090	424,787,613
Unearned contribution-opening	-	-	-	-	-
Unearned contribution-closing	14,708,070	165,628	3,416,224	173,903,826	192,193,748
Contribution earned	17,747,452	693,282	13,996,867	200,156,264	232,593,865
Retakaful-Ceded	-	-	-	64,575,000	64,575,000
Prepaid retakaful-opening	-	-	-	-	-
Prepaid retakaful-closing	-	-	-	20,300,625	20,300,625
Retakaful expenses	-	-	-	44,274,375	44,274,375
Net contribution	17,747,452	693,282	13,996,867	155,881,889	188,319,490
Rebate	-	-	-	-	-
Net underwriting income	17,747,452	693,282	13,996,867	155,881,889	188,319,490
Benefits paid	-	-	-	93,227,302	93,227,302
Outstanding benefits-opening	-	-	-	-	-
Outstanding benefits-closing	3,005,450	22,787	1,598,713	75,001,975	79,628,925
Benefits expenses	3,005,450	22,787	1,598,713	168,229,277	172,856,227
Retakaful recoveries received	-	-	-	-	-
Retakaful recoveries-opening	-	-	-	-	-
Retakaful recoveries-closing	-	-	-	-	-
Benefits recovered - retrotakaful	-	-	-	-	-
Net benefits	3,005,450	22,787	1,598,713	168,229,277	172,856,227
Wakala fee	4,081,914	159,455	3,219,279	46,035,941	53,496,589
Management expense	-	-	-	-	-
Contribution deficiency expense	-	-	-	-	-
Net benefits and expenses	7,087,364	182,242	4,817,992	214,265,218	226,352,816
Underwriting results	10,660,088	511,040	9,178,875	(58,383,329)	(38,033,326)
Profit on bank deposits					1,567,004
Dividend income					471,022
Modarib fee					(509,507)
Profit before tax					(36,504,807)
Segment assets	3,005,450	22,787	1,598,713	95,302,600	99,929,550
Unallocated assets					217,828,356
					317,757,906
Segment liabilities	21,096,376	226,509	5,800,669	288,903,681	316,027,235
Unallocated liabilities					36,214,711
					352,241,946

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

	December 31, 2019				
	Fire and property damage	Marine	Accident	Treaty	Total
	-----Rupees-----				
Wakala fee	4,081,914	159,455	3,219,279	46,035,941	53,496,589
Commission	(2,230,670)	(74,867)	(1,096,899)	(34,806,504)	(38,208,940)
Management expenses	(312,381)	(12,203)	(246,365)	(3,672,786)	(4,243,735)
Segment results	1,538,863	72,385	1,876,015	7,556,651	11,043,914
Profit on bank deposits					1,378,609
Dividend income					83,277
Modarib fee					509,507
Profit before tax					13,015,307
Segment assets	268,675	198,444	198,444	8,862,378	9,527,941
Unallocated assets					379,196,126
					388,724,067
Segment liabilities	3,382,856	38,094	785,732	39,694,108	43,900,790
Unallocated liabilities					35,232,583
					79,133,373

28 MANAGEMENT OF RETAKAFUL AND FINANCIAL RISK

The risks involved with financial instruments and the Operator's approach to managing such risks are as follow

28.1 Retakaful risk

The risk under a Retakaful contract is the possibility that the covered event occurs and the uncertainty of the amount of the resulting benefit. By the very nature of a Retakaful contract, this risk is random and therefore unpredictable. The principal risk faced under such contracts is that, the occurrence of the covered events and the severity of reported benefits. The Operator's risk profile is improved by diversification of these risks of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in single subset.

The Operator principally issues the general Retakaful cover. Risks under these policies usually cover a twelve month duration.

Underwriting limits and retention policies and procedures precisely regulate who is authorized and accountable for concluding retakaful contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines, if required.

Frequency and severity of benefits

Risk associated with general Retakaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the Retakaful events. This has been managed by having in place proactive benefit handling procedures.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

The Operator's class wise major risk exposure is as follows:

- Fire and property damage
- Marine, aviation and transport
- Motor
- Miscellaneous

Uncertainty in the estimation of future benefits payment

Benefits on general Retakaful contracts are payable on a benefit occurrence basis. The Participant Retakaful is liable for all covered events that occur during the term of the Retakaful contract including the event reported after the expiry of the Retakaful contract term.

An estimated amount of the benefit is recorded immediately on the intimation to the operations. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the benefits.

There are several variable factors which affect the amount and timing of recognized benefit liabilities. The operations takes all reasonable measures to mitigate the factors affecting the amount and timing of benefit settlements. However, uncertainty prevails with estimated benefit liabilities and it is likely that final settlement of these liabilities may be significantly different from initial recognized amount.

28.2 Credit risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Operator by failing to discharge an obligation. The Operator's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements.

28.2.1 Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at December 31, 2019 is the carrying amount of the financial assets as set out below:

	2019			2018 Aggregate
	Operator's Fund	Participants Retakaful Fund	Aggregate	
Receivable from Participants' Retakaful Fund	80,373,475			1,000
Cash and bank balances	257,509,232	27,265,685	284,774,917	51,258,000
	<u>337,882,707</u>	<u>27,265,685</u>	<u>284,774,917</u>	<u>51,259,000</u>

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

Simply

Secure

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

	Rating		2019	2018
	Short term	Long term		
			Rupees in thousand	
Meezan bank	A-1+	AA+	34,217,595	51,000,034
Askari bank	A1+	AA+	91,429	-
Sindh bank	A-1	A	465,893	257,966
Dubai Islamic bank	A-1+	AA	25,000,000	-
			59,774,917	51,258,000

28.3 Impaired assets

The impairment provision is written-off when the Operator expects that it cannot recover the balance due. During the year, no amount has been impaired.

28.4 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. In the case of the Operator, the liquidity level remained on satisfactory level during the year and Operator did not face any difficulty in generation of liquidity.

The following are the contractual maturities of financial liabilities on an undiscounted cashflow basis;

	Operator's Fund		
	Carrying amount	Contractual cash flows	Maturity in one year
	-----Rupees-----		
Financial liabilities:			
Other creditors & accruals	2,247,425	2,247,425	2,247,425
	Participant Fund		
	Carrying amount	Contractual cash flows	Maturity in one year
	-----Rupees-----		
Financial liabilities:			
Other creditors & accruals	45,800	45,800	45,800

28.5 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Operator manages the market risk through diversification of the portfolio and by following the internal guidelines established by the relevant committee. Market risk comprises of three types of risk: currency risk, profit rate risk and price risk.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

28.5.1 Interest rate risk exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated.

The information about Company's exposure to interest rate risk based on contractual repricing or maturity dates whichever is earlier is as follows:

	Effective rate % per annum	2019			Non-interest / mark-up bearing financial instruments	Total
		Interest / mark-up bearing financial instruments				
		Maturity upto one year	Maturity over one year to five years	Maturity more than five years		
Financial assets						
Takaful/retakaful receivables		-	-	-	117,396,079	117,396,079
Investments		95,058,181	-	-	-	95,058,181
Bank balances	5 to 8	284,774,917	-	-	-	284,774,917
		379,833,098	-	-	117,396,079	497,229,177
Financial liabilities						
Outstanding benefits including IBNR		-	-	-	79,628,925	79,628,925
Other creditors and accruals		-	-	-	2,293,225	2,293,225
		-	-	-	81,922,150	81,922,150
Interest risk sensitivity gap		379,833,098	-	-	35,473,929	415,307,027

28.6 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

	December 31, 2019			Audited December 31, 2018 Aggregate
	Operator's Fund	Participants Retakaful Fund	Aggregate	
Variable financial instruments				
Financial assets	257,509,232	27,265,685	284,774,917	51,258,000
	257,509,232	27,265,685	284,774,917	51,258,000

Sensitivity analysis for variable rate instruments

Presently, the Operator does not hold any variable rate instrument and is not exposed to profit rate risk except for balances in certain profit and loss sharing accounts, the profit rate on which range between 12% to 13% per annum.

An increase of 100 basis points in profit rates would have increased the profit and loss by the amounts shown below. Reduction in profit rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

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FOR THE YEAR ENDED DECEMBER 31, 2019

Operator's Fund

As at December 31, 2019

Sensitivity

Profit/(loss) for the Period		Total equity	
100 bp Increase	100 bp decrease	100 bp Increase	100 bp decrease
Rupees in thousand			
2,575,092	(2,575,092)	2,575,092	(2,575,092)

Participant Fund

As at December 31, 2019

Sensitivity

Profit/(loss) for the Period		Total equity	
100 bp Increase	100 bp decrease	100 bp Increase	100 bp decrease
Rupees in thousand			
272,657	(272,657)	272,657	(272,657)

The Operator's policy requires the management to manage this risk by measuring the mismatch of the profit rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed profit securities.

The average effective duration of the Operator's portfolio is a measure of the sensitivity of the fair value of the Operator's fixed profit securities to changes in market profit rates.

The Operator's policy refrains from holding profit bearing instruments that induce the average effective duration of the fixed profit portfolio to pass the benchmark of the average duration.

28.7 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Operator is not exposed to any such risk.

The fair value hierarchy has the following levels:

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

2019

Total	Level 1	Level 2	Level 3
-------	---------	---------	---------

----- Rupees -----

Financial assets measured at fair value

Available-for-sale investment

Mutual fund units

- Operator's Fund	16,121,995	16,121,995	-	-
- Participant Retakaful Fund	78,936,186	78,936,186	-	-

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

29 STATEMENT OF SOLVENCY

	Note	December 31, 2019 Rupees
Assets		
Investments		
Mutul funds		78,936,186
Takaful/retakaful receivables		117,396,079
Other receivable		73,559,476
Prepayment		20,300,625
Bank balances		27,265,685
Total Assets (A)		317,458,051
In-admissible assets as per following clause of section 32 (2) of Insurance Ordinance, 2000		
Investments		-
Contribution due since more than three months		(1,764,007)
Total In-admissible assets (B)		(1,764,007)
Total Admissible Assets (C=A-B)		315,694,044
Total Liabilities		
Underwriting Provisions		
Outstanding benefits including IBNR		79,628,925
Unearned contribution reserves		192,193,746
Payable to Operator's Fund		80,373,475
Other creditors and accruals		45,800
Total Liabilities (D)		352,241,946
Total Net Admissible Assets (E=C-D)		(36,547,902)
Minimum Solvency Requirement (higher of following)		
Method A - U/s 36(3)(a)	150,000,000	
Method B - U/s 36(3)(b)	72,042,523	
Method C - U/s 36(3)(c)	50,304,409	150,000,000
Deficit in Net Admissible Assets over Minimum Requirements	29.1	(186,547,902)

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

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29.1 The Operator has not complied with the minimum solvency requirement as against the requirement of section 36 of the Insurance ordinance, 2000

30 CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The objectives, policies and processes for managing capital of the Operator are as follows:

- to be an appropriately capitalized institution, as defined by regulatory authorities;
- maintain strong rating and to protect the Operator against unexpected events;
- availability of adequate capital at reasonable cost so as to enable the Operator to expand; and
- achieve low cost of capital with approximate mix of capital elements.

Amount of Rs. 250 million is deposited as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank.

31 SUBSEQUENT EVENT - NON ADJUSTING

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread globally including Pakistan affecting the health of individuals, causing disruptions to businesses and economic activity, which may eventually impact the insurance claim reported to and ultimately settled by the Company. The management and the Board of Directors will continue to monitor the impact of this outbreak on the Company's financial statements including ultimate cost of claims. The effect of COVID-19 and the response to the virus have also negatively impacted financial markets and overall economic conditions. The Company considers this outbreak to be a non-adjusting post balance sheet event.

These financial statements for the year ended December 31, 2019 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2020.

32 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of Pakistan Reinsurance Company Limited, associated companies, entities under common control, entities with common directors, major shareholders, directors, key management personnel and funded employee retirement benefit schemes.

No transactions with related party occurred during the year.

33 COMPARATIVE FIGURES

The financial statements for the year ended December 31, 2018 covers the period from September 26, 2018 to December 31, 2018, whereas, financial statements for the year ended December 31, 2019 covers the period of twelve months, therefore, is not comparable.

PAKISTAN REINSURANCE COMPANY LIMITED -
WINDOW RETAKAFUL OPERATIONS

Notes to the Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 2019

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on May 5th, 2020 by the Board of Directors of the operator.

35 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

Pattern of Shareholding

As at December 31, 2019

Number of Shareholders		Shareholdings'Slab		Total Shares Held
486	1	to	100	18,151
509	101	to	500	192,844
424	501	to	1000	369,409
624	1001	to	5000	1,639,946
232	5001	to	10000	1,795,514
68	10001	to	15000	855,652
51	15001	to	20000	934,251
25	20001	to	25000	582,384
21	25001	to	30000	581,286
22	30001	to	35000	716,410
6	35001	to	40000	231,300
6	40001	to	45000	254,209
10	45001	to	50000	485,706
7	50001	to	55000	370,665
5	55001	to	60000	288,952
3	60001	to	65000	190,760
5	65001	to	70000	339,999
6	70001	to	75000	443,300
3	75001	to	80000	230,000
2	80001	to	85000	164,500
2	85001	to	90000	173,399
1	90001	to	95000	95,000
8	95001	to	100000	794,500
1	100001	to	105000	105,000
2	105001	to	110000	220,000
1	115001	to	120000	119,999
3	120001	to	125000	373,500
2	135001	to	140000	276,846
1	140001	to	145000	141,000
5	145001	to	150000	738,564
2	150001	to	155000	308,500
2	155001	to	160000	311,658
1	160001	to	165000	161,500
2	175001	to	180000	353,377
2	180001	to	185000	365,188
1	185001	to	190000	188,000
5	195001	to	200000	991,582
1	200001	to	205000	203,500
2	205001	to	210000	417,999
1	220001	to	225000	222,599
2	235001	to	240000	479,000

Pattern of Shareholding

As at December 31, 2019

Number of Shareholders		Shareholdings'Slab		
1	260001	to	265000	264,243
2	270001	to	275000	549,799
1	275001	to	280000	275,500
2	285001	to	290000	576,343
2	295001	to	300000	599,999
1	300001	to	305000	305,000
2	315001	to	320000	637,699
2	320001	to	325000	641,000
1	365001	to	370000	369,788
7	370001	to	375000	2,620,728
1	380001	to	385000	383,999
2	395001	to	400000	795,999
1	410001	to	415000	413,000
1	440001	to	445000	445,000
1	460001	to	465000	461,999
1	485001	to	490000	488,500
1	495001	to	500000	500,000
1	545001	to	550000	550,000
1	695001	to	700000	700,000
1	775001	to	780000	779,998
1	1025001	to	1030000	1,028,500
1	1055001	to	1060000	1,060,000
1	1095001	to	1100000	1,100,000
1	1260001	to	1265000	1,263,500
1	1945001	to	1950000	1,950,000
1	2145001	to	2150000	2,146,000
1	4255001	to	4260000	4,257,000
1	4345001	to	4350000	4,349,500
1	4975001	to	4980000	4,979,000
1	9745001	to	9750000	9,750,000
1	11795001	to	11800000	11,800,000
1	18355001	to	18360000	18,359,971
1	73230001	to	73235000	73,232,201
1	134635001	to	134640000	134,639,785
2608		300,000,000		

Pattern of Shareholding

As at December 31, 2019

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government of Pakistan			
THE SECRETARY MINISTRY OF COMMERCE,	1	134,639,785	44.88
M/S. PRCL EMPLOYEES EMPOWERMENT TRUST	1	18,359,971	6.12
Associated Companies, undertakings and related parties			
STATE LIFE INSURANCE CORP. OF PAKISTAN	1	73,232,201	24.41
Mutual Funds	5	3778000	1.26
Directors and their spouse(s) and minor children			
MR. MUMTAZ ALI RAJPER	2	555	0.00
MR. ABDUL SAMI KEHAR	2	555	0.00
MR. SHAHAB ANWAR KHAWAJA	1	55	0.00
MR. MUSLEH UD DIN	1	55	0.00
DR. NAZIM LATIF	1	55	0.00
MRS. GHAZALA AHMED	1	55	0.00
MR. FAISAL MUMTAZ	1	55	0.00
MR. SHOAIB MIR	1	55	0.00
Executives	0	0	-
Public Sector Companies and Corporations	2	13750000	4.58
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful and modarabas	10	10535031	3.51
General Public			
a. Local	2535	34342591	11.45
b. Foreign	2	6922	0.00
Foreign Companies	1	9750000	3.25
Others	40	1604059	0.53
Totals	2608	300,000,000	100.00

Categories of Shareholders	Shares Held	Percentage
THE SECRETARY MINISTRY OF COMMERCE,	134,639,785	44.88
STATE LIFE INSURANCE CORP. OF PAKISTAN	73,232,201	24.41
M/S. PRCL EMPLOYEES EMPOWERMENT TRUST	18,359,971	6.12

FORM OF PROXY

As at December 31, 2019

I/We, _____ of _____ being a member of Pakistan Reinsurance Company Limited and holder of _____ ordinary shares hereby appoint Mr/Mrs. _____ of _____ or failing him/her _____ of _____ as my / our proxy in my absence to attend and vote for me / us and on my / our behalf at the 20th Annual General Meeting of the Company to be held on 28th May, 2020 at 11:00am at Karachi and at any adjournment thereof.

Total Shares Held

Signed this _____ day of May, 2020

Affix Rupees Five
Revenue Stamp

Signature of Member(s)

Shareholder's Folio No. _____
or CDC
Participant I D. No. _____
and Sub Account No. _____

Witnesses:

1	Signature _____	2.	Signature _____
	Name _____		Name _____
	Address _____		Address _____
	CNIC or Passport No. _____		CNIC or Passport No. _____

IMPORTANT:

- The member is requested:
 - To affix revenue stamp of Rs.5/- at the place indicated above.
 - To sign across the revenue stamp in the same style of signature as is registered with the Company.
 - To write down his/her/their folio number.
 - Attach an attested photocopy of their valid Computerized National Identity Card/Passport/Board Resolution and the copy of CNIC of the proxy, with this proxy form before submission.
- In order to be valid, this proxy must be received at the registered office of the Company at least 48 hours before the time fixed for the meeting, duly completed in all respects.
- CDS Shareholders or their proxies should bring their original computerized national identity card or passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detailed procedure is given in the notes to the notice of AGM.

Telephone/Cell #:



Commitment To Excellence



Pakistan Reinsurance Company Limited

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