



Pakistan Reinsurance Company Limited



Annual Report 2017

Commitment To Excellence



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Vision

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



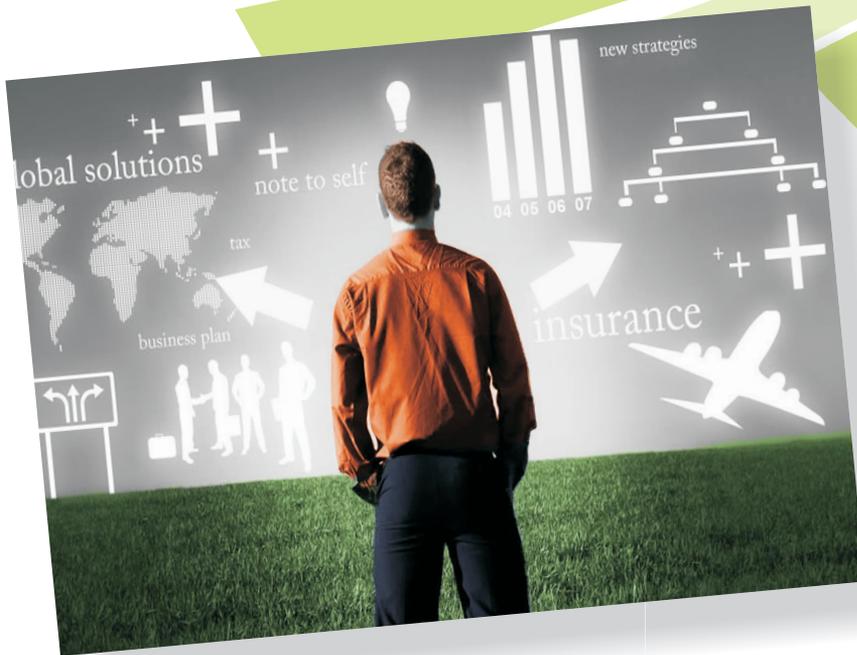
Mission

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, to have good business relationship with local insurers, reinsurance brokers and foreign reinsurers.



Objectives

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

Corporate Information

BOARD OF DIRECTORS OF PRCL

	<u>Members</u>	<u>Types</u>
Mr. Shahab Khawaja	Chairman Board	Independent
Mr. Shakeel Ahmed Mangnejo	CEO / Director	Executive
Mr. Abdul Sami Kehar	Director	Independent
Mr. Mumtaz Ali Rajper	Director	Independent
Mr. Musleh-ud-Din	Director	Non-Executive
Ms. Ghazala Ahmed	Director	Independent
Dr. Nazim Latif	Director	Ex-Officio

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, JS (Insurance), MoC	Member
Mr. Shams-ud-Din, Company Secretary	In attendance
Mr. Jamil Ahmed, CFO	In attendance
Mr. Muhammad Khurshid, CIA	Secretary

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Abdul Sami Kehar	Chairman
Dr. Nazim Latif, JS (Insurance), MoC	Member
Ms. Ghazala Ahmed	Member
Mr. Shakeel Ahmed Mangnejo, CEO	Member
Mr. Shams-ud-Din, Company Secretary	In attendance
Mr. Shahzad F. Lodhi, ED (HR)	Secretary

INVESTMENT COMMITTEE

Mr. 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. Shams-ud-Din, Company Secretary	In attendance
Mr. Jamil Ahmed, CFO	Secretary

MANAGEMENT COMMITTEES

RISK MANAGEMENT AND COMPLIANCE COMMITTEE

SLIC Director	Chairman
Mr. Shakeel Ahmed Mangnejo, CEO	Member
Mr. Shams-ud-Din / Company Secretary	Secretary

PROCUREMENT COMMITTEE

Ms. Ghazala Ahmed	Chairperson
Mr. Musleh-ud-Din	Member
Mr. Shakeel Ahmed Mangnejo, CEO	Member
Mr. Shams-ud-Din, Company Secretary	In attendance
Mr. Shahzad F. Lodhi, ED (HR/Admn.)	Secretary

UNDERWRITING / REINSURANCE COMMITTEE

Mr. Shahab Khawaja	Chairman
Mr. Abdul Sami Kehar	Member
Mr. Shakeel Ahmed Mangnejo, CEO	Member
Mr. Shams-ud-Din, Company Secretary	In attendance
Mr. Muhammad Junaid Moti, ED (Underwriting)	Secretary

CLAIMS SETTLEMENT COMMITTEE

Mr. Mumtaz Ali Rajper	Chairman
Dr. Nazim Latif	Member
Mr. Shakeel Ahmed Mangnejo, CEO	Member
Mr. Shams-ud-Din, Company Secretary	In attendance
Mr. Muhammad Junaid Moti, ED (Underwriting)	Secretary

SENIOR MANAGEMENT

Mr. Shakeel Ahmed Mangnejo	Chief Executive Officer
Mr. Shahzad Farooq Lodhi	Executive Director (HR/Admn)
Mr. Shams-ud-Din	Company Secretary / Compliance Officer
Mr. Muhammad Junaid Moti	Executive Director (Underwriting)
Mr. Muhammad Khurshid	Chief Internal Auditor
Mr. Jamil Ahmed	Chief Financial Officer
Mr. Farmanullah Zarkoon	General Manager (Claims)
Mrs. Raana Muneer Ahmad	General Manager / Head of Northern Zonal Office
Mr. Zohaib Hasan	General Manager / Head of IT 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.
Tele: (92-21) 99202908-15
Telefax: (92-21) 99202921-22
Email: prcl@pakre.org.pk
Website: www.pakre.org.pk

BANKERS

National Bank of Pakistan
Bank Al-Habib Limited

ZONAL OFFICE

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

SHARE REGISTRAR

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

Directors' Profiles



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 NBP Leasing Ltd Pakistan he has also served over 15 years at Pak Libya Holding Company. During his stay at different institutions, he was exposed to Corporate, Investment, Equities and merchant banking, consultation for quality solutions in areas of financial management, SMEs Financing etc.

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

He is a Certified Board Director from Pakistan Institute of Corporate Governance.



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 NMC, Lahore.

BOARD OF DIRECTORS



SENIOR MANAGEMENT



COMPANY PROFILE

PRCL is a Public Sector Company under the administrative control of Federal Ministry of Commerce. The Company is being headed and 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 Company. The Nine Member Board comprises four Government Nominee Directors, two Elected Directors, one Nominee of Investor Company (SLIC), one Ex-officio (Joint Secretary Insurance) and a CEO.

PRCL's prime objective is the development of reinsurance business in Pakistan. The company is the only reinsurer in Pakistan playing role in the national economic development. 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, in order to support local insurance industry. In the year 2000, Pakistan Insurance Corporation was converted and incorporated in a public limited company namely Pakistan Reinsurance Company Limited on 15th February 2001 in pursuance of Ministry of Commerce SRO No.98(1)/2000 which was issued under the Presidential Ordinance No. XXXVI of 2000 dated 14th February, 2001.

Types of Businesses

- 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.
- National Projects through NICL: 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 covers examination and acceptance of risk placement offered by local insurers, both under Facultative and Treaty arrangements;
- Retrocession Department covers tendering of risks placed by National Insurance Company Limited to appropriate foreign insurers and further retrocession of business ceded by local private insurers;
- Claims Department includes examination of claim notifications, requiring details of losses / accidents from insurer, under both the Facultative and Treaty arrangements and recommending claim approvals pertaining to respective Claim Committees at the level of Management and Board.

The Company actively participates in international business forums such as Economic Cooperation Organization (ECO) and Federation of Afro-Asian Insurer and Reinsurer (FAIR).

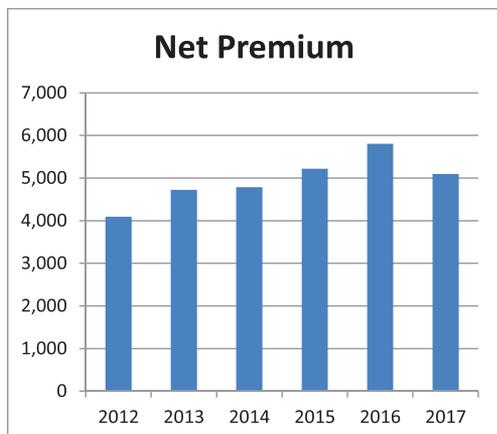
Six Year Performance at a Glance

Rupees in millions

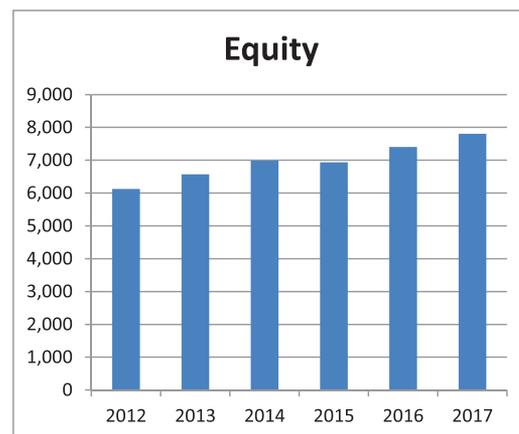
S.No.	PARTICULARS	2017	2016	2015	2014	2013	2012
							(Restated)
	FINANCIAL DATA						
1	Paid up capital	3,000	3,000	3,000	3,000	3,000	3,000
2	General & Capital Reserves	4,803	4,403	3,938	3,987	3,571	3,122
3	Equity	7,803	7,403	6,938	6,987	6,571	6,122
4	Investment	6,093	6,625	6,318	6,650	6,513	6,434
5	Fixed Assets	37	39	44	49	56	53
6	Cash & Bank Deposits	2,547	2,680	3,285	3,081	2,706	2,014
7	Total Assets	21,392	19,907	17,388	17,621	16,306	15,766
8	Total liabilities	13,589	12,504	10,450	10,633	9,734	9,644
	OPERATING DATA						
1	Gross Premium	8,036	8,807	8,135	8,661	8,659	8,153
2	Net Premium	5,098	5,802	5,219	4,784	4,724	4,096
3	Net Claims	3,740	3,336	2,775	2,793	2,831	2,217
4	Net Commission	1,142	1,264	1,101	950	937	868
5	Total Management Expenses	744	657	621	523	503	448
6	Underwriting Results	(528)	545	722	515	453	563
7	Investment Income	3,326	961	935	1,079	1,101	918
8	Profit Before Tax	2,973	1,427	1,772	1,565	1,706	1,537
9	Profit After Tax	2,219	974	1,377	1,244	1,321	1,160
	SHAREINFORMATION&PAYOUTS						
1	No of shares (In millions)	300	300	300	300	300	300
2	Cash dividend %	35	30	25	25	25	25
3	Bonus Shares %	-	-	-	-	-	-
4	Total Dividend %	35	30	25	25	25	25
	FINANCIAL RATIO ANALYSIS						
1	Claims ratio	73.36	57.50	53.17	58.38	59.93	54.13
2	Total Assets Turnover (Times)	0.38	0.44	0.47	0.49	0.53	0.52
3	Total Liabilities / equity (%)	174.15	168.90	150.62	152.18	148.14	157.53
4	Paid up Capital / Total Assets (%)	14.02	15.07	17.25	17.03	18.40	19.03
5	Equity / Total Assets (%)	36.48	37.19	39.90	39.65	40.30	38.83

Financial Review

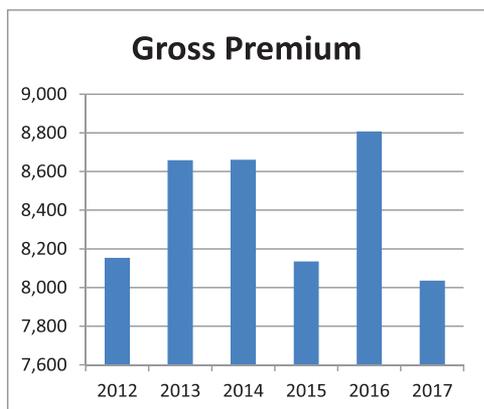
Year	2012	2013	2014	2015	2016	2017
Net Premium	4,096	4,724	4,784	5,219	5,802	5,098



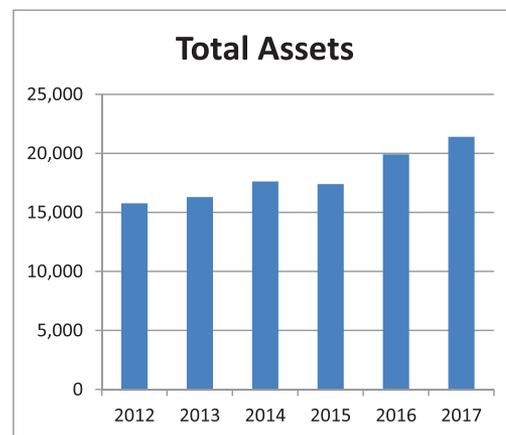
Year	2012	2013	2014	2015	2016	2017
Equity	6,122	6,571	6,987	6,938	7,403	7,803



Year	2012	2013	2014	2015	2016	2017
Gross Premium	8,153	8,659	8,661	8,135	8,807	8,036



Year	2012	2013	2014	2015	2016	2017
Total Assets	15,766	16,306	17,621	17,388	19,907	21,392



SELECT FINANCIAL HIGHLIGHTS

S. No.	Description	Amount (Rs. in Million)		%age Increase / (Decrease)
		2017	2016	
1	Written Premium	8,036	8,807	-9%
2	Net Premium	5,098	5,802	-12%
3	Cash Dividend	900	750	20%
4	Investment Income	3,326	961	246%
5	Investment Assets	6,093	6,625	-8%
6	Underwriting Profit/(Loss)	(528)	545	-197%
7	Claims Paid	3,740	3,336	12%
8	Profit After Tax	2,219	974	128%
9	Total Assets Book Value	21,392	19,907	7%
10	Shareholders' Equity	7,803	7,403	5%

Directors' Report to the Shareholders

STATE OF ECONOMY

Pakistan's economy followed an upward trajectory in FY 2017 and the GDP growth rate touched 5.3%. Several coincident indicators point to a further strengthening of aggregate supply and demand. SBP's accommodative monetary policy stance, increase in development spending, growth in private sector credit, improving energy supplies & momentum picked by LSM growth are all reflective of economy's positive performance metrics. With increasing consumer demand, several manufactures have announced new investments. At the same time, infrastructure projects remained a priority in Government spending. Benign inflationary environment for some time now has also helped spur economic growth.

On the fiscal front, the increase in tax revenues is noteworthy. However, it is driven more by new infrastructure projects, surge in imports, higher consumption of consumer durables than increase in tax base. External sector remains a vulnerable area. The broad based recovery in exports and higher remittances continue to be overshadowed by mounting burden of imports, which has exacerbated the pressure on the country's balance of payments. The external pressures have led to exchange rate adjustment with possibility of further devaluation.

Going forward, the overall macroeconomic environment remains conducive to growth with positive outlook for real, industrial & agriculture sectors. The GDP growth target of 6% appears attainable for FY2018 due to improved power supply, CPEC related investments, strong consumption growth & on-going recovery in agriculture. China Pakistan Economic Corridor (CPEC) & related projects are expected to benefit industrial sector. While, presently the focus remains on construction & energy related projects, more attention will be required on Special Economic Zones (SEZs) across the country.

COMPANY PERFORMANCE REVIEW

In 2017, the Gross Premium is Rs. 8,036 million and Net premium retention is 5,098 million. The same in preceding year was Rs. 8,807 million and 5,802 million respectively. This shows a decrease of 771 million, (9%) in Gross Premium and 704 million, (12%) in Net Premium in current financial year.

The net claims ratio is 73% of Net Premium, compared to 57% last year. Management expenses increased by 13% and net commission expenses have decreased by 10% over the last year. The underwriting result was a loss of Rs.528 million as compared to Rs. 545 million profit in the preceding year.

Profit before tax is reported at Rs. 2,973 million compared to Rs. 1,427 million last year, this shows an increase of Rs. 1,546 million, (108%), while profit after tax is Rs. 2,219 million against Rs. 974 million in 2016, showing an increase of Rs. 1,245 million, (128%).

This year, the return on the investment portfolio has increased to Rs. 3,326 million as compared to last year of Rs. 961 million. This represents an increase of Rs. 2,364 million, 246%.

The management and general administration expenses have increased to Rs. 804 million in 2017 as compared to Rs. 711 million during last year. This increase of 93 million, (13%) was primarily due to increase in salaries and wages and post retirement pensionary benefits to employees along with inflationary impact on other expenses.

COMPANY'S ASSETS

The total assets of the Company as on 31st December, 2017 stood at Rs. 21,392 million against Rs.19,907 million last year shows an increase of Rs. 1,485 million, (7%) mainly due to increase in the return on investments.

HUMAN RESOURCE: Human resource is the back bone of any organization. At PRCL, we are trying to bring people at the centre of all initiatives. A cultural transformation process where performance is valued, where the ideas incubating at the lowest rung of the ladder are provided an opportunity of expression and where targets & benchmarks are set for executives is being inculcated. To strengthen the middle management, six positions have been filled. Hiring of another thirty positions is in pipeline. The measures are expected to address the long standing HR deficit suffered by the organization.

RE-TAKAFUL BUSINESS: Tangible measures have been taken to fulfil the stipulated requirements for obtaining the license to kick start the re-takaful business.

COMMISSION INCOME FROM NICL BUSINESS: NICL Business constitutes roughly 25% of PRCL gross premiums. It also generates modest commission income for PRCL. During the year, NICL & PRCL decided to enhance the commission rates on retrocession placements of Public Sector business. The measure is expected to enhance the revenue from inward commissions.

ERP SOLUTION: The technological platform currently in place with the PRCL (i.e. the RMS) does not meet the business requirements of the Company. To enable the management to take underwriting decisions based on readily available data matrix, it was felt essential to upgrade the existing technological platform. Ernst & Young was hired to assist the company in implementing an ERP Solution. Subsequent to the reporting date, the consultancy part has been completed.

INSTITUTIONAL MEASURES TO STRENGTHEN GOVERNANCE: To strengthen governance, policy gaps have been bridged. Comprehensive policies for investment management, facultative acceptances, retrocession business, credit management, broker selection etc. have been framed & implemented. During the period under review, the procurements for foreign facultative placements were fully aligned with Public Procurement Rules.

COST CUTTING MEASURES: With focus on profitability, several cost cutting initiatives were undertaken. The operating expenses (excluding payroll) for CY 2018 have been budgeted at the same level as CY 2017. The management is confident that it will be able to operate within the budgeted limits.

The salient features of the business operations during the year, 2017 are as under:-

	(Rs in millions)		
	2017	2016	% increase (decrease)
Gross Premium	8,036	8,807	-9%
Net Premium	5,098	5,802	-12%
Net Commission	(1,142)	(1,264)	-10%
Net Claims	(3,740)	(3,336)	12%
Management expenses	(744)	(657)	13%
Underwriting Profit	(528)	545	-197%
Investment Income	3,326	961	246%
Rental & other income	188	142	32%
General & Admin. Expenses	(60)	(54)	11%
Exchange Gain/(Loss)	103	(1)	10395%
Other charges	(56)	(166)	-67%
Profit before tax	2,973	1,427	108%
Taxation	(754)	(453)	66%
Profit after Tax	2,219	974	128%

During the year, Company has underwritten Rs.8,036 million as compared to Rs.8,807 million in the year ended December 31, 2016. The break-up is as follow:

(Rs. in millions)

Facultative Premium	2017	2016	% increase / (decrease)
Fire	1,561	1,594	-2%
Marine Cargo	48	31	56%
Marine Hull	69	112	-39%
Accident and others	151	148	2%
Aviation.	1,273	1,163	9%
Engineering	1,564	1,443	8%
Total Facultative	4,666	4,491	4%
Treaty Premium	3,369	4,316	-22%
Total Premium	8,036	8,807	-9%

INVESTMENT INCOME

The investment income in the year 2017 was Rs.3,326 million as compared to Rs. 961 million in the year 2016 showing increase of 246%. The breakup is as follows:-

(Rs. in millions)

Particulars	2017	2016
Capital gain	2,798	3
Dividend Income	425	417
Return on Government Securities	392	419
Return on other fixed income securities and deposits	83	97
Gain/(Loss) on revaluation/impairment on investments	(355)	35
Investment related expenses	(17)	(10)
Total	3,326	961

PROFIT AFTER TAX

The profit after tax is Rs.2,219 million as compared to Rs. 974 million of last year, showing increase of 128%.

APPROPRIATIONS

	(Rs. in millions)
Profit before tax	2,973
Less: Tax	<u>(754)</u>
Profit after tax	<u><u>2,219</u></u>

Add: Unappropriated profit brought forward	2,345
Add: Comprehensive Income	1,300
Less: Final cash dividend 2016 @ 30%	<u>(900)</u>
Unappropriated profit carried forward	<u><u>2,745</u></u>

CREDIT RATING

As part of the risk management system the insurer is being rated by M/s. JCR-VIS (credit rating agency). The agency is working on assigning credit rating to the Company for the year 2017. The rating assigned for the year 2016 by PACRA was "AA" with "Stable" outlook.

EMPLOYEES' WELFARE

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

BOARD STRUCTURE AND COMMITTEES

The Board structure is in accordance with the Listed Companies' Code of Corporate Governance, 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 system and compliance with the Code of Corporate Governance, the Board has constituted various Committees which are seven (07) in number. This includes, three Board Committees and four Management Committees. The composition of all Committees is separately shown in the report under the section of Corporate Information.

FUTURE OUTLOOK

With focus on enhancing shares in treaty business and the quality of facultative business written by the Company, PRCL would be able to improve its underwriting performance in the next calendar year. The Company also expects to start Retakaful operations in CY 18 which would add to its premium income. Investment on IT will continue. This will assist in strengthening the technology base of backend operations and services to cedants.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK

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% share holding of National Investment Trust Limited (NITL) and as such has its representation on the Board of NITL by one of its Directors. Currently the CEO of PRCL is representing the Company on NITL Board.
- k) The appointment of the Chairman and other members of the Board and the terms of their appointment along with the remuneration policy are adopted in the best interests of the Company as well as in line with the best practices;
- l) The Non-executive Directors do not have fixed remuneration and are being paid a fixed fee for each meeting attended. Disclosure on remuneration of Chief Executives, Directors and Executives as applicable is separately shown in the report;
- m) Summarised key operating and financial data of the last 6 years is separately shown in the report;
- n) The statement of pattern of shareholding is separately shown in the report;
- o) The value of investment in pension, gratuity and provident fund is also disclosed as under:

	(Rs. in millions)
Pension and Gratuity Fund	<u>904</u>
General Provident Fund / Provident Fund	<u>485</u>

BOARD MEETINGS AND ATTENDANCE

In the year 2017, the Board formed various Committees, the detail of the meetings held and the attendance of each director is given hereunder:-

Sl.	Name Of Directors	No. of Meetings							
		Board of Directors	Audit Committee	Ethics, HR & Remuneration Committee	Underwriting Committee	Claim Settlement Committee	Risk Management & Compliance Committee	Investment Committee	Procurement Committee
		Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
		9	6	5	1	3	2	4	1
1	Mr. Shahab Khawaja	8	-	-	1	-	-	3	-
2	Mr. Muhammed Siddique Memon, CEO	4	-	2	-	1	-	2	1
3	Mr. Arif Ahmed Khan, CEO	1	-	-	-	-	-	1	-
4	Mr. Shakeel Ahmed Mangnejo, CEO	3	-	2	1	-	1	1	-
5	Mr. Abdul Sami Kehar	9	6	5	1	-	-	4	-
6	Mr. Bilal Khan Pasha	1	-	-	-	-	-	-	-
7	Mrs. Ghazala Ahmed	8	-	4	-	-	-	-	-
8	Dr. Kausar Ali Zaidi	3	3	2	-	2	1	-	-
9	Mr. Mumtaz Ali Rajper	9	6	-	-	3	-	4	1
10	Mr. Musleh-ud-Din	9	-	-	-	-	2	-	-
11	Mr. Naveed Kamran Baloch	3	-	-	-	-	-	-	-
12	Dr. Nazim Latif	5	3	3	-	1	1	-	-

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

CHANGE IN THE BOARD OF DIRECTORS

The Board welcomed every Non-executive / Nominee / Ex-officio Directors, or CEOs, who joined it and it also appreciated the services and contribution of all those members who separated during the period under review, on record.

CONTRIBUTION TO NATIONAL EXCHEQUER

Your Company contributed an amount of Rs. 1,018 million into the government treasury on account of Taxes, Levies and other duties.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

AUDIT COMMITTEE

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

PERFORMANCE OF THE COMPANY DURING THE LAST SIX YEARS

	(Rs. in millions)					
	2017	2016	2015	2014	2013	2012
Gross Premium	8,036	8,807	8,135	8,661	8,659	8,153
Net Premium	5,098	5,802	5,219	4,784	4,724	4,096
Net Commission	(1,142)	(1,264)	(1,101)	(950)	(937)	(868)
Net Claims	(3,740)	(3,336)	(2,775)	(2,793)	(2,831)	(2,217)
Management Expenses	(744)	(657)	(621)	(523)	(503)	(448)
Underwriting Profit/(Loss)	(528)	545	722	515	453	563
Investment Income	3,326	961	935	1,079	1,101	918
Profit before Tax	2,973	1,427	1,772	1,565	1,706	1,537
Profit after Tax	2,219	974	1,377	1,244	1,321	1,160

PROPOSED DIVIDEND

The Board of Directors proposed a Cash dividend of Rs.3.50 per share (35%) subject to the approval of shareholders.

EARNING PER SHARE

The earning per share of the Company was Rs.7.40 for the year 2017 as compared to Rs. 3.25 in the year 2016.

TRADING IN THE COMPANY SHARES

Trading in the shares of the Company by directors, executives, their spouses and minor Children, if any, has been disclosed in the pattern of shareholding.

APPOINTMENT OF AUDITORS

Based on the consent received from the company's existing auditors M/s BDO Ibrahim and Co., Chartered Accountants, to continue to act as auditors of the company, the Audit Committee has recommended their name to be appointed as external auditors of the company for the year-2018.

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 Company.

For and on behalf
of the Board of Directors.

Chairman / Director

PRCL کے کام کے بارے میں ڈائریکٹر کی رپورٹ برائے سال جس کا اختتام 31 دسمبر 2017 کو ہوا

معیشت کی حالت

پاکستان کی معیشت نے سال 2017 میں بلندی کی جانب خطیہ (trajectory) رکھی اور مجموعی قومی پیداوار کی شرح نمونے 5.3 فیصد کو چھوا۔ متعدد یکساں اشارے مجموعی فراہمی اور طلب کے مزید استحکام کی نشاندہی کر رہے ہیں۔ SBP کا مصالحتی مالیاتی پالیسی کے موقف (stance) ہے کہ ترقیاتی اخراجات میں تیزی، نجی شعبے کو قرضہ جات کی فراہمی میں اضافہ، توانائی کی فراہمی میں بہتری اور LSM میں ہونے والی ترقی، یہ تمام چیزیں معیشت کی مثبت کارکردگی کی میٹرکس (metrics) کی عکاس ہیں۔ صارفین کی بڑھتی ہوئی طلب کے ساتھ متعدد صنعتی پیداواری اداروں نے نئی سرمایہ کاری کا اعلان کیا ہے۔ اسی دوران گورنمنٹ کے اخراجات میں ڈھانچائی منصوبے حکومت کی ترجیح رہی۔ کچھ مدت کے لیے معتدل افراط زر کے ماحول نے معیشت کی ترقی میں اضافے میں بھی معاونت کی۔

اقتصادی محاذ پر محصولات سے مالگداری (revenues) قابل توجہ ہے۔ تاہم، اس کا محرک محصولات کی بنیاد میں اضافے کی بجائے نئے ڈھانچائی منصوبوں، درآمدات میں تیزی، صارفین کے استعمال کی گھریلو پائیدار اشیاء کا بڑھا ہوا استعمال ہے۔ بیرونی سیکٹر زود پزیر (vulnerable) رہا۔ وسیع بنیاد برآمدات کی بحالی اور بلند تر ترسیل زر (remittances) کی اہمیت درآمدات کے بڑھتے ہوئے دباؤ سے کم ہو گئی ہے، جس نے ملک کی بیرونی ادائیگیوں پر شدید دباؤ ڈال دیا ہے۔ بیرونی دباؤ کا نتیجہ مبادلہ کے نرخ میں ردوبدل کی ہے اور امکان ہے کہ روپے کی قدر میں مزید کمی ہو۔

آگے بڑھتے ہوئے، مجموعی کئی معیشت (macroeconomic) کا ماحول مثبت رہے گا، صنعتی اور زرعی شعبے کے منظر نامہ کے ساتھ نمونے کے لیے سازگار رہا۔ بہتر توانائی کی فراہمی، CPEC سے متعلق منصوبوں میں سرمایہ کاری، مستحکم اشیاء کے استعمال میں اضافہ اور جاری زراعت کی بحالی سے سال 2018 میں مجموعی قومی پیداوار کا 6 فیصد کا ہدف کا حصول ممکن نظر آتا ہے۔ پاک چین اقتصادی راہداری (CPEC) اور اس سے متعلق منصوبوں سے صنعتی شعبے کو فائدہ ہونے کی توقع ہے۔ اگرچہ، حالیہ توجہ تعمیرات اور توانائی سے متعلق منصوبوں پر ہے، جبکہ زیادہ توجہ ملک بھر میں خصوصی معاشی زونز کی تیاری پر دینے کی ضرورت ہے۔

کمپنی کی کارکردگی کا جائزہ

سال 2017 میں مجموعی پر بیمہ 8,036 ملین روپے اور خالص پر بیمہ 5,098 ملین روپے ہے۔ جبکہ گذشتہ سال ان کی مالیت بالترتیب 8,807 ملین روپے اور 5,802 ملین روپے تھی۔ جاری مالی سال میں یہ مجموعی پر بیمہ میں 771 ملین روپے (9 فیصد) اور خالص پر بیمہ میں 704 ملین روپے کی کمی ظاہر کرتا ہے۔

گذشتہ سال کے 57 فیصد کے خالص دعووں سے خالص پر بیمہ کا تناسب کے مقابلے میں اس سال اس کی قدر 73 فیصد ہے۔ گذشتہ سال کے مقابلے میں انتظامی اخراجات میں 13 فیصد کا اضافہ اور خالص کمیشن میں 10 فیصد کمی ہوئی۔ ضمانتی بیمہ کے نتیجے میں 528 ملین روپے کا نقصان تھا جبکہ گذشتہ سال اس میں 545 ملین کا منافع تھا۔

گذشتہ سال کے منافع قبل از محصول 1,427 ملین روپے کے مقابلے میں 2,973 ملین روپے کا اندراج ہوا جو 1,546 ملین روپے (108 فیصد) کا اضافہ دکھا رہا ہے جبکہ سال 2016 کے منافع بعد از محصول 974 ملین روپے کے مقابلے میں اس سال 2,219 ملین روپے رہا جو 1,245 ملین روپے (128 فیصد) اضافہ دکھا رہا ہے۔

اس سال سرمایہ کاری پورٹ فولیو سے ہونے والی آمدنی 3,326 ملین روپے رہی جبکہ گذشتہ سال اس کی مالیت 961 ملین روپے تھی جو 2,364 ملین روپے (246 فیصد) کا اضافہ دکھا رہی ہے۔

انتظامیہ اور انتظامی اخراجات گذشتہ سال کے 711 ملین روپے کے مقابلے میں سال 2017 میں اس کی مالیت بڑھ کر 804 ملین روپے ہو گئی۔ یہ 93 ملین روپے (13 فیصد) اضافہ بنیادی طور پر تنخواہوں اور اجروں میں اضافے اور ملازمین کے بعد از ریٹائرمنٹ پینشن کے فوائد کے ساتھ دیگر اخراجات پر افراط زر کے اخراجات ہیں۔

کمپنی کے اہم اعداد و ارقام

کمپنی کا بازنس مجموعی پر بیمہ 8,036 ملین روپے اور خالص پر بیمہ 5,098 ملین روپے اور ہے اور گزشتہ سال کی مالیت بالترتیب 8,807 ملین روپے اور 5,802 ملین روپے تھی۔ جاری مالی سال میں مجموعی پر بیمہ میں 771 ملین روپے (9 فیصد) اور خالص پر بیمہ میں 704 ملین روپے (12 فیصد) کی کمی کو ظاہر کرتا ہے۔

انسانی وسائل

انسانی وسائل کیس بھی ادارے کی ریڑھ کی ہڈی ہوتا ہے۔ PRCL میں ہم کو شش کر رہے ہیں کہ تمام نئے کام کے آغاز پر ان مراکز پر لوگوں کو لائیں۔ ایک نئے تمدنی تبدیلی کا آغاز کر دیا گیا ہے جہاں کارکردگی کی اہمیت ہے۔ جہاں نئے آئیڈیاز کی انتہائی چٹائی سطح پرورش ہوتی، اور اظہار کے لیے موقع فراہم کیا جاتا ہے اور جہاں کارکردگی کے اہداف اور سنگ میل طے کئے جاتے ہیں۔ درمیانی درجہ کی انتظامیہ کو مضبوط کرنے کے لیے، چھ عہدوں کو پر کیا جا چکا ہے۔ مزید تیس عہدوں کو پر کرنے کا عمل جاری ہے، ان اقدامات سے امکان ہے طویل المدت انسانی وسائل کی کمی کو دور کیا جاسکتا ہے۔

ریٹائرمنٹ کاروبار

ریٹائرمنٹ کاروبار کے آغاز کرنے کے لیے تمام مجوزہ قانونی اقدامات مکمل کیے جا چکے ہیں

NICL کاروبار سے کمیشن کی آمدنی

PRCL کے مجموعی پر بیمہ کا 25 فیصد حصہ NICL سے کاروبار سے ہے۔ وہ بھی PRCL سے مناسب کمیشن کی مدد میں آمدنی حاصل کرتی ہے۔ سال کے دوران NICL اور PRCL نے فیصلہ کیا ہے کہ پبلک سیکٹر کاروبار میں ریٹائرمنٹ (retrocession) پلیمینٹ میں کمیشن کے نرخ بڑھا دیے جائیں۔ اس اقدام سے امید ہے کہ کلیم میں آنے کی کمیشنوں میں اضافہ ہوگا۔

ERP کا حل

PRCL میں ٹیکنالوجی کی پلیمینٹ فارم (یعنی RMS) موجود ہے، جو کمپنی کی ضروریات کو پورا نہیں کرتا۔ انتظامیہ کے لیے دستیاب ڈیٹا میٹریکس کی بنیاد پر معائناتی بیمہ کے بارے میں فیصلہ کرنے کے لیے سہولت فراہم کرنے کے لیے موجود ٹیکنالوجی کی پلیمینٹ فارم کو مزید بہتر کیا جائے۔ Ernst & Young کا انتخاب کیا گیا ہے کہ وہ کمپنی کی ERP حل کے نفاذ میں معاونت کرے۔ رپورٹنگ کی تاریخ کے بعد کنسلٹنٹ کا پارٹ مکمل ہو چکا ہے۔

کمپنی تیزی سے ERP کے حصول کے لیے کام کر رہی ہے جس کے لیے زیر غور مدت میں کنسلٹنٹ کا انتخاب کیا تھا جو اپنا کام تقریباً مکمل کر چکا ہے اور سوفٹ ویئر حل (software solution) کی خریداری کے لیے "تجویز کی درخواست" (RFP) کی دستاویز مکمل کر چکا ہے اور توقع ہے کہ اس کی تنصیب سال 2018 کی دوسری سہ ماہی تک مکمل ہو جائے گی۔

نظم و ضبط کے استحکام کے لیے ادارتی اقدامات

نظم و ضبط کی پالیسی کا مضبوط کرنے کے لیے اس میں موجود کمزوریوں کو دور کیا جا چکا ہے۔ سرمایہ کاری مینجمنٹ، فیکٹوری سیکورٹی، ریٹائرمنٹ سیشن برنس، کریڈٹ مینجمنٹ، بروکر کا انتخاب وغیرہ، کی جامع پالیسیاں بنا لی گئیں ہیں اور نافذ کر دی گئیں ہیں۔ زیر جائزہ مدت میں، غیر ملکی فیکٹوری کے پلیمینٹ کی خریداری کو پبلک پروکیورمنٹ کو قوانین سے ہم آہنگ کر دیا گیا ہے۔

لاگت میں کمی کے اقدامات

منافع بخشی کو مد نظر رکھتے ہوئے، متعدد لاگت میں کمی کے اقدامات اٹھائے گئے۔ سال 2018 میں آپریٹنگ اخراجات (علاوہ تنخواہ) کا بجٹ سال 2017 کے اخراجات کے مساوی رکھا گیا ہے۔ مینجمنٹ پر اعتماد ہے کہ وہ اسی بجٹ کی حدود میں کام کر لے گی۔

سال 2017 میں کاروباری آپریشن کے چیدہ چیدہ نکات مندرجہ ذیل ہیں:-

(روپے ملین میں)			
فیصد تبدیلی	2016	2017	
-9%	8,807	8,036	مجموعی پر بیمہ
-12%	5,802	5,098	خالص پر بیمہ
-10%	(1,264)	(1,142)	خالص کمیشن
12%	(3,336)	(3,740)	خالص دعوے
13%	(657)	(744)	انتظامیہ کے اخراجات
-197%	545	(528)	ضمانتی بیمہ (underwriting) کا منافع
246%	961	3,326	سرمایہ کاری سے آمدنی
32%	142	188	کرایہ اور دیگر آمدنی
11%	(54)	(60)	عام اور انتظامی اخراجات
10395%	(1)	103	مبادلہ کا (خسارہ)/فائدہ
-67%	(166)	(56)	دیگر ادائیگیاں (charges)
108%	1,427	2,973	منافع قبل از محصول
66%	(453)	(754)	محصول
128%	974	2,219	منافع بعد از محصول

سال 2017 میں کمپنی 8,036 ملین روپے کا ضمانتی بیمہ کیا جبکہ 31 دسمبر 2016 کو اختتام پذیر سال میں اس کی مالیت 8,807 ملین روپے تھی جس کی تفصیل درج ذیل ہے:

(روپے ملین میں)			
فیصد تبدیلی	2016	2017	اختیاری پر بیمہ
-2%	1,594	1,561	آگ
56%	31	48	بحری ترسیل بار برداری
-39%	112	69	بحری جہاز (ہر قسم کا) ڈھانچہ
2%	148	151	حادثات و دیگر
9%	1,163	1,273	ہوا بازی
8%	1,443	1,564	انجینئرنگ
4%	4,491	4,666	کل اختیاری
-22%	4,316	3,369	معاهداتی پر بیمہ
-9%	8,807	8,036	کل پر بیمہ

سرمایہ کاری سے آمدن

سال 2017 میں سرمایہ کاری سے آمدنی 3,326 ملین روپے تھی اس کے مقابلے میں سال 2016 میں 961 ملین روپے رہی جس کی تفصیل درج ذیل ہے۔

(روپے ملین میں)		تفصیلات
2016	2017	
3	2,798	سرمایہ میں اضافہ
417	425	منقسمہ منافع سے آمدنی (Return)
419	392	حکومتی تمسکات پر آمدنی (Return)
97	83	دیگر غیر متغیر تمسکات اور ڈپازٹس پر آمدنی (Return)
35	(355)	سرمائے میں از سر نو قدر پیری (revaluation) سے اضافہ / (تقصان)
(10)	(17)	سرمایہ سے متعلق اخراجات
961	3,326	کل

منافع بعد از محصول

گذشتہ سال کے 974 ملین روپے کے منافع بعد از محصول کے مقابلے میں موجودہ سال اس کی مالیت 2,219 ملین روپے ہے جو 128 فیصد کا اضافہ دکھا رہا ہے۔

مختصات (appropriations)

(روپے ملین میں)		
2,973		منافع قبل از محصول
(754)		نفی: محصول
2,219		منافع بعد از محصول
2,345		جمع: غیر مختص شدہ پچھلا منافع جو آگے بڑھایا گیا
1,300		جمع: مجموعی آمدن
(900)		نفی: حتمی نقد منقسمہ منافع 2016 @ 30%
2,745		غیر مختص شدہ منافع جو آگے بڑھایا گیا

کریڈٹ درجہ بندی

رسک مینجمنٹ سسٹم کے سلسلے میں میسرز JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (بیجنسی) انشورر کی درجہ بندی کی جا رہی ہے۔ ایجنسی کمپنی کی سال 2017 کے لیے درجہ بندی تفویض کرنے پر کام کر رہی ہے۔ سال 2016 کے لیے PACRA کی تفویض کردہ ریٹنگ "AA" تھی اور مستقبل کا منظر نامہ (outlook) مستحکم تھا۔

ملازمین کی فلاح و بہبود

کمپنی کے پاس ملازمین کی فلاح و بہبود کا فراہم کرنے کا فنڈ موجود ہے جس کے تحت پانچ ملازمین کو ہر سال جج پر بھیجا جاتا ہے۔ اس کے علاوہ (a) کمپنی کے ملازمین کے بچوں کو قرآن حفظ کرنے پر اور سیکنڈری اور ہائر سیکنڈری تعلیم میں A+ گریڈ حاصل کرنے پر نقد انعام دیتا ہے، (b) کمپنی کے ساتھ طویل رفاقت رکھنے والے ملازمین کے لیے پینشن اور (c) دوران ملازمت انتقال کرنے والے ملازمین کے اہل خانہ کے لیے تدفین اور تلافی کا بیکنج دیا جاتا ہے۔

بورڈ کا ڈھانچہ اور کمیٹیاں

بورڈ کا ڈھانچہ لسٹڈ کمپنیز اور اداریاتی نظم و ضبط کے ضابطہ 2012، پبلک سیلکٹر کمپنیز (اداریاتی نظم و ضبط کا ضابطہ) قوانین 2013 اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ اداریاتی نظم و ضبط برائے انشورنس کرنے والی کمپنیوں کے 2016، جس کا اجرا سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے عین مطابق ہے۔

اندرونی نگرانی کے مضبوط نظام کی موثر نفاذ اور اداریاتی نظم و ضبط کے ضوابط کی تعمیل کو یقینی بنانے کے لیے بورڈ نے متعدد کمیٹیاں تشکیل دی ہیں جن کی تعداد سات (07) ہیں۔ ان بورڈ کمیٹیوں کی ساخت کو اداریاتی معلومات کے حصے میں علیحدہ سے بیان کیا گیا ہے۔

مستقبل کا منظر نامہ

کمپنی اپنے تحریر شدہ (written)، معاہداتی (treaty) کاروبار میں اپنے حصے میں اضافہ کرنے اور اختیاری (facultative) کاروبار کے معیار کو بڑھانے پر توجہ دیتے ہوئے، امید ہے کہ اگلے سال PRCL اپنے ضمانتی بیمہ (underwriting) کی کارکردگی بہتر کر سکے گا۔ کمپنی یہ توقع بھی کر رہی ہے کہ جاری سال میں تکافل آپریشن کا آغاز کر دے گا جو کمپنی کی پریمیم آمدنی میں اضافہ کرے گی۔ IT میں سرمایہ کاری جاری رہے گی۔ یہ پس پشت آپریشن اور سیڈ انٹنس (cedants) کو خدمات فراہم کرنے کے سلسلے میں نیکینالوجی کی بنیاد کو مستحکم کرنے میں معاونت کرے گی۔

اداریاتی اور مالیاتی رپورٹنگ کے ڈھانچے کا بیان

PRCL ایک لسٹڈ کمپنی ہے اور لسٹڈ کمپنیز کے "اداریاتی نظم و ضبط کے قواعد" 2012 اور دیگر تمام لسٹڈ قواعد کی پابندی کرتی ہے۔ کمپنی پبلک سیلکٹر ادارہ بھی ہے اور پبلک سیلکٹر کمپنیز (اداریاتی نظم و ضبط کے ضوابط) قوانین 2013 اور اداریاتی نظم و ضبط کے ضابطہ برائے انشوررز 2016 کے تحت کام کرتی ہے۔ ڈائریکٹرز تمام رپورٹنگ اور معلومات کو افشا کرنے کی ضروریات کو کمپنی ایکٹ 2017، انشورنس آرڈیننس 2000 اور ان کے تحت بنائے گئے قوانین کی تعمیل کی تصدیق کرتے ہیں۔ ڈائریکٹرز SECP کے اداریاتی گورننس کے ضابطے کے اداریاتی اور مالیاتی رپورٹنگ کے مندرجہ ذیل ڈھانچے کی تعمیل کی تصدیق کرتے ہیں:-

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اس کے معاملات کی حالت، عملی امور کے نتائج، کیش فلو اور ملکیتی سرمایہ (equity) میں تبدیلی بہتر طور پر پیش کرتے ہیں۔
- کمپنی نے موزوں کھاتوں کی کتابیں (Books of Accounts) قائم رکھی ہوئی ہیں۔
- کمپنی نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب عملی پالیسیاں یکساں طور پر اپنائی گئی ہے، تبدیلیوں کو مناسب طور پر ظاہر کیا گیا ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط پر رکھی ہے۔
- پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیار، کمپنیز آرڈیننس 1984، انشورنس آرڈیننس 2000 اور سیکیورٹیز اینڈ ایکسچینج کمیشن (انشورنس) قوانین 2002 کی ضروریات کے مطابق عمل کرتے ہوئے مالیاتی گوشوارے تیار کئے گئے ہیں۔
- اندرونی نگرانی کا نظام موجود ہے اندرونی آڈٹ کا شعبہ پوری طرح کام کر رہا ہے۔
- کمپنی کے کاروبار کے جاری رہنے والے ادارے کے طور پر کوئی ابہام نہیں ہے۔
- لسٹڈ کمپنیز کے اداریاتی نظم و ضبط کا ضابطہ 2012 جیسا کہ سننگ ریگولیشن میں درج ہے اور پبلک سیلکٹر کمپنیز (اداریاتی نظم و ضبط کا ضابطہ) 2013 برائے انشوررز 2016 میں درج بہترین پریکٹسز سے کسی قسم کی مادی انحراف نہیں کیا گیا ہے۔
- ڈائریکٹرز کے ترقیاتی پروگرام کے تحت تمام ڈائریکٹرز تعلیم یافتہ ہیں۔
- نومنتخب ڈائریکٹرز کو متعلقہ قوانین اور ان کی ذمہ داریوں کے بارے میں آگاہی کا تعارفی پروگرام کیا گیا تھا۔
- کمپنی کی نیشنل انویسٹمنٹ ٹرسٹ لمیٹڈ (NITL) میں 8.34 فیصد کی حصص 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۔
- چیرمین اور دیگر بورڈ کے ارکان کے انتخاب اور ان کے انتخاب کی شرائط کے ساتھ ساتھ ان کے مشاہرہ پالیسی کو کمپنی کے بہترین مفاد اور بہترین پریکٹسز کو مد نظر رکھتے ہوئے اختیار کیا گیا ہے۔
- نان ایگزیکٹو ڈائریکٹرز کا متعین معاوضہ نہیں ہے اور ان کو ہر اجلاس میں شرکت کی ایک متعین فیس ادا کی جاتی ہے۔ چیف ایگزیکٹو ڈائریکٹر اور ایگزیکٹو ڈائریکٹرز اور ایگزیکٹو ڈائریکٹرز کے معاوضے علیحدہ سے رپورٹ میں دیے گئے ہیں۔

- m. گذشتہ 6 سالوں کے کلیدی آپریٹنگ اور مالیاتی اعداد و شمار کا خلاصہ علیحدہ سے اس رپورٹ میں شامل ہے۔
- n. حصص رکھنے کے رجحان کا بیان علیحدہ سے اس رپورٹ میں شامل ہے۔
- o. وظیفہ بعد از ملازمت (pension)، گریجویٹ اور پراویڈینٹ فنڈ کی سرمایہ کاری کی مالیت درج ذیل ہے؛

(روپے ملین میں)

904

پینشن اور گریجویٹ فنڈ

عام پراویڈینٹ

485

فنڈ/پراویڈینٹ فنڈ

بورڈ کے اجلاس اور حاضری

سال 2017 میں بورڈ نے متعدد کمیٹیاں تشکیل دیں، ان کے اجلاس کے انعقاد اور ہر ڈائریکٹر کی حاضری کی تفصیلات درج ذیل ہیں؛

پرڈیکٹورمنٹ کمیٹی	سرمایہ کاری کمیٹی	رہنہ سٹیٹمنٹ اور قہیل کمیٹی	دعوت کے تصفیہ کمیٹی	انڈر رائٹنگ کمیٹی	ضابطہ اخلاق / انسانی وسائل / اشارہ کمیٹی	آڈٹ کمیٹی	بورڈ آف ڈائریکٹرز	
1	4	2	3	1	5	6	9	اجلاس کی تعداد
اجلاس میں شرکت کی تعداد								اجلاس کی تعداد
-	3	-	-	1	-	-	8	1 جناب شہاب خواجہ
1	2	-	1	-	2	-	4	2 جناب محمد صدیق مینن CEO
-	1	-	-	-	-	-	1	3 جناب عارف احمد خان CEO
-	1	1	-	1	2	-	3	4 جناب شکیل احمد منگنیو CEO
-	4	-	-	1	5	6	9	5 جناب عبدالسمیع کیسر
-	-	-	-	-	-	-	1	6 جناب بلال خان پاشا
-	-	-	-	-	4	-	8	7 مسز غزالہ احمد
-	-	1	2	-	2	3	3	8 ڈاکٹر کوثر علی زیدی
1	4	-	3	-	-	6	9	9 جناب ممتاز علی راجپر
-	-	2	-	-	-	-	9	10 جناب مصلح الدین
-	-	-	-	-	-	-	3	11 جناب نوید کامران بلوچ
-	-	1	1	-	3	3	5	12 ڈاکٹر ناظم لطیف

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

بورڈ آف ڈائریکٹرز کی تجدیلی

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

قومی خزانے میں حصہ

آپ کی کمپنی نے محصولات، لیویز اور ڈیوٹیوں کی مد میں گورنمنٹ کے خزانے میں 1,018 ملین روپے جمع کروائے۔

اداراتی نظم و ضبط کی تعمیل

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

آڈٹ کمیٹی

بورڈ نے اداراتی گورننس کے ضابطے کی پابندی کرتے ہوئے ایک آڈٹ کمیٹی تشکیل دے دی ہے اور اس کے قواعد و ضوابط منظور کئے جا چکے ہیں۔ کمیٹی کے ارکان کے نام اداراتی معلومات کے سیکشن میں دئے گئے ہیں۔

گزشتہ 6 سالوں میں کمپنی کی کارکردگی

(روپے ملین میں)

2012	2013	2014	2015	2016	2017	
8,153	8,659	8,661	8,135	8,807	8,036	مجموعی پر بیم
4,096	4,724	4,784	5,219	5,802	5,098	خالص پر بیم
(868)	(937)	(950)	(1,101)	(1,264)	(1,142)	خالص کمیشن
(2,217)	(2,831)	(2,793)	(2,775)	(3,336)	(3,740)	خالص دعوے
(448)	(503)	(526)	(621)	(657)	(744)	انتظامی اخراجات
918	1,101	1,079	935	961	3,326	سرمایہ کاری سے آمدنی
563	453	515	722	545	(528)	انڈر رائٹنگ - نفع / نقصان
1,537	1,706	1,565	1,772	1,427	2,973	نفع قبل از محصول
1,160	1,321	1,244	1,377	974	2,219	نفع بعد از محصول

مجوزہ منقسمہ منافع

بورڈ آف ڈائریکٹرز نے حصص یافتگان کی منظوری سے مشروط 3.5 روپے فی حصص (35 فیصد) کا نقد منقسمہ منافع تجویز کیا ہے۔

آمدنی فی حصص

سال 2016 میں کمپنی کی آمدنی فی حصص 3.25 روپے کے مقابلے میں سال 2017 میں کمپنی کی آمدنی فی حصص کی 7.40 روپے رہی۔

کمپنی کے حصص کی تجارت

ڈائریکٹرز، ایگزیکٹو، ان کے شرکاء حیات اور نابالغ بچوں کا کمپنی کے حصص کے لین دین، اگر کوئی ہے تو، حصص کی ملکیت رکھنے کے رجحان میں ظاہر کی گئیں ہیں۔

آڈیٹرز کا انتخاب

کمپنی کے موجودہ آڈیٹرز میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، کی بطور آڈیٹرز کام کو جاری رکھنے کی آمادگی موصول ہونے کے بعد، آڈٹ کمیٹی نے ان کی ان کا نام سال 2018 کے لیے بطور بیرونی آڈیٹرز انتخاب کے لیے 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 پر وگرام کے تحت ان اطمینان بخش درجہ بندی دی گئی ہے اور اس کے تمام شرائط و احوال انٹرنیشنل فیڈریشن آف اکاؤنٹینٹس (IFAC) کے ضابطہ اخلاق، انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان نے بھی اپنا رکھا ہے، کوان میں دی گئی ہدایات کی تعمیل کرنے والے ہیں۔

سائنس

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

بورڈ آف ڈائریکٹرز کے لیے اور ان کی جانب سے

چیرمین / ڈائریکٹر

NOTICE OF THE 18TH ANNUAL GENERAL MEETING

Notice is hereby given that the 18th Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on Monday, 30th April, 2018 at 10:00am, at Jasmine Hall, Ground Floor, Beach Luxury Hotel, Karachi to transact the following business :-

ORDINARY BUSINESS:

1. To confirm the Minutes of the last Annual General Meeting of the Company held on 29th April, 2017.
2. To consider and adopt the audited Annual Accounts of the Company for the year ended 31st December, 2017 and the reports of Directors and Auditors thereon.
3. To consider and approve the payment of final dividend @ 35%. That is Rs.3.50 per ordinary share of Rupees Ten (10.00) for the year ended 31st December 2017.
4. To appoint M/s. BDO Ebrahim & Co. (Chartered Accountants) as Auditors of the Company for the year ending 31st December 2018 and fix their remuneration.
5. To consider any other business with the permission of Chair.

By Order of the Board

(Shams-ud-Din)

Company Secretary

Place: Karachi.

Dated: 9th April, 2018

NOTES:

1. The share transfer books of the company shall remain closed for eight days i.e. from 23rd April 2018 to 30th April 2018 (both days inclusive), no transfer will be accepted for registration during the period.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. A proxy must be deposited at the Company not less than 48 hours before the meeting and in case of default, form of proxy will not be treated as valid.
3. CDC Accountholders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

- i. In the case of individuals, the accountholder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

- ii. In the case of corporate entity, the Board of Director's Resolution / Power of attorney with specimen signature of the nominee, shall be produced (Unless it has been provided earlier) at the time of the meeting.

B. For appointing proxies:

- i. In the case of individuals, the account holder or sub accountholder and/or the person whose securities are in a group and their registration details are uploaded as per the CDC Regulation, shall submit the proxy form 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. 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.

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

The audited financial statements of the Company for the year ended December 31, 2017 have been placed at the Company's website www.pakre.org.pk

Pakistan Reinsurance Company Limited

PRC Towers, 32-A, Lalazar Drive

M. T. Khan Road, P.O. Box: 4777

Karachi-74000, Pakistan.

Tele: (92-21) 99202908-15

Telefax: (92-21) 99202921-22

Email: prcl@pakre.org.pk

Website: www.pakre.org.pk



Statement of Compliance with the Code of Corporate Governance 2012, Public Sector Companies (Corporate Governance) Rules, 2013, and Code of Corporate Governance for Insurers, 2016.

Name of company PAKISTAN REINSURANCE COMPANY LIMITED
Name of the Line Ministry COMMERCE (GoP)
For the year ended DECEMBER 31, 2017

- i. This statement is being presented to comply with the Code of Corporate Governance (CCG) 2012 as contained in Clause No.5.19.23 of Pakistan Stock Exchange Limited Regulations and Public Sector Companies (Corporate Governance) Rules, 2013 duly amended on April 21, 2017, vide SRO 275 (II)/2017 and the Code of Corporate Governance for Insurers, 2016 (CCG Insurer) (hereinafter called "the Codes") issued for the purpose of establishing a framework of good governance. In case where there is inconsistency between Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013, the later shall prevail.
- 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.	<p>The Board has the requisite percentage of independent directors.</p> <p>At present the board includes:</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Name</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Independent Directors</td> <td>Mr. Mumtaz Ali Rajper</td> <td>16-03-2017</td> </tr> <tr> <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. Musleh-ud-Din</td> <td>16-03-2017</td> </tr> <tr> <td>Mr. Shoaib Mir</td> <td>04-12-2017</td> </tr> </tbody> </table>	Category	Name	Date of Appointment	Independent Directors	Mr. Mumtaz Ali Rajper	16-03-2017	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. Musleh-ud-Din	16-03-2017	Mr. Shoaib Mir	04-12-2017	3(2)	Y	
Category	Name	Date of Appointment																								
Independent Directors	Mr. Mumtaz Ali Rajper	16-03-2017																								
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	Mr. Shoaib Mir	04-12-2017																								

3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	Y	
4	The appointing authorities have applied the required fit and proper criteria in making nominations of the persons for election as board members under the provisions of the Ordinance.	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 from amongst the independent directors.	4(4)	Y	
7	As per Rule 5 (2), amended on April 21, 2017, Ministry appointed a Civil Servant as CEO, who joined the Company on September 18, 2017, and was approved by SECP on 10 th January, 2018 under the Insurance Companies' (Sound & Prudent Management) Rules, 2012.	5(2)	Y	
8	(a) The company has prepared a "Code of Conduct" and 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 (b) 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	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) The Board's Human Resource committee has been formed to investigate deviation from the company's code of conduct;	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, in accordance with the PPRA Rules.	5 (5) (c) (iii)	Y	
14	The board has developed a vision or mission statement, corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	Y	

15	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	
16	(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	
17	The performance evaluation of members of the Board including the chairman and the chief executive shall be undertaken annually by the Government for which the Government shall enter into performance contract with each member of the Board at the time of his appointment.	8 (1)		N
18	The board has monitored and assessed the performance of senior management on annual basis.	8 (2)	Y	
19	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	
20	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, and has placed the annual financial statements on the company's website.	10	Y	
21	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	
22	(a) The board has formed the requisite committees, as specified in the Rules.	12(1)	Y	N
	(b) All the committees were provided with written terms of reference defining their duties, authority and composition.	12(2)		
	(c) The minutes of the meetings of the committees were circulated to all the board members.	12(2)	Y	
	(d) The committees were chaired by the following non-executive directors:	12(2)	Y	

Sr. No.	Committees	Number 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	Four	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	Three	Chairman, SLIC			
7	Procurement Committee	Three	Mrs. Ghazala Ahmed			
<p><i>*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.</i></p>						
23	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per the prescribed qualifications. The Board has given the charge of CFO to GM (Finance), who has all the qualifications required for a CFO.			13/14	Y	
24	The Company has adopted International Financial Reporting Standards notified by the Commission under Clause (i) of Subsection (3) of Section 234 of the Ordinance.			16	Y	
25	The Directors' Report for the year has been prepared in compliance with the requirements of the Ordinance and the Rules and Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.			17	Y	
26	The Directors, CEO and Executives do not hold any interest in the shares of Company, other than that disclosed in the pattern of shareholding.			18	Y	
27	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the company contains criteria and details of remuneration of each director.			19	Y	
28	The financial statements of Company were duly endorsed by the Chief Executive and Chief Financial Officer, before approval of the Board.			20	Y	

29	The board has formed an audit committee, with defined and written terms of reference, and having the following members:	21	Y																					
	<table border="1"> <thead> <tr> <th>S.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>Independent</td> <td>MA (Economics)</td> </tr> <tr> <td>3</td> <td>Dr. Nazim Latif</td> <td>Non-executive</td> <td>Joint Secretary (MoC)</td> </tr> <tr> <td>4</td> <td>Mr. Muhammad Khurshid</td> <td>Secretary of the Committee</td> <td>Cost Accountant</td> </tr> </tbody> </table>	S.No.	Name of Member	Category	Professional Background	1	Mr. Abdul Sami Kehar	Independent	MBA	2	Mr. Mumtaz Ali Rajper	Independent	MA (Economics)	3	Dr. Nazim Latif	Non-executive	Joint Secretary (MoC)	4	Mr. Muhammad Khurshid	Secretary of the Committee	Cost Accountant			
S.No.	Name of Member	Category	Professional Background																					
1	Mr. Abdul Sami Kehar	Independent	MBA																					
2	Mr. Mumtaz Ali Rajper	Independent	MA (Economics)																					
3	Dr. Nazim Latif	Non-executive	Joint Secretary (MoC)																					
4	Mr. Muhammad Khurshid	Secretary of the Committee	Cost Accountant																					
	The chief executive and chairman of the Board are not members of the audit committee.																							
30	The board has set up an effective internal audit function which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22	Y																					
31	The Company appointed its external auditors in line with the requirements envisaged under the Rules.	23	Y																					
32	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																					
33	The external auditors have not been appointed to provide services other than the audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.	23(5)	Y																					
34	The Company has complied with all the corporate and financial reporting requirements of the Rules.		Y																					

Certain additional disclosures as required under Code of Corporate Governance (CCG) 2012:

- 35 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. No director or his/her spouse is engaged in the business of stock brokerage.
- 36 A casual vacancy occurring on the board on 31st December, 2016 was not filled as the Government has not yet nominated a director.
- 37 All the powers of the board are exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executives and non-executive directors, have been taken by the board/shareholders.
- 38 All the directors of board have acquired necessary training, except Dr. Nazim Latif, who has been registered with ICAP for upcoming training session, due in January 2018.
- 39 The meetings of the Audit Committee were held at least once every quarter, prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the Committee for compliance.

- 40 The “closed period”, prior to the announcement of interim/final results and business decisions, which may materially affect the market price of Company’s securities, was determined and intimated to directors, officers and stock exchange in time.
- 41 Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
- 42 The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

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

- 43 The Board has formed the following Management Committees:

Underwriting / Reinsurance Committee

Name of the Member	Category
Mr. Shahab Khawaja	Independent
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	Independent
Dr. Nazim Latif	Ex-officio (Ministry)
Mr. Shakeel Ahmed Mangnejo, CEO	Executive
Mr. Muhammad Junaid Moti, ED (Underwriting / Reinsurance)	Secretary

Risk Management & Compliance Committee

Name of the Member	Category
SLIC Director	Nominee
Mr. Shakeel Ahmed Mangnejo, CEO	Executive
Mr. Shams-ud-Din (Company Secretary)	Secretary

Procurement Committee

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

2. The Board has formed the following Board Committees:

Ethics, Human Resource & Remuneration Committee

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

Investment Committee

Name of the Member	CategoryW
Mr. Musleh-ud-Din	Non-executive
Mr. Shahab Khawaja	Independent
Mr. Abdul Sami Kehar	Independent
Mr. Mumtaz Ali Rajper	Independent
Mr. Shakeel Ahmed Mangnejo, CEO	Executive
Mr. Jamil Ahmed, CFO	Secretary

- 44 The meetings of the committees, except risk management committee & underwriting committee, were held at least once every quarter as required by the Code of Corporate Governance for Insurers, 2016.
- 45 The Board has set up an effective internal audit function through competent personnel who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the insurer and they are involved in the internal audit function on a regular basis.
- 46 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. However, the position of Compliance Officer is vacant and has not been filled up as yet. The charge of Compliance Officer has been given to Company Secretary by Board till the appointment of Compliance Officer by Ministry. Moreover, the 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). A written compliance programme could not be formed and kept in place during the period. However, the same has now been compiled, examined and recommended by the Risk Management & Compliance Committee and will be approved by the upcoming Board Meeting.

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. Mr. Farmanullah Zarkoon (General Manager)	Head of Claims
8. Mr. Zohaib Hasan (General Manager)	Head of Information Technology Deptt.
9. Mrs. Ishrat Nazir (Asstt. Manager)	Head of Grievance Deptt.
<i>*The charge of CFO has been given to GM (Finance) by Board, effective November, 2016.</i>	
<i>** The charge of Compliance Officer has been given to Company Secretary by Board till the appointment of Compliance Officer by Ministry.</i>	

- 47 The statutory auditors of the insurer have been appointed from the panel of auditors approved by the Commission in terms of Section 48 of Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the insurer and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines of code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
- 48 The Board ensures that the investment policy of the insurer is drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016 and within the timeline enshrined in the Code.
- 49 The risk management system of the insurer is not in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.
- 50 A risk management function / department has not been setup, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.
- 51 The board ensures that as part of the risk management system the insurer is being rated by M/s. JCR-VIS (credit rating agency). The agency is working on it and will reportedly submit report after finalization of accounts for the year under review. The rating assigned for the year 2016 by the PACRA is "AA" with "Stable" outlook.
- 52 The Board has set up a grievance department/function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.
- 53 We confirm that all other material principles contained in the Code of Corporate Governance have been complied with except for non-compliance mentioned in schedule II to the Statement of compliance with Code of Corporate Governance.

CHIEF EXECUTIVE OFFICER

CHAIRMAN

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]:”

Sr. No.	Rule/Sub-rule No.	Reason for non-compliance	Future Course of Action
Public Sector Companies (Corporate Governance) Rules, 2013			
1	8(1)	The Public Sector Companies (Code of Corporate Governance) Rules, 2013, amended on April 21, 2017, emphasized that the government will enter into performance contract with each director. Since no mechanism has so far been notified by government, the Company could not step forward in this direction.	The Management is determined to take up the matter with Regulator and the Parent Ministry, to provide a clarity enabling the Company to move forward.
2	12(2)	Only the Terms of Reference of Underwriting and Ethics, Human Resource and Remuneration Committees could not be determined and approved during the period under review.	The Terms of References of Underwriting and Ethics, Human Resource and Remuneration Committee have been determined and recommended by Committee Members and will be approved by Board by the end of April, 2018.
Code of Corporate Governance, 2012			
3	5.19.3	Out of four Government nominated directors, three have been notified and appointed but one has not yet been notified and appointed.	The company kept reminding the ministry to nominate the director and will firmly take up the matter to get this vacancy of board filled up as soon as possible.
Code of Corporate Governance for Insurers, 2016			
4	xxxi	Written Compliance Program could not be completed during the period.	Now the written compliance program is complete and is expected to be approved by Board by end of April, 2018.
5	xlili	The Committee Meetings of Risk Management and Compliance and Underwriting Committee could not be held as requirement due to delay in appointment of a Risk Management Officer and some staffing in Underwriting Department.	The Board has approved the appointment of required Risk Management Officer and other recruitment for this department which will shortly materialize, after the concurrence from Ministry of Commerce.
6	lxix	The Risk Management Officer once appointed will take care of Risk Management System, in pursuance the requirement of Code of Corporate Governance for Insurers, 2016.	The Management has taken up the matter on priority with Ministry of Commerce to get the placement of Risk Management Officer.
7	lxx	The appointment of a Risk Management Officer is to be finalized by the Ministry after the approval of Board of Directors in order to establish the Risk Management Department.	The Board has approved the vacancy position and the company has currently taken up the matter with Ministry of Commerce for its resolution on priority.

CHIEF EXECUTIVE OFFICER

CHAIRMAN

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE, PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013 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, 2017 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, 2017.

Further, we highlight below instances of non-compliance with the requirements of the Codes and reflected in the paragraphs 17, 22(b), 36, 44, 46, 49 and 50 where these are stated in the Statement of Compliance.

S.No.	REFERENCE	DESCRIPTION
Public Sector Companies (Corporate Governance) Rules, 2013		
1	8(1)	The performance evaluation of member of the Board was not carried out by the Government.
2	12(2)	Term of Reference of Ethics Human Resource and Remuneration Committee and Underwriting Committee were not prepared by the Board.
Code of Corporate Governance, 2012		
3	5.19.3	Casual vacancy on the board was not filled by the Government within the time specified in the rule.
Code of Corporate Governance for Insurers, 2016		
4	xxxi	Written compliance program was not formed during the period.
5	xliii	The committee meetings of Risk Management and Compliance and underwriting Committee were not held as required.
6	lxix	The risk management system is not in place.
7	lxx	The risk management department has not been established.

KARACHI
Dated: 5th April, 2018

CHARTERED ACCOUNTANTS
Engagement partner: Zufikar Ali Causer

AUDITORS' REPORT TO THE MEMBERS

Introduction

We have audited the accompanying:

- balance sheet;
- profit and loss account;
- statement of comprehensive income;
- statement of changes in equity;
- statement of cash flows;
- statement of premiums;
- statement of claims;
- statement of expenses; and
- statement of investment income

PAKISTAN REINSURANCE COMPANY LIMITED ("the Company") as at December 31, 2017 together with the notes forming part thereof, for the year then ended.

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

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

- i) 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 year on May 30, 2017 SECP has issued separate guidelines for the Company for estimation of Incurred but Not Reported (IBNR) claim reserves 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 six ceding companies reported their IBNR Claim Reserves on the basis of which the Company recorded IBNR amounting to Rs. 105.387 million and the remaining ceding companies did not share data of IBNR claim reserves as per SECP specified guidelines.

- ii) As on December 31, 2017, the balance under the head "Amount due from other insurers / reinsurers" include an amount of Rs. 1,214.458 million in respect of which balance confirmation has not been received. Management has recorded a provision amounting to Rs. 312.982 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 22. Due to pending confirmation/reconciliation relating to the above balances, resultant adjustment and consequential impact therefore, if any, on the financial statements remain unascertained.

Except for the adjustments in respect of matters stated above, in our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2017 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved International Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the repealed Companies Ordinance, 1984;
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without further modifying our opinion, we draw attention to

- i) Note 17.2 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 13.1 and 22.2 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.

KARACHI

DATED: 5th April, 2018

CHARTERED ACCOUNTANTS

Engagement partner: Zulfikar Ali Causer

Balance Sheet

As on December 31, 2017

	Note	December 31, 2017 Rupees	December 31, 2016 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
2,500,000,000 (2016: 2,500,000,000)			
Ordinary shares of Rs. 10/- each		<u>25,000,000,000</u>	<u>25,000,000,000</u>
Issued, subscribed and paid up capital			
300,000,000 (2016: 300,000,000)			
Ordinary shares of Rs. 10/- each	6	3,000,000,000	3,000,000,000
Retained earnings		2,744,904,759	2,345,041,499
Reserve for exceptional losses	7	281,000,000	281,000,000
General reserve		1,777,419,085	1,777,419,085
		<u>4,803,323,844</u>	<u>4,403,460,584</u>
Shareholders' equity		<u>7,803,323,844</u>	<u>7,403,460,584</u>
LIABILITIES			
Underwriting provisions			
Provision for outstanding claims (including IBNR)	8	4,713,650,200	4,590,671,732
Provision for unearned premium	9	4,241,898,034	4,420,092,072
Commission income unearned	10	262,499,096	24,177,478
Total underwriting provisions		<u>9,218,047,330</u>	<u>9,034,941,282</u>
Deferred liability - employee benefits	11	2,193,559,697	1,296,307,190
Long term deposits	12	17,153,494	16,299,040
Creditors and accruals			
Amount due to other insurers and reinsurers	13	1,957,775,833	1,964,346,423
Premium and claim reserves retained from retrocessionaires	14	18,343,273	19,063,743
Other creditors and accruals	15	33,227,734	26,026,662
Accrued expenses		14,160,297	19,909,377
Retention money payable		6,368,183	6,368,183
		<u>2,029,875,320</u>	<u>2,035,714,388</u>
Other liabilities			
Dividend payable		129,369,029	119,430,677
Surplus profit payable	16	1,212,602	1,212,602
		<u>130,581,631</u>	<u>120,643,279</u>
Total liabilities		<u>13,589,217,473</u>	<u>12,503,905,179</u>
CONTINGENCIES AND COMMITMENTS	17		
TOTAL EQUITY AND LIABILITIES		<u><u>21,392,541,316</u></u>	<u><u>19,907,365,763</u></u>

Balance Sheet

As on December 31, 2017

	Note	December 31, 2017 Rupees	December 31, 2016 Rupees
ASSETS			
Cash and bank deposits			
Cash and other equivalents		77,216	44,264
Current and other accounts		2,517,016,557	2,239,958,104
Deposits maturing within 12 months		30,000,000	440,000,000
	18	2,547,093,773	2,680,002,368
Loans to employees	19	181,767,723	72,949,886
Investments	20	6,093,495,837	6,624,839,230
Investment properties	21	29,806,753	31,425,711
Current assets - others			
Amount due from other insurers and reinsurers	22	4,293,631,457	4,533,411,877
Premium and claim reserves retained by cedants	23	11,119,508	11,685,818
Accrued investment income	24	164,005,201	190,210,728
Reinsurance recoveries against outstanding claims	25	2,159,694,037	2,732,782,143
Deferred commission expense	26	722,203,300	598,286,396
Prepayments	27	2,000,326,134	1,768,270,301
Taxation - net		467,706,126	114,406,208
Sundry receivables	28	2,684,719,627	509,927,721
Stock of stationery		401,120	240,905
		12,503,806,510	10,459,222,097
Fixed assets			
Tangible			
Land and building		13,862,906	14,580,764
Furniture, fixture, books and office equipment		9,786,151	10,150,776
Electrical installations, air conditioning plant and lifts		6,442,633	8,053,291
Motor vehicles		6,479,029	6,141,640
	29.5	36,570,720	38,926,471
Assets relating to Bangladesh	30	-	-
TOTAL ASSETS		21,392,541,316	19,907,365,763

The annexed notes from 1 to 50 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, 2017

	2017 Rupees	2016 Rupees
Profit for the year	2,219,264,260	974,263,198
Other comprehensive (loss) / income		
Items that may not be reclassified to profit and loss account subsequently		
Remeasurement of defined benefit obligations - net	(919,401,000)	240,672,000
Total comprehensive income for the year	<u>1,299,863,260</u>	<u>1,214,935,198</u>

The annexed notes from 1 to 50 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, 2017

	2017 Rupees	2016 Rupees
Operating cash flows		
Underwriting activities:-		
Premium received	8,268,801,122	7,941,282,377
Reinsurance premium paid	(3,244,571,017)	(2,485,140,139)
Claims paid	(4,919,821,649)	(3,417,460,379)
Reinsurance and other recoveries received	1,875,914,050	253,147,062
Commission paid	(1,362,863,861)	(1,332,651,825)
Commission received	335,331,660	62,237,271
Premium and claim reserves retained from retrocessionaires/withheld by ceding companies - net	(154,160)	156,412,190
Expenses paid	(566,679,406)	(482,177,258)
Net cash inflows from underwriting activities	<u>385,956,740</u>	<u>695,649,299</u>
Other operating activities		
Income tax paid	(1,107,576,365)	(552,809,868)
General management expenses paid	(108,422,421)	(46,035,123)
Payment under defined benefit obligation	(199,637,493)	(124,511,484)
Loans disbursed	(108,817,837)	(1,870,144)
Other payments - net	(2,040,095,765)	(415,837,050)
Net cash used in other operating activities	<u>(3,564,549,881)</u>	<u>(1,141,063,669)</u>
Total cash used in all operating activities	<u>(3,178,593,141)</u>	<u>(445,414,370)</u>
Investment activities		
Addition to fixed assets-net	(4,407,225)	(3,870,955)
Proceeds from disposal of fixed assets	1,120,763	-
Acquisition of investments	(6,180,334,625)	(3,400,625,165)
Rental income received - net of expenses	34,915,989	51,361,667
Dividend income received	423,370,233	415,999,985
Interest income on bank deposits	82,017,771	98,463,411
Investment income received - net of expenses	423,552,542	304,832,364
Proceeds on sale / maturity of investments	9,155,510,747	3,142,087,022
Total cash inflow from investment activities	<u>3,935,746,195</u>	<u>608,248,329</u>
Financing activities		
Dividend paid	(890,061,648)	(767,796,665)
Total cash outflow from financing activities	<u>(890,061,648)</u>	<u>(767,796,665)</u>
Net decrease in cash and cash equivalents	<u>(132,908,595)</u>	<u>(604,962,706)</u>
Cash and cash equivalents at beginning of the year	<u>2,680,002,368</u>	<u>3,284,965,074</u>
Cash and cash equivalents at end of the year	<u><u>2,547,093,773</u></u>	<u><u>2,680,002,368</u></u>

Statement of Cash Flows

For the year ended December 31, 2017

	2017 Rupees	2016 Rupees
Reconciliation to profit and loss account		
Operating cash flows	(3,178,593,141)	(445,414,370)
Depreciation on fixed assets	(5,642,213)	(5,963,255)
Depreciation on investment properties	(1,618,958)	(1,724,245)
Exchange gain / (loss)	102,949,620	(694,372)
Other charges	(55,542,754)	(166,705,510)
Rental income	56,267,795	55,779,280
(Charge) / reduction for deferred liability-employee benefits	(177,489,000)	190,272,484
Investment income	3,325,868,531	961,156,893
Reinsurance recoveries against outstanding claims	(573,088,106)	1,326,237,748
Provision for outstanding claims	(122,978,468)	(1,497,484,250)
Provision for unearned premium	178,194,039	(308,950,942)
Prepaid reinsurance	232,057,744	255,773,386
Increase in operating assets other than cash	2,422,518,469	979,038,022
Decrease in operating liability other than cash	(336,939,213)	(467,182,939)
	<u>1,865,964,345</u>	<u>874,137,931</u>
Other adjustments:		
Income tax paid	1,107,576,365	552,809,868
	<u>1,107,576,365</u>	<u>552,809,868</u>
Profit before taxation	2,973,540,710	1,426,947,799
Provision for taxation	(754,276,450)	(452,684,601)
Profit after taxation	<u><u>2,219,264,260</u></u>	<u><u>974,263,198</u></u>

Definition of cash

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

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

Cash and cash equivalents:

Cash and other equivalents	77,216	44,264
Current and other accounts	2,517,016,557	2,239,958,104
Deposit maturing within 12 months	30,000,000	440,000,000
	<u>2,547,093,773</u>	<u>2,680,002,368</u>

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Statement of Premiums

For the year ended December 31, 2017

Class	Premiums written (A)		Unearned premium reserve		Premiums earned (D=A+B-C)		Reinsurance ceded (E)		Prepaid reinsurance		Reinsurance expense (H=E+F-G)		Net premium revenue	
	(A)	(B)	Opening (B)	Closing (C)	(D=A+B-C)	(E)	Opening (F)	Closing (G)	(H=E+F-G)	2017 (I=D-H)	2016			
R u p e e s														
Business underwritten inside Pakistan														
Facultative														
Fire	1,561,371,603	698,320,157	3,138,704	794,543,789	1,465,147,971	417,353,527	76,875,785	92,323,006	401,906,306	1,063,241,665	1,106,310,676			
Marine cargo	48,291,004	3,138,704	8,230,638	8,230,638	43,199,070	-	-	-	-	43,199,070	33,739,206			
Marine hull	68,550,220	24,888,296	79,469,401	42,998,528	50,439,988	34,599,887	8,001,608	20,614,061	21,987,434	28,452,554	54,238,803			
Accident and others	151,335,376	79,469,401	74,427,811	74,427,811	156,376,966	8,211,621	2,124,549	6,852,358	3,483,812	152,893,154	144,334,846			
Aviation	1,272,617,286	973,138,918	1,071,031,799	1,071,031,799	1,174,724,405	1,167,117,956	859,502,506	972,286,299	1,054,334,164	120,390,241	146,342,765			
Engineering	1,564,099,541	790,793,476	813,241,446	813,241,446	1,541,651,571	1,125,652,896	565,351,377	583,719,828	1,107,284,445	434,367,126	499,629,124			
Total	4,666,265,030	2,569,748,952	2,804,474,013	2,804,474,013	4,431,539,971	2,752,935,887	1,511,855,825	1,675,795,552	2,588,996,160	1,842,543,811	1,984,595,420			
Treaty	3,369,326,262	1,850,343,120	1,437,424,021	1,437,424,021	3,782,245,361	594,584,750	250,725,804	318,843,821	526,466,733	3,255,778,628	3,817,252,479			
Grand total	8,035,591,292	4,420,092,072	4,241,898,034	4,241,898,034	8,213,785,332	3,347,520,637	1,762,581,629	1,994,639,373	3,115,462,893	5,098,322,439	5,801,847,899			

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE OFFICER** **DIRECTOR** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

Statement of Claims

For the year ended December 31, 2017

Class	Provision for outstanding claims					Reinsurance and other recoveries received		Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries		Net claims expense	
	Claims paid (A)	Opening (B)	Closing (C)	Claims expense (D=A+C-B)	(E)	(F)	(G)	(H=E+G-F)	(I=D-H)	2017	2016		
R u p e e s													
Business underwritten inside Pakistan													
Facultative													
Fire	475,269,210	994,479,472	1,250,561,544	731,351,282	-	512,049,237	542,010,270	29,961,033	701,390,249	360,055,953			
Marine cargo	14,816,618	35,004,588	45,634,627	25,046,657	-	-	-	-	25,046,657	12,042,622			
Marine hull	95,127,115	79,759,482	98,270,441	113,638,074	46,965,114	20,071,757	27,864,737	54,758,094	58,879,980	24,582,873			
Accident and others	25,653,949	192,339,624	172,267,889	5,582,214	-	-	-	-	5,582,214	87,410,368			
Aviation	1,558,341,852	1,261,479,243	116,351,952	413,214,561	1,362,389,972	1,122,889,424	46,134,162	285,634,710	127,579,851	65,598,873			
Engineering	417,498,185	220,017,329	921,658,158	1,119,139,014	2,969,016	91,506,402	706,346,795	617,809,409	501,329,605	141,607,409			
Total	2,586,706,929	2,783,479,738	2,604,744,611	2,407,971,802	1,412,324,102	1,746,516,820	1,322,355,964	988,163,246	1,419,808,556	691,298,098			
Treaty	2,333,114,720	1,812,143,994	2,113,857,589	2,634,828,315	463,589,948	986,265,323	837,338,073	314,662,698	2,320,165,617	2,644,261,721			
Grand total	4,919,821,649	4,595,623,732	4,718,602,200	5,042,800,117	1,875,914,050	2,732,782,143	2,159,694,037	1,302,825,944	3,739,974,173	3,335,559,819			

The annexed notes from 1 to 50 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, 2017

	Share capital		Reserves			Total
	Issued subscribed and paid-up	Reserve for exceptional losses	Revenue reserves			
			Retained earnings	General reserve	Total reserves	
Rupees -----						
Balance as at January 01, 2016	3,000,000,000	281,000,000	1,880,106,301	1,777,419,085	3,657,525,386	6,938,525,386
Total comprehensive income for the year ended December 31, 2016						
Profit for the year	-	-	974,263,198	-	974,263,198	974,263,198
Remeasurement of defined benefit obligations - net	-	-	240,672,000	-	240,672,000	240,672,000
	-	-	1,214,935,198	-	1,214,935,198	1,214,935,198
Transactions with owners						
Final cash dividend paid for the year 2015 at Rs. 2.50 per share	-	-	(750,000,000)	-	(750,000,000)	(750,000,000)
Balance as at December 31, 2016	3,000,000,000	281,000,000	2,345,041,499	1,777,419,085	4,122,460,584	7,403,460,584
Total comprehensive income for year ended December 31, 2017						
Profit for the year	-	-	2,219,264,260	-	2,219,264,260	2,219,264,260
Remeasurement of defined benefit obligations - net	-	-	(919,401,000)	-	(919,401,000)	(919,401,000)
	-	-	1,299,863,260	-	1,299,863,260	1,299,863,260
Transactions with owners						
Final cash dividend paid for the year 2016 at Rs. 3.00 per share	-	-	(900,000,000)	-	(900,000,000)	(900,000,000)
Balance as at December 31, 2017	3,000,000,000	281,000,000	2,744,904,759	1,777,419,085	4,522,323,844	7,803,323,844

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Statement of Expenses

For the year ended December 31, 2017

Class	Commission paid or payable (A)		Deferred commission		Net commission expenses (D=A+B-C)	Other management expenses (E)	Underwriting expenses (F=D+E)	Commission from reinsurers (G)	Commission income unearned		Net commission retrocession (J=G+H-I)	Net underwriting expense	
	Opening (B)	Closing (C)	Opening (B)	Closing (I)					Opening (H)	Closing (I)		2017 (K=F-J)	2016
Business underwritten inside Pakistan													
Facultative													
Fire	216,136,633	124,714,997	125,689,869	175,868,864	215,161,761	175,868,864	391,030,625	20,368,476	4,266,944	3,520,774	21,114,646	369,915,979	334,999,170
Marine cargo	7,978,665	653,118	1,358,132	12,317,316	7,273,651	12,317,316	19,590,967	-	-	-	-	19,590,967	17,221,775
Marine hull	6,906,507	1,803,517	4,165,682	8,552,123	4,544,342	8,552,123	13,096,465	4,981,926	1,343,184	3,027,963	3,297,147	9,799,318	9,651,554
Accident and others	21,860,374	8,476,354	7,643,989	33,603,210	22,642,740	33,603,210	56,245,950	16,641	53,114	6,240	63,515	56,182,435	39,178,988
Aviation	177,913,117	1,328,262	153,634,349	23,216,004	25,607,030	23,216,004	48,823,034	237,157,098	11,163,272	206,620,082	41,700,288	7,122,746	25,026,273
Engineering	98,406,006	29,061,745	57,999,801	76,180,493	69,667,950	76,180,493	145,848,443	69,670,481	6,264,451	48,019,981	27,914,951	117,933,492	112,490,817
Total	529,201,302	165,987,993	350,291,822	344,897,474	344,897,474	329,738,010	674,635,484	332,194,622	23,090,965	261,195,040	94,090,547	580,544,937	538,568,577
Treaty	833,662,559	432,298,403	371,911,482	894,049,481	894,049,481	414,430,396	1,308,479,877	3,137,038	1,086,513	1,304,056	2,919,495	1,305,560,382	1,382,986,378
Grand total	1,362,863,861	598,286,396	722,203,303	1,238,946,954	1,238,946,954	744,168,406	1,983,115,360	335,331,660	24,177,478	262,499,096	97,010,042	1,886,105,319	1,921,554,955

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Statement of Investment Income

For the year ended December 31, 2017

	Note	2017 Rupees	2016 Rupees
Income from trading investments			
Dividend income		9,422,478	10,855,802
		<u>9,422,478</u>	<u>10,855,802</u>
Income from non-trading investments			
Held-to-maturity			
Return on Government Securities		302,699,008	362,412,221
Return on other fixed income securities and deposits		82,781,979	97,065,736
Income on Treasury Bills		80,509,101	45,950,716
Amortization of discount on Pakistan Investment Bonds		8,575,301	10,321,070
		<u>474,565,389</u>	<u>515,749,743</u>
Available-for-sale			
Gain on disposal of available-for-sale investments		2,798,575,853	3,090,237
Dividend income on available-for-sale investments		415,228,241	406,679,675
		<u>3,213,804,094</u>	<u>409,769,912</u>
Gain on revaluation of investments			
Held-for-trading	20.6	(30,062,545)	27,502,994
Impairment / Reversal			
Available-for-sale		(324,680,579)	7,667,902
Less: Investment related expenses		<u>(17,180,306)</u>	<u>(10,389,460)</u>
Net investment income		<u><u>3,325,868,531</u></u>	<u><u>961,156,893</u></u>

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Notes to the Financial Statements

For the year ended December 31, 2017

1 STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Reinsurance Company Limited (the Company) was incorporated in Pakistan as a public limited company on March 30, 2000 under the Companies' Act, 2017. The Company is engaged in providing reinsurance and retrocession services to the inland insurance industry. The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at PRC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

With effect from February 15, 2001, the Company took over all the assets and liabilities of former Pakistan Insurance Corporation (PIC) in the consequence of SRO No.98(1)/2000 dated February 14, 2001 issued by the Ministry of Commerce, in terms of Pakistan Insurance Corporation (Re-organization) Ordinance, 2000 to provide for conversion of Pakistan Insurance Corporation, established in 1952 under PIC Act 1952, into Pakistan Reinsurance Company Limited.

- 1.2** The Company is well committed to shortly commence the Re-Takaful window operation. Company's Board of Directors in its 118th Meeting held on December 02, 2016 decided that the potential loss of business due to absence of Re-Takaful window, would be unrecoverable if it is further delayed. Many regulatory requirements in the context have been completed by now as under.
- 1.3** Amendments in the Articles and Memorandum of Company have been consented by the shareholders and duly approved by the SECP. Likewise, appointment of Shariah Advisor has been made and the dedicated bank account in a Islamic bank has been established with beyond cede-money, which has duly been verified by external auditors. Thus, it seems practical to predict that by the closure of 1st Quarter of 2018 the Company will have commenced the Window Re-Takaful Operations.
- 1.4** The Company is also fast pursuing to have a Enterprise Resource Plan (ERP), for which a consultancy was appointed during the year under review, which has almost completed its task and finished the "Request for Proposal" (RFP) document for the ultimate procurement of software solution, which is expected to be installed, well before the close of 2nd Quarter of year 2018.

Notes to the Financial Statements

For the year ended December 31, 2017

2 BASIS OF PREPARATION

These financial statements have been prepared on the formats of financial issued by the Securities and Exchange Commission of Pakistan (SECP) through the Securities and Exchange Commission (Insurance) Rules, 2002 [SECP (Insurance) Rules, 2002] vide SRO 938(1) dated December 12, 2002.

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the repealed Companies Ordinance, 1984, the Insurance Ordinance, 2000, and approved accounting standards as applicable to insurance companies in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by IASB as notified under the provisions of the repealed Companies Ordinance, 1984. Wherever the requirements of the Insurance Ordinance, 2000, the repealed Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Insurance Ordinance, 2000, repealed Companies Ordinance, 1984 or the requirements of the said directives shall take precedence.

During the year, Securities and Exchange Commission of Pakistan (SECP) issued Insurance Rules, 2017 and Insurance Accounting Regulations, 2017, which were applicable with effect from February 09, 2017. However, subsequent to the balance sheet date, the Company applied for the exemption dated March 13, 2018 from the applicability of the said regulations for preparation of the financial statements for the year ended December 31, 2017 which was allowed by SECP vide letter ID/OSM/PRCL/2018/14031, dated March 15, 2018. Hence, the financial statements for the year ended December 31, 2017 are prepared in accordance with the requirements of SEC (Insurance) Rules, 2002.

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

During the year, Companies Act, 2017 (“the Act”) has been promulgated on May 30, 2017 introducing certain new requirements regarding preparation and filing of financial statements by companies. However, Securities and Exchange Commission of Pakistan vide Circular No. 23 of 2017 dated October 04, 2017 has directed companies whose financial year closes on or before December 31, 2017 to prepare financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The financial statements of the Company has been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984 as per the directive of the said circular.

Notes to the Financial Statements

For the year ended December 31, 2017

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except certain investments which have been measured at fair value. No adjustment for the effect of inflation has been accounted for in the financial statements.

2.3 Functional and presentation currency

These financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

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

3.1 Amendments that are effective in current year but not 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:

		Effective date (annual periods beginning on or after)
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017

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 12	Disclosure of Interests in Other Entities	January 01, 2017
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3.2 Amendments not yet effective

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

IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2018
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Notes to the Financial Statements

For the year ended December 31, 2017

		Effective date (annual periods beginning on or after)
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 7	Financial Instruments : Disclosures - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	Applies when IFRS 9 is applied
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	No stated effective date
IFRS 9	Financial Instruments - Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	January 01, 2018
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture	Deferred indefinitely
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	Deferred indefinitely
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IAS 39	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	Applies when IFRS 9 is applied

Notes to the Financial Statements

For the year ended December 31, 2017

		Effective date (annual periods beginning on or after)
IAS 40	Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018

The Annual Improvements to IFRSs that are effective for annual periods beginning on or after January 01, 2018 are as follows:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IAS 28	Investments in Associates and Joint Ventures	January 01, 2018
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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, 2018

3.3 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:

IFRS 9	Financial Instruments	July 01, 2018
IFRS 15	Revenue from Contracts with Customers	July 01, 2018

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:

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 14	Regulatory Deferral Accounts
IFRS 16	Leases
IFRS 17	Insurance Contracts

The effects of IFRS 15 - Revenues from Contracts with Customers, IFRS 9 - Financial Instruments and IFRS 17 Insurance Contracts are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

Notes to the Financial Statements

For the year ended December 31, 2017

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.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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 periodic basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

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

4.1 Classification of investments

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

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

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale. Subsequent to the initial recognition at cost, quoted investments are stated at the lower of cost or market value (in accordance with the requirements of SRO 938 issued by the SECP in December 12, 2002).

4.2 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.

Notes to the Financial Statements

For the year ended December 31, 2017

4.3 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. Such change is accounted for as change in accounting estimate in accordance with International Accounting Standard 8 "Changes in Accounting Policies, Changes in accounting Estimates and Errors".

4.4 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.

4.5 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.

4.6 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.

4.7 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.

Notes to the Financial Statements

For the year ended December 31, 2017

4.8 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.

5 SIGNIFICANT ACCOUNTING POLICIES

5.1 Insurance contracts

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

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

In addition to direct insurance, at times the Company also participates in risks under 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).

5.1.1 Premiums

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

Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned portion of premium income is recognized as a liability. The liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002.

Administration surcharge

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum amounting to Rs. 2,000 per policy.

Notes to the Financial Statements

For the year ended December 31, 2017

Premiums due but unpaid

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes that impairment loss in the profit and loss account.

5.1.2 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 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 balance sheet 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.

5.1.3 Claims expense

General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

The Company recognizes liability in respect of all claims incurred up to the balance sheet date, which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Notes to the Financial Statements

For the year ended December 31, 2017

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. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

5.1.4 Reinsurance recoveries against outstanding claims

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

5.1.5 Commission

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

a) Commission income

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 SECP (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002.

5.1.6 Premium deficiency reserve

The Company is required to maintain a provision in respect of premium deficiency for the individual class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet 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.

Notes to the Financial Statements

For the year ended December 31, 2017

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 balance sheet date in respect of policies in those classes of business in force at the balance sheet date. Hence, no reserve for the same has been made in these financial statements.

5.2 Investments

5.2.1 Recognition

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

5.2.2 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.

Notes to the Financial Statements

For the year ended December 31, 2017

5.2.3 Quoted

Subsequent to initial recognition, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the SECP (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002. Moreover, section 16(a) of the Securities and Exchange (Insurance) Rules, 2002 for available for sale - 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 balance sheet date to determine the market value.

International Accounting Standard 39 dealing with the recognition and measurements of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on December 31, 2017 would have been higher by Rs. 2,774.494 million (2016: higher by Rs. 6,351.680 million), and the net equity would have been higher by Rs. 2,774.494 million (2016: higher by 6,351.680 million).

5.2.4 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.

5.2.5 Date of recognition

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

5.3 Investment properties

Investment properties are accounted for under the cost model in accordance with the International Accounting Standard (IAS) 40 "Investment Property" and SEC (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002.

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

Notes to the Financial Statements

For the year ended December 31, 2017

- 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 statement of income in the period of derecognition.

5.4 Premium due but unpaid

These are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognizes that impairment loss in the profit and loss account.

5.5 Liability adequacy test

At each end of the reporting period, 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.

5.6 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.

Notes to the Financial Statements

For the year ended December 31, 2017

5.7 Provision for outstanding claims

A liability is recognized for outstanding claims incurred up to the balance sheet 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 balance sheet 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 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 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.

5.8 Prepaid reinsurance ceded

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

5.9 Staff retirement benefits

5.9.1 Defined benefits plan

5.9.1.1 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, 2017 using the Projected Unit Credit Method based on the significant assumptions stated in note 41.1.9 for valuation of the funds as at December 31, 2017.

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).

Notes to the Financial Statements

For the year ended December 31, 2017

5.9.1.2 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 6 months in respect of leave preparatory to retirement (LPR) on the basis of basic plus all allowances except conveyance allowance. The liability is estimated on the basis of actuarial advice under the Projected Unit Credit method carried out by a qualified actuary.

5.9.2 Defined contribution plan

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

5.10 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.

5.10.1 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.

5.10.2 Deferred

Deferred tax is accounted for using the balance sheet 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.

Notes to the Financial Statements

For the year ended December 31, 2017

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.

5.11 Fixed assets - tangibles

Owned

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 29.5 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 balance sheet date.

The carrying amount of fixed assets are reviewed at each balance sheet 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.

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

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

5.12 Revenue recognition

5.12.1 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.

Notes to the Financial Statements

For the year ended December 31, 2017

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

5.12.2 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.

5.12.3 Rental income

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

5.13 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.

5.14 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.

5.15 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 note 38.7. 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 income currently.

Notes to the Financial Statements

For the year ended December 31, 2017

5.16 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.

5.17 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 SEC (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002.

5.18 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.

5.19 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.

5.20 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.

Notes to the Financial Statements

For the year ended December 31, 2017

5.21 Provision for doubtful debts

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

5.22 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.

5.23 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.

5.24 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, 2017.

			2017 Rupees	2016 Rupees
6	ISSUED SUBSCRIBED PAID UP CAPITAL			
	2017 (Number of shares)	2016		
	8	8		
		Ordinary shares of Rs.10/- each fully paid in cash	80	80

Notes to the Financial Statements

For the year ended December 31, 2017

2017 (Number of shares)	2016		2017 Rupees	2016 Rupees
5,000,000	5,000,000	Ordinary shares of Rs.10/- each issued for consideration other than cash	50,000,000	50,000,000
294,999,992	294,999,992	Ordinary shares of Rs.10/- each issued as fully paid bonus shares	2,949,999,920	2,949,999,920
<u>300,000,000</u>	<u>300,000,000</u>		<u>3,000,000,000</u>	<u>3,000,000,000</u>

7 RESERVES FOR EXCEPTIONAL LOSSES

The reserves for exceptional losses was set aside prior to 1979 and was charged to income with the provision of Income Tax Act of 1922 (repealed). The Company has ceased to set aside such reserves.

8 PROVISION FOR OUTSTANDING CLAIMS (INCLUDING IBNR)

Facultative business				
Fire			1,250,561,544	994,479,472
Marine cargo			45,634,627	35,404,588
Marine hull			98,270,441	79,759,482
Accident and others			172,267,889	192,339,624
Aviation			116,351,952	1,261,479,243
Engineering			921,658,158	220,017,329
			<u>2,604,744,611</u>	<u>2,783,479,738</u>
Treaty			2,113,857,589	1,812,143,994
			<u>4,718,602,200</u>	<u>4,595,623,732</u>
Claims related to Bangladesh, adjusted in note 30		8.2	(4,952,000)	(4,952,000)
			<u>4,713,650,200</u>	<u>4,590,671,732</u>

- 8.1 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 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.

Notes to the Financial Statements

For the year ended December 31, 2017

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 six ceding companies reported their IBNR Claim Reserves on the basis of which the Company recorded IBNR amounting to Rs. 105.387 million.

	2017 Rupees	2016 Rupees
8.2 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>
9 PROVISION FOR UNEARNED PREMIUM		
Facultative business		
Fire	794,543,789	698,320,157
Marine cargo	8,230,638	3,138,704
Marine hull	42,998,528	24,888,296
Accident and others	74,427,811	79,469,401
Aviation	1,071,031,799	973,138,918
Engineering	813,241,446	790,793,476
	<u>2,804,474,013</u>	<u>2,569,748,952</u>
Treaty	1,437,424,021	1,850,343,120
	<u>4,241,898,034</u>	<u>4,420,092,072</u>
10 COMMISSION INCOME UNEARNED		
Facultative business		
Fire	3,520,774	4,266,944
Marine hull	3,027,963	1,343,184
Accident and others	6,240	53,114
Aviation	206,620,082	11,163,272
Engineering	48,019,981	6,264,451
	<u>261,195,040</u>	<u>23,090,965</u>
Treaty	1,304,056	1,086,513
	<u>262,499,096</u>	<u>24,177,478</u>

Notes to the Financial Statements

For the year ended December 31, 2017

	Note	2017 Rupees	2016 Rupees
11 DEFERRED LIABILITY-EMPLOYEE BENEFITS			
Defined benefit obligations of			
Post employee benefits			
Employee's pension fund	40.1	369,752,193	169,335,600
Officer pension benefits	40.1	1,054,728,493	503,875,359
Gratuity fund	40.1	8,705,954	6,496,130
Other post employment benefits			
Post retirement medical benefits	40.1	635,814,007	506,908,928
Other long term employment benefits			
Compensated absences	40.1	124,559,050	109,691,173
		<u>2,193,559,697</u>	<u>1,296,307,190</u>

12 LONG TERM DEPOSITS

This represents deposits received from tenants in connection with letting of PRC Towers and earnest money deposits for the purpose of securing tenders of suppliers and contractors.

13 AMOUNT DUE TO OTHER INSURERS

Amount due to other insurers		422,398,813	190,752,854
Amount due to other reinsurers		1,535,377,020	1,773,593,569
	13.1	<u>1,957,775,833</u>	<u>1,964,346,423</u>

- 13.1 These balances are based on underlying information and returns submitted by insurers/reinsurers periodically. During the prior years, 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.

14 PREMIUM AND CLAIMS RESERVES RETAINED FROM RETROCESSIONAIRES

Premium reserves		228,411	230,628
Losses reserves		16,472,741	17,190,994
Cash losses received from retrocessionaires		1,642,121	1,642,121
	14.1	<u>18,343,273</u>	<u>19,063,743</u>

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

Notes to the Financial Statements

For the year ended December 31, 2017

	Note	2017 Rupees	2016 Rupees
15 OTHERS CREDITORS AND ACCRUALS			
Employee's general provident fund payable		362,400	373,124
Government provident fund payable		82,230	88,668
Advance rent		783,927	1,436,516
Others		31,999,177	24,128,354
		<u>33,227,734</u>	<u>26,026,662</u>

16 SURPLUS PROFIT PAYABLE

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

17 CONTINGENCIES AND COMMITMENTS

17.1 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 payable in this regard as at December 31, 2017 amounting to Rs. 24.024 million (2016: Rs. 14.796 million).

Currently, stay is operating in favour of the Company and the matter is pending before the Honorable 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 Honorable High Court of Sindh and there has been no further proceedings in this case since last year.

17.2 The Company has received a notice from Sindh Revenue Board (SRB) relating to non-filing of Sales Tax return on services provided by them 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 has filed an appeal with the Appellate Tribunal where during the prior year the decision was made against the Company vide order number AT-02/2013/109/2013 dated February 03, 2016. The Company has filed reference in the Honorable High Court of Sindh against the orders of Appellant Tribunal.

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

Notes to the Financial Statements

For the year ended December 31, 2017

Therefore, during the prior year, the Company has received two orders in pursuance of Appellate Tribunal (SRB) Order in 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 is 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 Sale 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.

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

During the year, 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, 2017 to the Commission (SRB) that the Company is in agreement to make payment of the principal amount of the demand under protest subject to 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.

Notes to the Financial Statements

For the year ended December 31, 2017

The aggregate amount of Rs. 2,573.889 million paid has been recorded as “Sundry receivables” 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. 2,573.889 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 and 2017, the financial impact of which on the financial statements has remain 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 be in favor of the Company. Accordingly, no provision for sales tax liability for the years 2011 to 2017 has been recorded in these financial statements.

- 17.3 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.
- 17.4 Federal Board of Revenue (FBR) have 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 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.
- 17.5 Contingencies related to income tax are presented in note 36.
- 17.6 There is no commitment as on the balance sheet date (2016: Nil).

Notes to the Financial Statements

For the year ended December 31, 2017

	Note	2017 Rupees	2016 Rupees
18 CASH AND BANK DEPOSITS			
Cash and other equivalents		77,216	44,264
Current and other accounts	18.1	2,517,016,557	2,239,958,104
Deposits maturing within 12 months	18.2	30,000,000	440,000,000
		<u>2,547,093,773</u>	<u>2,680,002,368</u>
18.1	This includes an amount transferred by the Company in bank account of Window Retakaful Operations as per resolution passed by the Board of Directors of the Company in their 123rd meeting held on June 16, 2017.		
18.2	This represents Term Deposits Receipts (TDR) in local currency carrying effective interest rate ranging between 6.25% to 6.55% (2016: 6.25% to 6.55%) per annum. These deposits mature within 12 months of the year end.		
19 LOANS TO EMPLOYEES			
Loans to employees - secured	19.1	<u>181,767,723</u>	<u>72,949,886</u>
19.1 Loans to employees - secured			
Non current portion of the loan		157,939,455	69,900,328
Current portion of the loan		23,828,268	3,049,558
		<u>181,767,723</u>	<u>72,949,886</u>
19.2	No loan has been provided to the Directors of the Company. Details of loans to Executives of the Company is as under:		
Balance at the beginning of the year		1,169,734	1,325,211
Add: Disbursements during the year		2,621,000	1,261,347
Less: Adjustments during the year		(2,031,121)	(1,747,731)
Balance at the end of the year		<u>1,759,613</u>	<u>838,827</u>
19.3	Loans to employees represent mark-up free loans except motor car loans, and these are secured against retirement benefits of respective employees including, where applicable, documents of assets for which the loan has been given. Motor car loans carry mark-up at a rate of 10% (2016: 10%) per annum. None of the amount is either past due or impaired, consequently no provision for bad or doubtful loans has been made.		
19.4	The maximum month-end amount of these loan during the year has been amounting to Rs. 181,769,288 (2016: Rs. 80,105,483).		

Notes to the Financial Statements

For the year ended December 31, 2017

20	INVESTMENTS	Note	2017 Rupees	2016 Rupees
	Available-for-sale			
	Ordinary shares - listed	20.2	426,777,093	428,078,189
	Mutual fund units	20.3	1,377,204,671	1,957,007,894
	Ordinary shares - unlisted	20.4	617,613	617,613
			<u>1,804,599,376</u>	<u>2,385,703,696</u>
	Held-to-maturity			
	Pakistan Investment Bonds	20.5	2,426,809,141	2,978,233,840
	Treasury bills	20.5	1,759,054,473	1,127,806,300
			4,185,863,614	4,106,040,140
	Held-for-trading			
	Ordinary shares - listed	20.6	103,032,847	133,095,394
			<u>6,093,495,837</u>	<u>6,624,839,230</u>

Notes to the Financial Statements

For the year ended December 31, 2017

20.1 Investments in related parties

20.1.1 Available for sale

Name of company	2017			2016		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
	Rupees			Rupees		
Listed						
National Bank of Pakistan	6,359,119	6,824,793	308,798,819	6,359,119	6,824,793	476,234,422
National Refinery Limited	502,363	28,312,467	216,453,146	502,363	28,312,467	286,909,557
Pakistan State Oil Company Limited	9,671	371,225	2,834,667	8,127	371,225	3,528,825
Pakistan Petroleum Limited	396,000	27,388,953	81,540,360	396,000	27,388,953	74,519,280
Sui Southern Gas Company Limited	12,694,227	36,461,488	387,046,981	12,694,227	36,461,488	463,339,286
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	822,936,986	8,698,203	17,110,611	709,512,419
	28,659,583	116,469,537	1,819,610,959	28,658,039	116,469,537	2,014,043,789
Unlisted						
State Bank of Pakistan	4,900	517,613	-	4,900	517,613	-
National Investment Trust Limited	79,200	100,000	-	79,200	100,000	-
	84,100	617,613	-	84,100	617,613	-
	28,743,683	117,087,150	1,819,610,959	28,742,139	117,087,150	2,014,043,789

20.1.2 Held to maturity

	2017	2016
	Book value	Book value
	Rupees	Rupees
Pakistan investment Bonds	2,426,809,141	2,978,233,840
Treasury bills	1,759,054,473	1,127,806,300
	4,185,863,614	4,106,040,140

20.1.3 Held for trading

Name of company	2017			2016		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
	Rupees			Rupees		
Listed						
National Bank of Pakistan	399,266	17,147,638	19,388,357	399,266	17,147,638	29,901,031

20.2 Investment in listed companies - available-for-sale

	Note	2017 Rupees	2016 Rupees
Cost of investment in listed companies	20.2.1	432,599,270	433,472,850
Less: Provision for diminution in value		(5,394,661)	(13,062,563)
Balance brought forward from last year		(427,516)	-
Provision made during the year		-	7,667,902
Provision reversed during the year		(5,822,177)	(5,394,661)
	20.2.1	426,777,093	428,078,189

20.2.1 Book values and market values of investment in listed companies classified as available-for-sale are:

Name of the Company	2017			2016		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
	Rupees			Rupees		
Financial Services						
Escort Investment Bank	16,846	25,269	264,482	16,846	25,269	67,384
	16,846	25,269	264,482	16,846	25,269	67,384
Banks						
Askari Bank Limited	7,276	101,907	140,500	7,276	101,907	181,536
Bank Al-Falah Limited	9,232	147,079	392,360	9,232	147,079	350,447
Faysal Bank Limited	77,049	391,273	1,638,062	70,045	391,273	1,525,580
MCB Bank Limited**	573,370	106,797,403	121,737,918	370,432	55,357,113	88,096,138
National Bank of Pakistan	6,359,119	6,824,793	308,798,819	6,359,119	6,824,793	476,234,422
N.I.B Bank Limited**	-	-	-	28,420,050	51,440,290	51,440,290
Silk Bank Limited	24,656	38,955	38,956	24,656	45,614	45,614
The Bank of Punjab Limited	30,080	175,667	247,859	30,080	175,667	530,912
United Bank Limited	1,024	4,350	192,481	1,024	4,350	244,634
	7,081,806	114,481,427	433,186,955	35,291,914	114,488,086	618,649,573
Balance carried forward	7,098,652	114,506,696	433,451,437	35,308,760	114,513,355	618,716,957

Notes to the Financial Statements

For the year ended December 31, 2017

Name of company	2017			2016		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Balance brought forward	7,098,652	114,506,696	433,451,437	35,308,760	114,513,355	618,716,957
Insurance						
Adamjee Insurance Company Limited	1,398,536	32,124,622	72,681,916	1,398,536	32,124,622	103,687,459
Asia Insurance Company Limited	33,104	224,800	615,734	33,104	224,800	615,734
Crescent Star Insurance Company Limited	604,491	1,208,982	2,472,368	604,491	1,208,982	6,359,245
Habib Insurance Company Limited	12,700	1,724	174,625	12,700	1,724	241,300
Pakistan Guarantee Insurance Company Limited	22,029	-	-	22,029	-	-
PICIC Insurance Company Limited	855,790	4,450,108	6,195,920	855,790	4,450,108	4,818,097
Sterling Insurance Company Limited	23,250	-	-	23,250	-	-
Union Insurance Company of Pakistan Limited	56,227	-	-	56,227	-	-
United Insurance Company of Pakistan Limited	852,774	166,165	13,200,944	768,265	166,165	17,116,944
	3,858,901	38,176,401	95,341,507	3,774,392	38,176,401	132,838,780
Personal Goods						
Brothers Textile Mills Limited	353	-	-	353	229	2,122
Khurshid Spinning Mills Limited	7,600	-	-	7,600	-	-
Sahrish Textile Mills Limited	13,510	-	-	13,510	-	-
Pakistan Synthetics Limited	2,846	21,252	57,916	2,846	21,252	100,606
Crescent Jute Products Limited	157,314	-	-	157,314	64,498	651,280
Usman Textile Mills Limited	300	-	-	300	-	-
Colony Textile Limited	118,552	149,762	486,063	118,552	149,762	688,787
Kohinoor Industries Limited	11,681	10,513	44,388	11,681	10,513	92,981
Muhammad Farooq Textile Mills Limited	4,100	-	-	4,100	2,255	17,466
Taj Textile Mills Limited	5,600	-	-	5,600	-	-
	321,856	181,527	588,367	321,856	248,509	1,553,241
General Industries						
Packages Limited	821,714	90,388,540	418,934,449	821,714	90,388,540	698,867,757
Hashmi Can Company Limited	5,250	-	-	5,250	-	-
	826,964	90,388,540	418,934,449	826,964	90,388,540	698,867,757
Household Goods						
Hussain Industries Limited	15,820	-	-	15,820	-	-
Towellers Limited	129,759	1,048,453	16,213,387	241,759	1,953,413	8,340,686
	145,579	1,048,453	16,213,387	257,579	1,953,413	8,340,686
Food Producers						
Imperial Sugar Mills Limited	39,924	71,863	778,518	39,924	71,863	353,727
Kohinoor Sugar Mills Limited	28,963	92,579	1,540,008	26,451	92,579	1,658,478
Pangrio Sugar Mills Limited	100,000	-	-	100,000	277,000	480,000
Sakrand Sugar Mills Limited	23,800	129,948	344,624	11,900	10,948	91,273
Shahtaj Sugar Mills Limited	397	2,974	58,010	397	2,974	14,204
Sind Abadgar Sugar Mills Limited	98,500	492,500	1,743,450	98,500	492,500	2,413,250
Universal Oil Mills Limited	30,000	-	-	30,000	-	-
	321,584	789,864	4,464,610	307,172	947,864	5,010,932
Construction and Materials						
Akzo Nobel Pakistan Limited	154,518	17,899,449	32,912,334	154,518	17,899,449	36,160,302
Dada Bhoj Cement Industries Limited	17,300	-	-	17,300	27,853	-
Fauji Cement Company Limited	5,238	17,286	131,002	5,238	17,286	236,129
Javedan Cement Limited	118	1,126	4,219	118	1,126	4,004
D.G Khan Cement Limited	12,000	228,360	1,604,640	12,000	228,360	2,660,760
Zeal Pak Cement Factory Limited	39,130	-	-	39,130	-	-
	228,304	18,146,221	34,652,195	228,304	18,174,074	39,061,195
Tobacco						
Phillip Morris (Pakistan) Limited	21,206	36,893	67,859,200	21,206	36,893	57,673,110
Pakistan Tobacco Company Limited	68,740	229,533	147,648,021	70,140	234,209	100,511,321
	89,946	266,426	215,507,221	91,346	271,102	158,184,431
Balance carried forward	12,891,786	263,504,128	1,219,153,173	41,116,373	264,673,258	1,662,573,979

Notes to the Financial Statements

For the year ended December 31, 2017

Name of company	2017			2016		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Balance brought forward	12,891,786	263,504,128	1,219,153,173	41,116,373	264,673,258	1,662,573,979
Oil and Gas						
National Refinery Limited	502,363	28,312,467	216,453,146	502,363	28,312,467	286,909,557
Pakistan State Oil Company Limited	9,671	371,225	2,834,667	8,127	371,225	3,528,825
Pakistan Petroleum Limited	396,000	27,388,953	81,540,360	396,000	27,388,953	74,519,280
	908,034	56,072,645	300,828,173	906,490	56,072,645	364,957,662
Electricity						
The Hub Power Company Limited	582,085	10,773,636	52,969,735	582,085	10,773,636	71,875,856
K-Electric Limited	385,548	863,418	2,432,808	385,548	863,418	3,612,585
Kot Addu Power Company Limited	30,000	1,481,678	1,617,000	30,000	1,481,678	2,364,000
Southern Electric Power Company Limited	13,963	-	-	13,963	9,774	-
	1,011,596	13,118,732	57,019,543	1,011,596	13,128,506	77,852,441
Gas Water and Multiutilities						
Sui Southern Gas Company Limited	12,694,227	36,461,488	387,046,981	12,694,227	36,461,488	463,339,286
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	822,936,986	8,698,203	17,110,611	709,512,419
	21,392,430	53,572,099	1,209,983,967	21,392,430	53,572,099	1,172,851,704
Engineering						
Dewan Automotive Engineering Limited	52,333	-	-	52,333	39,249	-
Pakistan Engineering Company Limited	43,776	364,738	9,619,776	43,776	364,738	14,927,616
	96,109	364,738	9,619,776	96,109	403,987	14,927,616
Fixed Line Telecommunication						
Worldcall Telecom Limited	3,672	3,672	10,355	3,672	3,672	10,135
	3,672	3,672	10,355	3,672	3,672	10,135
Forestry and Paper						
Security Papers Limited	928,689	195,915	113,374,353	928,689	195,915	91,605,883
	928,689	195,915	113,374,353	928,689	195,915	91,605,883
Chemicals						
Fauji Fertilizer Bin Qasim Limited	20,035	452,878	712,044	20,035	452,878	1,025,992
ICI Pakistan Limited	307,281	35,595,431	235,976,444	307,281	35,595,431	305,354,348
Lotte Chemical Pakistan Limited	1,206,602	3,874,321	8,651,336	1,206,602	3,874,321	10,038,929
Linde Pakistan Limited	235	22,534	51,900	1,100	105,477	214,907
	1,534,153	39,945,164	245,391,724	1,535,018	40,028,107	316,634,176
Total	38,766,469	426,777,093	3,155,381,063	66,990,377	428,078,189	3,701,413,596

* 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.

**The shareholders of MCB Bank Limited at their extra ordinary meeting held on January 23, 2017 have unanimously approved and adopted the scheme of amalgamation of NIB Bank Limited with and into MCB Bank Limited through share swap arrangement by issuing one new ordinary share of MCB Bank Limited for every 140.043 shares of NIB Bank Limited under the scheme of amalgamation. As per the said scheme the Company acquired 202,938 shares amounting to Rs. 51.440 million of MCB Bank Limited in exchange for 2,842,050 shares amounting to Rs. 51.440 million of NIB Bank Limited.

20.3 Investment in Mutual Fund Units

Cost of investments	20.3.1	1,701,457,734	1,957,007,894
Less: Provision for impairment		-	-
Balance brought forward from last year		(324,253,063)	-
Provision made during the year		(324,253,063)	-
		<u>1,377,204,671</u>	<u>1,957,007,894</u>

Notes to the Financial Statements

For the year ended December 31, 2017

20.3.1 Book values and market values of investment in certificates and units of mutual funds classified as available-for-sale are:

Name of company	2017			2016		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Open-End Mutual Funds						
Pakistan Capital Market Fund	23,957	108,959	258,012	20,767	79,326	277,239
National Investment Unit Trust	8,292,733	800,000,000	585,218,203	46,328,425	1,455,639,114	4,055,590,325
JS Value Fund Limited	40,949	2,267,483	8,208,227	40,949	2,267,483	10,529,626
Pakistan Stock Market Fund Limited	7,376	170,657	671,395	6,779	111,336	786,974
NAFA Stock Fund	20,671,728	400,000,000	290,528,734	-	-	-
JS Growth Fund	3,496	140,039	630,654	3,496	140,039	780,132
	29,040,239	1,202,687,138	885,515,225	46,400,416	1,458,237,298	4,067,964,296
Close-End Mutual Funds						
PICIC Growth Fund	30,406,721	498,670,224	862,030,540	30,406,721	498,670,224	926,188,722
PICIC Investment Fund	17,246	100,372	230,234	17,246	100,372	239,719
	30,423,967	498,770,596	862,260,774	30,423,967	498,770,596	926,428,441
	59,464,206	1,701,457,734	1,747,775,999	76,824,383	1,957,007,894	4,994,392,737

20.3.2 The Company holds 8,292,733 units (2016: 46,328,425 units). The cost ranges from Rs. 96.47 (2016: Rs. 63.24 to Rs. 66.03) per unit. The units repurchase price as at year end was Rs. 72.7 (2016: Rs. 90.00) per unit.

20.3.3 The Company has recorded impairment amounting to Rs. 324.253 million on National Investment Unit trust and NAFA Stock Fund on the account of permanent and significant decline in value of these units.

	Note	2017 Rupees	2016 Rupees
20.4 Investment in unlisted companies			
Cost of investment in unlisted companies	20.4.1	2,608,105	2,608,105
Less: Provision for diminution in value		(1,990,492)	(1,990,492)
Balance brought forward from last year		-	-
Provision made during the year		(1,990,492)	(1,990,492)
		<u>617,613</u>	<u>617,613</u>

20.4.1 Cost of investment in unlisted companies

Name of company	2017		2016	
	Number of shares / certificates	Book Value (Rupees)	Number of shares / certificates	Book Value (Rupees)
Banks				
State Bank of Pakistan (Break-up value is Rs. 570,039 per share based on financial statements for the year ended June 30, 2017) Governor: Mr. Ashraf Mahmood Wathra 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	4,900 6,213 11,113	517,614 618,227 1,135,841	4,900 6,213 11,113	517,614 618,227 1,135,841
Mutual Funds				
National Investment Trust Limited (Break-up value is Rs. 13,624 per share based on financial statements for the year ended June 30, 2017) Managing Director & Chairman: Mr. Shahid Ghaffar	79,200	100,000	79,200	100,000
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
	292,968	2,608,105	292,968	2,608,105

Notes to the Financial Statements

For the year ended December 31, 2017

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

** 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.

	2017		2016	
	Treasury bills	Pakistan Investment Bonds	Treasury bills	Pakistan Investment Bonds
Rupees				
20.5 Held-to-maturity - secured	<u>1,759,054,473</u>	<u>1,127,806,300</u>	<u>2,426,809,141</u>	<u>2,978,233,840</u>
Tenure	3 months to 1 year	3 months to 1 year	3 years to 10 year	3 years to 10 year
Face value - Rupees in million	1,774	1,147	2,440	3,000
Market value - Rupees in million	1,759	1,133	2,641	3,240
Maturity dates	January 2018 to July 2018	January 2017 to May 2017	March 2018 to March 2025	July 2016 to March 2025
Profit repayment - frequency	On maturity	On maturity	On maturity	On maturity
Principal repayment - frequency	On maturity	On maturity	On maturity	On maturity
Effective interest rate / coupon rate - per annum	5.90% to 5.96%	5.85% to 5.94%	8.75% to 12.00%	8.75% to 12.00%

20.5.1 The amount of Pakistan Investment Bonds includes Rs. 308 million (2016: Rs. 308 million) deposited with the State Bank of Pakistan as required by section 29 of the Insurance Ordinance, 2000.

	Note	2017 Rupees	2016 Rupees
20.6 Investment in listed companies - held-for-trading			
Cost of investment in listed companies	21.6.1	58,502,720	58,502,720
Prior year gain		74,592,674	47,089,678
(Loss) / gain for the current year		(30,062,547)	27,502,996
Gain on revaluation of investments		44,530,127	74,592,674
		<u>103,032,847</u>	<u>133,095,394</u>

20.6.1 Book values and market values of investment in listed companies classified as held-for-trading are:

Name of company	2017			2016		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Cement						
Attock Cement Limited	57,500	4,990,500	10,408,075	57,500	4,990,500	19,334,950
Commercial Banks						
National Bank of Pakistan	399,266	17,147,638	19,388,357	399,266	17,147,638	29,901,031
Electricity						
The Hubpower Company Limited	100,004	4,524,181	9,100,364	100,004	4,524,181	12,348,494
Technology and Communication						
Pakistan Telecommunication Company Limited	319,500	5,543,325	4,169,475	319,500	5,543,325	5,489,010
Chemicals						
Fauji Fertilizer Company Limited	60,000	7,028,400	4,746,600	60,000	7,028,400	6,262,200
Engro Fertilizer Company Limited	17,078	1,019,533	1,156,522	17,078	1,019,533	1,160,962
Engro Corporation Limited	170,786	15,719,143	46,923,454	170,786	15,719,143	53,983,747
Engro Polymer and Chemicals Limited	250,000	2,530,000	7,140,000	250,000	2,530,000	4,615,000
	497,864	26,297,076	59,966,576	497,864	26,297,076	66,021,909
	<u>1,374,134</u>	<u>58,502,720</u>	<u>103,032,847</u>	<u>1,374,134</u>	<u>58,502,720</u>	<u>133,095,394</u>

Notes to the Financial Statements

For the year ended December 31, 2017

INVESTMENT PROPERTIES

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 amount	69,701	874,265	572,406	29,400,718	143,966	204,951	159,704	31,425,711
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers in / out	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-
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%	
Rupees								
2016								
As at January 01, 2016								
Cost	150,302	-	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(76,932)	-	-	(58,325,706)	(18,815,110)	(26,300,641)	(20,886,195)	(124,404,584)
Book value	73,370	-	572,406	30,825,617	179,958	256,189	199,630	32,107,170
December 31, 2016								
Opening net book value	73,370	-	572,406	30,825,617	179,958	256,189	199,630	32,107,170
Additions / Transfers in	-	920,279	-	319,156	-	-	-	1,239,435
Depreciation charge for the year	(3,669)	(46,014)	-	(1,744,055)	(35,992)	(51,238)	(39,926)	(1,920,894)
Book value	69,701	874,265	572,406	29,400,718	143,966	204,951	159,704	31,425,711
As at December 31, 2016								
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
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 - 29, fixed assets) on the basis of floor space occupied for respective purposes.

The book value of the PRC Building, Karachi and PRC Towers, Karachi including portion attributable as owner-occupied property and all installations therein and excluding lease hold land is Rs. 65,581 million (2016: Rs. 69,556 million). The market value of the same amounted to Rs. 1,533.271 million (2016: Rs. 1,483.737) million. The valuation at both years ended have been carried out by M/s. M.J. Surveyors (Private) Limited, an independent valuer.

Notes to the Financial Statements

For the year ended December 31, 2017

	Note	2017 Rupees	2016 Rupees
22			
AMOUNT DUE FROM OTHER INSURERS AND REINSURERS			
Amount due from other insurers		4,660,061,719	4,824,648,843
Amount due from other reinsurers		158,204,030	233,397,326
	22.1 & 22.2	4,818,265,749	5,058,046,169
Less: Provision for doubtful debts	22.3	(524,634,292)	(524,634,292)
		<u>4,293,631,457</u>	<u>4,533,411,877</u>
22.1	This includes gross amount Rs. 1,544,908,122 (2016: Rs. 1,398,248,084) due from related party National Insurance Company Limited. The age analysis of amount due from related party is as follows:		
Upto 3 months		1,414,232,396	400,610,734
Over 3 months and above		130,675,726	997,637,350
		<u>1,544,908,122</u>	<u>1,398,248,084</u>
22.2	These balances are based on underlying information and returns submitted by insurers/reinsurers periodically. During the prior years, 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.		
22.3			
Provision for doubtful debts			
Balance as at January 01		524,634,292	386,000,000
Provision made during the year		-	138,634,292
Balance as at December 31		<u>524,634,292</u>	<u>524,634,292</u>
23			
PREMIUM AND CLAIMS RESERVES RETAINED BY CEDANTS			
Premium reserves		1,000,814	1,085,599
Losses reserves		29,229,894	29,711,419
Cash losses received from ceding companies		(2,111,200)	(2,111,200)
Less: Provision for doubtful debts		(17,000,000)	(17,000,000)
	23.1	<u>11,119,508</u>	<u>11,685,818</u>

Notes to the Financial Statements

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- 23.1 This represents retention of deposits by the ceding companies from the total amount ceded by them to the Company.

	2017 Rupees	2016 Rupees
24 ACCRUED INVESTMENT INCOME		
Dividend receivable	5,667,442	4,386,956
Interest on held to maturity investments	103,468,121	152,417,559
Interest on deposits maturity within 12 months	1,000,848	236,640
Rentals receivable	55,866,324	35,167,107
	<u>166,002,735</u>	<u>192,208,262</u>
Provision for dividend receivable	(1,997,534)	(1,997,534)
	<u>164,005,201</u>	<u>190,210,728</u>
25 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS		
Facultative business		
Fire	542,010,270	512,049,237
Marine hull	27,864,737	20,071,757
Aviation	46,134,162	1,122,889,424
Engineering	706,346,795	91,506,402
	<u>1,322,355,964</u>	<u>1,746,516,820</u>
Treaty	<u>837,338,073</u>	<u>986,265,323</u>
	<u>2,159,694,037</u>	<u>2,732,782,143</u>
26 DEFERRED COMMISSION EXPENSE		
Facultative business		
Fire	125,689,869	124,714,997
Marine cargo	1,358,132	653,118
Marine hull	4,165,682	1,803,517
Accident and others	7,643,989	8,426,354
Aviation	153,634,349	1,328,262
Engineering	57,799,801	29,061,745
	<u>350,291,822</u>	<u>165,987,993</u>
Treaty	<u>371,911,480</u>	<u>432,298,403</u>
	<u>722,203,302</u>	<u>598,286,396</u>

Notes to the Financial Statements

For the year ended December 31, 2017

	Note	2017 Rupees	2016 Rupees
27	PREPAYMENTS		
Prepayment reinsurance ceded-Facultative business			
Fire		92,323,006	76,875,785
Marine hull		20,614,061	8,001,608
Accident and others		6,852,358	2,124,549
Aviation		972,286,299	859,502,506
Engineering		583,719,828	565,351,377
		<u>1,675,795,552</u>	<u>1,511,855,825</u>
Prepayment reinsurance ceded-Treaty business			
		<u>318,843,821</u>	<u>250,725,804</u>
		<u>1,994,639,373</u>	<u>1,762,581,629</u>
Other prepayments		<u>5,686,763</u>	<u>5,688,672</u>
		<u><u>2,000,326,135</u></u>	<u><u>1,768,270,301</u></u>
28	SUNDRY RECEIVABLE		
Employee welfare fund receivable		888,135	888,135
Export Credit Guarantee schemes	28.1	56,142,435	56,142,435
Receivable against National Co-insurance Scheme		4,939,471	4,939,471
Receivable against War Risk Insurance-Karachi	28.2	7,724,303	7,724,303
Receivable against War Risk Insurance-Lahore		10,541,524	10,541,524
Receivable From Economic Cooperation Organization (ECO) Reinsurance Pool	28.3	-	36,215,493
Receivable from Investment Corporation of Pakistan	28.4	4,565,000	4,565,000
Advances		6,734,130	5,539,389
Security deposits		4,917,065	4,901,855
Receivable from Sindh Revenue Board	17.2	2,573,888,727	442,424,338
Receivable from NAB	28.5	86,219,000	-
Others		8,924,148	6,846,620
		<u>2,765,483,938</u>	<u>580,728,563</u>
Less: Provision for doubtful debts			
Balance brought forward from last year		(70,800,842)	(42,729,624)
Provision made during the year		(28,071,218)	(28,071,218)
Provision written off during the year		18,107,746	-
		<u>(80,764,314)</u>	<u>(70,800,842)</u>
		<u><u>2,684,719,626</u></u>	<u><u>509,927,721</u></u>

Notes to the Financial Statements

For the year ended December 31, 2017

- 28.1 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. During the year, the Company has recorded provision amounting to Rs. 28.071 million (2016: Rs. 28.071 million) in these financial statements.

- 28.2 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 Company (defunct). The Department was set up for insurance of losses which could have occurred due to war.
- 28.3 The amount represents the management fee receivable from Economic Cooperation Organization (ECO) in respect of arrangements of meetings in Pakistan in relation to ECO Reinsurance pool. During the year, the Company has adjusted off this balance amounting to Rs. 36.215 million in these financial statements against the payments received in prior years.
- 28.4 Investment Corporation of Pakistan (ICP) was amalgamated with and into Industrial Development Bank of Pakistan in terms of Scheme of Amalgamation-2006. All the shareholders of ICP (Defunct) were converted into creditors. The said amount represents receivable from ICP in this regard. The matter is still pending for recording of evidences from the defendant side (Investment Development Bank Pakistan Limited).

Notes to the Financial Statements

For the year ended December 31, 2017

28.5 During the 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 PIGL 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.

	Note	2017 Rupees	2016 Rupees
29			Book Value
29	FIXED ASSETS		
29.1	Land and Building		
	PRC House	355,951	374,685
	PRC Tower-leasehold land	223,622	223,622
	PRC Tower-building	13,283,334	13,982,457
	29.5	<u>13,862,907</u>	<u>14,580,764</u>
29.2	Furniture, fixtures, books, office equipments and computer		
	Furniture and fixtures	1,315,321	1,397,565
	Office equipments	2,279,343	1,882,666
	Books	346,084	337,337
	Computers	5,845,403	6,533,208
	29.5	<u>9,786,151</u>	<u>10,150,776</u>
29.3	Electrical installation, air-conditioning and lifts		
	Electrical installation	1,458,458	1,823,072
	Air-conditioning	3,789,733	4,737,166
	Lifts	1,194,442	1,493,053
	29.5	<u>6,442,633</u>	<u>8,053,291</u>
29.4	Motor vehicles	29.5	6,479,029
	29.5	<u>36,570,720</u>	<u>38,926,471</u>

Notes to the Financial Statements

For the year ended December 31, 2017

29.5 The statement of operating fixed asset are as follows:

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										
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)	(3,505,965)	(282,919)	(17,584,897)	(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	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	-	-	-	-	3,950,000	(3,030,759)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	(919,241)	(919,241)
Transfers in / (out)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	(18,734)	-	-	(699,123)	(143,745)	(349,158)	(36,703)	(1,368,245)	(564,614)	(947,433)	(298,611)	(1,617,369)	(5,843,735)	
Book value	355,951	-	223,622	13,283,334	1,315,320	2,279,343	346,084	5,845,403	1,458,458	3,789,733	1,194,442	6,479,030	36,570,720	
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	142,867,964	
Accumulated depreciation	(452,005)	-	-	(25,061,157)	(10,164,042)	(3,853,121)	(319,622)	(18,953,142)	(11,201,255)	(19,242,924)	(10,211,106)	(6,838,870)	(106,297,244)	
Book value	355,951	-	223,622	13,283,334	1,315,320	2,279,343	346,084	5,845,403	1,458,458	3,789,733	1,194,442	6,479,030	36,570,720	
Depreciation rate - percentage	5%	20%	0%	5%	10%	15%	10%	20%	20%	20%	20%	20%	20%	
2016														
As at January 01, 2016														
Cost	2,693,186	147	223,622	38,663,647	11,196,262	4,741,934	558,786	22,889,415	12,659,713	23,032,657	11,405,548	18,143,900	146,208,817	
Accumulated depreciation	(1,378,501)	-	-	(23,822,764)	(9,911,135)	(3,267,930)	(248,395)	(16,221,269)	(10,380,873)	(17,111,777)	(9,539,232)	(10,753,631)	(102,634,907)	
Book value	1,314,685	147	223,622	14,840,883	1,285,127	1,474,004	310,391	6,668,146	2,278,840	5,921,480	1,866,316	7,390,269	43,574,000	
December 31, 2016														
Opening net book amount	1,314,685	147	223,622	14,840,883	1,285,127	1,474,004	310,391	6,668,146	2,278,840	5,921,480	1,866,316	7,390,269	43,574,000	
Additions	-	-	-	-	251,600	686,695	61,470	1,228,690	-	-	-	-	1,642,500	3,870,955
Disposals / transfers	(1,885,230)	-	-	(319,156)	30,000	42,000	-	-	-	-	-	-	5,392,500	3,260,114
Cost	964,951	-	-	196,649	(27,905)	(35,200)	-	-	-	-	-	-	(3,889,043)	(2,790,548)
Accumulated depreciation	(920,279)	-	-	(122,507)	(2,095)	(6,800)	-	-	-	-	-	-	(1,303,457)	(2,555,138)
Depreciation charge for the year	(19,720)	(147)	-	(735,919)	(137,067)	(271,233)	(34,524)	(1,363,628)	(455,768)	(1,184,314)	(373,263)	(1,387,672)	(5,963,255)	
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	
As at December 31, 2016														
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)	(3,505,965)	(282,919)	(17,584,897)	(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	
Depreciation rate - percentage	5%	20%	0%	5%	10%	15%	10%	20%	20%	20%	20%	20%	20%	

Notes to the Financial Statements

For the year ended December 31, 2017

29.6 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, 2017							
Vehicles							
Suzuki Cultus - BAT-302	1,014,000	(529,011)	484,989	484,989	-	Company policy	Mr. Shamsuzzaman Rajper
Suzuki Cultus - AXB - 718	990,000	(624,342)	365,658	365,658	-	Company policy	Mrs. Nazish Maria
Honda City - GP- 5780	1,319,000	(1,119,223)	199,777	199,777	-	Company policy	Mr. Shahzad F. Ladhi. Ed HR
Cultus - GA 4768	627,000	(556,661)	70,339	70,339	-	Company policy	Mr. Zohaib Hasan, GM DPD
Total	3,950,000	(2,829,237)	1,120,763	1,120,763	-		

Notes to the Financial Statements

For the year ended December 31, 2017

	2017 Rupees	2016 Rupees
30 ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)-NET		
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
	8,612,000	8,612,000
Investments		
Stock and shares	7,112,000	7,112,000
Debenture	250,000	250,000
	7,362,000	7,362,000
	15,974,000	15,974,000
Liabilities		
Outstanding claims	(4,952,000)	(4,952,000)
Other liabilities	(809,000)	(809,000)
	(5,761,000)	(5,761,000)
	10,213,000	10,213,000
Provision for loss on assets in Bangladesh	(10,213,000)	(10,213,000)
	-	-
31 OTHER MANAGEMENT EXPENSES		
Salaries, wages and benefits	498,540,000	396,657,978
Employee benefits		
Officers' pension	64,937,000	71,691,000
Employees' pension	26,812,000	23,251,000
Post retirement medical benefits	52,294,000	58,076,000
Gratuity fund	2,825,000	2,649,000
Compensated absences	30,621,000	19,244,000
	177,489,000	174,911,000
Travelling and conveyance	9,957,807	9,875,268
Entertainment	12,737,546	9,661,417
Subscription and membership	828,172	463,177
Legal fees	4,116,376	5,654,000

Notes to the Financial Statements

For the year ended December 31, 2017

	2017 Rupees	2016 Rupees
Communication	1,157,169	934,069
Insurance	4,649,691	4,716,356
Utilities	31,983,989	32,484,116
Printing and stationary	1,994,987	4,075,787
Repairs and renewal	1,512,430	1,796,822
Medical	20,677,805	20,300,620
Rent, rates and taxes	4,913,269	9,855,774
Computer related expenses	2,977,472	2,661,167
Consultancy and professional charges	2,428,787	1,864,350
Newspaper and periodicals	7,263,323	7,569,544
Financial and CDC charges	198,683	484,291
Others	620,457	538,291
	<u>784,046,963</u>	<u>684,504,028</u>
Expenses allocated to rental income	(22,698,251)	(17,026,310)
Expenses allocated to investment income	(17,180,306)	(10,389,460)
	<u><u>744,168,406</u></u>	<u><u>657,088,258</u></u>
31.1 General Provident Fund		
Size of the fund	<u>116,045,285</u>	<u>98,488,402</u>
Cost of investment made	<u>149,130,808</u>	<u>148,953,887</u>
Fair value of investment	<u>186,305,912</u>	<u>188,732,365</u>
Number of members	<u>189</u>	<u>205</u>
Composition of fund		
Special account in scheduled bank(s)	1,201,253	1,955,482
Government securities	140,000,000	139,068,850
National investment trust units	7,929,555	7,929,555
	<u>149,130,808</u>	<u>148,953,887</u>
	Percentage	Percentage
Percentage of investments made in.		
Special account in scheduled bank(s)	1%	1%
Government securities	94%	93%
National investment trust units	5%	5%

Notes to the Financial Statements

For the year ended December 31, 2017

The investment out of provident fund have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 and the rules made thereunder.

31.1.1 The Current year financial statements of the fund have not been audited till the date of issuance of financial statements.

	Note	2017 Rupees	2016 Rupees
32 RENTAL INCOME			
Rental income	32.1	78,966,046	72,805,590
Investment property related expenditures		(22,698,251)	(17,026,310)
		<u>56,267,795</u>	<u>55,779,280</u>

32.1 The rental income represents income from letting out of PRC Tower.

33 OTHER INCOME

Income from financial assets			
Interest on deposits	33.1	605,453	143,349
Interest on loans		1,066	11,347
Income from non-financial assets			
Miscellaneous income	33.2	117,892,302	3,578,214
Liabilities no longer payable written back		-	28,081,208
Due to foreign reinsurers no longer payable written back	33.3	-	54,586,075
Gain on disposal of fixed assets		-	812
Other	28.5	13,396,589	-
		<u>131,895,410</u>	<u>86,401,005</u>

33.1 This represents interest received by the Company in respect of premium deposits retained by the ceding companies.

33.2 During the year, the Company has received Rs. 113.729 million from the National Investment Trust (NIT) against Zakat deducted under the Zakat & Ushr Ordinance, 1980 on dividend income.

Notes to the Financial Statements

For the year ended December 31, 2017

	Note	2017 Rupees	2016 Rupees
34 OTHER CHARGES			
Provision against amount due from other insurers insurers and reinsurers	22.3	-	138,634,292
Provision against receivable of Export Credit Guarantee Scheme	28.1	28,071,218	28,071,218
Provision against receivable of Economic Cooperation Organization (ECO) Reinsurance Pool	28.3	18,244,677	-
Provision against lease rental payable-KPT		9,226,859	-
		<u>55,542,754</u>	<u>166,705,510</u>
35 GENERAL AND ADMINISTRATION EXPENSES			
Depreciation-fixed assets		5,642,213	5,963,255
Depreciation - investment properties		1,618,958	1,724,245
Director's meetings		17,753,908	15,794,520
Advertisement and business promotion		3,350,420	3,579,523
Training and research		5,837,711	2,611,108
Repairs and maintenance		19,400,244	17,604,863
Shares transaction costs		9,445	7,271
Auditors' remuneration	35.1	762,300	726,000
Other certification		544,330	185,860
Others		5,221,309	5,525,978
		<u>60,140,838</u>	<u>53,722,622</u>
35.1 Auditors' remuneration			
Audit fee		554,400	528,000
Interim review		138,600	132,000
Out of pocket expense		69,300	66,000
		<u>762,300</u>	<u>726,000</u>
36 INCOME TAX EXPENSE			
36.1 Provision for taxation			
Current		725,108,217	452,684,601
Prior		29,168,233	-
		<u>754,276,450</u>	<u>452,684,601</u>

Notes to the Financial Statements

For the year ended December 31, 2017

- 36.2 The Assistant Commissioner of Inland Revenue (ACIR) has also issued show cause notices under section 161/205 and 122(5A) of the Income Tax Ordinance, 2001 for the Tax Years 2008, 2009, 2010, 2012, 2015 and 2016 for non-deduction of tax on commission paid to local reinsurance companies. The tax demand against these show causes notices are amounting to Rs. 217,443,078, Rs. 252,776,143, Rs. 20,931,772, Rs. 148,318,431, Rs. 55,305,922 and Rs. 182,669,756, respectively. The Company filed appeals against the orders pertaining to tax years 2010, 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 a single order dated December 19, 2016, against tax demands upheld by Commissioner Inland Revenue for Tax Year 2008, 2009 and 2012 under section 122(5A) amounting to Rs. 217,443,078, Rs. 252,776,143 and Rs. 148,318,431 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 amounting to Rs. 10,096,413 and Rs. 36,669,758 for Tax Year 2008 and Tax Year 2009, respectively and for Tax year 2012 the appeal is pending before Additional Commissioner FBR.

ATIR passed order against the Company dated October 03, 2016 for tax demand under section 161, default surcharge under section 205 and penalty for default under section 182 for the period from January 01, 2013 to September 30, 2014 amounting to Rs. 260,214,169 on non-deduction of withholding tax on commission expense. The Company has challenged the order dated October 03, 2016 passed by ATIR in the Honorable High Court of Sindh.

- 36.3 The Assistant Commissioner of Inland Revenue (ACIR) has also issued show cause notices under section 122(5A) of the Income Tax Ordinance, 2001 for the Tax years 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016 and 2017 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 TY 2015 and onwards, The tax demand against these show causes notices are amounting to Rs. 370,037,784, Rs. 97,552,694, Rs. 443,039,254, Rs. 320,013,363, Rs. 191,405,099, Rs. 542,653,335, Rs. 498,357,134 and Rs. 742,375,175 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 before ATIR, which is pending for final verdict.

Further, the Additional Commissioner Inland Revenue (ACIR) has issued show cause notices under section 122(5A), 124 and 129 of the Income Tax Ordinance, 2001 for the Tax Year 2015 and 2016 disallowing expenditures on the account of exchange loss, provision for compensated absences and loss on measurement of defined benefit obligation and demanded the income tax amounting to Rs. 3.851 million and 224.242 million, respectively.

Notes to the Financial Statements

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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.

Out of above orders, in Tax year 2010, 2011, 2015 and 2016, certain issues have been decided in favour of the Company by CIRA. Pursuant to these orders, the Company filed appeal effect/refund applications to FBR (department), this resulted in reduction in tax liability for Tax year 2010 and 2016 amounting to Rs. 82,409,843, Rs. 224,242,362 and refund created in favor of Company for Tax year 2011 and 2015 amounting to Rs. 220,905,279, and Rs. 24,228,768 respectively. The Company is contesting remaining outstanding issues before ATIR, (i.e withholding tax on commission expense, disallowance of actuarial loss IAS19 through other comprehensive income).

	2017	2016
	Rupees	Rupees
36.4 Relationship between tax expenses and accounting profit		
Profit before tax	<u>2,973,540,710</u>	<u>1,426,947,799</u>
Tax at the applicable rate of 30% (2016: 31%)	892,062,213	442,353,818
Tax effect of income that are deductible in determining the taxable profit	(166,953,993)	10,330,783
Prior year tax adjustment	29,168,233	-
Charge for the year	<u>754,276,450</u>	<u>452,684,601</u>

37 EARNINGS PER SHARE - basic and diluted

Profit after tax for the year - Rupees	<u>2,219,264,260</u>	<u>974,263,198</u>
Weighted average number of ordinary shares	<u>300,000,000</u>	<u>300,000,000</u>
Earnings per share - Rupees - basic and diluted	<u>7.40</u>	<u>3.25</u>

37.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which when exercised would have an impact on earnings per share, i.e. there were no convertible dilutive potential shares outstanding on December 31, 2017.

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38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

38.1 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.

38.2 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:

	2017 Rupees	2016 Rupees
Bank deposits	2,547,016,557	2,679,958,104
Investments	1,907,632,223	2,518,799,090
Amount due from other insurers and reinsurers	4,293,631,457	4,533,411,877
Premium and claim reserves retained by cedants	11,119,508	11,685,818

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	2017 Rupees	2016 Rupees
Accrued investment income	60,537,080	37,793,169
Reinsurance recoveries against outstanding claims	2,159,694,037	2,732,782,143
Sundry receivables	2,684,719,626	509,927,721
	<u>13,664,350,488</u>	<u>13,024,357,922</u>

The Company did not hold any collateral against the above during the year. General provision is made for 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 receivables comprising 'amount due from other insurers' and 'amount due from other reinsurers' is as follows:

	2017	2016
	<u>Rupees in thousand</u>	
Upto three months	2,149,542	785,382
Over three months but upto one year	1,866,055	1,958,524
Over one year but upto two year	462,766	950,668
Over two years but upto three year	59,458	544,804
Over three years	280,445	818,667
	<u>4,818,266</u>	<u>5,058,045</u>
Provision against amount due from other insurers and reinsurers	(524,634)	(524,634)
	<u>4,293,632</u>	<u>4,533,411</u>

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

	Rating			2017	2016
	Short term	Long term	Rating agency	<u>Rupees in thousand</u>	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	73,178	8,029
Bank Al-Habib Limited	A1+	AA+	PACRA	2,398,042	2,648,191
United National Bank Limited, London	A-1+	AAA	JCR-VIS	5,818	5,472
Bank Alfalah Limited	A1+	AA+	PACRA	16,979	16,306
Faysal Bank Limited	A-1+	AA	JCR-VIS	-	21
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	-
Sindh Bank Limited	A1+	AA	JCR-VIS	53,000	-
				<u>2,547,017</u>	<u>2,678,019</u>

Notes to the Financial Statements

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38.3 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, 2017				
Provision for outstanding claims	4,713,650	4,713,650	4,713,650	-
Amount due to other insurers / reinsurers	1,957,776	1,957,776	1,957,776	-
Premium and claim reserves retained from retrocessionaires	18,343	18,343	-	18,343
Other creditors and accruals	33,228	33,228	33,228	-
Accrued expenses	14,160	14,160	14,160	-
Retention money payable	6,368	6,368	6,368	-
Unclaimed dividend	129,369	129,369	129,369	-
Surplus profit payable	1,213	1,214	1,213	-
	<u>6,874,107</u>	<u>6,874,107</u>	<u>6,855,764</u>	<u>18,343</u>
December 31, 2016				
Provision for outstanding claims	4,590,672	4,590,672	4,590,672	-
Amount due to other insurers / reinsurers	1,964,346	1,964,346	1,964,346	-
Premium and claim reserves retained from retrocessionaires	19,064	19,064	-	19,064
Other creditors and accruals	26,027	26,027	26,027	-
Accrued expenses	19,909	19,909	19,909	-
Retention money payable	6,368	6,368	6,368	-
Unclaimed dividend	119,431	119,431	119,431	-
Surplus profit payable	1,213	1,214	1,213	-
	<u>6,747,029</u>	<u>6,747,029</u>	<u>6,727,965</u>	<u>19,064</u>

38.4 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.

Notes to the Financial Statements

For the year ended December 31, 2017

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 company's equity price risk as of December 31, 2017 and 2016 and shows the effects of a 10% increase and a 10% decrease in market prices as at the year end. The selected change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in company's equity investment portfolio because of the nature of equity markets.

	Fair value	Estimated fair value after change in prices	Increase / (decrease) in	
			Shareholders' equity	Profit / before tax
Rupees in thousands				
December 31, 2017				
10% increase	5,006,190	5,506,809	330,409	500,619
10% decrease		4,505,571	(330,408)	(500,619)
December 31, 2016				
10% increase	8,828,902	9,711,792	582,708	882,890
10% decrease		7,946,012	(582,707)	(882,890)

38.5 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.

38.6 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:

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For the year ended December 31, 2017

	2017						
	Effective rate per annum (percentage)	Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total		
		Rupees in thousand					
Financial assets							
Cash and bank deposits	5.00 to 8.00	2,171,059	-	-	2,171,059	376,035	2,547,094
Investments	5.90 to 12	2,231,885	808,704	1,145,274	4,185,864	1,907,632	6,093,496
Amount due from other insurers / reinsurers	-	-	-	-	-	4,293,631	4,293,631
Premium and claim reserves retained by cedants	-	-	-	-	-	11,120	11,120
Accrued investment income	-	-	-	-	-	164,005	164,005
Reinsurance recoveries against outstanding claims	-	-	-	-	-	2,159,694	2,159,694
Sundry receivables	-	-	-	-	-	2,684,720	2,684,720
Subtotal		4,402,944	808,704	1,145,274	6,356,923	11,596,837	17,953,760
Financial liabilities							
Provision for outstanding claims	-	-	-	-	-	4,713,650	4,713,650
Deferred liability - employee benefits	-	-	-	-	-	2,193,560	2,193,560
Long term deposits	-	-	-	-	-	17,153	17,153
Amount due to other insurers / reinsurers	-	-	-	-	-	1,957,776	1,957,776
Premium and claim reserves retained from retrocessionaires	-	-	-	-	-	18,343	18,343
Other creditors and accruals	-	-	-	-	-	30,840	30,840
Accrued expenses	-	-	-	-	-	14,160	14,160
Retention money payable	-	-	-	-	-	6,368	6,368
Unclaimed dividend	-	-	-	-	-	129,369	129,369
Surplus profit payable	-	-	-	-	-	1,213	1,213
Subtotal		-	-	-	-	9,082,432	9,082,432
Total		4,402,944	808,704	1,145,274	6,356,923	2,514,405	8,871,328
Interest risk sensitivity gap		4,402,944	808,704	1,145,274	6,356,923		
Cumulative interest risk sensitivity gap		4,402,944	5,211,648	6,356,922			
	2016						
	Effective rate per annum (percentage)	Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total		
		Rupees in thousand					
Financial assets							
Cash and bank deposits	5.00 to 8.00	2,588,486	-	-	2,588,486	91,516	2,680,002
Loans to employees	10	3,050	69,900	-	72,950	-	72,950
Investment	5.46 to 12	2,518,799	441,967	1,145,274	4,106,040	2,518,799	6,264,839
Amount due from other insurers / reinsurers	-	-	-	-	-	4,533,412	4,533,412
Premium and claim reserves retained by cedants	-	-	-	-	-	11,686	11,686
Accrued investment income	-	-	-	-	-	190,211	190,211
Reinsurance recoveries against outstanding claims	-	-	-	-	-	2,732,782	2,732,782
Sundry receivables	-	-	-	-	-	509,928	509,928
Subtotal		5,110,355	511,867	1,145,274	6,767,476	10,588,334	17,355,810
Financial liabilities							
Provision for outstanding claims	-	-	-	-	-	4,590,672	4,590,672
Deferred liability - employee benefits	-	-	-	-	-	1,296,307	1,296,307
Long term deposits	-	-	-	-	-	16,299	16,299
Amount due to other insurers / reinsurers	-	-	-	-	-	1,964,346	1,964,346
Premium and claim reserves retained from retrocessionaires	-	-	-	-	-	19,064	19,064
Other creditors and accruals	-	-	-	-	-	26,027	26,027
Accrued expenses	-	-	-	-	-	19,909	19,909
Retention money payable	-	-	-	-	-	6,368	6,368
Unclaimed dividend	-	-	-	-	-	119,431	119,431
Surplus profit payable	-	-	-	-	-	1,214	1,214
Subtotal		-	-	-	-	8,059,635	8,059,635
Total		4,750,335	511,867	1,145,274	6,407,476	2,528,699	8,936,175
Interest risk sensitivity gap		4,750,335	511,867	1,145,274	6,407,476		
Cumulative interest risk sensitivity gap		4,750,335	5,262,202	6,407,476			

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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.

	2017		2016	
	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	63,569	(63,569)	67,675	(67,675)

38.7 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. 1,967.643 million (2016: Rs. 2,042.115 million) and Rs. 0.390 million (2016: Rs. 0.338 million) respectively at the end of the year.

The following significant exchange rates were applied during the year:

	2017	2016	2017	2016
	Rupees per US Dollars		Rupees per UK Pound	
Average rate	105.32	102.37	135.78	156.50
Reporting date rate	110.50	104.60	148.72	155.04

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38.8 Insurance 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.

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.

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:

	2017	2016
	Gross sum insured	
	Rupees in thousands	
Fire	2,411,545	4,058,662
Marine cargo	999,000	779,512
Marine hull	977,498	759,000
Accident and others	2,000,000	2,621,250
Aviation	16,845,000	15,871,987
Engineering	8,645,065	8,645,000
	<u>31,878,108</u>	<u>32,735,411</u>

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.

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Uncertainty in the estimation of future claims payment

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.

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.

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

Class	2017	2016
	Assumed net loss ratio	
	Percentage	
Fire	66%	33%
Marine cargo	58%	36%
Marine hull	207%	45%
Accident and others	4%	61%
Aviation	106%	45%
Engineering	115%	28%

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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	
	2017	2016	2017	2016
	Rupees in thousand		Rupees in thousand	
10% increase in loss	373,997	333,556	246,838	220,147
10% decrease in loss	(373,997)	(333,556)	(246,838)	(220,147)

38.9 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.

38.10 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.

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:

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	<u>2017</u>	<u>2016</u>
	<u>Rupees in thousand</u>	
A or above	2,939,782	3,137,246
BBB	188	81,435
Others	1,902,288	1,839,365
Total	<u>4,842,258</u>	<u>5,058,046</u>

39 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 its objectives, policies and procedures from the previous year.

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40 EMPLOYEE BENEFITS
40.1 Defined benefit plans

Note	2017										2016																			
	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		Employees			Gratuity		Medical			Compensated absences			Pension		Employees			Gratuity		Medical			Compensated absences						
Officer		Employees			Gratuity		Medical			Compensated absences			Officer		Employees			Gratuity		Medical			Compensated absences							
Rupees in millions																														
40.1.1	2,097,150	388,664	12,328	635,816	124,558	3,258,516	1,561,719	235,619	9,020	506,911	109,690	2,422,959	1,042,552	(18,911)	(3,623)	-	(1,065,086)	(1,057,844)	(66,283)	(2,525)	-	506,911	109,690	2,422,959	(1,126,652)					
40.1.2	1,054,598	369,752	8,705	635,816	124,558	2,193,430	503,875	169,336	6,495	506,911	109,690	1,296,307	1,054,598	369,752	8,705	635,816	2,193,430	503,875	169,336	6,495	506,911	109,690	1,296,307	(1,296,307)						
40.1.1	503,875	169,336	6,495	506,911	109,690	1,296,307	698,343	184,258	8,171	488,949	106,859	1,486,580	503,875	169,336	6,495	506,911	1,296,307	698,343	184,258	8,171	488,949	106,859	1,486,580	(1,486,580)						
Expenses recognized (refer note - 31)	3,533	9,676	2,335	11,741	0,731	28,016	2,430	5,526	2,056	9,907	0,434	20,393	-	-	-	-	-	-	-	-	-	-	-	-	-					
Current service cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Benefit paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Post-service cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
DSC's Incurred	61,404	17,136	0,490	40,553	7,515	127,098	69,261	17,726	0,613	48,109	9,865	145,574	-	-	-	-	-	-	-	-	-	-	-	-	-					
Interest cost	-	-	-	-	22,375	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Actuarial (gains) / losses *	64,937	26,812	2,825	52,294	30,621	177,489	71,691	23,252	2,649	58,076	19,244	174,912	-	-	-	-	-	-	-	-	-	-	-	-	-					
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Actuarial (gain) / loss on defined benefit obligations arising from changes: demographic assumptions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
financial assumptions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
experience (gains) / losses	553,761	16,266	(0,374)	(24,404)	-	545,249	(109,700)	16,266	(0,374)	(24,404)	-	(118,212)	-	-	-	-	-	-	-	-	-	-	-	-	-					
Actuarial (gain) / loss on plan assets	553,761	134,075	0,864	92,409	-	781,109	(109,700)	16,266	(0,374)	(24,404)	-	(118,212)	87,481	51,701	(0,890)	138,292	(82,163)	(40,424)	0,127	(24,404)	-	-	-	-	-					
Assets/Liability transferred from Employees' Pension' fund	641,242	185,776	(0,026)	(24,404)	-	919,401	(191,863)	(24,158)	(0,247)	(24,404)	-	(240,672)	-	-	-	-	-	-	-	-	-	-	-	-	-					
Contributions to the Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-					
Payment made on behalf of fund	(155,458)	(12,171)	(0,589)	(15,798)	(15,753)	(195,769)	(74,296)	(14,016)	(4,078)	(15,710)	(16,413)	(245,513)	-	-	-	-	-	-	-	-	-	-	-	-	-					
Benefits paid - net	(155,458)	(12,171)	(0,589)	(15,798)	(15,753)	(195,769)	(74,296)	(14,016)	(4,078)	(15,710)	(16,413)	(245,513)	-	-	-	-	-	-	-	-	-	-	-	-	-					
Closing balance	1,054,598	369,752	8,705	635,816	124,558	2,193,430	503,875	169,336	6,495	506,911	109,690	1,296,307	1,054,598	369,752	8,705	635,816	2,193,430	503,875	169,336	6,495	506,911	109,690	1,296,307	(1,296,307)						

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

Notes to the Financial Statements

For the year ended December 31, 2017

	2017										2016																			
	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				
	Officer	Employees	Gratuity	Medical	Compensated absences	Officer	Employees	Gratuity	Medical	Compensated absences	Officer	Employees	Gratuity	Medical	Compensated absences	Officer	Employees	Gratuity	Medical	Compensated absences	Officer	Employees	Gratuity	Medical	Compensated absences					
40.1.3 Present value of the defined benefit obligations	Rupees in millions																													
Present value of obligation at the beginning of the period	1,561,719	235,619	9,020	506,911	109,690	2,422,959	1,528,212	267,736	10,582	488,949	106,859	2,402,338																		
Current service cost	3,533	9,676	2,335	11,741	0,731	28,016	2,430	5,526	2,036	9,967	0,434	20,393																		
Past service cost	-	-	-	-	-	-	-	-	-	-	-	-																		
Interest cost	133,595	21,465	0,698	40,553	7,515	203,826	152,248	22,932	0,854	48,109	9,865	234,008																		
Benefits paid	(155,458)	(12,171)	(0,589)	(15,798)	(15,753)	(199,769)	(74,296)	(14,016)	(4,078)	(15,710)	(16,413)	(124,513)																		
Liability transferred from 'Employees' Pension' fund	-	-	-	-	-	-	62,825	(62,825)	-	-	-	-																		
Actuarial (gain) or loss on obligation - balancing figure	553,761	134,075	0,864	92,409	22,375	803,484	(109,700)	16,266	(0,374)	(24,404)	8,945	(109,267)																		
Present value of obligation at the end of the period	2,097,150	388,664	12,328	635,816	124,538	3,258,516	1,561,719	235,619	9,020	506,911	109,690	2,422,959																		
40.1.4 Fair value of plan assets																														
Fair value at the beginning of the year	1,057,842	66,283	2,525	-	-	1,126,650	829,869	829,868	83,478	2,411	-	915,757																		
Expected return on plan assets	72,191	4,329	0,208	-	-	76,728	82,987	82,987	5,206	0,241	-	88,434																		
Contributions to the Fund	-	-	-	-	-	-	-	-	-	-	-	-																		
Payment made on behalf of fund	155,458	12,171	-	-	-	167,629	74,296	74,296	14,016	-	-	88,312																		
Benefits paid	(155,458)	(12,171)	-	-	-	(167,629)	(74,296)	(74,296)	(14,016)	-	-	(88,312)																		
Liability transferred from 'Employees' Pension' fund	-	-	-	-	-	-	-	-	(62,825)	-	-	(62,825)																		
Assets transferred from 'Employees' Pension Fund	(87,481)	(51,701)	0,890	-	-	(138,292)	82,163	82,162	40,424	(0,127)	-	122,459																		
Actuarial gain / (loss) on plan assets	1,042,552	18,911	3,623	-	-	1,065,086	1,057,844	1,057,842	66,283	2,525	-	1,126,650																		
Fair value at the end of the year	(15,290)	(47,372)	1,098	-	-	(61,564)	165,150	165,149	45,630	0,114	-	210,893																		
Actual return on plan assets																														

Notes to the Financial Statements

For the year ended December 31, 2017

2016

	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	Treaty	Total
Rupees in thousands								
Segment result								
Net premium	1,106,311	33,739	54,239	144,335	146,343	499,629	3,817,252	5,801,848
Net claims	(360,056)	(12,043)	(24,583)	(87,410)	(65,599)	(141,607)	(2,644,262)	(3,335,560)
Management expenses	(130,359)	(11,346)	(8,073)	(22,239)	(27,537)	(60,200)	(397,334)	(657,088)
Net commission	(204,640)	(5,876)	(1,578)	(16,940)	2,511	(52,291)	(985,653)	(1,264,467)
	411,256	4,474	20,005	17,746	55,718	245,531	(209,996)	544,733
Segment assets								
Prepaid reinsurance ceded	76,876	-	8,002	2,125	859,503	565,351	250,726	1,762,582
Deferred commission expense	124,715	653	1,804	8,426	1,328	29,062	432,298	598,286
	201,591	653	9,806	10,551	860,831	594,413	683,024	2,360,868
Unallocated corporate assets								17,546,498
Total assets								19,907,366
Segment liabilities								
Provision for unearned premium	698,320	3,139	24,888	79,469	973,139	790,793	1,850,343	4,420,091
Commission income unearned	4,267	-	1,343	53	11,163	6,264	1,087	24,176
Provision for outstanding claims	994,479	35,405	79,759	192,340	1,261,479	220,017	1,812,144	4,595,623
	1,697,066	38,544	105,990	271,862	2,245,781	1,017,074	3,663,574	9,039,890
Un-allocated corporate liabilities								3,464,015
Total liabilities								12,503,905

41.2 Segment by geographical location

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:

	2017		2016	
	Lahore	Karachi	Lahore	Karachi
Rupees in thousands				
Premium	624,470	4,473,852	755,921	5,045,927
Total assets	785	23,513,106	808	19,906,558
Total liabilities	409,463	13,002,753	592,608	11,911,297

Notes to the Financial Statements

For the year ended December 31, 2017

41.3 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.

	2017	2016
	Rupees in thousands	
National Insurance Company Limited		
Facultative business		
Fire	136,600	100,097
Marine hull	53,173	99,532
Aviation	1,241,162	1,124,158
Accident	8,974	-
Engineering	1,220,401	1,156,502
	2,660,310	2,480,289
Treaty business	72,323	91,262
	2,732,633	2,571,551
Reliance on customer - percentage of total premium written	34%	29%

42 TRANSACTIONS WITH RELATED PARTIES

Government of Pakistan through Ministry of Commerce owns 51% (2016: 51%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. The related parties comprise major shareholders, associated company, directors, companies with common directorship, key management personnel, and staff retirement benefit funds. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material and hence not disclosed in these financial statements. Moreover, transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 42 of these financial statements, are as follows:

	2017	2016
	Rupees	
Major shareholder		
Government of Pakistan (GoP) through Ministry of Commerce		
Dividend paid for the preceding year	403,919,355	336,599,463
State Life Insurance Corporation of Pakistan		
Dividend paid for the preceding year	219,696,603	183,080,503

Notes to the Financial Statements

For the year ended December 31, 2017

	Note	2017 Rupees	2016 Rupees
Related parties by virtue of GoP's holdings			
State Bank of Pakistan			
Purchase of investment (Treasury Bills)		4,980,217,625	3,400,625,165
Dividend received during the year		49,000	49,000
Pakistan State Oil Company Limited			
Dividend received during the year		174,730	101,588
National Investment Trust Limited			
Dividend received during the year		68,013,000	71,280,000
National Insurance Company Limited			
Premium due but unpaid		1,398,248,084	1,223,801,607
Insurance premium written during the year		2,732,632,405	2,571,551,034
Premium received		(2,585,972,368)	(2,397,104,557)
Balance at the end of year		1,544,908,121	1,398,248,084
Insurance commission paid		232,151,405	28,732,086
Insurance claims paid		1,644,660,387	100,341,617
Received from Ministry of Religious Affairs on account of wrong deduction of Zakat on NIT Units		113,721,803	-
Other related parties			
Contribution to staff benefit funds			
Remuneration including benefits and perquisites of key management personnel	42	80,150,324	44,001,790

43 REMUNERATION INCLUDING BENEFITS AND PERQUISITES OF KEY MANAGEMENT PERSONNEL

	Managerial remuneration including bonus	Retirement benefits	House rent and other benefits	Utilities and others	Total
Rupees					
December 31, 2017					
Chief Executive	1,337,094	-	2,142,760	70,493	3,550,347
Executives	47,918,112	-	27,730,334	4,501,878	80,150,324
	49,255,206	-	29,873,094	4,572,371	83,700,671
December 31, 2016					
Chief Executive	69,634	-	42,064	21,932	133,630
Executives	32,035,707	108,905	10,008,146	1,849,032	44,001,790
	32,105,341	108,905	10,050,210	1,870,964	44,135,420

Notes to the Financial Statements

For the year ended December 31, 2017

Meeting fees including other benefits and performance linked incentives of non executive directors

	Number of Directors	Meeting fee	Accommodation	Air Travel	Conveyance	Total
Rupees						
2017						
Non Executive Directors	7	9,080,000	1,999,938	3,196,246	667,205	14,943,389
2016						
Non Executive Directors	8	9,744,000	1,673,442	2,797,387	1,579,680	15,794,509

Non Executive Directors are entitled to meeting fee for attending each board and committee meeting amounting to Rs. 0.1 million and other benefits comprising of accommodation, air travel allowance and conveyance allowance as recommended by Board on its 121st meeting held on April 6, 2017 and approved in the Annual General Meeting of the Company held on April 29, 2017 in accordance with the articles of association of the Company. Additionally, as per mandatory requirement of Code of Corporate Governance, the company provided Director Training Program to three Directors amounting to Rs. 0.546 million.

	2017	2016
Number of person(s)		
Chief Executive Directors	1	1
Executive directors	-	-
Non-executive directors	7	8
Executives	15	15

The Company makes contribution based on actuarial calculations to executives. Company maintained cars have been provided to certain Executives of the Company and they are also entitled to free medical facilities including hospitalization, club subscription and other benefits as per the Company's policy.

Executive means any employee who satisfies the definition / criteria as mentioned in the fourth schedule to the repealed Companies Ordinance, 1984.

	2017	2016
Number of person(s)		
44 EMPLOYEES		
Number of employees at the year end		
Permanent	188	207
Others	18	14
Average number of employees during the year		
Permanent	198	213
Others	16	14

Notes to the Financial Statements

For the year ended December 31, 2017

45 FAIR VALUE OF FINANCIAL INSTRUMENTS

45.1 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, 2017.

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

	As at December 31, 2017		As at December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	-----Rupees-----		-----Rupees-----	
Financial Assets				
- Cash and bank deposits	2,547,093,773	2,547,093,773	2,680,002,368	2,680,002,368
- Loan to Employees	181,767,723	181,767,723	72,949,886	72,949,886
- Investments				
Available-for-sale				
Ordinary shares - listed	426,777,093	3,155,381,063	428,078,189	3,701,413,596
Mutual fund units	1,377,204,671	1,747,775,999	1,957,007,894	4,994,392,737
Ordinary shares - unlisted	617,613	617,613	617,613	617,613
Held-to-maturity				
Pakistan Investment Bonds	2,426,809,141	2,426,809,141	2,978,233,840	2,978,233,840
Treasury Bills	1,759,054,473	1,759,054,473	1,127,806,300	1,127,806,300
Held-for-trading				
Ordinary shares - listed	103,032,847	103,032,847	133,095,394	133,095,394
- Amount due from other insurers and reinsurers	6,093,495,838	9,192,671,136	6,624,839,230	12,935,559,479
- Premium and claim reserves retained by cedants	4,293,631,457	4,293,631,457	4,533,411,877	4,533,411,877
- Accrued investment income	11,119,508	11,119,508	11,685,818	11,685,818
- Reinsurance recoveries against outstanding claims	164,005,201	164,005,201	190,210,728	190,210,728
- Sundry receivables	2,159,694,037	2,159,694,037	2,732,782,143	2,732,782,143
	2,684,719,626	2,684,719,626	509,927,721	509,927,721
Financial Liabilities				
- Provision for outstanding claims (including IBNR)	4,713,650,200	4,713,650,200	4,590,671,732	4,590,671,732
- Deferred liability - employee benefits	2,193,559,697	2,193,559,697	1,296,307,190	1,296,307,190
- Long term deposits	17,153,494	17,153,494	16,299,040	16,299,040
- Amount due to other insurers and reinsurers	1,957,775,833	1,957,775,833	1,964,346,423	1,964,346,423
- Premium and claim reserves retained from retrocessionaires	18,343,273	18,343,273	19,063,743	19,063,743

Notes to the Financial Statements

For the year ended December 31, 2017

	As at December 31, 2017		As at December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
	-----Rupees-----		-----Rupees-----	
- Other creditors and accruals	33,227,734	33,227,734	26,026,662	26,026,662
- Accrued expenses	14,160,297	14,160,297	19,909,377	19,909,377
- Retention money payable	6,368,183	6,368,183	6,368,183	6,368,183
- Dividend payable	129,369,029	129,369,029	119,430,677	119,430,677
- Surplus profit payable	1,212,602	1,212,602	1,212,602	1,212,602

45.2 Fair value hierarchy

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. 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 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:

	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	103,032,847	103,032,847	-	-
Investments at fair value- available for sale				
Ordinary shares - listed	3,155,381,063	3,155,381,063	-	-
Mutual fund units	1,377,204,671	1,377,204,671	-	-
Ordinary shares - unlisted	617,613	-	-	617,613
	<u>4,636,236,195</u>	<u>4,635,618,581</u>	<u>-</u>	<u>617,613</u>

Notes to the Financial Statements

For the year ended December 31, 2017

	As at December 31, 2016	Level 1	Level 2	Level 3
	-----Rupees-----			
Financial assets measured at fair value				
Investments at fair value through profit or loss - held for trading	133,095,394	133,095,394	-	-
Investments at fair value- available for sale				
Ordinary shares - listed	3,701,413,596	3,701,413,596	-	-
Mutual fund units	4,994,392,737	4,994,392,737	-	-
Ordinary shares - unlisted	617,613	-	-	617,613
	<u>8,829,519,339</u>	<u>8,828,901,726</u>	<u>-</u>	<u>617,613</u>

45.3 Transfers during the period

During the year to December 31, 2017:

- 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

45.4 Valuation techniques

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

Notes to the Financial Statements

For the year ended December 31, 2017

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

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

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

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

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

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

Notes to the Financial Statements

For the year ended December 31, 2017

47 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on 5th April, 2018 have recommended a final cash dividend of Rs. 3.50 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 30th April, 2018.

These financial statements for the year ended December 31, 2017 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2018.

48 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison. No significant reclassifications has been made during the year.

49 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 5th April, 2018 by the Board of Directors of the company.

50 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 of December 31, 2017

# Of Shareholders	Shareholdings'Slab			Total Shares Held
525	1	to	100	19,223
519	101	to	500	193,772
447	501	to	1000	391,728
609	1001	to	5000	1,595,488
220	5001	to	10000	1,715,743
67	10001	to	15000	828,998
43	15001	to	20000	783,711
26	20001	to	25000	610,297
18	25001	to	30000	509,786
23	30001	to	35000	750,478
5	35001	to	40000	191,696
7	40001	to	45000	298,919
12	45001	to	50000	589,706
12	50001	to	55000	632,426
5	55001	to	60000	291,952
5	60001	to	65000	316,760
7	65001	to	70000	471,658
2	70001	to	75000	150,000
4	75001	to	80000	306,921
2	80001	to	85000	168,000
3	85001	to	90000	261,899
8	95001	to	100000	795,500
2	100001	to	105000	205,500
1	105001	to	110000	108,000
1	110001	to	115000	111,999
2	115001	to	120000	237,999
2	120001	to	125000	245,500
2	125001	to	130000	254,082
1	130001	to	135000	130,500
1	135001	to	140000	136,846
1	140001	to	145000	142,000
7	145001	to	150000	1,034,064
2	150001	to	155000	305,100
2	155001	to	160000	315,499
2	160001	to	165000	325,500
2	165001	to	170000	335,500
1	175001	to	180000	177,777
3	180001	to	185000	545,688
1	190001	to	195000	194,000
3	195001	to	200000	600,000
2	200001	to	205000	408,500

Pattern of Shareholding

As of December 31, 2017

# Of Shareholders	Shareholdings/Slab			Total Shares Held
1	205001	to	210000	209,999
2	220001	to	225000	447,599
2	230001	to	235000	462,500
1	235001	to	240000	239,000
1	240001	to	245000	244,000
1	245001	to	250000	246,000
1	260001	to	265000	264,243
1	270001	to	275000	274,799
1	275001	to	280000	276,000
1	285001	to	290000	286,843
2	295001	to	300000	599,999
1	315001	to	320000	319,199
1	370001	to	375000	371,000
1	380001	to	385000	383,999
1	395001	to	400000	395,999
2	460001	to	465000	925,499
1	485001	to	490000	488,000
1	495001	to	500000	500,000
1	710001	to	715000	711,500
1	735001	to	740000	738,000
1	775001	to	780000	779,998
1	935001	to	940000	940,000
2	995001	to	1000000	2,000,000
1	1095001	to	1100000	1,100,000
1	1300001	to	1305000	1,305,000
1	1420001	to	1425000	1,425,000
1	1580001	to	1585000	1,582,000
1	2295001	to	2300000	2,300,000
1	2400001	to	2405000	2,403,500
1	3745001	to	3750000	3,747,882
1	4040001	to	4045000	4,041,000
1	4255001	to	4260000	4,257,000
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
2650				300,000,000

Pattern of Shareholding

As at December 31, 2017

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	4	3,161,500	1.05
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
ABDUL SAMI KEHAR	1	500	0.00
MRS. GHAZALA AHMED	1	55	0.00
MR. FAISAL MUMTAZ	1	55	0.00
MR. SHOAIB MIR	1	55	0.00
Executives	5	18,732	0.01
Public Sector Companies and Corporations	2	13,508,770	4.50
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful and modarabas	14	11,134,830	3.71
General Public			
a. Local	2562	35,386,901	11.80
b. Foreign	1	1,922	0.00
Foreign Companies	2	5,100,078	1.70
Others	47	5,453,870	1.82
Totals	2650	300,000,000	100.00

Share holders holding 5% or more	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	107,099,785	35.70

Proxy Form

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 18th Annual General Meeting of the Company to be held on 30th April, 2018 at 10.00am at Karachi and at any adjournment thereof.

Signed this _____ day of April, 2018



Signature of Member(s)

Shareholder's Folio No. _____
or CDC
Participant I D. No. _____
and Sub Account No. _____

Witnesses:

1 Signature _____
Name _____
Address _____
CNIC or Passport No. _____

2. Signature _____
Name _____
Address _____
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 point holders may signed 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.



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EMERGING PAKISTAN



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Government of Pakistan

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Commitment To Excellence



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