



Pakistan Reinsurance Company Limited



Annual Report 2018

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.
- ❖ To prepare employees to meet the challenges of 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 order to save valuable foreign exchange.

Corporate Information

BOARD OF DIRECTORS OF PRCL

Mr. Shahab Khawaja
Mr. Shakeel Ahmed Mangnejo
Mr. Abdul Sami Kehar
Ms. Ghazala Ahmed
Dr. Nazim Latif
Mr. Mumtaz Ali Rajper
Dr. Musleh-ud-Din

Members

Chairman Board
CEO / Director
Director
Director
Director
Director
Director

Types

Independent
Executive
Independent
Independent
Ex-Officio
Non-Executive
Non-Executive

COMPANY SECRETARY / COMPLIANCE OFFICER

Mr. Shams-ud-Din

BOARD COMMITTEES

AUDIT COMMITTEE

Mr. Abdul Sami Kehar	Chairman
Mr. Mumtaz Ali Rajper	Member
Dr. Nazim Latif, Joint Secretary (Ins.)	Member
Mr. Muhammad Khurshid, CIA	Secretary

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Abdul Sami Kehar	Chairman
Dr. Nazim Latif, Joint Secretary (Ins.)	Member
Ms. Ghazala Ahmed	Member
Mr. Shakeel Ahmed Mangnejo, CEO	Member
Mr. Shahzad F. Lodhi, ED (HR)	Secretary

INVESTMENT COMMITTEE

Dr. Musleh-ud-Din	Chairman
Mr. Shahab Khawaja	Member
Mr. Abdul Sami Kehar	Member
Mr. Mumtaz Ali Rajper	Member
Mr. Shakeel Ahmed Mangnejo, CEO	Member
Mr. Jamil Ahmed, CFO	Member
Mr. Naveed Iqbal, Manager (Head of Investment)	Secretary

MANAGEMENT COMMITTEES

RISK MANAGEMENT AND COMPLIANCE COMMITTEE

Dr. Musleh-ud-Din	Chairman
Mr. Shakeel Ahmed Mangnejo, CEO	Member
Mr. Shams-ud-Din / Compliance Officer	Secretary

PROCUREMENT COMMITTEE

Ms. Ghazala Ahmed	Chairperson
Mr. Musleh-ud-Din	Member
Mr. Shakeel Ahmed Mangnejo, CEO	Member
Mr. Shahzad F. Lodhi, ED (Admn.)	Secretary

UNDERWRITING / REINSURANCE COMMITTEE

Mr. Shahab Khawaja	Chairman
Mr. Abdul Sami Kehar	Member
Mr. Shakeel Ahmed Mangnejo, CEO	Member
Mr. Muhammad Junaid Moti, ED (Underwriting)	Secretary

CLAIMS SETTLEMENT COMMITTEE

Mr. Mumtaz Ali Rajper
Dr. Nazim Latif
Mr. Shakeel Ahmed Mangnejo, CEO
Mr. Muhammad Junaid Moti, ED (Underwriting)

Chairman
Member
Member
Secretary

SENIOR MANAGEMENT

Mr. Shakeel Ahmed Mangnejo
Mr. Shahzad Farooq Lodhi
Mr. Shams-ud-Din
Mr. Muhammad Junaid Moti
Mr. Muhammad Khurshid
Mr. Jamil Ahmed
Mrs. Raana Muneer Ahmad
Mr. Zohaib Hasan
Mr. Sajid Baloch

Chief Executive Officer
Executive Director (HR/Admn)
Company Secretary / Compliance Officer
Executive Director (Underwriting)
Chief Internal Auditor
Chief Financial Officer
General Manager / Head of Northern Zone
General Manager / Head of IT Department
Manager / Head of Retrocession / Risk Management
Department

AUDITORS

Mr. Zulfikar Ali Causer
Engagement Partner
BDO Ebrahim & Co.
Chartered Accountants
2nd Floor, Block-C, Lakson Square Building # 01
Sarwar Shaheed Road
Karachi. – 74200

REGISTERED OFFICE

PRC Towers, 32-A, Lalazar Drive
M. T. Khan Road, P.O. Box: 4777
Karachi-74000, Pakistan.
Tel: (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
Meezan Bank Limited

ZONAL OFFICE

1st Floor, 15-A, Davis Road
State Life Building
Lahore.
Tel: (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
Tel: (92-21) 111-111-500

Directors' Profile



Mr. Shahab Khawaja served in the public sector for almost 36 years as a career Civil Servant of District Management Group and held many key positions such as Federal Secretary of Ministries of Privatization, Industries and Production, Additional Secretary Population Welfare, CEO of Small and Medium Enterprises Development Authority (SMEDA).

Earlier to above mentioned positions, Mr. Shahab Khawaja also remained Secretary to Department of Agriculture and Livestock and Dairy Development, Government of Punjab. After his retirement, he also held the positions of CEO, Competitiveness Support Fund (CSF), a joint Project of Ministry of Finance and USAID and as the Executive Director, Fertilizer Manufacturers of Pakistan Advisory Council (FMPAC). He has served on a number of Public Sector Organizations' Boards and has represented Government of Pakistan in multiple International Bodies and Seminars such as UNDP, UNFPA, UNIDO, ECOSOC APO etc.

Currently he is Director on the Board of JS Bank and Chairman to its Audit Committee. He is also a Certified Director, under Listed Companies' requirements, as prescribed by SECP. The Academic and professional qualification of Mr. Shahab Khawaja includes MSc. in Chemistry, Post Graduate Diplomas in Development Administration from Birmingham University, UK and in Public Policy from University of Connecticut Hartford, USA.

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. Shakeel Ahmed Mangnejo is an officer of Pakistan Administrative Service. He joined Civil Service in 1996. Prior to his posting as CEO Pakistan Reinsurance Company Limited and CEO Pakistan Steel Mills, he has held the positions of Home Secretary, Secretary Social Welfare, Secretary Implementation, Special Secretary Finance and Managing Director Sindh PPRA in the Government of Sindh. He has served the Federal Government as Director General Investments EOBI and Director Finance Trading Corporation of Pakistan. He has previously been on the Boards of PRIMACO and Sahara Insurance Company. Presently he is serving on the Boards of National Investment Trust, PIDC, State Engineering Corporation, Pakistan Machine Tool Factory and Pakistan Steel Fabricating Company.

Mr. Mangnejo has a Masters degree in Management from London School of Economics and a Masters degree in Economics. He also has a degree in Law and Civil Engineering. He has attended several local and international training courses, workshops and conferences.

Mr. Shakeel Ahmed Mangnejo has experience in Public Administration, Financial Management, Financial Markets, Public Procurement, Criminal Administration and Human Resource Management.

Role of the Chief Executive

The Chief Executive is responsible for leadership of the management. He:

1. recommends corporate strategy to the Board and after its approval ensures its implementation.
2. keeps the Board updated on progress made against agreed corporate strategy and business objectives.
3. exercises all the powers delegated by the Board, in managing day to day affairs of the Company.
4. ensures that the management complies with all relevant legislations and regulations.
5. leads the management Committees in an efficient manner.
6. ensures that the Company has a suitable system and policy for the timely and accurate disclosure of information in accordance with regulatory requirements.
7. develops and maintains an effective framework of internal controls including enterprise risk management system, in relation to all business activities.



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 N BP 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.



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.



As the head of Spectrum's Social Marketing Department for the last 20 years, Ms. Ghazala Ahmed has made major contributions and successfully steered campaigns involving behaviour change at grass roots level for projects like Pakistan Child Survival Project, UNICEF, Save the Children Fund USA, American Business Council, United Nations Drug Control Program, The Futures Group, PRIDE, PAIMAN/JSI, The Population Council and Greenstar Social Marketing.

Ms. Ghazala Ahmed has a strong background in marketing and before joining Spectrum she worked as General Manager Marketing, MICAS Associates, a Management Consultancy Firm for turnkey projects for five years.

Ms. Ghazala Ahmed is a graduate from Punjab University and holds a Post Graduate Diploma in Advertising from Watford Poly Herts, U.K. Recently she completed Directors Training Program, from Pakistan Institute of Corporate Governance, Karachi, duly certified by SECP.



Dr. Nazim Latif, is a Civil Servant of Federal Government in BS-20, belonging to Commerce & Trade Group, presently posted as Joint Secretary (Admn./Insurance), Ministry of Commerce. He is basically a Doctor and holds MBBS degree from King Edward Medical College, Lahore. He joined civil service in 1995. He has diversified experience at senior management level in various departments, such as Director General (Trade Policy), Ministry of Commerce, Commercial Counsellor, Embassy of Pakistan at Bangkok, General Manager, National Insurance Company Limited, Director, Trade Development Authority of Pakistan etcetera. He has attended different local and international professional training courses like Master-VII at Rotterdam, Netherlands and National Management Course at N MC, Lahore.



Board of Directors



Senior Management

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 Nine Member Board comprises five Government Nominee Directors, two Elected Directors, one Nominee of State Life Insurance Corporation and a CEO.

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.

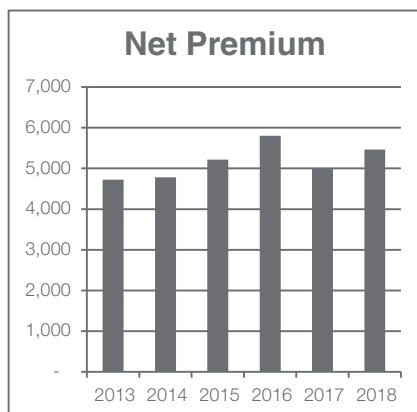
Six Year Performance At A Glance

Rupees in million

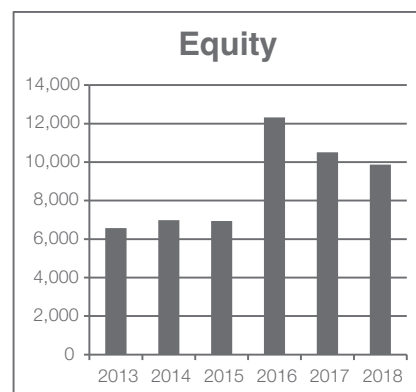
S. No.	PARTICULARS	2018	2017	2016	2015	2014	2013
FINANCIAL DATA							
1	Paid up capital	3,000	3,000	3,000	3,000	3,000	3,000
2	General & Capital Reserves	3,763	4,259	6,476	3,938	3,987	3,571
3	Equity	9,871	10,506	12,316	6,938	6,987	6,571
4	Investment	8,634	9,223	13,375	6,318	6,650	6,513
5	Fixed Assets	43	37	39	44	49	56
6	Cash & Bank Deposits	2,602	2,517	2,240	3,285	3,081	2,706
7	Total Assets	24,831	24,341	25,983	17,388	17,621	16,306
8	Total liabilities	14,959	13,835	13,667	10,450	10,633	9,734
OPERATING DATA							
1	Gross Premium	10,734	8,036	8,807	8,135	8,661	8,659
2	Net Premium	5,464	5,006	5,802	5,219	4,784	4,724
3	Net Claims	2,992	3,740	3,336	2,775	2,793	2,831
4	Net Comission	1,047	1,148	1,264	1,101	950	937
5	Underwriting Results	581	(677)	545	722	515	453
6	Total Management Expenses	844	796	657	621	523	503
7	Investment Income	691	3,326	961	935	1,079	1,101
8	Profit Before Tax	1,740	2,876	1,427	1,772	1,565	1,706
9	Profit After Tax	1,235	2,226	974	1,377	1,244	1,321
SHARE INFORMATION & PAYOUTS							
1	Number of shares (In million)	300	300	300	300	300	300
2	Cash dividend %	20	35	25	25	25	25
3	Bonus Shares %	-	-	-	-	-	-
4	Total Dividend %	20	35	25	25	25	25
FINANCIAL RATIO ANALYSIS							
1	Claims ratio	54.76	74.71	57.50	53.17	58.38	59.93
2	Total Assets Turnover (Times)	0.43	0.33	0.34	0.47	0.49	0.53
3	Total Liabilities / equity (%)	151.54	131.69	110.97	150.62	152.18	148.14
4	Paid up Capital / Total Assets (%)	12.08	12.32	11.55	17.25	17.03	18.40
5	Equity / Total Assets (%)	39.75	43.16	47.40	39.90	39.65	40.30

Financial Review

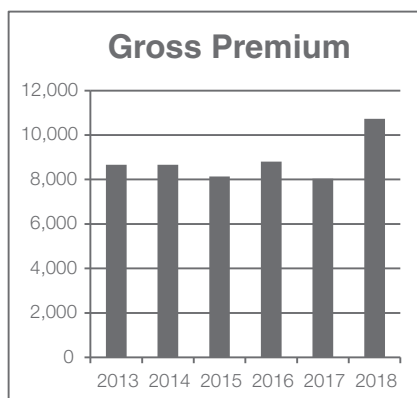
Year	Net Premium
2013	4,724
2014	4,784
2015	5,219
2016	5,802
2017	5,006
2018	5,464



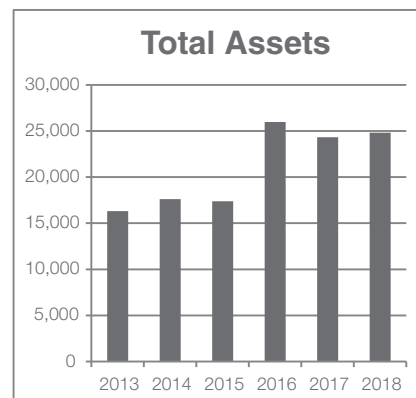
Year	Equity
2013	6,571
2014	6,987
2015	6,938
2016	12,316
2017	10,506
2018	9,871



Year	Gross Premium
2013	8,659
2014	8,661
2015	8,135
2016	8,807
2017	8,036
2018	10,734



Year	Total Assets
2013	16,306
2014	17,621
2015	17,388
2016	25,983
2017	24,341
2018	24,831



Chairman's Review Report

For the Year Ended December 31, 2018

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

During the year under review, the country went through largely peaceful national elections. The economic conditions were, however, challenging. Nevertheless, your Company crossed the milestone of achieving more than Rs 10 billion worth of Gross Written Premium. This feat has been reached by posting a growth of over 30%. 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.

Shahab Khawaja
Chairman



C.E.O's Message

It gives me immense pleasure to present the performance of the Company for the year 2018.

Business Performance

During 2018, 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. Despite downturn in equity market, the investment returns were also satisfactory.

More specifically, PRCL achieved a topline growth of 34% & increase in net premiums of 9%. The underwriting profit increased to Rs. 580.6 million as compared to a loss of Rs. 676.9 million a year earlier. On cost side, commissions as percentage of net premiums was reduced by 400 bps. Excluding one off realized gains on sale of NIT units in CY17, there was increase in investment income despite challenging market conditions.

Commencement of Re-takaful Operations

The Company was able to obtain licence to commence Retakaful operations during the review period. Window Retakaful Operations would enable PRCL to facilitate the Local Window takaful operators by making available additional retakaful capacity.

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 under review. The implementation is expected to be completed in CY19. This will bring the company's technological infrastructure in sync with its current & future requirements, enable it to better manage business processes and strengthen its risk management systems.

Credit Rating

The credit rating of the Company for the year 2017 was undertaken by M/s. JCR-VIS. The Company's credit rating of AA was re-affirmed with stable outlook. As per standard scale, the rating denotes a very high capacity to meet policy holder and contract obligations.

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, 2018.

Economic Review:

During 2018, Pakistan's economy underwent considerable changes. The GDP recorded a growth of 5.8%, highest in last thirteen years. The agriculture sectors' performance remained robust as it surpassed the targeted growth of 3.5% due to better availability of credit and farm inputs. Industrial sector grew by 5.8% as compared to 5.4% in FY 17 due to improved performance of manufacturing sector. Large Scale Manufacturing (LSM) benefitted from smooth energy supplies and benign interest rates.

The outgoing year also witnessed some of the structural imbalances of Pakistan economy. Average headline CPI inflation increased to 6% in 2nd half of CY18, which is significantly higher than 3.8% recorded during the same period last year. Core inflation reached 8.4% in December 2018, which is reflective of an increasing trend in inflation.

In view of the worsening external account and the likely impact of an expansionary fiscal policy on the macroeconomic stability, especially the future inflation path, SBP started raising policy rate from January 2018, reversing the multi-year easy monetary policy. During 2018, upward revision in SBP Policy rate was witnessed which stood at 10% as on December 31, 2018 as against 5.75% as on December 31, 2017. 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 (USD 37.5 billion) and the debt repayments placed Pakistan in a difficult situation. The huge current account deficit continued to strain forex reserves which declined by 31.8% to USD 13.8 billion at the end of CY18. 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 2018 eased the burden on balance of payments positions. However, pressure remained on the exchange rate resulting in 25.8% devaluation in the rupee over the year with the closing level in Dec 18 at PKR 138.86/USD.

On fiscal front Pakistan posted its highest ever fiscal deficit of PKR 2.26 trillion YoY on account of subdued performance of tax collection (increasing by only 5.9%) and increasing expenditures pertaining to infrastructure & power projects. Fiscal deficit as percentage of GDP clocked in at 6.6% of GDP.

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:

2018 has been a good year for Pakistan Reinsurance Company Limited. All segments and classes of business were profitable and there was a marked improvement in the underwriting results of the company.

The comparative financial highlights for the year 2018 and 2017 are presented as follows:

Rupees in million (except as otherwise stated)	2018	2017	%
Gross Premium Written	10734	8036	34
Net Premium	5464	5006	9
Net Claims	(2992)	(3740)	20
Underwriting Profit	581	(677)	186
Gain on sale of NIT Units	-	2791	
Other Investment Income	691	535	29
Rental Income	62	56	11
Other Income	417	235	77
Profit after tax	1235	2226	(45)
Total Assets	24831	24342	2
Paid-up Capital	3000	3000	-
Total Equity	9871	10506	(6)
Earnings per share – Rs. * (Re-stated)	4	7	-

During the year under review, gross premiums increased to Rs. 10,734 million from Rs.8,036 million in 2017, an increase of Rs.2,698 i.e.33.59%. Net premium increased to Rs. 5,464 million from Rs. 5,006 million in 2017, an increase of Rs.458 million i.e. 9.15%. Net claims reduced to Rs. 2,992 million as compared to Rs. 3,740 million in 2017, a decrease of Rs. 748 million, i.e. 20%. The Underwriting result improved by 185.82% to Rs. 581 million as compared to a loss of Rs. 677 million in 2017.

Treaty Business:

Treaty business constituted 41.46% of the Companies' total business portfolio. Gross Premium underwritten during the year was Rs. 4,462 million as compared to Rs. 3,369 million in 2017, an increase of Rs. 1,093 million i.e. 32.44%. Net premium stood at Rs. 3,268 million as against Rs. 3,256 million in 2017. Net claim to net premium ratio for the year under review is 66.46%.

Facultative Business:

Fire:

Fire class of business constituted 26.05% of the total facultative premium portfolio. Gross premium underwritten during the year was Rs.1,634 million as compared to Rs. 1,561 million in 2017, an increase of Rs. 73 million i.e. 4.68%. Net premium stood at Rs. 1,338 million as against Rs. 1,065 million in 2017. The net claim to net premium ratio for the year under review was 48.09% resulting in an underwriting profit of Rs.278 million as against Rs. 11 million in 2017, an increase of Rs.267 million.

Marine Cargo & Hull:

Marine Cargo & Hull class of business constituted 2.39% of the total facultative premium portfolio. Gross premium underwritten during the year was Rs. 150 million as compared to Rs. 117 million in 2017, an increase of Rs. 33 million

i.e. 28.21%. Net premium stood at Rs.103 million as against Rs. 81 million in 2017. The net claim to net premium ratio for the year under review was 28.16% resulting in an underwriting profit of Rs. 24 million as against loss of Rs. 32 million in 2017, an increase of Rs. 56 million i.e.75%.

Aviation:

Aviation class of business constitutes 22.34% of the total facultative premium portfolio. Gross premium underwritten during the year was Rs. 1,401 million as compared to Rs. 1,273 million in 2017, an increase of Rs.128 million i.e. 10.06%. Net premium stood at Rs.154 million as against Rs. 59 million in 2017. The net claim to net premium ratio for the year under review was 11.69% resulting in an underwriting profit of Rs. 94 million as against loss of Rs.85 million in 2017, an increase of Rs. 179 million i.e. 211%.

Accident:

The Accident and Health class of business constituted 3.07 of the total facultative premium portfolio. Gross premium underwritten during the year was Rs. 193 million as compared to Rs. 151 million in 2017, an increase of Rs. 42 million i.e. 27.81%. Net premium increased to Rs. 163 million as against Rs. 129 million in 2017, an increase of Rs. 34 million. The net claim to net premium ratio for the year under review was 42.95% resulting in an underwriting profit of Rs. 42 million as against an underwriting profit of Rs. 73 million in 2017, a decrease of Rs. 31 million i.e.43%.

Engineering:

The Engineering class of business constituted 46.16% of the total facultative premium portfolio. Gross premium underwritten during the year was Rs. 2,895 million as compared to Rs. 1,564 million in 2017, an increase of Rs. 1,331 million i.e. 86%. Net premium increased to Rs. 437 million as against Rs. 415 million in 2017, an increase of Rs. 22 million i.e. 5.30%. The net claim to net premium ratio for the year under review was 14% resulting in an underwriting profit of Rs. 374 million as against an underwriting loss of Rs. 202 million in 2017, an increase of Rs. 576 million i.e. 286%.

Investment Income:

During the year under review, Investment and Other Income contributed Rs.691 million to the bottom line of the company as against Rs. 535 million in 2017 (excluding gain on sale of NIT units).

Company's Assets:

The total assets of the Company as on 31st December, 2018 stood at Rs. 24,831 million against Rs. 24,342 million last year which is an increase of Rs.489 million, (2%).

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 goodwill.

Cost Control Measures:

The Management expenses during the year under review were Rs.844 million as against Rs. 796 million during the previous year, registering an increase of only 6%. The increase was primarily triggered by increase in post-retirement

benefits. The management expenses as percentage of Net Premium was 15.44% in CY18 as compared to 15.9% in CY17. Going forward, the management will continue to strive to further reduce costs as a percentage of net premiums.

Auditors Qualifications:

Given below the basis of qualified opinion issued by the auditors along with the management point of thereon:

1. As on December 31, 2018, the balance under the head "Insurance/Reinsurers receivables" include an amount of Rs. 699.018 million in respect of which balance confirmation has not been received. Management has recorded a provision amounting to Rs. 325.752 million in respect of these balances. In the absence of an independent confirmation we are unable to confirm the existence and valuation related to this amount. The Company is in process of reconciling all balances with ceding companies as detailed in note 14.2. Due to pending confirmation/reconciliation relating to all balances, resultant adjustment and consequential impact therefore, if any, on the financial statements remain unascertained.

Management's point of view

The company has requested these companies for the confirmation of the balance several times. Sufficient provision has however been made against balances receivable from the companies which are either closed or are not actively doing the business.

2. Ceding companies were requested to report their Treaty IBNR claim reserves for the year ended December 31, 2018 on the basis of which the Company recorded Treaty IBNR claim reserves amounting to Rs. 65.12 million in respect of confirmation provided by one ceding company. The Company has not received intimation in respect of IBNR claim reserves from other ceding companies in respect of Treaty claims reserves, however, negative confirmation has been circulated. In respect of IBNR claim reserves for facultative insurance, the Company recorded Facultative IBNR on basis of actuarial valuation amounting to Rs. 142.683 million.

Management's point of view

As explained above, the Company recorded IBNR on the basis of actuarial valuation for facultative business. For treaty business IBNR has been recorded to the extent of information received from ceding companies

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, OGDC, 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. 2,732 million to Rs.4,444 million – an increase of 66.7%.

Reinsurance Arrangements:

PRCL has excess of loss re-insurance arrangements & relationship with some of the 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.

Profit After Tax:

The profit after tax of the Company is Rs. 1,235 million as compared to Rs. 2,226 million of last year, showing a decrease of Rs.991 million.

(Rs. in millions)

Profit before tax	1,740
Less: Tax	(505)
Profit after tax	1,235

Add: Unappropriated profit brought forward

Add: Comprehensive Income

Less: Final cash dividend 2018 @ 20% (600)

Unappropriated profit carried forward 635

Proposed Dividend:

The Board of Directors has recommended the dividend for 2018 at Rs.2.0 per share of Rs.10 each (@ 20%) for approval of Shareholders at AGM, as against Rs.3.5 per share (35%) approved / paid for the year 2017.

Earnings Per Share:

The earning per share of the Company is Rs.4.12 for the year 2018 as compared to Rs. 7.40 in the year 2017.

Retakaful:

Alhamdulillah Retakaful window operation has been started with operator's fund amounting to Rs.50 million, as cede money paid to the participants' Retakaful Fund of Rs.1 million. The profit before tax for the period is Rs.108,988 and profit after tax for the period under review is Rs. 78,471. Details are given hereunder:

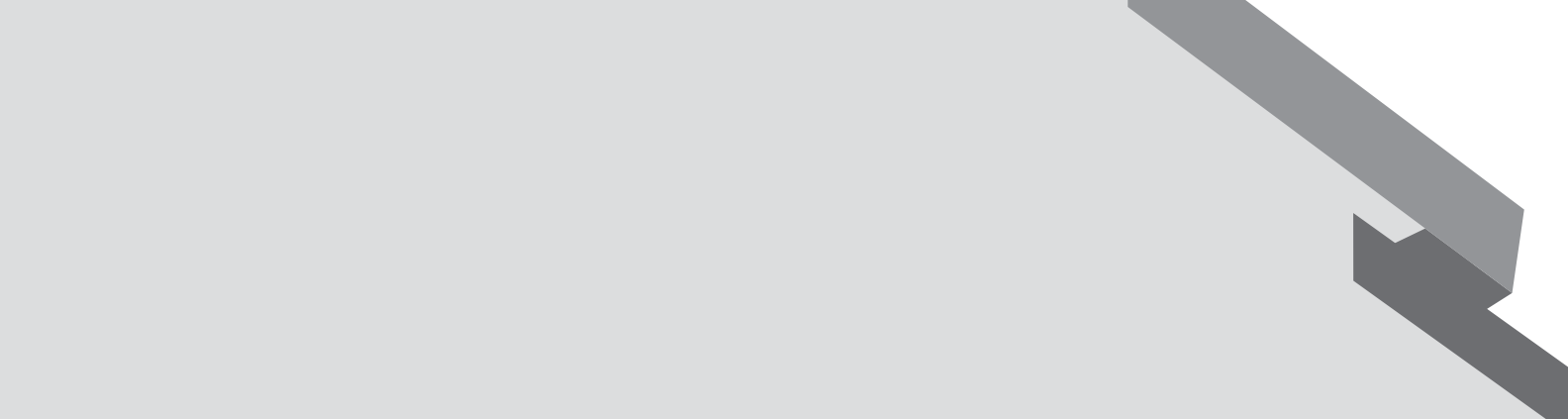
Revenue account	2018 (Rupees)
Participants' Retakaful fund	-
Net Contribution Revenue	-
Wakala expense	-
Net retakaful benefits	-
Retakaful Rebate	-
Underwriting Results	-
Profit on bank deposit	144
Modarib's shares	-
	<u>144</u>
Cede money received	-
Surplus for the period	<u>144</u>
Accumulated surplus	-
Surplus for the period	<u>144</u>
	<u>144</u>
Revenue Account	
Operator's fund	
Wakala fee	-
Management expenses	(2075329)
Commission expense	-
Cede money paid to participant's retakaful fund	(1000000)
	<u>(3075329)</u>
Modarib's share of participants' retakaful fund investment income	-
Profit on bank deposit	3184317
Profit before taxation	<u>108988</u>
Taxation	(30517)
Profit for the period	<u>78471</u>
	<u>78471</u>
Profit and loss appropriation account	
Balance at the beginning of the period	-
Profit for the Period	<u>78471</u>
	<u>78471</u>

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 cash awards to the Employees' Children who are Hafiz-e-Quran and secure A+ grade in Secondary and Higher Education and it also provides burial & compensation packages for the family of employees who die during service. The Company also has a policy to employ the blood relatives of its employees who died during service.

Board Structure and Committees:

The Board structure is in accordance with the Listed Companies' Code of Corporate Governance, 2012, 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

Future Outlook:

The country's 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. 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 Annual General meeting of Shareholders on the recommendation of Board of Directors approves the remuneration of Directors. During the period under review, pursuant to the guidelines issued by Ministry of Commerce, the Board of Directors recommended revision in meeting fee of the Board members which is subject to approval by the AGM.

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, 2018, there were 2,636 shareholders on the record of the Company.

Pattern of Shareholding:

The pattern of shareholding of the company as at December 31, 2018, alongwith 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, 2012 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 thereunder. 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 Ordinance, 1984, 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, 2012, 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 interest of the Company as well as in line with the best practices;
- l) The Non-executive Directors 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:

	(Rs. in millions)
Pension and Gratuity Fund	930.581
General Provident Fund / Provident Fund	1,026.323

Board Meetings and Attendance:

In the year 2018, the Board formed various Committees, the detail of the meetings held and the attendance of each director are 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		6	6	4	1	3	2	3	1
Sl.	Name Of Directors	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
1	Mr. Shahab Khawaja, Chairman	6	---	---	1	---	---	3	---
2	Mr. Shakeel Ahmed Mangnejo, CEO	6	---	4	1	3	2	3	1
3	Mr. Abdul Sami Kehar	6	6	4	1	---	---	3	---
4	Ms. Ghazala Ahmed	6	---	2	---	---	---	---	1
5	Mr. Mumtaz Ali Rajper	6	6	---	---	3	---	3	---
6	Dr. Musleh-ud-Din	6	---	---	---	---	2	3	1
7	Dr. Nazim Latif	5	5	3	---	3	---	---	---
8	*Mr. Shoaib Mir	4	5	3	---	---	---	---	---

*Mr. Shoaib Mir, a Director nominated by SLIC who stood retired from his services attaining superannuation on October 26, 2018, has now been replaced by another nominee Director Mr. Mushtaq Ahmed Mahar.

The Board granted leave of absence to the Directors who could not attend some of the meetings after intimating the Board in advance.

Contribution to National Exchequer:

Your Company contributed an amount of Rs. 749 million to 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 the Board has approved its terms of reference. The names of the members of Committee are given in the section of Corporate Information.

Performance of the Company during the last six years:

	(Rs. in millions)					
	2018	2017	2016	2015	2014	2013
Gross Premium	10,734	8,036	8,807	8,135	8,661	8,659
Net Premium	5,464	5,006	5,802	5,219	4,784	4,724
Net Commission	(1,047)	(1,148)	(1,264)	(1,101)	(950)	(937)
Net Claims	(2,992)	(3,740)	(3,336)	(2,775)	(2,793)	(2,831)
Management Expenses	(844)	(796)	(657)	(621)	(523)	(503)
Underwriting Profit/(Loss)	581	(677)	545	722	515	453
Investment Income	691	3,326	961	935	1,079	1,101
Profit before Tax	1,740	2,876	1,427	1,772	1,565	1,706
Profit after Tax	1,235	2,226	974	1,377	1,244	1,321

Trading in the Company Shares:

Directors and Key Officers undertook no trading in the shares of Company.

Web Presence:

In compliance with the requirements of Securities & Exchange Commission of Pakistan (SECP) all information relating to the Company including periodical financial statements / annual reports etc. are available on website. Stakeholders and general public can log on to Company's website www.pakre.org.pk to retrieve their desired information.

Appointment of Auditors:

M/s BDO Ibrahim and Co., Chartered Accountants have completed their five-year term. The Audit Committee has recommended to the board to appoint M/s. Grant Thornton Anjum Rahman, Chartered Accountants as the External Auditors for the year 2019.

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

محاسبین (Auditors) کا انتخاب

میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، اپنی پانچ سال کی مدت مکمل کر چکے ہیں۔ سال 2019 کے لیے آڈٹ کمیٹی نے میسرز گرانٹ تھورنٹن انجمن رحمان، چارٹرڈ اکاؤنٹینٹس کا نام بطور بیرونی محاسبین کے تجویز کیا 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 اس فرم کو اطمینان بخش درجہ بندی دی گئی ہے اور یہ فرم اور اس کے شرکاء ڈائریکشنل فیڈریشن آف اکاؤنٹینٹس (IFAC) کے ضابطہ اخلاق پر عمل پیرا ہیں، جسے ICAP نے بھی اپنا رکھا ہے اور یہ کہ قابل اطلاق قوانین کے تحت تفری کے تمام تقاضوں پر پورے اترتے ہیں۔

ستائش

آخر میں آپ کے ڈائریکٹرز تمام انشورنس کمپنیوں، سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کا ان کی حمایت اور رہنمائی کا شکریہ ادا کرنا چاہتے ہیں۔ ہم کمیٹی کے افسران اور اسٹاف کی سخت محنت اور لگن کو بھی تسلیم کرتے ہیں۔

بورڈ آف ڈائریکٹرز کے لیے اور ان کی جانب سے

چیرمین / ڈائریکٹر

قومی خزانے میں حصہ

آپ کی کمپنی نے محصولات، لیویز اور ڈیوٹیز کی مد میں گورنمنٹ کے خزانے میں 749 ملین روپے جمع کروائے۔

ادارتی نظم و ضبط کی تعمیل

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

بورڈ کی آڈٹ کمیٹی

بورڈ نے ادارتی 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 ادارتی معلومات کے سیکشن میں دئے گئے ہیں۔

گذشتہ 6 سالوں میں کمپنی کی کارکردگی

(روپے ملین میں)

2013	2014	2015	2016	2017	2018	
8,659	8,661	8,135	8,807	8,036	10,734	مجموعی پریمیوم
4,724	4,784	5,219	5,802	5,006	5,464	خالص پریمیوم
(937)	(950)	(1,101)	(1,264)	(1,148)	(1,047)	خالص کمیشن
(2,831)	(2,793)	(2,775)	(3,336)	(3,740)	(2,992)	خالص دعوے
(503)	(523)	(621)	(657)	(796)	(844)	انتظامی اخراجات
453	515	722	545	(677)	581	انڈر رائٹنگ - نفع / نقصان
1,101	1,079	935	961	3,326	691	سرمایہ کاری سے آمدنی
1,706	1,565	1,772	1,427	2,876	1,740	نفع قبل از محصول
1,321	1,244	1,377	974	2,226	1,235	نفع بعد از محصول

کمپنی کے حصص کی تجارت

ڈائریکٹرز اور کلیدی افسران نے کمپنی کے حصص کی خرید و فروخت نہ کرنے کی حامی بھری ہے۔

(روپے ملین میں)

930.581

1,026.323

پینشن اور گریجویٹ فنڈ

عام پرائیویٹ فنڈ / پرائیویٹ فنڈ

بورڈ کے اجلاس اور حاضریاں

سال 2018 کے دوران بورڈ نے متعدد کمیٹیاں تشکیل دیں، اور ان کے اجلاس کے انعقاد اور ہر ناظم کی حاضری کی تفصیلات درج ذیل ہیں۔

پرائیویٹ کمیٹی	سرمایہ کاری کمیٹی	ریسک مینجمنٹ اور تعمیل کمیٹی	دعوے کے تصفیہ کمیٹی	انڈر رائٹنگ کمیٹی	ضابطہ اخلاق / انسانی وسائل / مشاہرہ کمیٹی	آڈٹ کمیٹی	بورڈ آف ڈائریکٹرز	اجلاس کی تعداد
1	3	2	3	1	4	6	6	نامظمین کے نام
اجلاس میں شرکت کی تعداد								
---	3	---	---	1	---	---	6	جناب شہاب خواجہ، چیئرمین
1	3	2	3	1	4	---	6	جناب شکیل احمد منگنچو CEO
---	3	---	---	1	4	6	6	جناب عبدالسمیع کھر
1	---	---	---	---	2	---	6	محترمہ غزالہ احمد
---	3	---	3	---	---	6	6	جناب ممتاز علی راجپر
1	3	2	---	---	---	---	6	ڈاکٹر مصلح الدین
---	---	---	3	---	3	5	5	ڈاکٹر ناظم لطیف
---	---	---	---	---	3	5	4	جناب شعیب میر*

* ایٹھ لائف انشورنس کے نمائندہ ناظم جناب شعیب میر اپنی مدت ملازمت پوری ہونے پر 26 اکتوبر 2018 کو ریٹائر ہو گئے تھے اور ان کی جگہ جناب مشتاق احمد مہر کا تقرر کیا گیا ہے۔

ادارتی اور مالیاتی رپورٹنگ کے ڈھانچے کا بیان

PRCL ایک مندرجہ (listed) کمپنی ہے اور لسٹڈ کمپنیز کے "ادارتی نظم و ضبط کے قواعد، 2012 اور دیگر تمام لسٹڈ قواعد کی پابندی کرتی ہے۔ کمپنی پبلک سیکٹر ادارہ بھی ہے اور پبلک سیکٹر کمپنیز (ادارتی نظم و ضبط کے ضوابط) قوانین 2013 اور ادارتی نظم و ضبط کے ضابطہ برائے انشوررز 2016 کے تحت کام کرتی ہے۔ ڈائریکٹرز تمام رپورٹنگ اور معلومات کو افشا کرنے کی ضروریات جو کمپنی ایکٹ 2017، انشورنس آرڈیننس 2000 اور ان کے تحت بنائے گئے قوانین کی تعمیل کی تصدیق کرتے ہیں۔ ڈائریکٹرز SECP کے ادارتی گورننس کے ضابطے کے ادارتی 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 ملکیٹی 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 اندازوں پر رکھی ہے۔
- پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیار، کمپنیز آرڈیننس 1984، انشورنس آرڈیننس 2000 اور سیکوریٹیز 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 مستقل آگے بڑھنے کی صلاحیت میں کوئی ابہام نہیں ہے۔
- لسٹڈ کمپنیز کے ادارتی نظم و ضبط کا ضابطہ 2012 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۔
- ڈائریکٹرز کے تربیتی پروگرام کے تحت تمام ڈائریکٹرز تعلیم یافتہ ہیں۔
- نومنتخب ڈائریکٹرز کو متعلقہ قوانین اور ان کی ذمہ داریوں کے بارے آگاہی کا تعارفی پروگرام کیا گیا تھا۔
- 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۔
- چیزمین 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۔
- نان ایگزیکٹو ڈائریکٹرز کو ہر اجلاس میں شرکت کی ایک متعین فیس ادا کی جاتی ہے۔ چیف ایگزیکٹو، ڈائریکٹرز اور ایگزیکٹو ڈیپارٹمنٹ کے عملیہ سے رپورٹ میں دیے گئے ہیں۔
- گذشتہ 6 سالوں کے کلیدی آپریٹنگ اور مالیاتی اعداد و شمار کا خلاصہ علیحدہ سے اس رپورٹ میں شامل ہے۔
- حصص رکھنے کے رجحان کا بیان علیحدہ سے اس رپورٹ میں شامل ہے۔
- وظیفہ بعد از ملازمت (pension)، گریجویٹ اور پراویڈنٹ فنڈ کی سرمایہ کاری کی مالیت درج ذیل 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 مشاہرہ پالیسی

بورڈ کی تجویز پر ناظمین کا مشاہرہ کی منظوری حصص کنندگان کے سالانہ عام اجلاس میں کیا جاتا ہے۔ زیر جائزہ مدت میں، بورڈ نے وزارت تجارت کی ہدایت کی روشنی میں، بورڈ کے ارکان کی اجلاس میں شرکت کی فیس میں ترمیم کی تجویز دے چکے ہیں جو سالانہ عام اجلاس کی منظوری سے مشروط ہے۔

بورڈ کے ناظمین کا کارکردگی کی قدر پذیری (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 پذیری کا ڈھانچہ، بورڈ کے ہر انفرادی ارکان کے معیاری (qualitative) تخمینے 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 2018 پر کمپنی کے رکارڈ پر 2,636 حصص کنندگان موجود ہیں۔

حصص رکھنے کا رجحان

31 دسمبر 2018 پر کمپنی کے حصص رکھنے کا رجحان بمع ضروری معلومات کے اس رپورٹ کے آخر میں دستیاب ہے۔

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 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 اور یہ کہ دوران ملازمت انتقال کرنے والے ملازمین کے اہل خانہ کے لیے تدفین اور تلافی کا پیکیج بھی دیا جاتا ہے۔ دوران ملازمت کسی ملازم کے انتقال کی صورت میں اس کے خونی رشتوں میں سے کسی ایک کو ملازمت دینا بھی کمپنی کی پالیسی (حکمت عملی) میں شامل ہے

بورڈ کی ساخت اور کمیٹیاں

بورڈ کی ساخت لسٹڈ کمپنیز کے ادارتی نظم و ضبط 2012،، پبلک سیکٹر کمپنیز (کوڈ آف کارپوریٹ گورننس) رولز 2013 اور کارپوریٹ گورننس برائے بیمہ ساز اداروں، 2016، جس کا اجراء سیکوریٹیز 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 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۔ مجموعی طور پر کمپنی اپنے کاروبار کی کارکردگی آگے بڑھنے کا پر امید منظر نامہ پیش کرتی ہے۔

اندرونی نگرانی (Internal Controls)

کمپنی میں بورڈ کی تشکیل کردہ محاسبہ 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 کمیٹی کی متعین کردہ ہدایات کے تحت اندرونی محاسبے کے شعبے نے اپنی ذمہ داریاں شروع کر دی ہیں۔ محاسبہ کمیٹی 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 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) 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 پذیر (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 حل کرنے کے طریقے اور اقدامات تیار کیے جا چکے ہیں اور ہدایات میں وضاحت سے بیان کیا جا چکا ہے۔

مجوزہ منقسمہ منافع

بورڈ آف ڈائریکٹرز نے سالانہ عام اجلاس کی منظوری کے لیے گذشتہ سال کے 3.50 روپے فی حصص (35 فیصد) کے مقابلے میں سال 2018 کے لیے ہر 10 روپے والے حصص کا 2 روپے فی حصص (20 فیصد) منقسمہ منافع تجویز کیا ہے۔

آمدنی فی حصص

سال 2017 میں کمپنی کی آمدنی فی حصص 7.40 روپے کے مقابلے میں سال 2018 میں کمپنی کی آمدنی فی حصص 4.12 روپے رہی۔

ری تکافل

الحمد للہ، ری تکافل ونڈو کا آپریشن 50 ملین روپے کے آپریٹرز فنڈ سے شروع کیا جا چکا ہے اور ایک ملین کی سیڈ کی رقم شراکت داروں کی ری تکافل فنڈ میں جمع کروادی ہے۔ زیر غور مدت کا منافع قبل از محصول 108,988 روپے ہے اور اسی سال کا منافع بعد از محصول 78,471 روپے ہے۔ تفصیلات مندرجہ ذیل ہیں۔

2018 (روپے)	مالگداری کا کھاتہ
-	شر آتی داروں کا ری-تکافل فنڈ
-	مالگداری میں خالص حصہ
-	وکالہ اخراجات
-	خالص ری تکافل کے فوائد
-	ری تکافل میں تخفیف (Rebate)
-	انڈر رائٹنگ کے نتائج
144	بینک ڈپازٹ پر منافع
-	مضارب کا حصہ
144	سیڈ کی موصول شدہ رقم
-	مدت کے سے زائد از ضرورت
144	جمع شدہ زائد از ضرورت
-	مدت کے لیے زائد از ضرورت
144	مدت کے لیے زائد از ضرورت
144	مالگداری کا کھاتہ
-	آپریٹرز کا فنڈ
-	وکالہ کی فیس
(2,075,329)	انتظامی اخراجات
-	کمیشن کے اخراجات
(1,000,000)	سیڈ کی رقم جو شراکت داروں کے ری تکافل فنڈ کو ادائیگی
(3,075,329)	ری تکافل فنڈ کی سرمایہ کاری کی آمدنی میں مضارب کا حصہ
-	بینک ڈپازٹ پر منافع
3,184,317	منافع قبل از محصول
108,988	موصول
(30,517)	مدت کا منافع
78,471	نفع نقصان کی تخصیص کا کھاتہ
-	مدت کے آغاز پر بقایا اجات
78,471	مدت کا منافع
78,471	

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 2010ء 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 2017ء میں دی۔ کمپنی کا مقصد موجودہ ری انشورنس کی خدمات کو بڑھانا، انڈررائٹنگ (underwriting) اور قائم رکھنے کی صلاحیتوں کی نمو کو 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 سق 199 کی تعمیل سے مشروط ہو گا۔

منافع بعد از محصول

کمپنی کا منافع بعد از محصول گزشتہ سال کے 2,226 ملین روپے کے مقابلے میں رواں سال 1,235 ملین روپے ہے جو 99.1 ملین روپے کی کمی دکھا رہا ہے۔

مختصات (appropriations)

(روپے ملین میں)	
1,740	منافع قبل از محصول
(505)	نفی: محصول
1,235	منافع بعد از محصول
	جمع: غیر مختص شدہ پچھلا منافع جو آگے بڑھایا گیا
	جمع: مجموعی آمدن
(600)	نفی: حتمی نقد منقسمہ منافع 2018 @ 20%
2,745	غیر مختص شدہ منافع جو آگے بڑھایا گیا

بنیادی طور پر بعد از ملازمت (post-retirement) کے فوائد میں اضافے سے بڑھا۔ سال 2018 میں انتظامی اخراجات، خالص پر بیمہ کا 15.44 فیصد تھا اس کے مقابلے میں یہ 2017 میں 15.9 فیصد تھا۔ آنے والے دنوں میں انتظامیہ کی کوشش ہوگی کہ لاگتوں میں خالص پر بیمہ کی فیصد کو کم کرنے کی کوشش کو جاری رکھے۔

آڈیٹرز قابلیت:

اس کے انتظام کے نقطہ نظر کے ساتھ آڈیٹرز کی طرف سے جاری کردہ قابل رائے کی بنیاد پر ذیل میں دی گئی:

1. دسمبر 2018، تک، سر کے تحت توازن "انشورنس / ری انشورنس وصول کرنے والے" میں شامل ہیں۔ 699.018 ملین جس کے توازن کی توثیق نہیں ہوئی ہے کے سلسلے میں۔ مینجمنٹ نے رقم کی رقم کی فراہمی کا حوالہ دیا ہے۔ 325.752 ملین ان بیلنسوں کے بارے میں۔ ایک آزاد تصدیق کی غیر موجودگی میں ہم اس رقم سے متعلق وجود اور تشخیص کی تصدیق کرنے میں قاصر ہیں۔ کمپنی 14.2 میں تفصیل کے مطابق ceding کمپنیوں کے ساتھ تمام توازن کو مسلط کرنے کے عمل میں ہے۔ تمام بیلنس سے متعلق منتقلی کی تصدیق / مفاہمت کی وجہ سے، مالیاتی بیانات کے نتیجے میں نتیجے میں ایڈجسٹمنٹ اور نتیجے کے اثرات غیر یقینی نہیں رہے۔

مینجمنٹ نقطہ نظر

اس کمپنی نے ان کمپنیوں سے متعدد توازن کی تصدیق کی ہے۔ تاہم ان کی کمپنیوں سے وصول ہونے والی بیلنس کے خلاف کافی سہولیات پیدا کی گئیں جنہیں یا تو بند کر دیا گیا یا فعال طور پر کاروبار کر رہا ہے۔

2. سیڈنگ کمپنیوں سے درخواست کی گئی تھی کہ ان کی معاہدہ IBNR کا دعویٰ کیا گیا ہے کہ 31 دسمبر، 2018 کو ختم ہونے والے سال کے لئے اس کمپنی کے ذریعہ معاہدہ IBNR کا دعویٰ کیا گیا ہے جس کا ذخیرہ روپے کے برابر ہے۔ 65.12 ملین ایک ceding کمپنی کی طرف سے فراہم کی تصدیق کے سلسلے میں۔ کمپنی نے IBNR کے حوالے سے دیگر اداروں کمپنیوں کے دعویٰ کے ذخائر کے معتبر معاہدے کے دعویٰ کے ذخائر کے سلسلے میں انفیکشن نہیں پایا ہے، تاہم، منفی تصدیق نامہ جاری ہے۔ IBNR کے دعوے کے ذخائر فیکٹی انشورنس کے حوالے سے، کمپنی نے انعاماتی IBNR ریکارڈ کیا ہے جس کے تحت روپے کی رقم ادا کی گئی ہے۔ 142.683 ملین۔

مینجمنٹ نقطہ نظر

جیسا کہ مندرجہ بالا وضاحت کی گئی ہے، کمپنی نے IBNR ریکارڈ کیا ہے جس کے تحت اساتذہ کی تشخیص کے کاروبار کی بنیاد پر۔ معاہدے کے کاروبار کے لئے IBNR کو سیڈنگ کمپنیوں سے حاصل کردہ معلومات کی حد تک ریکارڈ 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 مثلاً PIA، PARCO، PSO، OGDC، PPL، KSEW، PNSC، پبلک سیکٹر کے توانائی کے منصوبے وغیرہ شامل ہیں۔ زیر جائزہ سال کے دوران، کمپنی کی پبلک سیکٹر کاروبار سے مجموعی مالکداری (revenues) 2,732 ملین روپے سے بڑھ کر 4,444 ملین روپے رہا جو 66.7 فیصد کا اضافہ ہے۔

زیر غور سال کے لیے خالص دعوے سے خالص پر بیمہ کا تناسب 11.69 فیصد تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 94 ملین روپے تھا جو سال 2017 میں 85 ملین روپے کا نقصان تھا جس میں 179 ملین روپے یعنی 211 فیصد کا اضافہ ہوا۔

حادثات

اختیاری کاروبار کی سمت میں حادثات اور صحت کی قسم کے کاروبار کا تمام اختیاری پر بیمہ پورٹ فولیو میں 3.07 فیصد حصہ ہے۔ سال کے دوران مجموعی پر بیمہ جو تحریر کیا گیا 193 ملین روپے تھا اس کے مقابلے میں 2017 میں 151 ملین روپے تھا جس میں 42 ملین روپے یعنی 27.81 فیصد اضافہ ہوا۔ خالص پر بیمہ سال 2017 کے 129 ملین روپے کے مقابلے میں 163 ملین ہو گیا جس میں 34 ملین کا اضافہ ہوا۔ زیر غور سال کے لیے خالص دعوے سے خالص پر بیمہ کا تناسب 42.95 فیصد تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 42 ملین روپے تھا جو سال 2017 میں 73 ملین روپے تھا جس میں 31 ملین روپے یعنی 43 فیصد کا اضافہ ہوا۔

انجینئرنگ

اختیاری کاروبار کی سمت میں انجینئرنگ کی قسم کے کاروبار کا تمام اختیاری پر بیمہ پورٹ فولیو میں 46.16 فیصد حصہ ہے۔ سال کے دوران مجموعی پر بیمہ جو تحریر کیا گیا 2,895 ملین روپے تھا اس کے مقابلے میں 2017 میں 1,564 ملین روپے تھا جس میں 1,331 ملین روپے یعنی 86 فیصد اضافہ ہوا۔ خالص پر بیمہ سال 2017 کے 415 ملین روپے کے مقابلے میں 437 ملین روپے ہو گیا جس میں 22 ملین روپے یعنی 5.30 فیصد اضافہ ہوا۔ زیر غور سال کے لیے خالص دعوے سے خالص پر بیمہ کا تناسب 14 فیصد تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 374 ملین روپے تھا جو سال 2017 میں 202 ملین روپے کا نقصان تھا جس میں 576 ملین روپے یعنی 286 فیصد کا اضافہ ہوا۔

سرمایہ کاری سے آمدن

زیر جائزہ سال کے دوران، سرمایہ کاری اور دیگر آمدنی نے کمپنی کے مالی معاملات میں 691 ملین روپے کا حصہ ڈالا اس کے مقابلے میں 2017 میں 535 ملین روپے تھا (NIT پونٹس کی فروخت سے فائدے کو منہا کر کے)۔

کمپنی کے اثاثہ جات

31 دسمبر 2018 پر کمپنی کے کل اثاثہ جات 24,831 ملین روپے جبکہ گذشتہ سال یہ 24,342 ملین روپے تھے، جس میں 489 ملین روپے (2 فیصد) کا اضافہ ہوا۔

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۔

لاگت میں کمی کے اقدامات

زیر جائزہ سال کے دوران انتظامی اخراجات 844 ملین روپے تھے جبکہ گذشتہ سال کے دوران 796 ملین روپے تھے جو 6 فیصد اضافے کا اندراج کر رہی ہے۔ یہ اضافہ

سال 2017 کے 8,036 ملین روپے کے مجموعی پریمیوم میں 2,698 ملین روپے یعنی 33.59 فیصد اضافے کے ساتھ زیر غور جائزہ سال میں بڑھ کر 10,734 ملین روپے ہو گیا۔ سال 2017 کے خالص پریمیوم 5,006 ملین روپے میں 458 ملین روپے یعنی 9.15 فیصد اضافے سے رواں سال بڑھ کر 5,464 ملین روپے ہو گیا۔ سال 2017 کے 3,740 ملین روپے کے خالص دعوے میں 748 ملین روپے کی کمی یعنی 20 فیصد کمی کے ساتھ رواں سال کم ہو کر 2,992 ملین روپے ہو گئے۔

ضمانتی بیمہ (Underwriting) کے نتیجے میں 185.82 فیصد بہتری کے ساتھ 581 ملین روپے ہو گیا جبکہ سال 2017 میں 677 ملین کا نقصان تھا۔

معاهداتی (Treaty) کاروبار

کمپنی کے کل کاروبار کے پورٹ فولیو میں معاهداتی (Treaty) کاروبار کا 41.46 فیصد حصہ ہے۔ سال 2017 کے 3,369 ملین روپے کے تحریر شدہ مجموعی پریمیوم سے رواں سال میں 4,462 ملین روپے تھا جس میں 1,093 ملین روپے یعنی 32.44 فیصد اضافہ ہوا۔ خالص پریمیوم سال 2017 کے 3,256 ملین روپے کے مقابلے میں رواں سال 3,268 ملین روپے رہا۔ زیر غور سال کے لیے خالص دعوے سے خالص پریمیوم کا تناسب 66.46 فیصد تھا۔

اختیاری کاروبار:

آگ:

اختیاری کاروبار کی سمت میں، آگ کے کاروبار کی قسم کا تمام اختیاری پریمیوم پورٹ فولیو میں 26.05 فیصد حصہ ہے۔ سال کے دوران مجموعی پریمیوم جو تحریر کیا گیا 1,634 ملین روپے تھا اس کے مقابلے میں 2017 میں 1,561 ملین روپے تھا جس میں 73 ملین روپے یعنی 4.68 فیصد اضافہ ہوا۔ خالص پریمیوم سال 2017 کے 1,065 ملین روپے کے مقابلے میں 1,338 ملین روپے تھا۔ زیر غور سال کے لیے خالص دعوے سے خالص پریمیوم کا تناسب 48.09 فیصد تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 278 ملین روپے تھا جو سال 2017 میں 11 ملین روپے تھا جس میں 267 ملین روپے کا اضافہ ہوا۔

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

بحری ترسیل بار برداری اور جہاز کے ڈھانچے کی قسم کے کاروبار کا کل اختیاری پریمیوم پورٹ فولیو میں 2.39 فیصد حصہ ہے۔ سال کے دوران تحریر کردہ مجموعی پریمیوم 150 ملین روپے اور اس کے مقابلے میں سال 2017 میں 117 ملین روپے تھا اس میں 33 ملین روپے کا یعنی 28.21 فیصد اضافہ رہا۔ خالص پریمیوم 103 ملین روپے رہا اس کے مقابلے میں سال 2017 میں 81 ملین روپے تھا۔ زیر غور سال کے لیے خالص دعوے سے خالص پریمیوم کا تناسب 28.16 فیصد تھا جس کا نتیجہ انڈر رائٹنگ کا منافع 24 ملین روپے تھا جو سال 2017 میں 32 ملین روپے تھا جس میں 56 ملین روپے یعنی 75 فیصد اضافہ ہوا۔

ہوابازی (Aviation):

اختیاری کاروبار کی سمت میں ہوابازی کی قسم کے کاروبار کا تمام اختیاری پریمیوم پورٹ فولیو میں 22.34 فیصد حصہ ہے۔ سال کے دوران مجموعی پریمیوم جو تحریر کیا گیا 1,401 ملین روپے تھا اس کے مقابلے میں 2017 میں 1,273 ملین روپے تھا جس میں 128 ملین روپے یعنی 10.06 فیصد اضافہ ہوا۔ خالص پریمیوم 154 ملین روپے رہا اس کے مقابلے میں سال 2017 میں 59 ملین روپے تھا

کمپنی کی کارکردگی کا جائزہ

سال 2018 پاکستان ری انشورنس کمپنی لمیٹڈ کے لیے اچھا رہا۔ اور کاروبار کے تمام شعبے اور درجے منافع بخش رہے اور کمپنی کے انڈر رائٹنگ کے نتائج میں نمایاں بہتری رہی۔

تقابلی مالیاتی جھلکیاں 2018 بمقابلہ 2017 درج ذیل بیان کی گئی ہیں۔

روپے ملین میں
(سوائے بصورت دیگر بیان کردہ)

فیصد تبدیلی	2017	2018	
33.57	8,036	10,734	مجموعی پریمیم
9.14	5,006	5,464	خالص پریمیم
20.00	(3,740)	(2,992)	خالص دعوے
185.82	(677)	581	ضمانتی بیمہ (underwriting) کا منافع
	2,791	-	NIT یونٹس کی فروخت سے منافع
29.15	535	691	دیگر سرمایہ کاری سے آمدنی
10.71	56	62	کرایہ داری کی آمدنی
77.44	235	417	دیگر آمدنی
(44.51)	2,226	1,235	منافع بعد از محمول
2.01	24,342	24,831	کل اثاثہ جات
-	3,000	3,000	اداشدہ سرمایہ
(6.04)	10,506	9,871	کل ملکیتی سرمایہ
-	7.42	4.12	آمدنی فی حصص - روپے

* دوبارہ بیان کردہ

ناظمین کی رپورٹ

برائے حصص کنندگان

محترم حصص کنندگان

بورڈ کے ناظمین کی جانب سے 31 دسمبر 2018 کو اختتام پذیر سال پر، ناظمین کی رپورٹ بمع محاسب شدہ مالیاتی دستاویزات اور محاسبین (Auditors) کی رپورٹ پیش کرتے ہوئے ہم خوش محسوس کرتے ہیں

معاشی جائزہ

سال 2018 کے دوران پاکستان کی معیشت میں بہت تبدیلیاں ہوئیں۔ مجموعی قومی پیداوار (GDP) کی نمو میں 5.8 فیصد نمو کا اندراج رکھا گیا، جو گذشتہ تیرہ سالوں میں بلند ترین ہے۔ زراعت کے شعبے کی کارکردگی، قرضوں اور فارم کی ان پٹ (inputs) کی بہتر دستیابی سے مضبوط رہی کیونکہ اس نے 3.5 فیصد نمو کے ہدف کو عبور کر لیا تھا۔ صنعتی پیداوار میں سال 2017 میں 5.4 فیصد کے مقابلے میں 5.8 فیصد کی نمو ہوئی جس کی وجہ سے صنعتی پیداواری شعبے کی بہتر کارکردگی تھی۔ بڑے پیمانے کی صنعتی پیداواری کو یکساں توانائی کی فراہمی اور بے ضرر سودی نرخ سے فائدہ ہوا۔ گذرے ہوئے سال میں پاکستان کی معیشت نے ڈھانچائی (structural) عدم توازن دیکھا۔ اوسطاً سرخی صارفین کی قیمتوں کے انڈیکس کی افراط زر سال 2018 کی دوسری ششماہی میں بڑھ کر 6 فیصد ہو گیا جو گذشتہ سال اسی مدت کی 3.8 فیصد سے کافی زیادہ ہے۔ دسمبر 2018 میں کلیدی (core) افراط زر 8.4 فیصد تک پہنچ گیا جو افراط زر میں اضافے کا عکاس ہے۔

اثر ہوتے ہوئے بیرونی کھاتے اور کل معیشت کے استحکام کے لیے توسیعی اقتصادی پالیسی، خاص طور پر مستقبل میں افراط زر کے رجحان کے پس منظر میں، بینک دولت پاکستان نے جنوری 2018 سے پالیسی نرخ میں اضافہ شروع کر دیا تھا، جو کئی سالوں کی سہل مالیاتی پالیسی سے انحراف کر رہا ہے۔ سال 2018 کے دوران SBP کی بڑھتی ہوئی پالیسی نرخ کا نتیجہ میں پالیسی نرخ 31 دسمبر 2017 میں 5.75 فیصد کے مقابلے میں 31 دسمبر 2018 میں یہ 10 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 زر مبادلہ کے ذخائر نے پاکستان کو ایک مشکل صورتحال میں ڈال دیا ہے۔ جاری کھاتے کا بڑے خسارے کی وجہ سے غیر ملکی زر مبادلہ کے ذخائر پر دباؤ رکھا اور سال 2018 کے اختتام پر وہ 31.8 فیصد کمی کے ساتھ 13.8 ارب امریکی ڈالر رہ گئے۔ جبکہ ملک کا باضابطہ طور پر IMF کے پروگرام میں شامل ہونے کا فیصلہ زیر غور ہے، اور سال 2018 کی آخری سہ ماہی میں سعودی عرب، چین اور متحدہ عرب امارات کی مالی معاونت 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 25.8 فیصد کمی کے ساتھ دسمبر 2018 کے اختتام پر سطح 138.86 روپے / امریکی ڈالر رہی۔

پاکستان کے اقتصادی مجاز 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 ڈھانچائی 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 ڈیوٹیز اور ترقیاتی اخراجات میں کمی سے امکان ہے کہ ملکی طلب میں کمی لائے گی خاص طور پر درآمدات پر۔ تاہم، انضمام سے توقع ہے کہ وہ معیشت میں سہولت دے گا کہ وہ مستقبل میں برقرار رہنے والی معاشی نمو (growth) دکھائے۔

Notice of the 19th Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on April 30, 2019 at 10:30am, at Jasmine Hall, Ground Floor, Beach Luxury Hotel, Karachi to transact the following business :-

ORDINARY BUSINESS:

1. To confirm the Minutes of the last Annual General Meeting of the Company held on 30th April, 2018.
2. To consider and adopt the audited Annual Accounts of the Company for the year ended 31st December, 2018 including Directors' Report and the Auditors' Report there upon;
3. To consider and approve the payment of final dividend @ 20%, that is Rs.2/- per ordinary share of Rupees Ten (Rs.10.00) for the year ended 31st December 2018.
4. To appoint M/s. Grant Thornton Anjum Rahman, Chartered Accountants as the Auditors of the Company for the year ending 31st December 2019 and fix their remuneration.
5. To consider any other business with the permission of Chair.

SPECIAL BUSINESS:

1. Approval to the revision of Directors' Fees for the Board and Committee Meetings;

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017 REGARDING THE SPECIAL BUSINESS.

By Order of the Board

Place: Karachi.
Dated: 09 April, 2019.

(Shams-ud-Din)
Company Secretary

NOTES:

1. The share transfer books of the company shall remain closed for eight days i.e. from 23rd April 2019 to 30th April 2019 (both days inclusive), no share transfer will be accepted for registration during the period. Transfer received a Company's Share Registrar namely Central Depository Company of Pakistan Limited, Shares Registrar Department, CDC House 99-B, Block 'B' S.M.C.H.S, Main Shahra-e-Faisal Karachi-74400 by the close of business on 22nd April 2019 will be considered in time for the purpose of payment of final dividend to the transferees.

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's Registered Office not less than 48 hours before the meeting and in case of default, form of proxy will not be treated as valid. A member shall not be entitled to appoint more than one proxy.
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 account holder 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 account holder 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 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, 2018 have been placed at the Company's website www.pakre.org.pk

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013, Listed Companies (Code of Corporate Governance) Regulations, 2017, 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, 2018

- 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	The Board has at least one-third of its total members as independent directors. At present the Board includes: <table border="1" data-bbox="284 1121 986 1409"> <thead> <tr> <th>Category</th> <th>Name</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Independent Directors</td> <td>Mr. Abdul Sami Kehar</td> <td>16-03-2017</td> </tr> <tr> <td>Mr. Shahab Khawaja</td> <td>16-03-2017</td> </tr> <tr> <td>Mrs. Ghazala Ahmed</td> <td>16-03-2017</td> </tr> <tr> <td>Executive Directors</td> <td>Mr. Shakeel Ahmed Mangnejo, CEO, PRCL</td> <td>03-10-2017</td> </tr> <tr> <td rowspan="3">Non-Executive Directors</td> <td>Dr. Nazim Latif</td> <td>02-08-2017</td> </tr> <tr> <td>Mr. Mumtaz Ali Rajper</td> <td>16-03-2017</td> </tr> <tr> <td>Mr. Musleh-ud-Din</td> <td>16-03-2017</td> </tr> </tbody> </table>	Category	Name	Date of Appointment	Independent Directors	Mr. Abdul Sami Kehar	16-03-2017	Mr. Shahab Khawaja	16-03-2017	Mrs. Ghazala Ahmed	16-03-2017	Executive Directors	Mr. Shakeel Ahmed Mangnejo, CEO, PRCL	03-10-2017	Non-Executive Directors	Dr. Nazim Latif	02-08-2017	Mr. Mumtaz Ali Rajper	16-03-2017	Mr. Musleh-ud-Din	16-03-2017	3(2)	Y	
Category	Name	Date of Appointment																						
Independent Directors	Mr. Abdul Sami Kehar	16-03-2017																						
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	Mr. Mumtaz Ali Rajper	16-03-2017																						
	Mr. Musleh-ud-Din	16-03-2017																						
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																					

Sr. No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant box	
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	
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	

Sr. No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant box	
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	
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	

Sr. No.	Provision of the Rules	Rule No.	Y	N																																
			Tick the relevant box																																	
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																																	
	(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 border="1"> <thead> <tr> <th>Sr.No</th> <th>Committees</th> <th>No. of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Audit Committee</td> <td>Three</td> <td>Mr. Abdul Sami Kehar</td> </tr> <tr> <td>2</td> <td>Investment Committee</td> <td>Five</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>Three</td> <td>Mr. Shahab Khawaja</td> </tr> <tr> <td>5</td> <td>Claim Settlement Committee</td> <td>Three</td> <td>Mr. Mumtaz Ali Rajper</td> </tr> <tr> <td>6</td> <td>Risk Management and Compliance Committee</td> <td>Two</td> <td>Mr. Musleh-ud-Din</td> </tr> <tr> <td>7</td> <td>Procurement Committee</td> <td>Three</td> <td>Mrs. Ghazala Ahmed</td> </tr> </tbody> </table>	Sr.No	Committees	No. of Members	Name of Chair	1	Audit Committee	Three	Mr. Abdul Sami Kehar	2	Investment Committee	Five	Mr. Musleh-ud-Din	3	* Ethics, Human Resource & Remuneration Committee	Three	Mr. Abdul Sami Kehar	4	Underwriting / Reinsurance Committee	Three	Mr. Shahab Khawaja	5	Claim Settlement Committee	Three	Mr. Mumtaz Ali Rajper	6	Risk Management and Compliance Committee	Two	Mr. Musleh-ud-Din	7	Procurement Committee	Three	Mrs. Ghazala Ahmed	12	Y	
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*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																																	

Sr. No.	Provision of the Rules	Rule No.	Y	N																				
			Tick the relevant box																					
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. (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	The board has formed an audit committee, with defined and written terms of reference and having the following members: <table border="1" data-bbox="231 1150 1023 1346"> <thead> <tr> <th>Sr.No</th> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Mr. Abdul Sami Kehar</td> <td>Independent</td> <td>MBA</td> </tr> <tr> <td>2</td> <td>Mr. Mumtaz Ali Rajper</td> <td>Non-executive</td> <td>MA (Economics)</td> </tr> <tr> <td>3</td> <td>Dr. Nazim Latif</td> <td>Non-executive</td> <td>MBBS</td> </tr> <tr> <td>4</td> <td>Mr. Muhammad Khurshid</td> <td>Secretary of the Committee</td> <td>Cost Accountant</td> </tr> </tbody> </table> <p>The Chief Executive and Chairman of the Board are not Members of the Audit Committee.</p>	Sr.No	Name of Member	Category	Professional Background	1	Mr. Abdul Sami Kehar	Independent	MBA	2	Mr. Mumtaz Ali Rajper	Non-executive	MA (Economics)	3	Dr. Nazim Latif	Non-executive	MBBS	4	Mr. Muhammad Khurshid	Secretary of the Committee	Cost Accountant	21(1) and 21(2)	Y	
Sr.No	Name of Member	Category	Professional Background																					
1	Mr. Abdul Sami Kehar	Independent	MBA																					
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3	Dr. Nazim Latif	Non-executive	MBBS																					
4	Mr. Muhammad Khurshid	Secretary of the Committee	Cost Accountant																					
32	(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. (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. (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.	21(3) 21(3) 21(3)	Y Y Y																					

Sr. No.	Provision of the Rules	Rule No.	Y	N
			Tick the relevant box	
33	(a) The board has set up an effective internal audit function which has an audit charter, duly approved by the audit committee,	22	Y	
	(b) The chief internal auditor has requisite qualification and experience prescribed in the rules.	22	Y	
	(c) The internal audit reports have been provided to the external auditors for their review.	22	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	
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, 2017:

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

- a. Male : Six
- 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	February 23, 2018 April 04, 2018 April 27, 2018 July 27, 2018 August 28, 2018 October 29, 2018
2	Ethics,HR & Remuneration Committee	February 14, 2018 April 26, 2018 July 12, 2018 September 27, 2018
3	Investment Committee	March 19, 2018 July 13, 2018 October 15, 2018
4	Risk Management and Compliance	April 02, 2018 October 15, 2018
5	Claims Settlement	February 23, 2018 May 09, 2018 October 01, 2018
6	Underwriting / Reinsurance Committee	July 13, 2018
7	Procurement Committee	November 15, 2018

41 We confirm that all other requirements of the Regulations have been complied with.

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

42 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.

43. 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, 2018.

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

45 The Board has formed the following Management Committees:

Underwriting / Reinsurance Committee

Name of the Member	Category
Mr. Shahab Khawaja	Independent (Chairman)
Mr. Abdul Sami Kehar	Independent
Mr. Shakeel Ahmed Mangnejo, CEO	Executive
Mr. Muhammad Junaid Moti, ED (Underwriting / Reinsurance)	Secretary

Claim Settlement Committee

Name of the Member	Category
Mr. Mumtaz Ali Rajper	Non- Executive (Chairman)
Dr. Nazim Latif	Non- Executive
Mr. Shakeel Ahmed Mangnejo, CEO	Executive
Mr. Muhammad Junaid Moti,	Secretary

Risk Management & Compliance Committee

Name of the Member	Category
Mr. Musleh-ud-Din	Non- Executive (Chairman)
Mr. Shakeel Ahmed Mangnejo, CEO	Executive
Mr. Shams-ud-Din (Compliance Officer)	Secretary

Procurement Committee

Name of the Member	Category
Mrs. Ghazala Ahmed	Independent (Chairperson)
Mr. Musleh-ud-Din	Non-executive
Mr. Shakeel Ahmed Mangnejo, CEO	Executive
Mr. Shahzad F. Lodhi, ED (Admn.)	Secretary

46 The Board has formed the following Board Committees:

Ethics, Human Resource & Remuneration Committee

Name of the Member	Category
Mr. Abdul Sami Kehar	Independent (Chairman)
Dr. Nazim Latif	Non- Executive
Mrs. Ghazala Ahmed	Independent
Mr. Shakeel Ahmed Mangnejo, CEO	Executive
Mr. Shahzad F. Lodhi, ED (HR)	Secretary

Investment Committee

Name of the Member	Category
Mr. Musleh-ud-Din	Non-executive (Chairman)
Mr. Shahab Khawaja	Independent
Mr. Abdul Sami Kehar	Independent
Mr. Mumtaz Ali Rajper	Non- Executive
Mr. Shakeel Ahmed Mangnejo, CEO	Executive
Mr. Jamil Ahmed, CFO	Chief Financial Officer
Mr. Naveed Iqbal	Manager / Head Investment / Secretary

- 47 The Committee Meetings of Underwriting, Claims, Investment and Risk Management & Compliance were held for a number of times but not in every 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.
- 48 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. Shakeel Ahmed Mangnejo	Chief Executive Officer
2. Mr. Shahzad Farooq Khan Lodhi	Executive Director (HR/Admn.)
3. Mr. Shams-ud-Din	Company Secretary/ Compliance Officer
4. Mr. Muhammad Khurshid	Chief Internal Auditor
5. Mr. Jamil Ahmed	Chief Financial Officer
6. Mr. Muhammad Junaid Moti, (ED)	Head of Underwriting/ Reinsurance
7. Ms. Raana Muneer Ahmad (General Manager)	Head of Northern Zonal Office
8. Mr. Zohaib Hasan (General Manager)	Head of Information Technology Deptt.
9. Mr. Sajid Baloch (Manager)	Head of Risk Management Deptt.
10. Mrs. Ishrat Nazir (Asstt. Manager)	Head of Grievance Deptt.

- 49 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.
- 50 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.
- 51 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.
- 52 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 October 12, 2018 is AA (rating) with Stable outlook.
- 53 The Board has set up a grievance department/function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.
- 54 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, LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017, AND CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016.

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance, Public Sector Companies (Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016 (referred to as 'the Codes') prepared by the Board of Directors of Pakistan Reinsurance Company Limited for the year ended December 31, 2018 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange where the Company is listed, provisions of Public Sector Companies (Corporate Governance) 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, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the 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 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 Codes requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material aspects, with the best practices contained in the Codes as applicable to the Company for the year ended December 31, 2018.

Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in the paragraphs 43 and 47 where these are stated in the Statement of Compliance:

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 & Compliance, Claims Committee, Investment Committee, and Underwriting committee were not held as required.

Karachi
Dated:

Chartered Accountants
Engagement partner: Zulfikar Ali Causer

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 did not have 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 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 2019 and onward.

Chief Executive Officer

Chairman

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

Report on the Audit of the Financial Statements

Qualified 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, 2018, and profit and loss account, statement of comprehensive income, the statement of cash flows, 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.

Except for the effect of the matters described in the basis for qualified opinion section, in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, 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 Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2018 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Qualified Opinion

1. As on December 31, 2018, the balance under the head "Insurance/Reinsurers receivables" include an amount of Rs. 699.018 million in respect of which balance confirmation has not been received. Management has recorded a provision amounting to Rs. 325.752 million in respect of these balances. In the absence of an independent confirmation we are unable to confirm the existence and valuation related to this amount. The Company is in process of reconciling all balances with ceding companies as detailed in note 14.2. Due to pending confirmation/reconciliation relating to all balances, resultant adjustment and consequential impact therefore, if any, on the financial statements remain unascertained.
2. Ceding companies were requested to report their Treaty IBNR claim reserves for the year ended December 31, 2018 on the basis of which the Company recorded Treaty IBNR claim reserves amounting to Rs. 65.12 million in respect of confirmation provided by one ceding company. The Company has not received balance confirmation in respect of IBNR claim reserves from other ceding companies in respect of Treaty claims reserves, however, negative confirmation has been circulated. In respect of IBNR claim reserves for facultative insurance, the Company recorded Facultative IBNR on basis of actuarial valuation amounting to Rs. 142.683 million.

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 qualified opinion.

Emphasis of Matter

We draw attention to;

- i) Note 28.2 to the financial statements which provide details regarding orders passed by Sindh Revenue Board demanding the amount of sales tax liability on re-insurance services provided / rendered by the Company. The Company has not recorded provision against the orders and has disclosed the amounts as contingent liabilities. SRB recovered an amount of Rs. 2,573.889 million from the Company which has been recorded as receivable as management is confident on the basis of advise received from its legal advisors that the decision will be in the favour of the Company. In the event the matter is decided against the Company, the charge against profit would amount to Rs. 3,299.453 million.
- ii. Note 27 to the financial statements which provides details regarding contingencies in respect of which decisions are pending.
- iii. Note 14.2 and 26.1.1 to the financial statements which inter-alia provides details regarding Reconciliation Committee formed by the Audit Committee of the Board in prior year to reconcile and recover balances from insurance companies. The Company continues to follow up and reconcile these balances and record adjustments wherever considered necessary.

Our opinion is not modified in respect of these 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 year. 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. In addition to the matter described in the Basis for Qualified Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Following are the Key audit matters:

S. No	Key audit matters	How the matter was addressed in our audit
1	Promulgation of Companies Act, 2017 and issuance of Insurance Accounting Regulations, 2017 & Insurance Rules, 2017	
	Companies Act, 2017 ("the Act") was promulgated on May 30, 2017 which introduced certain new requirements including certain changes in accounting and disclosures with respect to preparation of financial statements by companies. The third and fourth schedules to the Companies Act, 2017 became applicable to Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedules) forms an integral part of the statutory financial reporting framework applicable to the Company.	Our procedures included the following: <ul style="list-style-type: none">We obtained an understanding of the requirements regarding preparation and filing of financial statements applicable to the Company and assessed the design and operation of its key controls over preparation and filing of financial statements.

S. No	Key audit matters	How the matter was addressed in our audit
	<p>Further, during the prior year, Securities and Exchange Commission of Pakistan (SECP) issued Insurance Accounting Regulations, 2017 & Insurance Rules, 2017, which introduced certain new requirements including major changes in accounting and disclosures with respect to preparation of financial statements by companies.</p> <p>In view of the significant changes in accounting and disclosures, we consider it as a key audit matter.</p>	<ul style="list-style-type: none"> • We reviewed minutes of meetings of Board of Directors, Audit Committee and internal audit reports for any recorded instances of potential non-compliance and maintained a high level of vigilance when carrying out other audit procedures for indication of non-compliance. • We reviewed financial statements to ensure completeness and accuracy of disclosures in the financial statements to ensure compliance with reporting and disclosure requirements of Companies Act, 2017, Insurance Accounting Regulations, 2017 & Insurance Rules, 2017.
2	Control environment relating to the financial reporting process and related IT systems	
	<p>The IT control environment relating to the financial reporting process and the application controls of individual IT systems have an impact on the selected audit approach.</p> <p>As the financial statements are based on extensive number of data flows from multiple IT systems, consequently the financial reporting control environment is determined as a key audit matter.</p>	<p>Our audit procedures included evaluation of the financial reporting process and related control environment, as well as testing of the effectiveness of controls including general IT controls. Our audit procedures focused on testing the reconciliation and approval controls as well as on evaluating the administration of access rights.</p> <p>Our audit procedures extensively consisted of several substantive procedures as well as data analysis relating to the most significant balances on the profit and loss account and statement of financial position.</p>
3	Valuation of investments	
	<p>The Company's investment comprises investments in equity and debt instruments. As at December 31, 2018 total net investment amount to Rs. 8,633.696 million.</p> <p>The valuation of these investments is made using different valuation techniques as disclosed in note 11 and 12 to the financial statements.</p> <p>The Company's accounting policy and movement in the year in the investments balances are disclosed in note 6.3 and 43 to the financial statements.</p> <p>We have considered this as a key audit matter in view of the significance of these investments in relation to the total assets of the Company.</p>	<p>Valuation of investments were addressed by applying following procedures:</p> <ul style="list-style-type: none"> • Evaluated the design and implementation of key control around investments; • Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; • Performed purchases and sales testing on sample basis of trades made during the year and checked that transaction were recorded in the correct period as part of investment in case of purchases. • Checked the existence of the securities from the Central Depository Company's report and IPS statement;

S. No	Key audit matters	How the matter was addressed in our audit
		<ul style="list-style-type: none"> • We also reviewed management’s assessment of whether there are any indicators of impairment including those securities that are not actively traded; and • Furthermore, we also assessed the adequacy of the respective disclosure relating to investments as disclosed in the financial statements.
4	Compliance with laws and regulations	
	<p>The Company is in highly regulated industry and is governed by stringent laws and regulations which mainly include Insurance Ordinance, 2000, Insurance Accounting Regulations, 2017, Insurance Rules, 2017 and Companies Act, 2017, and various circulars issued by the SECP from time to time to regulate the business of the Company. The Company is required to comply with these rules and regulations.</p> <p>We have considered compliance with laws and regulation as a key audit matter since failure to comply with any of these applicable laws and regulations could have a material financial impact on the business of the Company.</p>	<p>Our audit procedures in respect of this area included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the relevant legal and regulatory framework within which the Company operates and assessed the design and operation of its key controls over this framework. • Discussed the applicable policies and procedures with senior management and reviewed Board papers, and internal audit reports for any recorded instances of potential non-compliance, and maintained a high level of vigilance when carrying out our other audit procedures for indications of non-compliance. • Reviewed the Company’s documentation and correspondence with the regulators.
5	Insurance / Reinsurance receivables	
	<p>As disclosed in note 14 to the accompanying financial statements of the Company for the year ended December 31, 2018, the Company has a Insurance / Reinsurance receivable balance amounting to Rs. 5,435.766 million, which represents a significant element of statement of financial position.</p> <p>A discrepancy in the valuation or existence of Insurance / Reinsurance receivable could cause the assets to be materially misstated, which would impact the Company’s reported financial position as the valuation of aforesaid head is one of the main driver of movements in the assets of the Company.</p> <p>Management estimates the collectible amount of Insurance / Reinsurance receivable. For significant account balances, this estimation is performed on an individual basis. Amounts which are not individually</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • We considered the appropriateness of impairment of Insurance / Reinsurance receivable as per the Company policies and assessing compliance with applicable accounting standards; • We tested the design and effectiveness of internal controls implemented by the Company through the Insurance / Reinsurance receivable cycle. • We critically considered management’s assumptions used in determining impairment losses. • We identified those Insurance / Reinsurance receivable with credit risk exposure and checked if they are properly included in management’s impairment assessment.

S. No	Key audit matters	How the matter was addressed in our audit
	<p>significant, but which are past due, are assessed collectively and a provision applied according to the length of time that the amount is past due.</p> <p>In view of the significance of Insurance / Reinsurance receivable in relation to the total assets of the Company, we considered impairment of Insurance / Reinsurance receivable as a key audit matter due to the significant management judgment involved in determining the provision for doubtful Insurance / Reinsurance receivable and that the existence and carrying value of Insurance / Reinsurance receivables could be material to the performance of the Company.</p>	<ul style="list-style-type: none"> • We examined on a sample basis, evidence related to post year-end cash receipts. • We reviewed and re-calculated the provision against Insurance / Reinsurance receivable based on credit risk exposure and days past due as per the Company's policies to ensure that the provision is appropriate at the statement of financial position date. • Circulated balance confirmation to all ceding companies and obtained reconciliation of the difference if any.
6	<p>Contingencies</p> <p>As disclosed in note 28 to the financial statements, there are certain contingencies which could materially impact the financial statements if these contingencies are decided against the Company.</p> <p>There are significant uncertainties attached to the future outcome of these pending litigations and therefore, are considered as key audit matters.</p>	<p>We undertook number of procedures to verify the appropriateness of contingencies in the financial statements. This included, among others:</p> <ul style="list-style-type: none"> • We followed the progress of each case and the Company's estimate of the cost to be incurred; • We reviewed the key elements of the methodology employed by management in challenging reasonableness of the cost estimates; • We considered the impact on future case costs from changes arising in the regulatory environment; • We obtained confirmations from legal advisors for current status on pending previous cases and any new case filed during the year; • Checked orders by relevant authority on previous lawsuits / cases appearing in the financial statements; and <p>Obtained legal advice on the above cases with the legal advisors to ensure that the further outflow is not probable.</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 of this 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 the accounting and reporting standards as applicable in Pakistan and the requirements of 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 are 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, except for the effect of the matters described in the basis for qualified opinion section:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, profit and loss account, statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) in our opinion 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.

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI
DATED: April 3, 2019

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

A person is working at a desk in a modern office setting. They are using a laptop and a smartphone. The background is blurred, showing a desk lamp and other office equipment. Overlaid on the image are various financial data visualizations, including bar charts, line graphs, and a world map. The overall color scheme is blue and white, with a dark blue gradient at the bottom where the text is located.

FINANCIAL STATEMENTS

(CONVENTIONAL)

STATEMENT OF FINANCIAL POSITION

As At December 31, 2018

		December 31, 2018	December 31, 2017 (Restated)	December 31, 2016 (Restated)
	Note	----- (Rupees) -----		
ASSETS				
Property and equipment	8	42,756,737	36,570,719	38,926,471
Assets relating to Bangladesh	9	-	-	-
Investment properties	10	28,284,000	29,806,753	31,425,711
Investments				
Equity securities	11	4,163,297,395	5,006,807,519	8,829,519,340
Debt securities	12	4,470,399,038	4,185,863,614	4,106,040,140
Term deposits		-	30,000,000	440,000,000
		8,633,696,433	9,222,671,133	13,375,559,480
Loans and other receivables	13	2,935,562,441	3,030,492,551	773,088,335
Insurance / Reinsurance receivables	14	5,435,766,163	4,304,750,965	4,545,097,695
Reinsurance recoveries against outstanding claims	15	1,351,771,237	2,159,694,037	2,732,782,143
Deferred commission expense	16	565,597,974	696,641,093	551,912,413
Taxation - payments less provisions		707,762,550	467,706,127	114,406,208
Prepayments	17	2,476,126,074	1,875,781,584	1,580,130,623
Stock of stationery		517,646	401,120	240,905
Cash and bank balances	18	2,602,483,789	2,517,093,774	2,240,002,368
		24,780,325,045	24,341,609,855	25,983,572,352
Total assets of Window Retakaful Operations-Operator's Fund		50,545,771	-	-
TOTAL ASSETS		<u>24,830,870,816</u>	<u>24,341,609,855</u>	<u>25,983,572,352</u>
EQUITY AND LIABILITIES				
Capital and reserves attributable to Company's equity holders				
Ordinary share capital	19	3,000,000,000	3,000,000,000	3,000,000,000
Reserves	20	3,763,561,715	4,258,833,549	6,475,923,260
Unappropriated profit		3,107,927,662	3,247,201,942	2,840,266,898
TOTAL EQUITY		<u>9,871,489,377</u>	<u>10,506,035,491</u>	<u>12,316,190,158</u>
LIABILITIES				
Underwriting Provisions				
Outstanding claims including IBNR	21	4,170,758,556	4,713,650,200	4,590,671,732
Unearned premium reserves	22	4,990,287,940	3,856,658,995	3,879,309,390
Unearned reinsurance commission	23	74,957,159	284,665,087	19,768,657
Retirement benefit obligations	24	2,583,248,954	2,193,559,697	1,296,307,190
Deferred taxation	25	368,990,104	609,429,942	1,708,668,518
Insurance / reinsurance payables	26	2,538,418,948	1,976,119,106	1,983,410,166
Other creditors and accruals	27	232,252,478	201,491,337	189,246,541
TOTAL LIABILITIES		<u>14,958,914,139</u>	<u>13,835,574,364</u>	<u>13,667,382,194</u>
		24,830,403,516	24,341,609,855	25,983,572,352
Total liabilities of Window Retakaful Operations - Operator's Fund				
		467,300	-	-
TOTAL EQUITY AND LIABILITIES		<u>24,830,870,816</u>	<u>24,341,609,855</u>	<u>25,983,572,352</u>
CONTINGENCIES AND COMMITMENTS	28			

The annexed notes from 1 to 51 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

PROFIT AND LOSS ACCOUNT

For The Year Ended December 31, 2018

		December 31, 2018	December 31, 2017 (Restated)
	Note	----- (Rupees) -----	
Net insurance premium	29	5,463,586,365	5,006,373,921
Net insurance claims	30	(2,991,795,443)	(3,739,974,172)
Net commission and other acquisition costs	31	(1,046,692,516)	(1,147,699,954)
		(4,038,487,959)	(4,887,674,126)
Management expenses	32	(844,492,508)	(795,597,001)
Underwriting results		580,605,898	(676,897,206)
Investment income	33	690,969,818	3,325,868,531
Rental income	34	62,319,058	56,267,795
Other income	35	417,294,756	234,845,030
Other expenses	36	(11,354,981)	(64,254,996)
		1,159,228,651	3,552,726,360
Result of operating activities		1,739,834,549	2,875,829,154
Profit from Window Retakaful Operations - Operator's fund		108,988	-
Profit before tax		1,739,943,537	2,875,829,154
Income tax expense	37	(504,656,518)	(649,493,110)
Profit after tax		1,235,287,019	2,226,336,044
Earnings (after tax) per share - basic and diluted	38	4.12	7.42

The annexed notes from 1 to 51 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, 2018

	December 31, 2018	December 31, 2017 (Restated)
	----- (Rupees) -----	
Profit for the year	1,235,287,019	2,226,336,044
Other comprehensive income		
Items that may be reclassified subsequently to profit and loss account		
Unrealized loss on available for sale investments - net	(537,625,298)	(606,547,109)
Transfer to profit and loss account on disposal of available for sale investments	(193,459,994)	(2,604,997,839)
Impact of deferred tax	235,813,458	994,455,237
	(495,271,834)	(2,217,089,711)
Items that will not be reclassified subsequently to profit and loss account		
Remeasurement of defined benefit obligation	(324,561,299)	(919,401,000)
Other comprehensive loss for the year	(819,833,133)	(3,136,490,711)
Total comprehensive income / (loss) for the year	<u>415,453,886</u>	<u>(910,154,667)</u>

The annexed notes from 1 to 51 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, 2018

	Share capital	Reserves				Unappropriated profit	Total
	Issued subscribed and paid-up	Reserve for exceptional losses	Unrealized gain on available for sale investment	General reserve	Total reserves		
	----- (Rupees) -----						
Balance as at January 01, 2017 (as reported)	3,000,000,000	281,000,000	-	1,777,419,085	2,058,419,085	2,345,041,499	7,403,460,584
Effect of changes in accounting policy (note 6.1)	-	-	4,417,504,175	-	4,417,504,175	495,225,399	4,912,729,574
Balance as at January 01, 2017 (restated)	3,000,000,000	281,000,000	4,417,504,175	1,777,419,085	6,475,923,260	2,840,266,898	12,316,190,158
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	2,226,336,044	2,226,336,044
Remeasurement of defined benefit obligations	-	-	-	-	-	(919,401,000)	(919,401,000)
Unrealized loss on available for sale investments - net	-	-	(2,217,089,711)	-	(2,217,089,711)	-	(2,217,089,711)
Total comprehensive loss for the year ended December 31, 2017	-	-	(2,217,089,711)	-	(2,217,089,711)	1,306,935,044	(910,154,667)
Transactions with owners							
Final cash dividend 2016: Rs. 3.00 @ 30% per share	-	-	-	-	-	(900,000,000)	(900,000,000)
Balance as at December 31, 2017 (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>4,258,833,549</u>	<u>3,247,201,942</u>	<u>10,506,035,491</u>
Balance as at January 01, 2018	3,000,000,000	281,000,000	2,200,414,464	1,777,419,085	4,258,833,549	3,247,201,942	7,506,035,491
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	1,235,287,019	1,235,287,019
Remeasurement of defined benefit obligations	-	-	-	-	-	(324,561,299)	(324,561,299)
Unrealized loss on available for sale investments - net	-	-	(495,271,834)	-	(495,271,834)	-	(495,271,834)
Total comprehensive (loss) / income for the year ended December 31, 2018	-	-	(495,271,834)	-	(495,271,834)	910,725,720	415,453,886
Transactions with owners							
Final cash dividend 2017: Rs. 3.50 @ 35% per share	-	-	-	-	-	(1,050,000,000)	(1,050,000,000)
Balance as at December 31, 2018	<u>3,000,000,000</u>	<u>281,000,000</u>	<u>1,705,142,630</u>	<u>1,777,419,085</u>	<u>3,763,561,715</u>	<u>3,107,927,662</u>	<u>6,871,489,377</u>

The annexed notes from 1 to 51 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, 2018

	December 31, 2018	December 31, 2017 (Restated)
	----- (Rupees) -----	
Operating cash flows		
Underwriting activities:-		
Premium received	9,600,378,264	8,219,828,958
Reinsurance premium paid	(3,762,161,754)	(3,251,141,602)
Claims paid	(2,999,830,452)	(4,919,821,648)
Reinsurance and other recoveries received	273,066,165	1,875,914,050
Commission paid	(1,160,887,195)	(1,362,863,863)
Commission received	35,529,868	335,331,660
Premium and claim reserves retained from retrocessionaires/withheld by ceding companies	3,062,361	(154,160)
Management expenses paid	(798,515,971)	(795,597,001)
Net cash inflows from underwriting activities	<u>1,190,641,286</u>	<u>101,496,394</u>
Other operating activities		
Income tax paid	(749,051,947)	(1,107,576,368)
Other operating payments	(57,331,600)	(64,254,996)
Loans (received) / advanced	16,642,552	(2,194,792,258)
Other operating receipts / (prepayments)	143,723,067	(53,275,082)
Net cash used in other operating activities	<u>(646,017,928)</u>	<u>(3,419,898,704)</u>
Total cash generated from / (used in) all operating activities	<u>544,623,358</u>	<u>(3,318,402,310)</u>
Investment activities		
Fixed capital expenditure	(4,663,265)	3,974,709
Sale proceeds of fixed assets	-	-
Payment for investments	(7,752,215,605)	(6,247,909,058)
Rental received	64,159,301	35,568,578
Dividend income received	140,313,374	423,370,233
Profit return received	72,332,920	82,781,979
Investment income received - net of expenses	574,794,403	3,314,621,751
Proceeds from investments	7,524,298,307	6,433,147,172
Total cash inflow from investment activities	<u>619,019,435</u>	<u>4,045,555,364</u>
Financing activities		
Dividend paid	(1,027,995,922)	(890,061,648)
Total cash outflow from financing activities	<u>(1,027,995,922)</u>	<u>(890,061,648)</u>
Net cash generated from / (used in) all activities	135,646,871	(162,908,594)
Cash and cash equivalents at beginning of the year	<u>2,517,093,774</u>	<u>2,680,002,368</u>
Cash and cash equivalents at end of the year	<u><u>2,652,740,645</u></u>	<u><u>2,517,093,774</u></u>
Cash and cash equivalents at end of the year		
Conventional insurance operations	2,602,483,789	2,517,093,774
Retakaful Window Operations- Operator's Fund	50,256,856	-
	<u><u>2,652,740,645</u></u>	<u><u>2,517,093,774</u></u>

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

STATEMENT OF CASH FLOWS

For The Year Ended December 31, 2018

	December 31, 2018	December 31, 2017 (Restated)
	----- (Rupees) -----	
Reconciliation to profit and loss account		
Operating cash flows	544,623,358	(3,318,402,310)
Depreciation expense	(7,904,108)	(7,261,171)
Exchange gain	415,090,413	102,949,620
Rental income	62,319,058	56,267,795
Reinsurance recoveries against outstanding claims	(807,922,800)	(573,088,106)
Provision for outstanding claims	542,891,644	(122,978,468)
Provision for unearned premium	(1,133,628,945)	22,650,395
Prepaid reinsurance	602,311,492	295,652,869
Provision for employee benefits	(389,689,257)	(897,252,507)
Dividend income	136,643,466	424,650,719
Other investment income	(119,983,528)	(371,923,430)
Interest income	455,850,008	465,990,088
Amortization of (Premium) / Discount	(3,966,374)	8,575,301
Profit on disposal of investments	222,426,246	2,798,575,853
Increase in operating assets other than cash	1,043,471,091	2,043,421,318
(Increase)/decrease in operating liabilities	(571,749,162)	840,424,820
	<u>990,782,602</u>	<u>1,768,252,786</u>
Other adjustments:		
Income tax paid	749,051,947	1,107,576,368
Profit before taxation	<u>1,739,834,549</u>	<u>2,875,829,154</u>
Provision for taxation	(504,656,518)	(649,493,110)
Profit after taxation from conventional reinsurance operations	<u>1,235,178,031</u>	<u>2,226,336,044</u>
Profit from Window Retakaful Operations - Operator's Fund	108,988	-
Profit after tax	<u><u>1,235,287,019</u></u>	<u><u>2,226,336,044</u></u>

The annexed notes 1 to 51 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, 2018

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. 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.

During the year on September 26, 2018, the SECP has granted license under Rules 6 of Retakaful Rules, 2012 to undertake General Window Retakaful Operations in respect of general retakaful product. However, Retakaful operations has not yet commenced.

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 SUMMARY OF SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT REPORTING YEAR

Following is the summary of significant transactions and events that have affected the financial position and performance of the Company:

- a. During the year, the Company changed its accounting policy for the valuation of the available-for-sale investments and for unearned premium reserve as disclosed in note 6.1.1 and 6.1.2 respectively to the financial statements.
- b. During the year, total addition to investment amounted to Rs. 9,807.275 million and total disposal from investments amounted to Rs. 9,548.397 million.
- c. During the year, the Company recorded exchange gain amounted to Rs. 415.090 million.
- d. As at the reporting date, the Company recorded IBNR Claims Reserves amounted to Rs. 207.883 million.
- e. During the year on September 26, 2018, the SECP has granted license to the Company under Rules 6 of Retakaful Rules, 2012 to undertake General Window Retakaful Operations in respect of general retakaful products.
- f. During the year, the Company has changed format for preparation of its financial statements to comply with the requirements of the 'Insurance Rules, 2017' issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.
- g. For discussion on the Company's performance, please refer to Director's report.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

4 BASIS OF PREPARATION

4.1 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 and the Insurance Accounting Regulations, 2017.

In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017 and the Insurance Accounting Regulations, 2017 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 09 July 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.

The Third and Fourth Schedules to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its Third and Fourth Schedules) forms an integral part of the statutory financial reporting framework applicable to the Company.

Amendments to certain existing standards and new standards and interpretations on approved accounting standards became effective during the year either were not relevant to the Company's operations or did not have any significant impact on the accounting policies of the Company. During the year, the Company has changed format for preparation of its financial statements to comply with the requirements of the 'Insurance Rules, 2017' issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

4.2 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.

4.3 Functional and presentation currency

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

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

Amendments that are effective in current year and relevant to the Company

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 standard:

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Immediately
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Immediately
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

5.1 Amendments not yet effective

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

		Effective date (annual periods beginning on or after)
	Conceptual framework for Financial reporting 2018 - Original Issue	March 2018
	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, 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

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

		Effective date (annual periods beginning on or after)
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures-Amendments regarding long-term interests in associates and joint ventures	
IAS 39	Financial Instruments: Recognition and Measurements-Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IFRS 3	Business Combinations - Amendments to clarify the definition of a business	January 01, 2020
IFRS 10	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - Reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019

The Annual Improvements to IFRSs that are effective from the dates mentioned below against respective standards:

5.2 Annual Improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

5.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned below against the respective standard:

		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 1, 2019

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

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 17	Insurance Contracts

The effects of IFRS 9 - Financial Instruments, IFRS 15 - Revenues from Contracts with Customers and IFRS 16 - Leases are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

6 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted by the Company in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Company for the year ended December 31, 2018 except for change in accounting policies of available for sale investment and method for calculation of provision for unearned premium reserve as disclosed in note 6.1.1 and 6.1.2 to the financial statements respectively.

6.1 Change in accounting policies

6.1.1 Valuation of the available-for-sale investments

On January 01, 2018, the Company changed its accounting policy for the valuation of the available-for-sale investments, as required by the accounting and reporting standards as applicable in Pakistan under the "Insurance Rules, 2017" issued by Securities and Exchange Commission of Pakistan vide its S.R.O. 89(1)/2017 dated February 09, 2017. Previously, the Company's accounting policy to value available-for-sale investments at lower of cost or market value (market value being taken as lower if the reduction is other than temporary) was in accordance with of the SEC (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

The Insurance Rules, 2017 has not retained the above mentioned specific accounting requirements for the valuation of the available-for-sale investments. Consequently, this impacted the Company's accounting policy for valuation of available-for-sale investments, and now the related accounting requirements set out as per International Accounting Standard 39 dealing with the recognition and measurements of financial instruments are being followed by the Company. As per the revised accounting policy, the quoted available-for-sale investments are to be valued at market value and any unrealised gains or losses arising on subsequent to initial recognition of available-for-sale investments are taken to Other Comprehensive Income and transferred to revaluation reserves, whereas unquoted available-for-sale investments are valued at cost less impairment in value, if any. On derecognition or impairment of available-for-sale investments, the cumulative gains or losses previously reported in revaluation reserves are reclassified to profit and loss account for the year.

This change in accounting policy has been applied retrospectively in accordance with the requirement of IAS - 8 'Accounting Policy, Change in Accounting Estimates and Error' and comparatives have been restated to conform to the changed policies. The impact to each financial statements area is quantified as follows:

	Cumulative effect up to December 31, 2017	Cumulative effect up to January 01, 2017
	----- (Rupees) -----	
Effect on statement of financial position		
Increase in revaluation reserve on available for sale investment	3,099,175,302	6,310,720,250
Related deferred tax	<u>(898,760,838)</u>	<u>(1,893,216,075)</u>
	<u>3,997,936,140</u>	<u>8,203,936,325</u>
 Increase in investment in equity securities	 <u>3,099,175,302</u>	 <u>6,310,720,250</u>
Increase in deferred tax liability	<u>609,429,942</u>	<u>1,708,668,518</u>
 Effect on profit and loss account		
Increase in deferred tax income	<u>(104,783,340)</u>	<u>(184,547,556)</u>
 Effect on statement of comprehensive income		
(Decrease) / increase in other comprehensive income	<u>(994,455,236)</u>	<u>1,893,216,075</u>

As a result of change in accounting policy as explained above, the Company has recognized deferred tax liabilities and deferred tax assets that were not recognized in previous years in accordance with International Accounting Standard - 12 Income Taxes.

6.1.2 Unearned premium reserve

On January 01, 2018, the Company changed its accounting policy for unearned premium reserve as required by the Insurance Accounting Regulations, 2017 issued by Securities and Exchange Commission of Pakistan vide its S.R.O. 88(1)/2017 dated February 09, 2017. Previously, the Company's accounting policy for recognition of unearned premium reserve was calculated by applying 1/8 method. As per the revised accounting policy the portion of facultative premium written relating to the unexpired period of coverage is recognized as unearned premium, which is calculated over the period of policy as specified in the Insurance Accounting Regulations, 2017 vide SRO 88(1) dated February 09, 2017.

This change in accounting policy has been applied retrospectively in accordance with the requirement of IAS - 8 'Accounting Policy, Change in Accounting Estimates and Error' and comparatives have been restated to conform to the changed policies. The impact to each financial statements area is quantified as follows:

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

	Cumulative effect up to December 31, 2017	Cumulative effect up to January 01, 2017
	----- (Rupees) -----	
Effect on statement of financial position		
Decrease in unappropriated profit	(212,966,288)	(310,677,843)
Decrease in unearned premium reserves	<u>(926,021,724)</u>	<u>(540,782,683)</u>
Decrease in deferred commission expenses / acquisition cost	<u>(71,936,191)</u>	<u>(46,373,983)</u>
Decrease in prepayments	<u>(312,684,231)</u>	<u>(188,139,678)</u>
Increase / (decrease) unearned reinsurance commission	<u>17,757,171</u>	<u>(4,408,821)</u>
Effect on profit and loss account		
Decrease in net insurance premium	<u>(91,948,517)</u>	-
Increase in net commission and other acquisition costs	<u>5,763,038</u>	-

The Company has presented third statement of financial position as at December 31, 2016 in addition to comparative statement of financial position for the year ended December 31, 2017 on account of retrospective restatement of items in its financial statements as stated above.

6.2 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 coinsurance 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).

6.2.1 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.

6.2.2 Reinsurance ceded

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

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

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 and loss account.

6.2.3 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.

6.2.4 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

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

b) Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with unearned premium 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.

6.2.5 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 and 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.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

6.3 Investments

6.3.1 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 and loss account. These are recognized and classified as follows:

- Investment at fair value through profit or loss - Held-for-trading
- Held-to-maturity
- Available-for-sale

6.3.2 Measurement

(a) Investment at fair value through profit or loss - held for trading.

Investments which are designated at fair value through profit or loss 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 and 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.

(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.

6.3.3 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.

6.3.4 Unquoted

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

(d) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are carried at amortized cost.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

6.3.5 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.

6.3.6 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 and loss account in the period of derecognition.

6.4 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 and loss account.

6.5 Commission expense, other acquisition costs and commission income

Commission expense and other acquisition costs are charged to the profit and 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.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

6.6 Provision for outstanding claims

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 through letter no. ID/PRDD/IBNR/2017/9695 dated May 30, 2017, which 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 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.

6.8 Staff retirement benefits

6.8.1 Defined benefits plan

6.8.1.1 Post employment benefits - Retirements benefits and other post-employment benefits

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, 2018 using the Projected Unit Credit Method based on the significant assumptions stated in relevant note for valuation of the funds as at December 31, 2018.

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).

6.8.1.2 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.

6.8.1.3 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.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

6.9 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.

6.9.1 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.

6.9.2 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 and loss account except in the case of items credited or charged to equity in which case it is included in equity.

6.10 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 8.5 to the financial statements.

Depreciation on additions during the financial year is charged from the month in which asset is put to 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, 2018

Maintenance and normal repairs are charged to profit and 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.

6.11 Revenue recognition

6.11.1 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.

6.11.2 Investments

Gain / loss on sale of investments is taken to the profit and 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 and loss account.

Profit on bank accounts are accounted for on accrual basis.

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

6.11.3 Rental income

Rentals from investment properties are recognized as income on time proportion basis.

6.12 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.

6.13 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 and loss account.

6.14 Foreign currency translations

Transactions in foreign currencies are translated into Pak 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 Pak Rupees using exchange rates prevalent on transaction date. Exchange differences on foreign currency translations are included in profit and loss account currently.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

6.15 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

6.16 Cash and cash balances

Cash in hand and cash at banks are carried at nominal amount.

6.17 Cash and cash equivalents

Cash and cash equivalents 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 as per the format prescribed by the Insurance Rules, 2017 issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

6.18 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.

6.19 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.

6.20 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.

6.21 Provision for doubtful debts

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

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

6.22 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.

6.23 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.

6.24 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, 2018.

7 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:

7.1 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.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

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.

7.2 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.

7.3 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.

7.4 Impairment in 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.

7.5 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.

7.6 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.

7.7 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.

7.8 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.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

		2018	2017
		----- (Rupees) -----	
8	PROPERTY AND EQUIPMENT	Note	
	Operating fixed assets		
	Land and building	8.1	13,180,941
	Furniture, fixtures, books, office equipments and computer	8.2	19,574,143
	Electrical installation, air-conditioning and lifts	8.3	5,154,106
	Motor vehicles	8.4	4,847,547
			<u>42,756,737</u>
			<u>36,570,719</u>
8.1	Land and building		
	PRC House		338,152
	PRC Tower-leasehold land		223,622
	PRC Tower-building		12,619,167
		8.5	<u>13,180,941</u>
			<u>13,862,906</u>
8.2	Furniture, fixtures, books, office equipments and computer		
	Furniture and fixtures		1,437,937
	Office equipments		2,710,072
	Books		311,476
	Computers		15,114,658
		8.5	<u>19,574,143</u>
			<u>9,786,151</u>
8.3	Electrical installation, air-conditioning and lifts		
	Electrical installation		1,166,766
	Air-conditioning		3,031,786
	Lifts		955,554
		8.5	<u>5,154,106</u>
		8.5	<u>6,442,633</u>
			<u>6,479,029</u>
8.4	Motor vehicles		<u>4,847,547</u>
			<u>36,570,719</u>

8.5 The statement of operating fixed asset are as follows:

	Land and Building				Furniture, fixture, books and office equipment				Electrical installation, air-conditioning and lift			Motor vehicles	Total	
	Leasehold PRC House (note 8.6)	Lift	PRC Towers		Furniture and fixture	Office equipment	Books	Computers	Electrical installation	Air-conditioning	Lift			
			Leasehold land (note 8.7)	Building										
2018														
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	142,867,966	
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)	(6,838,872)	(106,297,247)	
	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	
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)	(291,682)	(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%	20%	0%	5%	10%	15%	10%	20%	20%	20%	20%	20%	20%	

2017

	Land and Building				Furniture, fixture, books and office equipment				Electrical installation, air-conditioning and lift			Motor vehicles	Total	
	PRC House	Lift	PRC Towers		Furniture and fixture	Office equipment	Books	Computers	Electrical installation	Air-conditioning	Lift			
			Leasehold land	Building										
2017														
As at January 01, 2017														
Cost	807,956	147	223,622	38,344,491	11,417,862	5,386,629	620,256	24,118,105	12,659,713	23,032,657	11,405,548	14,393,900	142,410,886	
Accumulated depreciation	(433,271)	(147)	-	(24,362,034)	(10,020,297)	(3,503,963)	(282,919)	(17,584,397)	(10,836,641)	(18,295,491)	(9,912,495)	(8,252,260)	(103,484,415)	
Book value	374,685	-	223,622	13,982,457	1,397,565	1,882,666	337,337	6,533,208	1,823,072	4,737,166	1,493,053	6,141,640	38,926,471	
December 31, 2017														
Opening net book amount	374,685	-	223,622	13,982,457	1,397,565	1,882,666	337,337	6,533,208	1,823,072	4,737,166	1,493,053	6,141,640	38,926,471	
Additions	-	-	-	-	61,500	745,835	45,450	680,440	-	-	-	2,874,000	4,407,225	
Disposals / transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	-	-	-	-	-	-	3,950,000	3,950,000	
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	(3,030,757)	(3,030,757)	
Depreciation charge for the year	(18,734)	-	-	(699,123)	(143,745)	(349,158)	(36,703)	(1,368,245)	(364,614)	(947,433)	(298,611)	(1,617,369)	(919,243)	
Book value	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	
As at December 31, 2017														
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	142,867,966	
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)	(6,838,872)	(106,297,247)	
Book value	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	
Depreciation rate - percentage	5%	20%	0%	5%	10%	15%	10%	20%	20%	20%	20%	20%	20%	

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

8.7 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, 2018

8.8 Disposal / transfer of fixed assets

Particulars of items	Purchase price	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal	Particular of purchaser
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 policy	C.E.O Mr. Shakeel Ahmed
Total	1,477,500	(1,057,906)	419,594	419,594	-		

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

2018
----- (Rupees) -----
2017

Assets relating to Bangladesh 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
	<u>8,612,000</u>	<u>8,612,000</u>
Investments		
Stock and shares	7,112,000	7,112,000
Debenture	250,000	250,000
	<u>7,362,000</u>	<u>7,362,000</u>
	15,974,000	15,974,000
Liabilities		
Outstanding claims	(4,952,000)	(4,952,000)
Other liabilities	(809,000)	(809,000)
	<u>(5,761,000)</u>	<u>(5,761,000)</u>
	10,213,000	10,213,000
Provision for loss on assets in Bangladesh	(10,213,000)	(10,213,000)
	<u>-</u>	<u>-</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

10 INVESTMENT PROPERTIES

2018	PRC Building, Karachi	PRC House	Lease hold land	PRC Towers, Karachi	Electrical installation	Air conditioning plant	Lift	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%	0%	5%	20%	20%	20%	

2017	PRC Building, Karachi	PRC House	Lease hold land	PRC Towers, Karachi	Electrical installation	Air conditioning plant	Lift	Total
Rupees								
As at January 01, 2017								
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	(80,601)	(1,010,965)	-	(60,069,761)	(18,851,102)	(26,351,879)	(20,926,121)	(127,290,429)
Book value	69,701	874,265	572,406	29,400,718	143,966	204,951	159,704	31,425,711
December 31, 2017								
Opening net book value	69,701	874,265	572,406	29,400,718	143,966	204,951	159,704	31,425,711
Additions / Transfers in	-	-	-	-	-	-	-	-
Depreciation charge for the year	(3,485)	(43,713)	-	(1,470,036)	(28,793)	(40,990)	(31,941)	(1,618,958)
Book value	66,216	830,552	572,406	27,930,682	115,173	163,961	127,763	29,806,753
As at December 31, 2017								
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
Depreciation rate - percentage	5%	5%	0%	5%	20%	20%	20%	

Buildings and related lease hold lands are held by the Company for both own use purposes and as investment properties. The carrying value of these buildings and lease hold lands have been allocated between the investment properties and assets held for own use (refer note - 8.5, fixed assets) on the basis of floor space occupied for respective purposes.

10.1 The market value of investment properties is Rs. 833.832 million, as per valuation carried out by an professional valuer as at December 31, 2018.

11 INVESTMENTS IN EQUITY SECURITIES

Note	2018				2017 (Restated)				
	Cost	Impairment / provision	Unrealized gain / (loss)	Carrying value	Cost	Impairment / provision	Unrealized gain / (loss)	Carrying value	
Rupees									
Available for sale									
Related Parties									
Listed shares	11.1	88,521,808	-	1,219,499,778	1,308,021,586	88,521,808	-	1,524,255,781	1,612,777,589
Unlisted shares	11.2	1,235,840	(618,227)	-	617,613	1,235,840	(618,227)	-	617,613
Mutual funds	11.3	800,000,000	(274,323,624)	-	525,676,376	800,000,000	(214,781,797)	-	585,218,203
		889,757,648	(274,941,851)	1,219,499,778	1,834,315,575	889,757,648	(215,400,024)	1,524,255,781	2,198,613,405
Others									
Listed shares	11.4	325,765,286	-	773,259,833	1,099,025,119	338,255,285	-	1,204,348,185	1,542,603,470
Unlisted shares	11.5.1	1,372,264	(1,372,264)	-	-	1,372,264	(1,372,264)	-	-
Mutual funds	11.6	901,457,734	(131,348,979)	374,909,601	1,145,018,356	901,457,734	(109,471,273)	370,571,336	1,162,557,797
		1,228,595,284	(132,721,243)	1,148,169,434	2,244,043,475	1,241,085,283	(110,843,537)	1,574,919,521	2,705,161,267
Sub total of Available for sale		2,118,352,932	(407,663,094)	2,367,669,212	4,078,359,050	2,130,842,931	(326,243,562)	3,099,175,302	4,903,774,672
Held for trading									
Related Parties									
Listed shares	11.7.1	19,388,357	-	(2,607,207)	16,781,150	17,147,638	-	2,240,719	19,388,357
Others									
Listed shares	11.7.2	88,158,765	-	(20,001,570)	68,157,195	41,355,082	-	42,289,408	83,644,490
Sub total of Held for trading	11.7	107,547,122	-	(22,608,777)	84,938,345	58,502,720	-	44,530,127	103,032,847
Grand total		2,225,900,054	(407,663,094)	2,345,060,435	4,163,297,395	2,189,345,651	(326,243,562)	3,143,705,429	5,006,807,519

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

Name of Company	2018			2017 (Restated)		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		----- Rupees -----			----- Rupees -----	
Available for sale - Related Parties						
11.1 Listed shares						
National Bank of Pakistan	6,359,119	6,824,793	267,273,772	6,359,119	6,824,793	308,798,819
Pakistan State Oil Company Limited	11,702	371,225	2,637,982	9,671	371,225	2,834,667
Pakistan Petroleum Limited	455,400	27,388,953	68,155,164	396,000	17,110,611	81,540,360
Sui Southern Gas Company Limited	12,694,227	36,461,488	293,236,644	12,694,227	36,461,488	387,046,981
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	670,370,505	8,698,203	27,388,953	822,936,986
Pakistan Engineering Company Limited	43,776	364,738	6,347,520	43,776	364,738	9,619,776
	28,262,427	88,521,808	1,308,021,586	28,200,996	88,521,808	1,612,777,589
11.2 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
11.3 Mutual funds						
National Investment Unit Trust	8,292,733	800,000,000	525,676,376	8,292,733	800,000,000	585,218,203
Grand total	36,645,473	889,757,648	1,834,315,575	36,584,042	889,757,648	2,198,613,405
* 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						
11.4 Listed shares						
Financial Services						
Escort Investment Bank Limited	-	-	-	16,846	25,269	264,482
Banks						
Askari Bank Limited	-	-	-	7,276	101,907	140,500
Bank Al-Falah Limited	1,155	3,709	46,881	9,232	147,079	392,360
Faysal Bank Limited	88,606	391,273	2,132,746	77,049	391,273	1,638,062
MCB Bank Limited	573,370	106,797,403	110,987,231	573,370	106,797,403	121,737,918
Silk Bank Limited	-	-	-	-	38,956	38,956
The Bank of Punjab Limited	-	-	-	30,080	175,667	247,859
United Bank Limited	-	-	-	1,024	4,350	192,481
	663,131	107,192,385	113,166,858	698,031	107,656,635	124,388,137
Insurance						
Adamjee Insurance Company Limited	1,398,536	32,124,622	58,766,483	1,398,536	32,124,622	72,681,916
Asia Insurance Company Limited	33,104	224,800	529,664	33,104	224,800	615,734
Crescent Star Insurance Company Limited	604,491	1,208,982	1,033,680	604,491	1,208,982	2,472,368
Habib Insurance Company Limited	12,700	1,724	139,700	12,700	1,724	174,625
Pakistan Guarantee Insurance Company Limited	22,029	-	-	22,029	-	-
PICIC Insurance Company Limited	-	-	-	855,790	4,450,108	6,195,920
Sterling Insurance Company Limited	23,250	-	-	23,250	-	-
Union Insurance Company of Pakistan Limited	56,227	-	-	56,227	-	-
United Insurance Company of Pakistan Limited	958,091	166,165	11,362,959	852,774	166,165	13,200,944
	3,108,428	33,726,293	71,832,486	3,858,901	38,176,401	95,341,507

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Name of Company	2018			2017 (Restated)		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		----- Rupees -----			----- Rupees -----	
Textile Spinning						
Brothers Textile Mills Limited	353	-	-	353	-	-
Khurshid Spinning Mills Limited	7,600	-	-	7,600	-	-
Sahrish Textile Mills Limited	13,510	-	-	13,510	-	-
Yousaf Weaving Mills Limited	-	-	-	-	-	-
Pakistan Synthetics Limited	-	-	-	2,846	21,252	57,916
Crescent Jute Products Limited	157,314	-	-	157,314	-	-
Usman Textile Mills Limited	300	-	-	300	-	-
Colony Textile Limited	-	-	-	118,552	149,762	486,063
Kohinoor Industries Limited	-	-	-	11,681	10,513	44,388
Muhammad Farooq Textile Mills Limited	4,100	-	-	4,100	-	-
Taj Textile Mills Limited	5,600	-	-	5,600	-	-
	188,777	-	-	321,856	181,527	588,367

Name of Company	2018			2017 (Restated)		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		----- Rupees -----			----- Rupees -----	
General Industries						
Packages Limited	821,714	90,388,540	317,855,409	821,714	90,388,540	418,934,449
Hashmi Can Company Limited	5,250	-	-	5,250	-	-
	826,964	90,388,540	317,855,409	826,964	90,388,540	418,934,449
Household Goods						
Hussain Industries Limited	15,820	-	-	15,820	-	-
Towellers Limited	129,759	1,048,453	9,844,815	129,759	1,048,453	16,213,387
	145,579	1,048,453	9,844,815	145,579	1,048,453	16,213,387
Food Producers						
Imperial Sugar Mills Limited	39,924	71,863	878,328	39,924	71,863	778,518
Jauharabad Sugar Mills Limited	4,601	15,942	202,400	28,963	92,579	1,540,008
Pangrio Sugar Mills Limited	100,000	-	-	100,000	-	-
Sakrand Sugar Mills Limited	-	-	-	23,800	129,948	344,624
Shahtaj Sugar Mills Limited	397	2,974	22,562	397	2,974	58,010
Sind Abadgar Sugar Mills Limited	65,500	327,500	1,265,460	98,500	492,500	1,743,450
Universal Oil Mills Limited	30,000	-	-	30,000	-	-
	240,422	418,279	2,368,751	321,584	789,864	4,464,609
Construction and Materials						
Akzo Nobel Pakistan Limited	154,518	17,899,449	23,766,414	154,518	17,899,449	32,912,334
Dada Bhoy Cement Industries Limited	17,300	-	-	17,300	-	-
Fauji Cement Company Limited	-	-	-	5,238	17,286	131,002
Javedan Cement Limited	-	-	-	118	1,126	4,219
D.G Khan Cement Limited	-	-	-	12,000	228,360	1,604,640
Zeal Pak Cement Factory Limited	39,130	-	-	39,130	-	-
	210,948	17,899,449	23,766,414	228,304	18,146,221	34,652,195
Tobacco						
Philip Morris (Pakistan) Limited	10,620	18,403	36,201,456	21,206	36,893	67,859,200
Pakistan Tobacco Company Limited	3,000	9,961	8,700,000	68,740	229,533	147,648,021
	13,620	28,364	44,901,456	89,946	266,426	215,507,221
Electricity						
The Hub Power Company Limited	500,000	9,254,243	42,895,000	582,085	10,773,636	52,969,735
K-Electric Limited	100,000	223,790	594,000	385,548	863,418	2,432,808
Kot Addu Power Company Limited	30,000	1,481,678	1,486,500	30,000	1,481,678	1,617,000
Southern Electric Power Company Limited	13,963	-	-	13,963	-	-
	643,963	10,959,711	44,975,500	1,011,596	13,118,732	57,019,543

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

Name of Company	2018			2017 (Restated)		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		----- Rupees -----			----- Rupees -----	
Refinery						
National Refinery Limited	502,363	28,312,467	143,565,298	502,363	28,312,467	216,453,146
Engineering						
Dewan Automotive Engineering Limited	52,333	-	-	52,333	-	-
Fixed Line Telecommunication						
Worldcall Telecom Limited	-	-	-	3,672	3,672	10,355
Forestry and Paper						
Security Papers Limited	928,689	195,915	82,653,321	928,689	195,915	113,374,353
Chemicals						
Fauji Fertilizer Bin Qasim Limited	-	-	-	20,035	452,878	712,044
ICI Pakistan Limited	307,281	35,595,431	244,094,811	307,281	35,595,431	235,976,444
Lotte Chemical Pakistan Limited	-	-	-	1,206,602	3,874,321	8,651,336
Linde Pakistan Limited	-	-	-	235	22,534	51,900
	307,281	35,595,431	244,094,811	1,534,153	39,945,164	245,391,724
Total	<u>7,832,498</u>	<u>325,765,286</u>	<u>1,099,025,119</u>	<u>10,540,817</u>	<u>338,255,285</u>	<u>1,542,603,470</u>

11.5 Unlisted shares	Note	2018	2017
		----- (Rupees) -----	
Cost of investment in unlisted companies	11.5.1	2,608,105	2,608,105
Less: Provision for diminution in value		(1,990,492)	(1,990,492)
		<u>617,613</u>	<u>617,613</u>

11.5.1 Cost of investment in unlisted companies

Name of company	2018		2017	
	Number of shares / certificates	Book Value in Rupees	Number of shares / certificates	Book Value in Rupees
Related Parties				
Banks				
State Bank of Pakistan (Break-up value is Rs. 535,280 per share based on financial statements for the year ended December 31, 2018) Governor: Mr. Tariq Bajwa	4,900	517,613	4,900	517,613
Industrial Development Bank of Pakistan * / ** (Break-up value is Rs. Nil per share based on financial statements for the year ended June 30, 2012) Chairman/Managing Director: Mr. Jamal Nasim	6,213	618,227	6,213	618,227
	<u>11,113</u>	<u>1,135,840</u>	<u>11,113</u>	<u>1,135,840</u>

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For The Year Ended December 31, 2018

Name of company	2018		2017	
	Number of shares / certificates	Book Value in Rupees	Number of shares / certificates	Book Value in Rupees
Mutual Funds				
National Investment Trust Limited (Break-up value is Rs. 12,285 per share based on financial statements for the year ended December 31, 2018) Managing Director & Chairman: Mr. Adnan Afridi	79,200	100,000	79,200	100,000
Sub total of related parties	<u>92,331</u>	<u>1,235,840</u>	<u>92,330</u>	<u>1,235,840</u>
Others				
Insurance				
Indus Assurance Limited *	25,000	250,000	25,000	250,000
Cotton and Textile				
Afsar Textile Mills Limited *	1,000	9,950	1,000	9,950
Kohinoor Cotton Mill Limited *	22,397	219,801	22,397	219,801
	23,397	229,751	23,397	229,751
Chemical				
Synthetic Chemical Limited *	20,000	200,000	20,000	200,000
Vanaspati and Allied Industries				
Burma Oil Limited *	861	6,470	861	6,470
Burma Soap Limited *	64	640	64	640
	925	7,110	925	7,110
Miscellaneous				
Arag Industries Limited *	133,333	685,403	133,333	685,403
Sub total of others	<u>202,655</u>	<u>1,372,264</u>	<u>202,655</u>	<u>1,372,264</u>
Grand total	<u>294,986</u>	<u>2,608,104</u>	<u>294,985</u>	<u>2,608,104</u>

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

11.6 Mutual funds

Name of company	2018			2017 (Restated)		
	Number of units	Book value	Market value	Number of units	Book value	Market value
		----- Rupees -----			----- Rupees -----	
Open-End Mutual Funds						
Pakistan Capital Market Fund	23,957	108,959	250,825	23,957	108,959	258,012
JS Value Fund	40,949	2,267,483	8,335,578	40,949	2,267,483	8,208,227
MCB Pakistan Stock Market Fund	7,376	170,657	623,392	7,376	170,657	671,395
NAFA Stock Fund	20,671,728	400,000,000	268,230,142	20,671,728	400,000,000	290,528,734
JS Growth Fund	3,496	140,039	554,715	3,496	140,039	630,654
HBL Growth Funds - Class B Segment	30,406,721	214,128,994	517,105,819	-	-	-
HBL Investment Funds - Class B	17,246	52,675	153,329	-	-	-
	51,171,473	616,868,807	795,253,800	20,747,506	402,687,138	300,297,022
Close-End Mutual Funds						
PICIC Growth Fund	-	-	-	30,406,721	498,670,224	862,030,540
PICIC Investment Fund	-	-	-	17,246	100,372	230,234
HBL Growth Funds - Class A	30,406,721	284,541,230	349,677,291	-	-	-
HBL Investment Funds - Class A	17,246	47,697	87,265	-	-	-
	30,423,967	284,588,927	349,764,556	30,423,967	498,770,596	862,260,774
	<u>81,595,440</u>	<u>901,457,734</u>	<u>1,145,018,356</u>	<u>51,171,473</u>	<u>901,457,734</u>	<u>1,162,557,797</u>

Held-for-Trading

11.7 Listed shares

	2018	2017
	----- (Rupees) -----	
Cost of investment in listed companies	107,547,122	58,502,720
(Loss) / gain for the current year	(22,608,777)	44,530,127
	<u>84,938,345</u>	<u>103,032,847</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

11.7.1 Related parties

Name of company	2018			2017		
	Number of units	Book value ----- Rupees -----	Market value	Number of units	Book value ----- Rupees -----	Market value
National Bank of Pakistan	399,266	19,388,357	16,781,150	399,266	17,147,638	19,388,357

11.7.2 Others

Cement						
Attock Cement Limited	69,000	10,408,075	7,810,800	57,500	4,990,500	10,408,075
Technology and Communication						
Pakistan Telecommunication Company Limited	319,500	4,169,475	3,070,395	319,500	5,543,325	4,169,475
Commercial Banks						
United Bank Limited	250,000	40,200,850	30,660,000	-	-	-
Construction						
Aisha Steel Mills Limited	700,000	10,139,080	7,350,000	-	-	-
Household						
Pak Elektron Limited	550,000	18,494,685	13,695,000	-	-	-
Chemicals						
Fauji Fertilizer Company Limited	60,000	4,746,600	5,571,000	60,000	7,028,400	4,746,600
Engro Fertilizer Company Limited	-	-	-	17,078	1,019,533	1,156,522
Engro Corporation Limited	-	-	-	170,786	15,719,143	46,923,454
Engro Polymer and Chemicals Limited	-	-	-	250,000	2,530,000	7,140,000
	60,000	4,746,600	5,571,000	497,864	26,297,076	59,966,576
Electricity						
The Hub Power Company Limited	-	-	-	100,004	4,524,181	9,100,364
Sub total of others	1,948,500	88,158,765	68,157,195	974,868	41,355,082	83,644,490
Grand total	2,347,766	107,547,122	84,938,345	1,374,134	58,502,720	103,032,847

12 INVESTMENTS IN DEBT SECURITIES

Investments-Held to Maturity	Note	2018		2017	
		Cost ----- Rupees -----	Carrying value	Cost ----- Rupees -----	Carrying value
Pakistan Investment Bond	12.1 & 12.3	2,227,198,249	2,163,261,750	2,445,584,944	2,426,809,141
Treasury Bills	12.3	2,184,623,575	2,207,137,288	1,736,164,125	1,759,054,473
Term Finance Certificates	12.2	100,000,000	100,000,000	-	-
		4,511,821,824	4,470,399,038	4,181,749,069	4,185,863,614

12.1 This include an amount of Pakistan Investment Bonds includes Rs. 308 million (2017: Rs. 308 million) deposited with the State Bank of Pakistan as required by section 29 of the Insurance Ordinance, 2000.

12.2 This represent investment in Term Finance Certificate having an aggregate face value Rs. 100 million (2017: Nil) carrying profit at 11.54% semi annually (2017: Nil). These have been placed with Habib Bank Limited for a term of 10 years, maturing upto 2028. Accrued profit amounting to Rs. 0.79 million (2017: Nil).

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

12.3 Held-to-maturity - secured

	2018	2017	2018	2017
	Treasury bills		Pakistan Investment Bonds	
	----- Rupees -----			
	<u>2,207,137,288</u>	<u>1,759,054,473</u>	<u>2,163,261,750</u>	<u>2,426,809,141</u>
Tenure	up to 3 months	3 months to 1 year	3 years to 10 year	3 years to 10 year
Face value - Rupees in million	2,225	1,147	2,159	3,000
Market value - Rupees in million	2,206	1,133	2,173	3,240
Maturity dates	January 2018 to March 2018	January 2017	March 2018	July 2016
Profit repayment - frequency	On maturity	On maturity	Half yearly	Half yearly
Principal repayment - frequency	On maturity	On maturity	On maturity	On maturity
Effective interest	8.74% to 10.29%	5.85%	7.00%	8.75%

		2018	2017
	Note	----- (Rupees) -----	-----
13 LOANS AND OTHER RECEIVABLES			
Loans to employees	13.1	165,125,171	181,767,723
Accrued investment income	13.2	153,705,215	164,005,201
Sundry receivables	13.3	42,843,328	110,830,899
Receivable from Sindh Revenue Board (SRB)			
	28.2	<u>2,573,888,727</u>	<u>2,573,888,727</u>
		<u>2,935,562,441</u>	<u>3,030,492,551</u>
13.1 Loans to employees			
Non current portion		144,862,083	157,939,455
Current portion		<u>20,263,088</u>	<u>23,828,268</u>
		<u>165,125,171</u>	<u>181,767,723</u>

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

	2018	2017
	----- (Rupees) -----	
Balance at the beginning of the year	64,688,267	59,106,008
Add: Disbursements during the year	4,250,000	19,183,350
Less: Adjustments during the year	<u>(12,138,979)</u>	<u>(13,601,091)</u>
Balance at the end of the year	<u>56,799,288</u>	<u>64,688,267</u>

13.1.2 Loans to employees represent mark-up free loans and are secured against retirement benefits of respective employees 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.

13.1.3 The maximum month-end amount of these loan during the year has been amounting to Rs.165,125,171 (2017: Rs. 181,767,723).

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

	Note	2018 ----- (Rupees) -----	2017
13.2	Accrued investment income		
		1,997,534	5,667,442
		97,901,208	103,468,121
		1,777,925	1,000,848
		<u>54,026,082</u>	<u>55,866,324</u>
		155,702,749	166,002,735
		<u>(1,997,534)</u>	<u>(1,997,534)</u>
		<u>153,705,215</u>	<u>164,005,201</u>
13.3	Sundry receivables		
		888,135	888,135
	13.3.1	56,142,435	56,142,435
		4,939,471	4,939,471
	13.3.2	7,724,303	7,724,303
		10,541,524	10,541,524
		868,470	4,565,000
		6,720,146	6,734,130
		4,917,065	4,917,065
	13.3.3	21,964,067	86,219,000
		5,338,028	7,466,908
		<u>3,563,998</u>	<u>1,457,242</u>
		123,607,642	191,595,213
	Less: Provision for doubtful debts		
	Balance brought forward from last year	(80,764,314)	(70,800,842)
	Provision written off during the year	-	18,107,746
	Provision made during the year	-	(28,071,218)
		<u>(80,764,314)</u>	<u>(80,764,314)</u>
		<u>42,843,328</u>	<u>110,830,899</u>

13.3.1 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. 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 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 Supreme Court of Pakistan in this respect which vide order dated August 21, 2007 granted leave to appeal filed by the Company against the judgment of the 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 Supreme Court of Pakistan 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 (2017: Rs. 56.142 million) in these financial statements.

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Notes to the Financial Statements

For The Year Ended December 31, 2018

13.3.2 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.

13.3.3 During the prior year, 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 has 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.

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 has 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 PRCL within due course of time.

During the year 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.

14	INSURANCE / REINSURANCE RECEIVABLES	Note	2018 ----- (Rupees) -----	2017 ----- (Rupees) -----
	Amount due from other insurers		149,386,240	4,660,061,719
	Amount due from other reinsurers		<u>5,802,957,068</u>	<u>158,204,030</u>
			5,952,343,308	4,818,265,749
	Less: Provision for impairment in due from other insurers / reinsurers		<u>(524,634,292)</u>	<u>(524,634,292)</u>
		14.1	<u>5,427,709,016</u>	<u>4,293,631,457</u>
	Premium and claim reserves retained by cedants		<u>25,057,147</u>	<u>28,119,508</u>
	Less: Provision for impairment in Premium and claim reserves retained by cedants		<u>(17,000,000)</u>	<u>(17,000,000)</u>
			8,057,147	11,119,508
		14.1 & 14.2	<u>5,435,766,163</u>	<u>4,304,750,965</u>

14.1 This includes gross amount of Rs. 2,277,213,869 (2017: Rs. 1,544,908,122) due from related party National Insurance Company Limited. The age analysis of amount due from related party is as follows:

	2018 ----- (Rupees) -----	2017 ----- (Rupees) -----
Upto 3 months	2,277,213,869	1,414,232,396
Over 3 months and above	-	130,675,726
	<u>2,277,213,869</u>	<u>1,544,908,122</u>

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Notes to the Financial Statements

For the year ended December 31, 2018

14.2 These balances are based on underlying information and returns submitted by insurers/reinsurers periodically. During a prior years, a Reconciliation Committee has been formed via Office Order No. 169 as approved by the Audit Committee of the Board during its meeting held on August 25, 2015 to reconcile and agree the balances relating to other insurer / reinsurer to ensure that the balances are accurate and complete in respect of information available. The provision held is also subject to review as a part of this exercise.

		2018	2017 (Restated)
	Note	----- (Rupees) -----	-----
15 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS			
Facultative business	15.1	679,595,450	1,322,355,964
Treaty		672,175,787	837,338,073
		<u>1,351,771,237</u>	<u>2,159,694,037</u>
15.1 Facultative business			
Fire		388,223,063	542,010,270
Marine cargo		18,693,025	-
Marine hull		43,266,176	27,864,737
Aviation		96,177,837	46,134,162
Engineering		133,235,349	706,346,795
		<u>679,595,450</u>	<u>1,322,355,964</u>
16 DEFERRED COMMISSION EXPENSE			
Facultative business	16.1	145,177,040	324,729,613
Treaty		420,420,934	371,911,480
		<u>565,597,974</u>	<u>696,641,093</u>
16.1 Facultative business			
Fire		79,641,772	97,374,922
Marine cargo		1,142,398	2,258,576
Marine hull		950,730	1,823,833
Accident and others		5,607,110	3,339,704
Aviation		1,164,364	172,884,020
Engineering		56,670,666	47,048,558
		<u>145,177,040</u>	<u>324,729,613</u>
17 PREPAYMENTS			
Prepaid reinsurance ceded-Facultative business	17.1	2,131,942,610	1,551,251,000
Prepaid reinsurance ceded-Treaty business		340,463,704	318,843,821
		<u>2,472,406,314</u>	<u>1,870,094,821</u>
Other prepayments		3,719,760	5,686,763
		<u>2,476,126,074</u>	<u>1,875,781,584</u>
17.1 Prepayment reinsurance ceded-Facultative business			
Fire		20,689,140	21,982,924
Marine hull		8,245,057	7,395,637
Accident and others		2,834,005	3,752,269
Aviation		1,363,388,470	1,069,008,688
Engineering		736,785,938	449,111,482
		<u>2,131,942,610</u>	<u>1,551,251,000</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

		2018	2017
	Note	----- (Rupees) -----	
18	CASH AND BANK BALANCES		
Cash in hand		39,508	77,216
Cash at bank in:			
Current account		11,673,945	58,278,345
Saving accounts	18.1	2,590,770,336	2,458,738,212
		<u>2,602,444,281</u>	<u>2,517,016,558</u>
		<u>2,602,483,789</u>	<u>2,517,093,774</u>
18.1	The saving accounts carries markup at the rates ranging from 3.75% to 8.75% (2017: 2.75% to 3.75%) per annum.		
19	SHARE CAPITAL		
19.1	Authorized Capital		
		2018	2017
		(Number of shares)	
	Ordinary shares of Rs.10/-		
		<u>2,500 million</u>	<u>2,500 million</u>
		<u>25,000,000,000</u>	<u>25,000,000,000</u>
19.2	Issued, subscribed and paid-up share capital		
		2018	2017
		(Number of shares)	
	8	8	8
	5,000,000	5,000,000	5,000,000
	294,999,992	294,999,992	294,999,992
	<u>300,000,000</u>	<u>300,000,000</u>	<u>300,000,000</u>
		<u>3,000,000,000</u>	<u>3,000,000,000</u>
20	RESERVES		
		2018	2017
		----- (Rupees) -----	
Capital reserve			
Reserve for exceptional losses	20.1	281,000,000	281,000,000
Revenue reserve			
Available for sale reserve		1,705,142,630	2,200,414,464
General reserve		<u>1,777,419,085</u>	<u>1,777,419,085</u>
		<u>3,763,561,715</u>	<u>4,258,833,549</u>
20.1	These reserves for exceptional losses was set aside prior to 1979 and was charged to profit and loss account with the provision of Income Tax Act of 1922 (repealed). The Company has ceased to set aside such reserves.		

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Notes to the Financial Statements

For the year ended December 31, 2018

		2018	2017
	Note	----- (Rupees) -----	
21	OUTSTANDING CLAIMS INCLUDING IBNR		
	Facultative business	2,151,584,237	2,604,744,611
	Treaty	2,024,126,319	2,113,857,589
		<u>4,175,710,556</u>	<u>4,718,602,200</u>
	Claims related to Bangladesh, adjusted in note 7	21.3 (4,952,000)	(4,952,000)
		<u>4,170,758,556</u>	<u>4,713,650,200</u>
21.1	Facultative business		
	Fire	1,239,691,600	1,250,561,544
	Marine cargo	71,695,793	45,634,627
	Marine hull	122,226,552	98,270,441
	Accident and others	207,521,776	172,267,889
	Aviation	179,605,059	116,351,952
	Engineering	330,843,457	921,658,158
		<u>2,151,584,237</u>	<u>2,604,744,611</u>

21.2 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, during the prior year on May 30, 2017 SECP has 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. 65.200 million. Further, the Company recorded Facultative IBNR on basis of actuarial valuation amounting to Rs. 142.683 million.

		2018	2017
		----- (Rupees) -----	
21.3	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
		<u>4,952,000</u>	<u>4,952,000</u>

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		2018	2017 (Restated)
	Note	----- (Rupees) -----	
22	UNEARNED PREMIUM RESERVES		
	Facultative business	3,080,511,165	2,419,234,974
	Treaty	<u>1,909,776,775</u>	<u>1,437,424,021</u>
		<u>4,990,287,940</u>	<u>3,856,658,995</u>
22.1	Facultative business		
	Fire	515,086,813	569,580,358
	Marine cargo	10,212,945	14,456,478
	Marine hull	19,682,975	18,199,495
	Accident and others	63,414,119	39,481,846
	Aviation	1,561,443,913	1,197,098,425
	Engineering	<u>910,670,400</u>	<u>580,418,372</u>
		<u>3,080,511,165</u>	<u>2,419,234,974</u>
23	UNEARNED REINSURANCE COMMISSION		
	Facultative business	71,094,492	283,361,032
	Treaty	<u>3,862,667</u>	<u>1,304,055</u>
		<u>74,957,159</u>	<u>284,665,087</u>
23.1	Facultative business		
	Fire	683,462	248,665
	Marine hull	1,246,405	1,119,974
	Accident and others	283,401	-
	Aviation	567,150	232,661,572
	Engineering	<u>68,314,074</u>	<u>49,330,821</u>
		<u>71,094,492</u>	<u>283,361,032</u>
24	RETIREMENT BENEFITS OBLIGATIONS		
	Defined benefit obligations of Post employee benefits		
	Employee's pension fund	437,384,000	369,752,193
	Officer pension benefits	1,316,191,000	1,054,728,493
	Gratuity fund	13,780,000	8,705,954
	Other post employment benefits		
	Post retirement medical benefits	698,828,000	635,814,007
	Other long term employment benefits		
	Compensated absences	<u>117,065,954</u>	<u>124,559,050</u>
		<u>2,583,248,954</u>	<u>2,193,559,697</u>

24.1 EMPLOYEE BENEFITS
24.1.1 Defined benefit plans

	2018										2017																				
	Post employment benefits					Other long term employment benefits					Post employment benefits					Other long term employment benefits															
	Retirement benefits		Gratuity			Other post-employment benefits		Medical			Compensated absences		Total		Retirement benefits		Gratuity			Other post-employment benefits		Medical			Compensated absences		Total				
	Officer	Employees																													
	1,316,191	437,384	13,780	698,828	117,065	2,583,248	1,054,598	369,752	8,705	635,816	124,558	2,193,427	1,054,598	369,752	8,705	635,816	124,558	2,193,427	1,054,598	369,752	8,705	635,816	124,558	2,193,427	1,054,598	369,752	8,705	635,816	124,558	2,193,427	
24.1.1.1	2,514,529	413,769	13,780	698,828	117,065	3,757,971	2,097,150	388,664	12,328	635,816	124,558	2,583,248	1,054,598	369,752	8,705	635,816	124,558	2,583,248	1,054,598	369,752	8,705	635,816	124,558	2,583,248	1,054,598	369,752	8,705	635,816	124,558	2,193,427	
24.1.1.2	(1,198,339)	23,615	-	-	-	(1,174,723)	(1,042,552)	(18,911)	(3,623)	-	-	(1,174,723)	(1,042,552)	(18,911)	(3,623)	-	-	(1,174,723)	(1,042,552)	(18,911)	(3,623)	-	-	(1,174,723)	(1,042,552)	(18,911)	(3,623)	-	-	(1,174,723)	
24.1.1.2	1,316,191	437,384	13,780	698,828	117,065	2,583,248	1,054,598	369,752	8,705	635,816	124,558	2,583,248	1,054,598	369,752	8,705	635,816	124,558	2,583,248	1,054,598	369,752	8,705	635,816	124,558	2,583,248	1,054,598	369,752	8,705	635,816	124,558	2,193,427	
24.1.1.1	1,054,596	369,752	8,705	635,816	124,558	2,193,427	503,875	169,336	6,495	506,911	109,690	2,193,427	503,875	169,336	6,495	506,911	109,690	2,193,427	503,875	169,336	6,495	506,911	109,690	2,193,427	503,875	169,336	6,495	506,911	109,690	2,193,427	
24.1.1.2	43,339	8,808	2,449	5,322	11,988	71,886	3,533	9,676	2,335	11,741	0,731	71,886	3,533	9,676	2,335	11,741	0,731	71,886	3,533	9,676	2,335	11,741	0,731	71,886	3,533	9,676	2,335	11,741	0,731	71,886	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	(3,931)	-	(11,555)	(3,931)	-	-	-	-	-	(11,555)	-	-	-	-	-	-	(11,555)	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	192,000	36,351	1,126	59,530	9,566	296,563	61,404	17,136	0,490	40,553	7,515	296,563	61,404	17,136	0,490	40,553	7,515	296,563	61,404	17,136	0,490	40,553	7,515	296,563	61,404	17,136	0,490	40,553	7,515	296,563	
	(99,042)	(1,796)	(0,299)	-	-	(101,137)	-	-	-	-	-	(101,137)	-	-	-	-	-	-	(101,137)	-	-	-	-	-	-	-	-	-	-	-	-
	136,297	43,363	(0,655)	64,852	9,969	253,826	64,937	26,812	2,825	52,294	30,621	253,826	64,937	26,812	2,825	52,294	30,621	253,826	64,937	26,812	2,825	52,294	30,621	253,826	64,937	26,812	2,825	52,294	30,621	253,826	
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	78,813	16,919	0,048	15,031	-	110,811	-	-	-	-	-	110,811	-	-	-	-	-	110,811	-	-	-	-	-	-	-	-	-	-	-	-	-
	247,976	(24,920)	1,759	1,487	-	226,302	553,761	134,075	0,864	92,409	-	226,302	553,761	134,075	0,864	92,409	-	226,302	553,761	134,075	0,864	92,409	-	226,302	553,761	134,075	0,864	92,409	-	226,302	
	326,789	(8,001)	1,807	16,518	-	337,113	553,761	134,075	0,864	92,409	-	337,113	553,761	134,075	0,864	92,409	-	337,113	553,761	134,075	0,864	92,409	-	337,113	553,761	134,075	0,864	92,409	-	337,113	
	(56,745)	44,322	3,922	-	-	(8,501)	87,481	51,701	(0,890)	-	-	(8,501)	87,481	51,701	(0,890)	-	-	(8,501)	87,481	51,701	(0,890)	-	-	-	-	-	-	-	-	-	-
	(56,745)	44,322	3,922	-	-	(8,501)	87,481	51,701	(0,890)	-	-	(8,501)	87,481	51,701	(0,890)	-	-	(8,501)	87,481	51,701	(0,890)	-	-	-	-	-	-	-	-	-	-
	(144,748)	(12,052)	-	-	-	(156,800)	(155,458)	(12,171)	(0,589)	(15,798)	(15,753)	(156,800)	(155,458)	(12,171)	(0,589)	(15,798)	(15,753)	(156,800)	(155,458)	(12,171)	(0,589)	(15,798)	(15,753)	(156,800)	(155,458)	(12,171)	(0,589)	(15,798)	(15,753)	(156,800)	
	-	-	-	(18,358)	(10,915)	(29,273)	-	-	-	-	-	(29,273)	-	-	-	-	-	(29,273)	-	-	-	-	-	-	-	-	-	-	-	-	-
	1,316,191	437,384	13,780	698,828	117,065	2,583,248	1,054,598	369,752	8,705	635,816	124,558	2,583,248	1,054,598	369,752	8,705	635,816	124,558	2,583,248	1,054,598	369,752	8,705	635,816	124,558	2,583,248	1,054,598	369,752	8,705	635,816	124,558	2,193,427	

Note

24.1.1.1 Payable to defined benefit plan

Present value of defined benefit obligation	24.1.1.3	2,514,529
Fair value of plan assets	24.1.1.4	(1,198,339)

24.1.1.2 Movement in payable to / (receivable) from defined benefit plan

Expenses recognized		
Current service cost		
Benefit paid		
Past service cost		
Gain and losses arising on plan settlements		
Gains and losses arising on PVDBO		
DSC's Encashed		
Interest cost		
Interest income on plan assets		
Actuarial (gains) / losses *		

Other comprehensive income		
Actuarial (gain) / loss on defined benefit obligations arising from changes:		
Demographic assumptions		
Financial assumptions		
Experience (gains) / losses		

Actuarial (gain) / loss on plan assets		
Assets/Liability transferred from Employees' Pension fund		
Contributions to the Fund		
Payment made on behalf of fund		
Benefits paid - net		

Closing balance

* This represents actuarial losses / (gains) on 'other long term benefits', i.e. compensated absences and are required to be recognized as expenses / (income) in profit and loss account.

	Post employment benefits			Other long term employment benefits			Total			Post employment benefits			Other long term employment benefits			Total					
	Retirement benefits			Other post-employment benefits			Total			Retirement benefits			Other post-employment benefits			Total					
	Pension	Gratuity	Medical	Compensated absences	Pension	Gratuity	Medical	Compensated absences	Pension	Gratuity	Medical	Compensated absences	Pension	Gratuity	Medical	Compensated absences	Pension	Gratuity	Medical	Compensated absences	
																					Officer
Rupees in millions																					
24.1.1.3	2,097,149	388,663	12,329	635,816	124,558	3,258,515	1,561,719	235,619	9,020	506,911	109,690	2,422,959	3,533	9,676	11,741	0.731	28,016				
	43,339	8,808	2,449	5,322	11,988	71,866															
	192,000	36,351	1,126	59,530	9,826	298,833	133,595	21,465	0,698	40,553	7,515	203,826	(144,748)	(12,052)	(10,915)	(18,358)	(155,458)	(12,171)	(0,589)	(15,798)	
	-	-	(3,931)	-	-	(3,931)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	78,813	16,919	0,048	15,031	-	110,811	553,761	134,075	0,864	92,409	22,375	803,484	247,976	(24,920)	1,759	1,487	-	-	-	-	
	2,514,529	413,769	13,780	698,828	117,065	3,757,971	2,097,150	388,664	12,328	635,816	124,558	3,258,516									
24.1.1.1	1,042,551	18,911	3,623	-	-	1,065,085	1,057,842	66,283	2,525	-	-	1,126,650	144,748	12,052	-	-	76,728				
	99,042	1,796	0,299	-	-	101,137	72,191	4,329	0,208	-	-	76,728	156,800	-	-	-	-				
	(144,748)	(12,052)	-	-	-	(156,800)	155,458	12,171	-	-	-	167,629	(144,748)	(12,052)	-	-	(167,629)				
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-				
	56,745	(44,322)	(3,922)	-	-	8,501	(87,481)	(51,701)	0,890	-	-	(138,292)	-	-	-	-	-				
24.1.1.1	1,198,338	(23,615)	-	-	-	1,174,723	1,042,552	18,911	3,623	-	-	1,065,086	155,787	(42,526)	(3,623)	-	(61,584)				
24.1.1.5	152,735,000	176,253,000	-746.33%	156,125,000	155,787	109,638	165,122,942	15,84%	190,548,563	1007.68%	165,588,121	4569.26%	-	-	-	-	-				
24.1.1.6	59,000,000	243,000,000	-1028.96%	9,800,000	(3,623)	1,174,723	82,526,797	7.92%	355,211,782	1878.48%	9,625,073	265.60%	986,603,000	343,403,000	-1454.11%	816,000	(171,589,238)	-4734.86%			
	82,333%	(766,272,000)	3329.40%	(166,741,000)	155,787	109,638	794,901,618	76.25%	(526,850,765)	-2786.16%	(171,589,238)	0.00%	-	-	-	-	-				
	100.00%	(23,616,000)	100.00%	-	1,198,338,000	100.00%	1,042,551,357	100.00%	18,909,560	100.00%	3,623,956	100.00%	1,198,338,000	100.00%	100.00%	100.00%	100.00%				

Note

24.1.1.3 Present value of the defined benefit obligations

Present value of obligation at the beginning of the period
 Current service cost
 Past service cost
 Interest cost
 Benefits paid
 Liability transferred from Employees' Pension fund
 Actuarial (gain) or loss on obligation - balancing figure
 Experience adjustment
 Present value of obligation at the end of the period

24.1.1.4 Fair value of plan assets

Fair value at the beginning of the year
 Expected return on plan assets
 Contributions to the fund
 Interest income on plan assets
 Payment made on behalf of fund
 Benefits paid
 Liability transferred from Employees' Pension fund
 Assets transferred from Employees' Pension Fund
 Actuarial gain / (loss) on plan assets

24.1.1.1
 24.1.1.5

24.1.1.6 Composition of fair value of plan assets

Assets with an active market
 Open ended mutual funds units / Equity Term Finance certificates

Assets with no active market
 Term deposit receipts
 Others (including cash and bank balances)
 Liabilities

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

Post employment benefits			
Retirement benefits			Other post-employment benefits
Pension		Gratuity	Medical
Officer	Employees		
220,323	69,331	5,117,000	102,143

24.1.1.8 Expected charge to the Funds for the year ending December 31, 2018

24.1.1.9 Actuarial valuation assumptions	2018					2017				
	Pension		Gratuity	Medical	Compensated absences	Pension		Gratuity	Medical	Compensated absences
	Officer	Employees				Officer	Employees			
Valuation discount rate	9.50%	9.50%	9.50%	9.50%	8.25%	9.50%	9.50%	8.25%	9.50%	8.25%
Expected return in plan assets	13.75%	13.75%	13.75%	-	-	9.50%	9.50%	8.25%	-	-
Salary increase rate	13.75%	13.75%	13.75%	-	13.75%	9.50%	9.50%	8.25%	-	8.25%
Indexation in pension	9.25%	9.25%	-	-	-	5.00%	5.00%	-	-	-
Exposure inflation rate	-	-	-	-	-	-	-	-	-	-
Medical inflation rate	-	-	-	13.75%	-	-	-	-	9.50%	-

24.1.1.10 The effect of one percentage movement in the

	Original	1% Increase	1% Decrease
	Rupees in millions		
Valuation discount rate			
Present value of obligation - other than medical	2,942.078	2,912.657	2,971.499
Financial impact on present value of obligation	-	(29.421)	29.421
Valuation discount rate %	9.5%	10.5%	8.5%
Salary increase rate			
Present value of obligation - other than medical	2,942.078	2,912.657	2,971.499
Financial impact on present value of obligation	-	(29.421)	29.421
Salary increase rate %	13.75%	14.8%	12.8%
Medical inflation rate			
Present value of obligation - medical	698.828	691.840	705.816
Financial impact on present value of obligation	-	(6.988)	6.988
Medical inflation rate %	13.75%	14.8%	12.8%
Life expectancy			
Present value of obligation	3,757.971	3,720.391	3,795.551
Financial impact on present value of obligation	-	(37.580)	37.580

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Notes to the Financial Statements

For The Year Ended December 31, 2018

		2018	2017 (Restated)
		----- (Rupees) -----	
25	DEFERRED TAXATION		
	Deferred tax liabilities on taxable temporary differences:		
	Property and equipment	1,797,015	586,535
	Held to maturity investments	1,193,290	-
	Unrealized gain on available for sale investments	<u>662,947,379</u>	<u>898,760,838</u>
		665,937,684	899,347,373
	Deferred tax assets on deductible temporary differences:		
	Provision for doubtful debts	(22,614,006)	(23,421,651)
	Provision for impairment of insurers / reinsurers receivable	(146,897,602)	(152,143,944)
	Provision for impairment of receivables from other insurers / reinsurers	(4,760,000)	(4,930,000)
	Provision for dividend receivable	(559,310)	(579,285)
	Provision for impairment in available for sale investments	(115,893,723)	(96,299,063)
	Held to maturity investments	-	(3,825,350)
	Unrealized loss on held for trading investments	(6,222,939)	(8,718,138)
		<u>(296,947,580)</u>	<u>(289,917,431)</u>
		<u>368,990,104</u>	<u>609,429,942</u>
		2018	2017
		----- (Rupees) -----	
26	INSURANCE / REINSURANCE PAYABLES		
	Due to other insurers / reinsurers	2,520,075,675	1,957,775,833
	Premium and claim reserves retained from retrocessionaires	<u>18,343,273</u>	<u>18,343,273</u>
		<u>2,538,418,948</u>	<u>1,976,119,106</u>
26.1	Due to other insurers / reinsurers		
	Due to other insurers	280,365,513	422,398,813
	Due to other reinsurers	<u>2,239,710,162</u>	<u>1,535,377,020</u>
		<u>2,520,075,675</u>	<u>1,957,775,833</u>
26.1.1	These balances are based on underlying information and returns submitted by insurers/reinsurers periodically. During a prior year, a Reconciliation Committee was formed via Office Order No. 169 as approved by the Audit Committee of the Board during its meeting held on August 25, 2015 to reconcile and agree the balances relating to other insurer / reinsurer to ensure that the balances are accurate and complete in respect of information available. The provision held is also subject to review as a part of this exercise.		
26.2	Premium and claim reserves retained from retrocessionaires		
		2018	2017
		----- (Rupees) -----	
	Premium reserves	228,411	228,411
	Losses reserves	16,472,741	16,472,741
	Cash losses received from retrocessionaires	<u>1,642,121</u>	<u>1,642,121</u>
		<u>18,343,273</u>	<u>18,343,273</u>

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For the year ended December 31, 2018

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

27	OTHER CREDITORS AND ACCRUALS	Note	2018	2017
			----- (Rupees) -----	
	Other creditors and accruals		33,635,846	33,227,734
	Security deposits	27.1	26,556,464	23,521,677
	Accrued expenses		19,474,459	14,160,297
	Unpaid and unclaimed dividend		151,373,107	129,369,029
	Surplus profit payable	27.2	1,212,602	1,212,600
			<u>232,252,478</u>	<u>201,491,337</u>

27.1 This includes security deposits amounting to Rs. 20.188 million (2017: Rs. 17.153 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.

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

28 CONTINGENCIES AND COMMITMENTS

28.1 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, 2018 amounting to Rs. 29.112 million (December 31, 2017: Rs. 24.024 million).

Currently, a stay is operating in favour of the Company and the matter is pending before the Honourable Court of Senior Judge - Karachi, West, 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 there has been no further proceedings in this case since last year.

28.2 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 during the year 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 Honorable 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.

Therefore, during the year, 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. 372.200 million and Rs. 1,118.094 million respectively. The Company has filed reference in the Honorable High Court of Sindh, dated April 18, 2016 against the Orders of Appellant Tribunal. On May 31, 2016, SRB recovered an amount of Rs. 442.424 million from the Company's bank accounts under section 66 of Sindh Sales Tax Act, 2011. On June 03, 2016, the Honorable High Court of Sindh granted stay to the Company in respect of this matter which restrained SRB from proceeding against the Company. The case is still pending before the Honorable High Court of Sindh..

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Notes to the Financial Statements

For The Year Ended December 31, 2018

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 prior year, 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. After obtaining legal opinion, approval from Board of Directors and Ministry of Commerce, the Company wrote a letter dated May 17, 2016, to the Commission (SRB) that the Company is in agreement to make payment of the principal amount of the demand under protest subject to 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 Honorable 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.

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 and 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 and loss accounts for the years 2014, 2015, 2016, 2017 and 2018, the financial impact of which on the financial statements has remained unascertained.

Based on the legal opinion from legal advisor, management is confident that strong grounds exist to contest the case. The management believes that eventual outcomes will come in favor of the Company. Accordingly, no provision for sales tax liability for the years 2011 to 2018 has been recorded in these financial statements.

Subsequent to year end, 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.

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28.3 The Company has received a notice from the Regional Director of Employee Old Age Benefit Institution 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 PRCL 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 is not applicable. Suit was filed with the Honorable Civil Court Judge Karachi East in 2011 where the judgment has come against the Company.

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

28.4 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 Honorable High Court of Sindh and the Honorable 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 Honorable High Court of Sindh. The Company is confident that outcome of the case will be in the favor of Company in light of 18th amendment in the Constitution of Pakistan.

28.5 Contingencies related to income tax are presented in note 37 to these financial statements.

28.6 There are no commitments as on the reporting date (2017: Nil).

		2018	2017 (Restated)
	Note	----- (Rupees) -----	-----
29	NET INSURANCE PREMIUM		
Written Gross Premium		10,734,455,823	8,035,591,292
Add: Unearned premium reserve opening		3,856,658,995	3,879,309,390
Less: Unearned premium reserve closing	22	<u>(4,990,287,940)</u>	<u>(3,856,658,993)</u>
Premium earned		<u>9,600,826,878</u>	<u>8,058,241,689</u>
Less:			
Reinsurance premium ceded		4,739,552,006	3,347,520,637
Add: Prepaid reinsurance premium opening		1,870,094,821	1,574,441,952
Less: Prepaid reinsurance premium closing	17	<u>(2,472,406,314)</u>	<u>(1,870,094,821)</u>
Reinsurance expense		<u>4,137,240,513</u>	<u>3,051,867,768</u>
		<u>5,463,586,365</u>	<u>5,006,373,921</u>
30	NET INSURANCE CLAIMS		
Claim paid		2,999,830,452	4,919,821,648
Add: Outstanding claims including IBNR closing	21	4,175,710,556	4,718,602,200
Less: Outstanding claims including IBNR opening		<u>(4,718,602,200)</u>	<u>(4,595,623,732)</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

		2018	2017 (Restated)
	Note	----- (Rupees) -----	-----
Claims expense		2,456,938,808	5,042,800,116
Less:			
Reinsurance and other recoveries received		273,066,165	1,875,914,050
Add: Reinsurance and other recoveries in respect of outstanding claims opening	15	2,159,694,037	2,732,782,143
Less: Reinsurance and other recoveries in respect of outstanding claims closing	15	1,351,771,237	2,159,694,037
Reinsurance and other recoveries revenue		534,856,635	(1,302,825,944)
		<u>2,991,795,443</u>	<u>3,739,974,172</u>
31 NET COMMISSION AND OTHER ACQUISITION COSTS			
Commission paid / payable		1,160,887,195	1,362,863,863
Add: Deferred commission expense opening	16	696,641,093	551,912,413
Less: Deferred commission expense closing	16	(565,597,975)	(696,641,093)
Net commission		<u>1,291,930,313</u>	<u>1,218,135,183</u>
Less: Commission received or recoverable		35,529,868	335,331,660
Add: Unearned reinsurance commission opening	23	284,665,088	19,768,657
Less: Unearned reinsurance commission closing	23	(74,957,159)	(284,665,088)
Commission from reinsurer		<u>245,237,797</u>	<u>70,435,229</u>
		<u>1,046,692,516</u>	<u>1,147,699,954</u>
32 MANAGEMENT EXPENSES			
Employee benefit cost	32.1	742,305,308	671,029,000
Travelling and conveyance		6,372,803	9,957,807
Entertainment		8,193,193	12,737,546
Legal fees		2,965,524	4,116,376
Communication		1,648,392	1,157,169
Insurance		6,501,026	4,649,691
Utilities		28,546,293	31,983,989
Printing and stationary		2,456,853	1,994,987
Repairs and renewal		1,064,486	1,512,430
Medical		16,312,449	20,677,805
Rent, rates and taxes		5,029,935	4,913,269
Computer related expenses		2,865,821	2,977,472
Consultancy and professional charges		2,486,376	851,347
Newspaper and periodicals		6,443,605	7,263,323
Financial and CDC charges		589,287	198,683
Depreciation		7,904,108	7,261,171
Director's meeting expenses		12,118,751	17,753,908
Advertisement and business promotion		3,420,195	3,350,420
Training and research		938,260	5,837,711
Repairs and maintenance		22,558,454	19,400,244
Shares transaction costs		511,537	9,445
Others		6,177,067	5,841,765
		<u>887,409,723</u>	<u>835,475,558</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

	Note	2018 ----- (Rupees)	2017 (Restated) -----
Expenses allocated to rental income	34	(26,998,887)	(22,698,251)
Expenses allocated to investment income	33	(15,918,328)	(17,180,306)
		<u>844,492,508</u>	<u>795,597,001</u>
32.1 Employee benefit cost			
Salaries, wages and other benefits		484,557,308	493,540,000
Employee benefits			
Officers' pension		136,297,000	64,937,000
Employees' pension		43,363,000	26,812,000
Post retirement medical benefits		64,852,000	52,294,000
Gratuity fund		3,267,000	2,825,000
Compensated absences		9,969,000	30,621,000
		<u>257,748,000</u>	<u>177,489,000</u>
		<u>742,305,308</u>	<u>671,029,000</u>
33 INVESTMENT INCOME			
Income from equity securities			
Available for sale			
Dividend income		129,511,393	415,228,241
Profit on Term Finance Certificate		790,411	-
Held for trading			
Dividend income		7,132,073	9,422,478
		<u>137,433,877</u>	<u>424,650,719</u>
Income from debt securities			
Held to maturity			
Return on debt securities			
Pakistan Investment Bond		276,519,025	302,699,008
Treasury Bills		106,998,063	80,509,101
Amortization of (discount)/premium on PIB		(3,966,374)	8,575,301
		<u>379,550,714</u>	<u>391,783,410</u>
Profit received from bank		71,542,509	82,781,979
Net realized gains on investments			
Available for sale financial assets			
Realized gain on Equity securities		207,843,216	2,798,575,853
Held for trading financial assets			
Realized gain on Equity securities		14,583,030	-
Net unrealized losses on investments			
Net unrealized losses on investments at fair value through profit or loss (held for trading purpose)		(22,224,781)	(30,062,545)
Total investment income		<u>788,728,565</u>	<u>3,667,729,416</u>
Less: Impairment in value of available for sale investment		(81,840,419)	(324,680,579)
Less: Investment related expenses		(15,918,328)	(17,180,306)
Net Investment income		<u>690,969,818</u>	<u>3,325,868,531</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

		2018	2017 (Restated)
	Note	----- (Rupees) -----	-----
34	RENTAL INCOME		
	Rental income	89,317,945	78,966,046
	Less: Expenses of investment property	<u>(26,998,887)</u>	<u>(22,698,251)</u>
		<u>62,319,058</u>	<u>56,267,795</u>
34.1	The rental income represents income from letting out of PRC Tower.		
35	OTHER INCOME		
	Return on deposits	800,656	605,453
	Miscellaneous income	1,403,687	131,288,891
	Exchange gain	415,090,413	102,949,620
	Return on loans to employees	-	1,066
		<u>417,294,756</u>	<u>234,845,030</u>
35.1	This represents interest received by the Company in respect of premium deposits retained by the ceding companies.		
35.2	Corresponding amount includes Rs. 113.729 million received from the National Investment Trust (NIT) against Zakat deducted under the Zakat & Ushr Ordinance, 1980 on dividend income.		
36	OTHER EXPENSES		
	Legal and professional fee other than business related		
		83,600	473,840
	Auditors' remuneration	1,601,175	1,306,630
	Fee and subscription	851,676	700,704
	Subscription and membership fee	907,326	1,231,068
	PRC Employees Welfare Fund	5,000,000	5,000,000
	Provision against lease rental payable-KPT	2,911,204	9,226,859
	Provision against receivable of Export Credit Guarantee Scheme	-	28,071,218
	Receivable from Economic Cooperation Organization (ECO) Reinsurance Pool	-	18,244,677
		<u>11,354,981</u>	<u>64,254,996</u>
36.1	Auditors' remuneration		
	Audit fee		
	Annual	702,979	554,400
	Interim review	163,944	138,600
	Out-of-pocket expense	114,246	69,300
	Other certification fee	620,006	544,330
		<u>1,601,175</u>	<u>1,306,630</u>

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

37 TAXATION	2018	2017 (Restated)
	----- (Rupees) -----	
For the year		
Current	461,765,980	725,108,217
Deferred	(4,626,379)	(104,783,340)
	<u>457,139,601</u>	<u>620,324,877</u>
Prior year	47,516,917	29,168,233
	<u>504,656,518</u>	<u>649,493,110</u>
37.1 Relationship between tax expenses and accounting profit		
Profit before tax	<u>1,739,943,537</u>	<u>2,875,829,154</u>
Tax at the applicable rate of 29% (2017: 30%)	504,583,626	862,748,746
Tax effect of income that are deductible in determining the taxable profit	(47,444,025)	(242,423,869)
Prior year tax adjustment	47,516,917	29,168,233
Charge for the year	<u>504,656,518</u>	<u>649,493,110</u>
Effective tax rate	29.00%	22.58%

37.2 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 CIRA before Appellate Tribunal Inland Revenue (ATIR) which are still pending in ATIR.

Further, ATIR has passed the order in favor 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.

37.3 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.

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, which is pending for final verdict.

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 favor 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 favor of Company for tax Years 2011, 2015 and 2017 amounting to Rs. 220,905,279, Rs. 24,228,768 and Rs.

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

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 favor of Company. However, during the year the Company paid an amount of Rs. 100 million under protest.

38 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:

	2018	2017 (Restated)
	----- (Rupees) -----	
Profit after tax for the year - Rupees	1,235,287,019	2,226,336,044
Weighted average number of ordinary shares	<u>300,000,000</u>	<u>300,000,000</u>
Earnings per share - Rupees - basic and diluted	<u>4.12</u>	<u>7.42</u>

38.1 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.

39 COMPENSATION OF DIRECTOR AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2018	2017	2018	2017	2018	2017
	----- Rupees -----					
Fees	-	-	7,912	9,080	-	-
Managerial remuneration	1,180	1,224	-	-	146,236	153,529
Leave encashment	140	-	-	-	6,423	6,023
Bonus	-	424	-	-	52,782	48,967
Ex-gratia allowance	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	214,385	150,676
Contribution to defined contribution plan	-	-	-	-	-	-
Rent and house maintenance	1,337	744	-	-	98,458	109,495
Utilities	362	120	-	-	26,818	29,754
Dearness allowance	-	-	-	-	20,474	18,364
Conveyance / car monetization	2,400	-	-	-	21,897	24,152
Adhoc relief (2016, 2017 and 2018)	311	220	-	-	-	-
Qualification pay	36	18	-	-	-	-
Deputation allowance	144	72	-	-	-	-
Order allowance	168	72	-	-	-	-
Education allowance	138	88	-	-	16,233	6,962
Others	336	69	-	-	8,472	7,185
	<u>6,552</u>	<u>3,051</u>	<u>7,912</u>	<u>9,080</u>	<u>612,178</u>	<u>555,107</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>138</u>	<u>152</u>

PAKISTAN REINSURANCE COMPANY LIMITED

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For the year ended December 31, 2018

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 132nd 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 the Chief Executive Officer, 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.

	2018	2017 (Restated)
40 EMPLOYEES	Note	Number of Person
Number of employees at the year end		
Permanent		188
Others		18
Average number of employees during the year		
Permanent		198
Others		16

41 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.

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Notes to the Financial Statements

For The Year Ended December 31, 2018

Had the exemption not been granted, Staff costs of the Corporation 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.

42 RELATED PARTIES TRANSACTIONS

Government of Pakistan through Ministry of Commerce owns 51% (2017: 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 are as follows:

Transaction with related parties are summarised as follows:

	2018	2017 (Restated)
	----- (Rupees) -----	
Major shareholder		
Government of Pakistan (GoP) through Ministry of Commerce		
Dividend paid for the preceding year	471,239,248	403,919,355
State Life Insurance Corporation of Pakistan		
Dividend paid for the preceding year	256,312,704	219,696,603
Related parties by virtue of GoP's holdings		
State Bank of Pakistan		
Purchase of investment (Treasury Bills)	6,661,719,852	4,980,217,625
Dividend received during the year	49,000	49,000
Pakistan State Oil Company Limited		
Dividend received during the year	146,280	174,730
National Investment Trust Limited		
Dividend received during the year	47,520,000	68,013,000
National Insurance Company Limited		
Premium due but unpaid	1,544,908,121	1,398,248,084
Insurance premium written during the year	4,352,797,287	2,732,632,405
Premium received	(3,620,492,540)	(2,585,972,368)
Balance at the end of year	2,277,212,868	1,544,908,121
Insurance commission paid	61,143,627	232,151,405
Insurance claims paid	26,691,710	1,644,660,387
Amount received from Ministry of Religious Affair against National Investment Trust (NIT) zakat deduction	-	113,721,803
Amount received on account of PIGL bogus reinsurance claims from National Accountability Bureau	64,254,933	-
Other related parties		
Contribution to staff benefit funds		
Remuneration including benefits and perquisites of key management personnel	679,424,000	677,091,000

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

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

43 SEGMENT INFORMATION

Following are the segment assets, liabilities, revenue and expenses of the Company:

Current year	December 31, 2018							Total
	Fire and property damage	Marine Cargo	Marine Hull	Accident	Aviation	Engineering	Treaty	
	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	1,197,098,425	580,418,372	1,437,424,021	3,856,658,993
Less: Unearned closing	515,086,813	10,212,944	19,682,975	63,414,119	1,561,443,913	910,670,399	1,909,776,775	4,990,287,938
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	349,342,363	-	50,386,987	4,806,849	1,176,704,242	2,415,420,804	742,890,761	4,739,552,006
Add: Prepaid reinsurance opening	21,982,924	-	7,395,637	3,752,269	1,069,008,688	449,111,482	318,843,821	1,870,094,821
Less: Prepaid reinsurance closing	20,689,140	-	8,245,057	2,834,005	1,363,388,470	736,785,938	340,463,704	2,472,406,314
Reinsurance expenses	350,636,147	-	49,537,567	5,725,113	882,324,460	2,127,746,348	721,270,878	4,137,240,513
Net insurance premium	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
Commission income	17,825,924	-	5,527,074	197,284	4,922,716	207,563,150	9,201,649	245,237,797
Net underwriting income - A	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
Insurance claims paid	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
Less: Outstanding-opening	1,250,561,544	45,634,627	98,270,441	172,267,889	116,351,952	921,658,158	2,113,857,589	4,718,602,200
Add: Outstanding-closing	1,239,691,600	71,695,793	122,226,552	207,521,776	179,605,059	330,843,457	2,024,126,319	4,175,710,556
Insurance claims expenses	488,728,058	33,969,600	37,105,750	69,918,632	77,272,578	(512,951,120)	2,262,895,310	2,456,938,808
Reinsurance recoveries received	-	-	7,500,519	-	9,181,349	358,440	256,025,857	273,066,165
Less: Recovery-opening	542,010,270	-	27,864,737	-	46,134,162	706,346,795	837,338,073	2,159,694,037
Add: Recovery-closing	388,223,063	18,693,025	43,266,176	-	96,177,837	133,235,349	672,175,787	1,351,771,237
Insurance claims recovered from reinsurers	(153,787,207)	18,693,025	22,901,958	-	59,225,024	(572,753,006)	90,863,571	(534,856,635)
Net claims	642,515,265	15,276,575	14,203,792	69,918,632	18,047,554	59,801,886	2,172,031,739	2,991,795,443
Commission expense	227,524,235	7,935,441	7,129,437	13,022,418	6,155,864	136,381,102	893,781,815	1,291,930,312
Management expense	207,770,418	21,981,218	17,887,721	38,738,521	40,891,611	75,032,607	442,190,491	844,492,587
Premium deficiency expense	-	-	-	-	-	-	-	-
Net insurance claims and expenses - B	1,077,809,918	45,193,234	39,220,950	121,679,571	65,095,029	271,215,595	3,508,004,045	5,128,218,342
Underwriting results C = A-B	277,731,217	8,848,327	15,319,793	41,547,899	94,247,178	373,702,501	(230,791,095)	580,605,820
Net investment income								690,969,818
Rental income								62,319,058
Other charges								(11,354,981)
Other income								417,294,756
Profit before tax								1,739,834,471
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								19,122,358,665
								24,831,182,827
Segment liabilities	1,077,809,918	45,193,234	39,220,950	121,679,571	65,095,029	271,215,595	3,508,004,045	5,128,218,342
Unallocated liabilities								9,831,163,097
								14,959,381,439

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Prior year

December 31, 2017

	December 31, 2017							Total
	Fire and property damage	Marine Cargo	Marine Hull	Accident	Aviation	Engineering	Treaty	
	-----Rupees-----							
Gross written premium	1,561,371,603	48,291,004	68,550,220	151,335,376	1,272,617,286	1,564,099,541	3,369,326,262	8,035,591,292
Add: Unearned-Opening	511,499,830	8,298,683	27,574,051	21,996,937	974,705,777	484,890,991	1,850,343,121	3,879,309,390
Less: Unearned-Closing	569,580,358	14,456,478	18,199,494	39,481,845	1,197,098,425	580,418,372	1,437,424,021	3,856,658,993
Premium Earned	1,503,291,075	42,133,209	77,924,777	133,850,466	1,050,224,638	1,468,572,160	3,782,245,362	8,058,241,689
Less: Reinsurance-Ceded	417,353,527	-	34,599,887	8,211,621	1,167,117,956	1,125,652,896	594,584,750	3,347,520,637
Add: Prepaid Reinsurance-Opening	42,796,072	-	11,551,731	9,288	892,672,413	376,686,644	250,725,804	1,574,441,952
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	438,166,675	-	38,755,981	4,468,640	990,781,681	1,053,228,058	526,466,733	3,051,867,768
Net insurance premium	1,065,124,400	42,133,209	39,168,796	129,381,828	59,442,957	415,344,102	3,255,778,629	5,006,373,921
Add: Commission income	22,458,628	-	5,574,573	16,873	16,842,036	22,623,624	2,919,495	70,435,229
Net underwriting income - A	1,087,583,028	42,133,209	44,743,369	129,398,701	76,284,993	437,967,726	3,258,698,124	5,076,809,150
Insurance claims paid	475,269,210	14,816,618	95,127,115	25,653,949	1,558,341,852	417,498,185	2,333,114,719	4,919,821,648
Less: Outstanding-opening	994,479,472	35,404,588	79,759,482	192,339,624	1,261,479,243	220,017,329	1,812,143,994	4,595,623,732
Add: Outstanding-closing	1,250,561,544	45,634,627	98,270,441	172,267,889	116,351,952	921,658,158	2,113,857,589	4,718,602,200
Insurance claims expenses	731,351,282	25,046,657	113,638,074	5,582,214	413,214,561	1,119,139,014	2,634,828,314	5,042,800,116
Less: Reinsurance Recoveries Received	-	-	46,965,114	-	1,362,389,972	2,969,016	463,589,948	1,875,914,050
Less: Recovery-opening	512,049,237	-	20,071,757	-	1,122,889,424	91,506,402	986,265,323	2,732,782,143
Add: Recovery-closing	542,010,270	-	27,864,737	-	46,134,162	706,346,795	837,338,073	2,159,694,037
Insurance claims recovered from reinsurers	29,961,033	-	54,758,094	-	285,634,710	617,809,409	314,662,698	1,302,825,944
Net claims	701,390,249	25,046,657	58,879,980	5,582,214	127,579,851	501,329,605	2,320,165,616	3,739,974,172
Commission expense	212,111,728	6,976,620	7,146,530	20,509,536	5,662,385	71,678,900	894,049,483	1,218,135,182
Management expense	169,266,178	6,695,675	6,224,580	20,560,948	9,446,485	66,005,162	517,397,972	795,597,001
Premium deficiency expense	-	-	-	-	-	-	-	-
Net insurance claims and expenses - B	1,082,768,155	38,718,952	72,251,090	46,652,698	142,688,721	639,013,667	3,731,613,071	5,753,706,355
Underwriting results C= A-B	4,814,873	3,414,257	(27,507,721)	82,746,003	(66,403,728)	(201,045,941)	(472,914,947)	(676,897,205)
Net investment income	-	-	-	-	-	-	-	3,325,868,531
Rental income	-	-	-	-	-	-	-	56,267,795
Other charges	-	-	-	-	-	-	-	(64,254,996)
Other income	-	-	-	-	-	-	-	234,845,030
Profit before tax	-	-	-	-	-	-	-	2,875,829,155
Segment assets	1,087,583,028	42,133,209	44,743,369	129,398,701	76,284,993	437,967,726	3,258,698,124	5,076,809,150
Unallocated assets	-	-	-	-	-	-	-	19,264,800,705
	-	-	-	-	-	-	-	24,341,609,855
Segment liabilities	1,082,768,155	38,718,952	72,251,090	46,652,698	142,688,721	639,013,667	3,731,613,071	5,753,706,355
Unallocated liabilities	-	-	-	-	-	-	-	8,081,868,009
	-	-	-	-	-	-	-	13,835,574,364

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	2018		2017	
	Lahore	Karachi	Lahore	Karachi
	-----Rupees in thousands-----			
Revenue - net premium	686,840	4,776,746	624,470	4,473,852
Total assets	267,922	24,563,261	280,341	24,061,269
Total liabilities	47,320	14,912,061	230,043	13,605,531

43.1 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.

43.2 Information about major customer

The following table presents 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.

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	2018	2017
	Rupees in thousands	
National Insurance Company Limited		
Facultative business		
Fire	65,143	136,600
Marine hull	80,583	53,173
Aviation	1,369,990	1,241,162
Accident	6,789	8,974
Engineering	2,465,242	1,220,401
	<u>3,987,747</u>	<u>2,660,310</u>
Treaty business	456,312	72,323
	<u>4,444,060</u>	<u>2,732,633</u>
Reliance on customer - percentage of total premium written	41%	34%

44 MOVEMENT IN INVESTMENTS

	Held to Maturity	Available for sale	Fair value through profit or loss	Total
	----- Rupees -----			
At beginning of previous year	4,546,040,140	8,696,423,946	133,095,394	13,375,559,480
Additions	5,511,681,274	1,200,000,000	-	6,711,681,274
Disposals / redemptions	(5,841,857,800)	(4,061,629,534)	-	(9,903,487,334)
Fair value net gains (excluding net realised gains)	-	(931,019,743)	(30,062,545)	(961,082,288)
At beginning of December 31, 2018	<u>4,215,863,614</u>	<u>4,903,774,669</u>	<u>103,032,849</u>	<u>9,222,671,132</u>
Additions	7,495,795,522	100,000,000	159,670,111	7,755,465,633
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 end of current year	<u>4,370,399,035</u>	<u>4,178,359,054</u>	<u>84,938,345</u>	<u>8,633,696,433</u>

45 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.

45.1 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.

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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:

	2018	2017
	Gross sum insured	
	Rupees in thousands	
Fire	5,940,000	2,411,545
Marine cargo	705,475	999,000
Marine hull	885,000	977,498
Accident and others	1,000,000	2,000,000
Aviation	22,176,000	16,845,000
Engineering	6,943,000	8,645,065
	37,649,475	31,878,108

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.

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.

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

Class	2018	2017
	Assumed net loss ratio Percentage	
Fire	47%	57%
Marine cargo	43%	19%
Marine hull	29%	262%
Accident and others	72%	42%
Aviation	12%	81%
Engineering	55%	88%

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	
	2018	2017	2018	2017
	Rupees in thousand		Rupees in thousand	
10% increase in loss	299,179	373,997	206,434	246,838
10% decrease in loss	(299,179)	(373,997)	(206,434)	(246,838)

45.2 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.

45.3 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.

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.

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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:

	2018	2017
	Rupees in thousands	
A or above	3,196,187	2,939,782
BBB	493	188
Others	2,780,720	1,930,408
Total	5,977,400	4,870,378

45.4 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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For the year ended December 31, 2018

	2018	2017
	----- (Rupees) -----	
Bank deposits	2,590,770,336	2,517,016,558
Investments	8,633,696,433	9,222,671,133
Loans and other receivables	2,935,562,441	3,030,492,551
Insurance / Reinsurance receivables	5,977,400,455	4,688,181,227
Reinsurance recoveries against outstanding claims	1,351,771,237	2,159,694,037
	21,489,200,902	21,618,055,505

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.

The age analysis of insurance / reinsurance receivable is as follows:

	2018	2017
	----- (Rupees) -----	
Upto three months	3,149,834	2,149,542
Over three months but upto one year	2,260,324	1,866,055
Over one year but upto two year	175,652	462,766
Over two years but upto three year	115,148	59,458
Over three years	276,442	308,564
	<u>5,977,400</u>	<u>4,846,385</u>
Provision against amount due from other insurers and reinsurers	<u>(541,634)</u>	<u>(541,634)</u>
	<u>5,435,766</u>	<u>4,304,751</u>

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

	Rating			2018	2017
	Short term	Long term	Rating agency	Rupees in thousand	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	11,812	73,178
Bank Al-Habib Limited	A1+	AA+	PACRA	2,572,188	2,398,042
United National Bank Limited, London	A-1+	AAA	JCR-VIS	638	5,818
Bank Alfalah Limited	A-1+	AA+	PACRA	17,806	16,979
Meezan Bank	A-1+	AA+	JCR-VS	50,000	-
Sindh Bank Limited	A-1+	AA	JCR-VIS	-	53,000
				<u>2,652,444</u>	<u>2,547,017</u>

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For The Year Ended December 31, 2018

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:

	Carrying amount	Contractual cash flows	Maturity in one year	Maturity exceeding one year
Rupees in thousand				
December 31, 2018				
Outstanding claims including IBNR	4,170,759	4,170,759	4,170,759	-
Insurance / Reinsurance Payables	2,538,419	2,538,419	2,520,076	18,343
Other Creditors and Accruals	232,252	232,252	232,252	-
	<u>6,941,430</u>	<u>6,941,430</u>	<u>6,923,087</u>	<u>18,343</u>
December 31, 2017				
Outstanding claims including IBNR	4,713,650	4,713,650	4,713,650	-
Insurance / Reinsurance Payables	2,538,419	1,957,776	1,939,433	18,343
Other Creditors and Accruals	232,252	232,252	232,252	-
	<u>7,484,321</u>	<u>6,903,678</u>	<u>6,885,335</u>	<u>18,343</u>

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, 2018 and 2017 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.

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	Fair value	Estimated fair value after change in prices	Increase / (decrease) in	
			Shareholders' equity	Profit before tax
Rupees in thousands				
December 31, 2018				
10% increase	4,179,461	4,597,407	296,742	417,946
10% decrease	-	3,761,515	(296,742)	(417,946)
December 31, 2017				
10% increase	5,006,190	5,506,809	350,433	500,619
10% decrease	-	4,505,571	(350,433)	(500,619)

d) Fair value of financial instruments

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

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:

	2018						Total
	Effective rate per annum (percentage)	Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	
		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	-	-	-	-	-	1,351,771	1,351,771
Subtotal	-	5,813,515	1,071,251	176,403	7,061,169	8,471,622	15,532,793
Financial liabilities							
Outstanding claims including IBNR	-	-	-	-	-	4,713,650	4,713,650
Insurance / Reinsurance Payables	-	-	-	-	-	1,976,119	1,976,119
Other Creditors and Accruals	-	-	-	-	-	201,491	201,491
Subtotal	-	-	-	-	-	6,891,260	6,891,261
Total		5,813,515	1,071,251	176,403	7,061,169	1,580,362	8,641,530
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			

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	2017							
	Effective rate per annum (percentage)	Interest / mark-up bearing financial instruments				Sub total	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				
Rupees in thousand								
Financial assets								
Cash and bank deposits	5.00 to 8.00	2,458,738	-	-	2,458,738	58,278	2,517,016	
Investments	5.90 to 12	2,231,885	808,704	1,145,275	4,185,864	5,036,807	9,222,671	
Insurance / Reinsurance receivables	-	-	-	-	-	4,688,181	4,688,181	
Loans and other receivables	-	-	-	-	-	2,848,725	2,848,725	
Reinsurance recoveries against outstanding claims	-	-	-	-	-	2,159,694	2,159,694	
Subtotal		4,690,623	808,704	1,145,275	6,644,602	14,791,686	21,436,287	
Financial liabilities								
Outstanding claims including IBNR	-	-	-	-	-	2,193,560	2,193,560	
Insurance / Reinsurance Payables	-	-	-	-	-	17,153	17,153	
Other Creditors and Accruals	-	-	-	-	-	201,491	201,491	
Subtotal		-	-	-	-	2,412,205	2,412,205	
Total		4,690,623	808,704	1,145,275	6,644,602	12,379,481	19,024,088	
Interest risk sensitivity gap		4,690,623	808,704	1,145,274	6,356,923			
Cumulative interest risk sensitivity gap		4,402,944	5,211,648	6,356,922				

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.

	2018		2017	
	Increase in profit / decrease (loss) upon change of 100 bps		Increase in profit / decrease (loss) upon change of 100 bps	
	Rupees in thousand			
Cash flow sensitivity - Variable Rate Financial Liabilities	-	-	-	-
Cash flow sensitivity - Variable Rate Financial Assets	70,612	(70,612)	63,569	(63,569)

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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. 2,207.312 million (2017: Rs. 1,967.643 million) and Rs. 0.270 million (2017: Rs. 0.390 million) respectively at reporting date.

The following significant exchange rates were applied during the year:

	2018	2017	2018	2017
	Rupees per US Dollars		Rupees per UK Pound	
Average rate	121.59	105.32	161.86	135.78
Reporting date rate	138.60	110.50	175.88	148.72

45.5 Capital 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.

The Company complies the externally imposed capital requirements during the reported financial year and no change were made to it's objectives, policies and procedures from the previous year.

46 FAIR VALUE OF FINANCIAL INSTRUMENTS

46.1 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, 2018.

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

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

	2018		2017 (Restated)	
	Carrying amount	Fair value	Carrying amount	Fair value
	-----Rupees-----		-----Rupees-----	
Financial Assets				
Investments				
Equity securities				
Held for trading				
Ordinary shares - listed	101,719,495	101,719,495	122,421,204	122,421,204
Available for sale				
Ordinary shares - listed	2,407,046,705	2,407,046,705	3,155,381,059	3,155,381,059
Mutual fund units	1,670,694,732	1,670,694,732	1,747,775,999	1,747,775,999
Ordinary shares - unlisted	617,613	617,613	617,613	617,613
Debt securities				
Pakistan Investment Bonds	2,163,261,750	2,163,261,750	2,426,809,141	2,426,809,141
Treasury Bills	2,207,137,288	2,207,137,288	1,759,054,473	1,759,054,473
Term Finance Certificates	100,000,000	100,000,000	-	-
Term deposits	-	-	30,000,000	30,000,000
	8,650,477,583	8,650,477,583	9,242,059,489	9,242,059,489
Loans and other receivables	2,935,562,441	2,935,562,441	3,030,492,551	3,030,492,551
Insurance / Reinsurance receivables	5,435,766,163	5,435,766,163	4,304,750,965	4,304,750,965
Reinsurance recoveries against outstanding claims	1,351,771,237	1,351,771,237	2,159,694,037	2,159,694,037
Cash and Bank	2,602,483,789	2,602,483,789	2,517,093,774	2,517,093,774
Financial Liabilities				
Outstanding claims including IBNR	4,170,758,556	4,170,758,556	4,713,650,200	4,713,650,200
Unearned premium reserves	4,990,287,940	4,990,287,940	3,856,658,995	3,856,658,995
Unearned Reinsurance Commission	74,957,159	74,957,159	284,665,087	284,665,087
Retirement benefit obligations	2,583,248,954	2,583,248,954	2,193,559,697	2,193,559,697
Insurance / Reinsurance Payables	2,538,418,948	2,538,418,948	1,976,119,106	1,976,119,106
Other Creditors and Accruals	232,252,478	232,252,478	201,491,339	201,491,339

46.2 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:

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

	As at December 31, 2018	Level 1	Level 2	Level 3
	-----Rupees-----			
Financial assets measured at fair value				
Investments at fair value through profit or loss - held for trading				
Ordinary shares - listed	101,719,495	101,719,495	-	-
Investments at fair value- available for sale				
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
	As at December 31, 2017	Level 1	Level 2	Level 3
	-----Rupees-----			
Financial assets measured at fair value				
Investments at fair value through profit or loss - held for trading				
Ordinary shares - listed	122,421,204	122,421,204	-	-
Investments at fair value - available for sale				
Ordinary shares - listed	3,155,381,059	3,155,381,059	-	-
Mutual fund units	1,747,775,999	1,747,775,999	-	-
Ordinary shares - unlisted	617,613	-	-	617,613

46.3 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

46.4 Valuation techniques

Investments held to maturity

- 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

For The Year Ended December 31, 2018

47 STATEMENT OF SOLVENCY

	December 31, 2018 Rupees
Assets	
Property and equipment	42,756,737
Investment property	28,284,000
Investments	
Equity securities	4,163,297,395
Debt securities	4,470,399,038
	8,633,696,433
Loans and other receivables	2,935,562,441
Insurance / Reinsurance receivables	5,435,766,163
Reinsurance recoveries against outstanding claims	1,351,771,237
Deferred Commission Expense	565,597,974
Prepayments	2,476,126,074
Cash and Bank	2,602,483,789
Stock of stationery	517,646
Total assets from window Re-takaful operations - OPF	50,545,771
Total Assets (A)	<u>24,123,108,265</u>
In-admissible assets as per following clause of section 32 (2) of Insurance Ordinance, 2000	
(d)	165,125,171
(p) & (s)	256,268,407
(u i, ii & iii)	29,575,798
(h)	2,285,932,406
Total In-admissible assets (B)	<u>2,736,901,782</u>
Total Admissible Assets (C=A-B)	<u>21,386,206,483</u>
Total Liabilities	
Underwriting Provisions	
Outstanding claims including IBNR	4,170,758,556
Unearned premium reserves	4,990,287,940
Unearned Reinsurance Commission	74,957,159
Retirement benefit obligations	2,583,248,954
Deferred taxation	368,990,104
Insurance / Reinsurance Payables	2,538,418,948
Other Creditors and Accruals	232,252,478
Total Liabilities (D)	<u>14,958,914,139</u>
Total Net Admissible Assets (E=C-D)	6,427,292,344

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For the year ended December 31, 2018

Minimum Solvency Requirement (higher of following)

Method A - U/s 36(3)(a)	150,000,000	
Method B - U/s 36(3)(b)	1,092,717,273	
Method C - U/s 36(3)(c)	1,144,779,196	(1,144,779,196)

Excess in Net Admissible Assets over Minimum Requirements

5,282,513,148

48 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 components	Reclassification to components	in "Rupees"
Land and building	Property and equipment	13,862,907
Furniture, fixture, books and office equipment	Property and equipment	9,786,151
Electrical installations, air conditioning plant and lifts	Property and equipment	6,442,633
Motor vehicles	Property and equipment	6,479,029
Cash and Bank-Term Deposit	Investments	30,000,000
Loans to employees	Loans and other receivables	181,767,723
Accrued investment income	Loans and other receivables	164,005,201
Other receivables	Loans and other receivables	442,424,338
Sundry receivables	Loans and other receivables	2,242,295,286
Amount due from other insurers and reinsurers	Insurance / Reinsurance receivables	4,293,631,457
Premium and claim reserves retained by cedants	Insurance / Reinsurance receivables	11,119,508
Reserve for exceptional losses	Reserves	281,000,000
General reserve	Reserves	1,777,419,085
Amount due to other insurers and reinsurers	Insurance / Reinsurance Payables	1,957,775,833
Premium and claim reserves retained from retrocessionaires	Insurance / Reinsurance Payables	18,343,273
Long term deposits	Other Creditors and Accruals	17,153,494
Other creditors and accruals	Other Creditors and Accruals	33,227,734
Accrued expenses	Other Creditors and Accruals	14,160,297
Retention money payable	Other Creditors and Accruals	6,368,183
Dividend payable	Other Creditors and Accruals	129,369,029
Surplus profit payable	Other Creditors and Accruals	1,212,602

PAKISTAN REINSURANCE COMPANY LIMITED

Notes to the Financial Statements

For The Year Ended December 31, 2018

49 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on April 3, 2019 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 April 30, 2019.

These financial statements for the year ended December 31, 2018 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2019.

50 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on April 3, 2019 by the Board of Directors of the Company.

51 GENERAL

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

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer



EMERGING PAKISTAN



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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, 2018, 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 comprise 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 that 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 Audit 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, 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:

Evaluate 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/ Shariah Advisor and the Board of Directors;

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 during the year ended December 31, 2018 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 conclusion, the annexed statement, for the year ended December 31, 2018, presents fairly the status of compliance of the Retakaful Operations with the Takaful Rules, 2012, in all material respects.

KARACHI
DATED: APRIL 03, 2019

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer



FINANCIAL STATEMENTS

WINDOW RETAKAFUL OPERATIONS

Statement Of Financial Position

As at December 31, 2018

		2018		
		Operator's Fund	Participants' Retakaful Fund	Aggregate
Note		----- Rupees -----		
ASSETS				
	Taxation - payments less provision	287,915	-	287,915
	Receivable from Participants' retakaful fund	1,000	-	1,000
6	Cash and bank balances	50,256,856	1,001,144	51,258,000
	TOTAL ASSETS	<u>50,545,771</u>	<u>1,001,144</u>	<u>51,546,915</u>
EQUITY AND LIABILITIES				
Capital and reserves attributable to:				
Operators' fund				
7	Statutory fund	50,000,000	-	50,000,000
	Unappropriated profit	78,471	-	78,471
		50,078,471	-	50,078,471
Participants' retakaful fund				
	Ceded money	-	1,000,000	1,000,000
	Accumulated surplus	-	144	144
		-	1,000,144	1,000,144
	TOTAL EQUITY	50,078,471	1,000,144	51,078,615
LIABILITIES				
	Payable to Operator's fund	-	1,000	1,000
8	Other creditors and accruals	467,300	-	467,300
	TOTAL EQUITY AND LIABILITIES	<u>50,545,771</u>	<u>1,001,144</u>	<u>51,546,915</u>
9	CONTINGENCIES AND COMMITMENTS			

The annexed notes from 1 to 14 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

Profit & Loss Account

For The Period From September 26, 2018 To December 31, 2018

	Note	For the period from September 26, 2018 to December 31, 2018
		----- Rupees -----
Revenue account		
Participants' retakaful fund		
Net contribution revenue		-
Wakala expense		-
Net retakaful benefits		-
Retakaful Rebate		-
Underwriting result		-
Profit on bank deposit		144
Modarib's shares		-
		144
Cede money received		-
Surplus for the period		144
Accumulated surplus		-
Surplus for the period		144
		144
Revenue account		
Operator's fund		
Wakala fee		-
Management expenses	10	(2,075,329)
Commission expense		-
Cede money paid to participants' retakaful fund		(1,000,000)
		(3,075,329)
Modarib's share of participants' retakaful fund investment income		-
Profit on bank deposit		3,184,317
Profit before taxation		108,988
Taxation		(30,517)
Profit for the period		78,471
Profit and loss appropriation account		
Balance at the beginning of the period		-
Profit for the period		78,471
		78,471

The annexed notes from 1 to 14 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

Statement of Comprehensive Income

For The Period From September 26, 2018 To December 31, 2018

	For the period from September 26, 2018 to December 31, 2018		
	Operator's Fund	Participants' Retakaful Fund	Aggregate
	----- Rupees -----		
Surplus for the period	78,471	1,000,144	1,078,615
Other comprehensive income	-	-	-
Total comprehensive income for the period	<u>78,471</u>	<u>1,000,144</u>	<u>1,078,615</u>

The annexed notes from 1 to 14 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

Statement of Changes In Funds

For The Period From September 26, 2018 To December 31, 2018

	Operator's Fund		
	Statutory Fund	Accumulated Profit	Total
	----- Rupees -----		
Contribution made during the period	50,000,000		50,000,000
Total comprehensive income for the period			
Profit for the period	-	78,471	78,471
Other comprehensive income	-	-	-
	-	78,471	78,471
Balance as at December 31, 2018	<u>50,000,000</u>	<u>78,471</u>	<u>50,078,471</u>

	Participants' Retakaful Fund		
	Cede Money	Accumulated Surplus	Total
	----- Rupees -----		
Cede money received during the period	1,000,000	-	1,000,000
Total comprehensive income for the period			
Surplus for the period	-	144	144
Other comprehensive income	-	-	-
	-	144	144
Balance as at December 31, 2018	<u>1,000,000</u>	<u>144</u>	<u>1,000,144</u>

The annexed notes from 1 to 14 form an integral part of these financial statements.

Chairman

Chief Executive Officer

Director

Director

Chief Financial Officer

Statement of Cash Flow

For The Period From September 26, 2018 To December 31, 2018

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

Operator's Fund	Participants'	
	Retakaful Fund	Aggregate
----- Rupees -----		

OPERATING CASH FLOWS

Retakaful activities	-	-	-
Other operating activities			
Income tax paid	(287,915)	-	(287,915)
Management expenses paid	(3,075,329)	-	(3,075,329)
Other receipts	466,156	1,144	467,300
Net cash (used in) / generated from other operating activities	(2,897,088)	1,144	(2,895,944)

INVESTING ACTIVITIES

Profit income received and total inflow from investing activities	3,184,461	-	3,184,461
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FINANCING ACTIVITIES

Statutory Fund received	50,000,000	1,000,000	51,000,000
Net cash inflow from all activities	50,287,373	1,001,144	51,288,517
Cash and cash equivalent at the beginning of the period	-	-	-
Cash and cash equivalent at the end of the period	50,287,373	1,001,144	51,288,517

Reconciliation to profit and loss account

Operating cash flows	(2,897,088)	-	(2,897,088)
Investment income	3,184,317	-	3,184,317
Income tax paid	287,915	-	287,915
Decrease in operating assets other than cash (Decrease) / increase in operating liabilities	1,144 (467,300)	- 144	1,144 (467,156)
Profit after tax	108,988	144	109,132

Attributed to:

Operators' Fund	108,988	-	108,988
Participants' retakaful fund	-	144	144
	108,988	144	109,132

Other adjustments:

Income tax paid	-	-	-
Profit before taxation	108,988	144	109,132
Provision for taxation	-	-	-
Profit after taxation	108,988	144	109,132

Definition of cash

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

Cash for the purpose of the statement of cash flow consist of:

Cash and cash equivalents:

Cash at bank balances	50,256,856	1,001,144	51,258,000
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The annexed notes from 1 to 14 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 Period From September 26, 2018 To December 31, 2018

1 STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Reinsurance Company Limited (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.
- 1.2** 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 ADDRESSES OF BUSINESS UNITS

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 on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC(Insurance) Rules, 2002] and SECP Circular No.25 of 2015 dated July 9, 2015 with appropriate modifications based on the advice of the Shariah advisor of the Operator.

The financial statements are prepared and presented in Pakistani Rupees, which is the functional and presentation currency. These financial statements reflect the financial position and results of operations of both the Operator and Participant Retakaful Fund in a manner that the assets, liabilities, revenue and expenses of the Operator and Participant Retakaful Fund remain separately identifiable.

3.1 Basis of measurement

These financial statements have been prepared on the historical cost basis.

3.2 Functional and presentation currency

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

PAKISTAN REINSURANCE COMPANY LIMITED (WINDOW RETAKAFUL OPERATIONS) Notes to the Financial Statements

For The Period From September 26, 2018 To December 31, 2018

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

4.1 Amendments that are effective in current year and relevant to the Operator

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 standard:

		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 10	Consolidated Financial Statements - amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Immediately
IAS 28	Investments in Associates and Joint Ventures - amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Immediately
IAS 40	Investment Property - amendments to clarify transfers of property to, or from, investment property	January 01, 2018

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

4.2 Amendments not yet effective

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

	Conceptual Framework for Financial Reporting 2018 - Original Issue	March 01, 2018
	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework	January 01, 2020

PAKISTAN REINSURANCE COMPANY LIMITED (WINDOW RETAKAFUL OPERATIONS)

Notes to the Financial Statements

For The Period From September 26, 2018 To December 31, 2018

		Effective date (annual periods beginning on or after)
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
IAS 19	Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39	Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	July 01, 2018
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 7	Financial Instruments : Disclosures - additional hedge accounting disclosures(and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9	July 01, 2018
IFRS 9	Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	July 01, 2018
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019

PAKISTAN REINSURANCE COMPANY LIMITED (WINDOW RETAKAFUL OPERATIONS) **Notes to the Financial Statements**

For The Period From September 26, 2018 To December 31, 2018

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

4.3 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018
IFRS 16	Leases	January 01, 2019

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

IFRS 1	First Time Adoption of International Financial Reporting Standards	July 01, 2018
IFRS 14	Regulatory Deferral Accounts	July 01, 2018
IFRS 17	Insurance Contracts	January 01, 2019

The effects of IFRS 9 - Financial Instruments, IFRS 15 - Revenues from Contracts with Customers and IFRS 16 -Leases are still being assessed, as these new standards may have a significant effect on the Operator's future financial statements.

The Operator expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the operator's financial statements in the period of initial application.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

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.

PAKISTAN REINSURANCE COMPANY LIMITED (WINDOW RETAKAFUL OPERATIONS) **Notes to the Financial Statements**

For The Period From September 26, 2018 To December 31, 2018

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.

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.

PAKISTAN REINSURANCE COMPANY LIMITED (WINDOW RETAKAFUL OPERATIONS) **Notes to the Financial Statements**

For The Period From September 26, 2018 To December 31, 2018

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.

5.4 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.

5.4.1 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 Cash and cash equivalents

Cash and cash equivalents 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 as per the format prescribed by the Insurance Rules, 2017.

PAKISTAN REINSURANCE COMPANY LIMITED (WINDOW RETAKAFUL OPERATIONS) Notes to the Financial Statements

For The Period From September 26, 2018 To December 31, 2018

5.6 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.

Note	For the period from September 26, 2018 to December 31, 2018		
	Operator's Fund	Participants' Retakaful Fund	Aggregate
----- Rupees -----			

6 CASH AND BANK BALANCES

Cash at bank in saving accounts	6.1	<u>50,256,856</u>	<u>1,001,144</u>	<u>51,258,000</u>
---------------------------------	-----	-------------------	------------------	-------------------

6.1 These carry profit rates ranging from 6% to 8% per annum.

7 STATUTORY FUND

Amount of Rs. 50 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.

	For the period from September 26, 2018 to December 31, 2018		
	Operator's Fund	Participants' Retakaful Fund	Aggregate
----- Rupees -----			

8 OTHER CREDITORS AND ACCRUALS

Payable to Operator's fund	-	-	-
Salaries payable	150,000	-	150,000
Income tax deducted at source	65,400	-	65,400
Sindh Sales Tax payable	800	-	800
Other payable	1,100	-	1,100
Audit fee payable	250,000	-	250,000
	<u>467,300</u>	<u>-</u>	<u>467,300</u>

9 CONTINGENCIES AND COMMITMENT

There are no contingencies and commitment at period end.

PAKISTAN REINSURANCE COMPANY LIMITED (WINDOW RETAKAFUL OPERATIONS) **Notes to the Financial Statements**

For The Period From September 26, 2018 To December 31, 2018

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

----- Rupees -----

10 MANAGEMENT EXPENSES - OPERATOR'S FUND

Salaries wages and other benefits	1,765,129
Bank charges	6,200
Audit fee and certification fee	304,000
	2,075,329

11 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise 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 period.

12 FINANCIAL INSTRUMENTS

Financial instruments consist of financial assets and financial liabilities.

Financial assets of the Operator include receivable from Participant Retakaful Fund and cash and bank. Financial liabilities of the Operator are other creditors and accruals.

The carrying values of all financial assets and liabilities reflected in the financial statements are approximate to their fair values, except for non-trading investments, which are stated at cost.

As at December 31, 2018									
Operator's Fund	Note	Effective yield / Profit rate	Profit / mark-up bearing		Non-Profit bearing		Sub Total	Sub Total	Total
			Maturity within one year	Maturity after one year	Maturity within one year	Maturity after one year			
Financial assets									
Receivable from Participant Retakaful Fund		-	-	-	1,000	-	1,000	1,000	1,000
Cash and bank balances	6	6% - 8%	50,256,856	-	50,256,856	-	50,256,856	-	50,256,856
			50,256,856	-	50,256,856	1,000	1,000	-	50,257,856
Financial liabilities									
Other creditors and accruals	8	-	-	-	467,300	-	467,300	467,300	467,300
On statement of financial position gap			50,256,856	-	50,256,856	(466,300)	-	(466,300)	49,790,556

As at December 31, 2018									
Operator's Fund	Note	Effective yield / Profit rate	Profit / mark-up bearing		Non-Profit bearing		Sub Total	Sub Total	Total
			Maturity within one year	Maturity after one year	Maturity within one year	Maturity after one year			
Financial assets									
Cash and bank balances	6	6% - 8%	1,001,144	-	1,001,144	-	-	-	1,001,144
Financial liabilities			-	-	-	1,000	-	1,000	1,000
Payable to Operator's Fund			-	-	-	1,000	-	1,000	1,000
On statement of financial position gap			1,001,144	-	1,001,144	(1,000)	-	(1,000)	1,000,144

13 MANAGEMENT OF RETAKAFUL AND FINANCIAL RISK

The risks involved with financial instruments and the Operator's approach to managing such risks are as follow.

13.1 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 claim. 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 claims. 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.

PAKISTAN REINSURANCE COMPANY LIMITED (WINDOW RETAKAFUL OPERATIONS) **Notes to the Financial Statements**

For The Period From September 26, 2018 To December 31, 2018

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 claims

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 claim handling procedures.

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 claims payment

Claims on general Retakaful contracts are payable on a claim 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 claim 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 claims.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The operations 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 significantly different from initial recognized amount.

13.2 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.

13.2.1 Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at December 31, 2018 is the carrying amount of the financial assets as set out below:

PAKISTAN REINSURANCE COMPANY LIMITED (WINDOW RETAKAFUL OPERATIONS) Notes to the Financial Statements

For The Period From September 26, 2018 To December 31, 2018

	For the period from September 26, 2018 to December 31, 2018		
	Operator's Fund	Participants' Retakaful Fund	Aggregate
	----- Rupees -----		
Receivable from Participants' Retakaful Fund	1,000	-	1,000
Cash and bank balances	50,256,856	1,001,144	51,258,000
	<u>50,257,856</u>	<u>1,001,144</u>	<u>51,259,000</u>

13.2.2 Concentration of credit risk

Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Operator's portfolio entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Provision for impairment will made for doubtful receivables according to the Operator's policy. The credit quality of the banks with which Operator has balances can be assessed with reference to external credit ratings as follows:

Name of the bank	Rating		Rating agency	December 31, 2018		
	Short term	Long term		Operator's Fund	Participants' Fund	Aggregate
	-----Rupees-----					
Cash at bank						
Sindh Bank	A1	A+	PACRA	256,856	-	256,856
Meezan Bank	A-1+	AA+	JCR-VIS	50,000,000	1,001,144	51,001,144
				<u>50,256,856</u>	<u>1,001,144</u>	<u>51,258,000</u>

13.3 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.

13.4 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.

PAKISTAN REINSURANCE COMPANY LIMITED (WINDOW RETAKAFUL OPERATIONS) Notes to the Financial Statements

For The Period From September 26, 2018 To December 31, 2018

The following are the contractual maturities of financial liabilities on an undiscounted cashflow basis:

Operator's Fund	December 31, 2018				
	Carrying amount	Contractual cash flows	Six month or less	Six to twelve months	Over one year
-----Rupees-----					
Financial liabilities					
Other creditors and accruals	467,300	467,300	467,300	-	-

Operator's Fund	December 31, 2018				
	Carrying amount	Contractual cash flows	Six month or less	Six to twelve months	Over one year
-----Rupees-----					
Financial liabilities					
Payable to Operator's Fund	1,000	1,000	-	1,000	-

13.5 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.

13.5.1 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.

	Operator's Fund	Participants' Retakaful Fund	Aggregate
----- Rupees -----			
Variable rate instruments			
Financial assets	50,256,856	1,001,144	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 6% to 8% 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) Notes to the Financial Statements

For The Period From September 26, 2018 To December 31, 2018

Operator's Fund	Loss for the period		Total equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	-----Rupees-----			
As at December 31, 2018 Sensitivity	502,569	(502,569)	502,569	(502,569)

Participants' Fund	Deficit for the period		Total equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	-----Rupees-----			
As at December 31, 2018 Sensitivity	10,011	(10,011)	10,011	(10,011)

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.

13.5.2 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.

14 CAPITAL MANAGEMENT

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 appropriate mix of capital elements.

PAKISTAN REINSURANCE COMPANY LIMITED (WINDOW RETAKAFUL OPERATIONS) **Notes to the Financial Statements**

For The Period From September 26, 2018 To December 31, 2018

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences may arise between the carrying values and the fair values estimates.

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

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input for which the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input for which the fair value measurement is unobservable.

16 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 3, 2019 by the Board of Directors of the Operator.

17 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, 2018

Number of Shareholders	Shareholdings'Slab		Total Shares Held
505	1	to 100	18,894
514	101	to 500	195,006
448	501	to 1000	390,676
624	1001	to 5000	1,643,806
218	5001	to 10000	1,686,714
70	10001	to 15000	868,016
45	15001	to 20000	829,396
29	20001	to 25000	675,218
21	25001	to 30000	583,289
19	30001	to 35000	619,596
5	35001	to 40000	194,000
5	40001	to 45000	212,209
10	45001	to 50000	489,706
8	50001	to 55000	423,865
7	55001	to 60000	404,952
7	60001	to 65000	442,260
6	65001	to 70000	409,999
3	70001	to 75000	222,500
3	75001	to 80000	234,500
1	80001	to 85000	83,500
2	85001	to 90000	173,399
7	95001	to 100000	698,500
1	100001	to 105000	105,000
2	115001	to 120000	237,999
2	120001	to 125000	250,000
2	125001	to 130000	253,500
1	130001	to 135000	131,500
2	135001	to 140000	276,846
1	140001	to 145000	142,000
6	145001	to 150000	888,564
3	150001	to 155000	459,100
2	155001	to 160000	311,658
1	160001	to 165000	161,500
1	170001	to 175000	174,082
1	175001	to 180000	177,777
3	180001	to 185000	548,688
1	185001	to 190000	188,000
4	195001	to 200000	800,000
1	200001	to 205000	203,500
2	205001	to 210000	417,999
2	220001	to 225000	447,599
1	235001	to 240000	239,000

Pattern of Shareholding

As at December 31, 2018

Number of Shareholders	Shareholdings' Slab			Total Shares Held
1	240001	to	245000	244,000
1	245001	to	250000	249,500
1	260001	to	265000	264,243
1	270001	to	275000	274,799
2	285001	to	290000	576,843
1	290001	to	295000	290,500
1	295001	to	300000	299,999
1	315001	to	320000	319,199
3	330001	to	335000	997,000
1	370001	to	375000	372,000
1	380001	to	385000	383,999
2	395001	to	400000	795,999
1	410001	to	415000	413,000
2	420001	to	425000	846,500
1	445001	to	450000	446,500
1	460001	to	465000	461,999
1	495001	to	500000	500,000
1	680001	to	685000	684,000
1	775001	to	780000	779,998
1	890001	to	895000	893,000
1	1055001	to	1060000	1,060,000
1	1095001	to	1100000	1,100,000
1	1220001	to	1225000	1,220,500
1	1945001	to	1950000	1,950,000
1	2155001	to	2160000	2,157,000
1	3745001	to	3750000	3,747,882
1	4100001	to	4105000	4,105,000
1	4255001	to	4260000	4,257,000
1	4345001	to	4350000	4,349,500
1	4625001	to	4630000	4,630,000
1	5095001	to	5100000	5,100,000
1	12080001	to	12085000	12,083,770
1	18355001	to	18360000	18,359,971
1	73230001	to	73235000	73,232,201
1	134635001	to	134640000	134,639,785
2636				300,000,000

Pattern of Shareholding

As at December 31, 2018

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	3	2,818,500	0.94
Directors and their spouse(s) and minor children			
MR. ABDUL SAMI KEHAR	1	55	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
MR. MUMTAZ ALI RAJPER	2	555	0.00
MRS. GHAZALA AHMED	1	55	0.00
MR. FAISAL MUMTAZ	1	55	0.00
MR. SHOAIB MIR	1	55	0.00
ABDUL SAMI KEHAR	1	500	0.00
Executives	0	-	-
Public Sector Companies and Corporations	2	14,033,770	4.68
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful and modarabas	11	10,242,531	3.41
General Public			
a. Local	2558	39,794,021	13.26
b. Foreign	2	6,922	0.00
Foreign Companies	1	5,100,000	1.70
Others	46	1,770,859	0.59
Totals	2636	300,000,000	100.00








Categories of Shareholders	Shares Held	Percentage
PRCL EMPLOYEES EMPOWERMENT TRUST	18,359,971	6.12
STATE LIFE INSURANCE CORP. OF PAKISTAN	73,232,201	24.41
THE SECRETARY MINISTRY OF COMMERCE	134,639,785	44.88



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-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
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-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
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*Mobile apps are also available for download for android and ios devices.

FORM OF PROXY

As at December 31, 2018

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 19th Annual General Meeting of the Company to be held on 30th April, 2019 at 10.30am at Karachi and at any adjournment thereof.

Signed this _____ day of April, 2019

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:

1. No. person shall be appointed a proxy who is not a shareholder of the company and qualified to vote, save that a company being member of the company may appoint as its proxy any officer of such company whether a member of the company or not.
2. The instrument appointing proxy and the power of attorney or other authority if any, under which it is signed shall be deposited with the company not less than 48 hours before the date of meeting.
3. In case of joint holders any one of the joint holders may sign the instrument of proxy.
4. The signature on the instrument of proxy must confirm to the specimen signature filed with the Company.
5. CDC Shareholders and their proxies are each requested to attach attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the company.
6. CDC Shareholders or their proxies are requested to bring with them their Original Computerized National Identity Card or Passport along-with the participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.



Commitment To Excellence



Pakistan Reinsurance Company Limited

PRC Towers, 32 - A, Lalazar Drive, M.T. Khan Road, Karachi
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