



Pakistan Reinsurance Company Limited

Annual Report 2012



Secure today & tomorrow



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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 our business in a dependable and professional manner with the highest standards of customer service.



In fulfilling this mission, PRCL is committed to:-

- Providing its clients, and particularly insurance companies in Pakistan, with comprehensive insurance, reinsurance, financial and business services of the highest quality and value.
- Maintaining financial strength and stability through prudent business decisions and sound operations based on state of the art information technology.
- Taking a long-term view of business relationships.
- Practicing the highest standards of integrity and professionalism.
- Investing continuously in knowledge required to support business decisions and long-term business strategy formulation.
- Achieving consistent, long-term financial growth and profitability for its shareholders.
- Attracting retaining and developing capable and dedicated employees who in turn contribute to the growth of the company and share its success.

Strategy

To remain best provider of reinsurance and risk management services to the insurance industry, to have good business relationship with the insurance industry and to remain professionals who can be of assistance to the industry at all levels.

Objectives

- To provide best 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 other reinsurers.
- To train its people according to fast changing business market requirements as well as to provide them with the ideal working environment.
- To share risks and preserve resources by providing reinsurance facilities to the insurance companies.
- To assist in the development of the national insurance industry.
- To enhance domestic retention capacity in the country in order to save valuable foreign exchange.



Formerly called the Pakistan Insurance Corporation, Pakistan Reinsurance Company Limited, PRCL was established in 1952 as Pakistan Insurance Corporation under PIC Act 1952 in order to support local insurance industry. It is the sole reinsurance organization operating in Pakistan.

PRCL is a public sector company under the administrative control of the Ministry of Commerce. The Company is being headed by a Chairman, supported by a strong team of professionals who manage the business affairs of the Company effectively. The Company is supervised by the Board of Directors. Amongst which seven are nominated by the Federal Government, where as, the other directors are elected by the shareholders who enjoy excellent repute within the business community.

PRCL's prime objective is the development of insurance and reinsurance business in Pakistan. The company provides insurance solutions to departments including Aviation, Marine Cargo, Marine Hull, Engineering, Fire and Accident. The company is a national reinsurer playing its role in the economic development of Pakistan. It provides reinsurance protection to the local insurance industry by way of treaty and facultative business as well as managing insurance schemes assigned by the Federal Government of Pakistan.

PRCL's Role in Economic Development

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PRCL plays a significant role in economic development of Pakistan by providing reinsurance capacity to the local insurance industry. Risk sharing and risk transfer mechanism provides confidence amongst the insurers. The effect trickles down to industry and commerce and business activities takes place with "Peace of Mind" that in case of any fortuitous event there will be a cushion to fall back on fostering economic growth.

A local reinsurance support is also beneficial to the economy as local players can retain larger shares within the country plugging the outflow of valuable foreign reserves.

Company History

PRCL was established in 1952 as Pakistan Insurance Corporation under PIC Act 1952 in order to support local insurance industry. Since then it has managed National Insurance Fund (NIF), National Coinsurance Scheme (NCS), War Risks Insurance (WRI) and Export Credit Guarantee Scheme (ECGS) providing help in different forms to the insurance as well as business community.

In the year 2000. Pakistan Insurance Corporation was converted and incorporated as a public limited company into Pakistan Reinsurance Company Limited.

The company was formed with a view to take over all assets and liabilities of Pakistan Insurance Corporation. Accordingly, it took over assets and liabilities of PIC on 15th February 2001 in pursuance of Ministry of Commerce SRO No.98(1)/2000 which was issued under the President ordinance No. XXXVI of 2000 14th February, 2001.



PRCL Business

PRCL operates in the following departments to conduct its business:

- **Fire**
- **Marine**
- **Engineering**
- **Accident**
- **Aviation**
- **Treaty & Business Development department**

Services:

It is mandatory for PRCL to accept suitable percentage of reinsurance business from the general insurance companies operating in Pakistan for whom it is obligatory to offer at least 35% of their surplus to PRCL.

PRCL being a progressive entity, always keeps itself engaged by taking part in major international forums and platforms.

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

The objective of this collaboration is to reduce the outflow of foreign exchange and improve the standard of insurance and reinsurance services in the Region .

PRCL is also one of the pioneering and founding members of (FAIR).

Fire

This department came into effect in 1953 when the company's foundation was laid. This department constitutes the major portion of its business and is the focal point of the country's insurance industry.

It jointly collaborates in foreign risk sharing pacts. The following functions come under its domain:

- To underwrite all facultative acceptance from the cedants i.e. insurance companies of Pakistan.
- To manage and supervise, treaty portfolios of the insurance industries
- To assess and process claims and if necessary their recovery from the excess of loss reinsures participants
- To guide and assist its clients in complex reinsurance matter.



The Fire Department has specialized expertise in the following areas:

- Building
- Building and contents
- Stocks
- Machinery
- And other Insurable interest

The department is managed by vigilant staff members which are headed by an expert manager.

The clients of this department include local insurance companies in Pakistan and also foreign reinsurance i.e M/s Aon insurance Broker, M.S Marsh, Munich Re, Swiss Re and Wills Faber Al Futtam Dubai. Their Contribution to Pakistan Reinsurance Industry is significant as they are specialized in the provision of reinsurance coverage of high value risks which is not retained in Pakistan.

Marine Department

The Marine Department was established during the initial period of the establishment of the company divided into following categories:

- **Marine Cargo**
- **Marine Hull**

Marine Cargo is concerned with only cargo within the particular vessels whereas Marine Hull deals with reinsurance of machinery/ body of the boat. Both Marine Cargo & Marine Hull departments make primary decision with respect to acceptance of the risks by means of Facultative and Treaty.

The Marine Department specializes in providing reinsurance support in the following areas:

- All types of Cargo (whether by Road, Rail, Air, and by Sea)
- Hull & Machineries
- Freight and Ship Breaking Risks
- Pleasure Boats
- Third Party Liability

Engineering

The Engineering Department is working since the PRCL's establishment. The Engineering Department specializes in reinsurance coverage of the following risks to the local insurance market including M/s. National Insurance Company (NIC) through treaty agreements and facultative placements.



- Property Damage
- Business interruption
- Machinery breakdown/Boiler
- Contractor All Risks (CAR)
- Erection All Risks (EAR)
- Third Party Liability (TPL)

It provides the engineering risks coverage to the following major clients and helps in reconstructing the infrastructure across the country and promoting industrialization.

- a) Pakistan Arab Refinery Limited (PARCO)
 - b) Pak Arab Pipeline Company Limited (PAPCO)
 - c) Kot Addu Power Company Limited (KAPCO)
 - d) Oil & Gas Development Company Limited (OGDC)
- i. Control of wells
 - ii. Qadirpur Gas Plant
 - iii. UCH Gas
 - iv. Sarhad Hydel Power Project
 - v. Chashma Nuclear Power Project

Accident Department

The Accident Department originated with the formation of the company. The department specializes in provision of reinsurance coverage to local Insurance companies as well as foreign based companies accommodating the acceptance/retro business.

Accident department of PRCL deals with Motor/Liabilities business and accept all Motor/Non-motor risks ceded by local insurance companies. The motor risks constitute all private and commercial modes of transportation. The Non-motor includes the following areas:

- Workman Compensation
- Burglary
- Fidelity Guarantee
- Cash in safe, cash in transit and cash on counter
- Employers Liability
- Public/product liability
- Professional Indemnity
- Personal Accident
- Health Insurance
- Crop insurance
- Live Stock



There is no retrocession of this acceptance nor does the company have any cover under Non-marine.

Aviation

The aviation department is a part of PRCL since its origin. It specializes in the aviation reinsurance arrangement to private insurance companies as well as to NICL. It offers expertise for the coverages in the following risk areas;

- Hull (Body of the Aircraft)
- Spares
- Liabilities
- Hull Deductible
- Cargo
- Hi-jacking and terrorism
- Hull and Spares War
- Loss of License /Additional Loss of License
- Personal Accident to Crew
- Personal Accident to Passenger

08 For all the above mentioned risks, due covers for the risks are arranged in the International Aviation Market most beneficiary. out of all the accounts maintained in the Aviation Department, PIA Fleet account is the biggest. It comprises 40 aircrafts at present. Among them are 19 Boeings, 12 Airbuses and 7 ATR 42-500 aircrafts. Following risks are covered by five main reinsurance policies for PIA Fleet:-

- a) Hull All Risks/Spares/Liabilities
- b) Primary Cargo
- c) Hull War
- d) Hull Deductible
- e) AVN 52 E (Extended Coverage endorsement against Hijacking and Terrorism)

Treaty & Business Development Department

The main function of this department is to provide maximum reinsurance protection to the local insurance companies as highlighted below:-

On receipt of terms, proposals and other required information/data the department analyzes this information for PRC participation in the treaties of the companies. The matter of payment of outstanding dues at the time of treaty renewal is taken up and substantial amount is recovered from the companies before finalizing treaty arrangements. The department recommends acceptance of share in those companies which have generally good payment record.

- After finalization of treaty arrangements, this department perused the treaty agreements in depth and picks up the terms, conditions and important information. On the basis of this



information, business-wise statements are prepared and transmitted to all underwriting departments. The underwriting departments book the quarterly business on the basis of the information given in "Master Statement". The preparation of Master Statement is very important job of Treaty & Business Development Department which contains all the terms / conditions of the treaties of the companies on the basis of which returns are booked / tallied. The department is therefore called the 'back bone' of the underwriting departments.

- In order to enhance PRC's business and to resolve business related issues, the officers/staff of the department, headed by Executive Director (BD-Re) make frequent visits to insurance companies and hold meetings with their senior officers to sort out problems. As a result of these meetings, PRC's business results 2011 are much better than previous years.
- Another main function of this department is preparation of quarterly business closing schedule according to prescribed dates incorporated in Gazette Notification. All quarterly returns from insurance companies are received in this department and timely delivered to respective underwriting departments for booking on the basis of which accounts are prepared.
- Correspondence with Ministry of Commerce, SECP, IAP, Pakistan Insurance Institute regarding their references/queries relating to insurance/reinsurance is made by this department.
- In addition to this, the department arranges reinsurance training programs on insurance/reinsurance and other general related matters both for PRC's employees and local insurance industry. The department also shares the latest development of the developed world for betterment of insurance protection to the insured.
- The department imparted/completed 6 months training program in insurance and reinsurance of two batches each batch contains 20 trainees under Benazir Bhutto Shaheed Youth Development Program (BBSYDP) in collaboration of Sports & Youth affairs, Government of Sindh.

Human Resource Department

The forward thinking human resource department at PRCL views employees, as an asset to the enterprise whose value will be enhanced by development. It is devoted to providing effective policies, procedures, and people-friendly guidelines and support within PRCL. Additionally, the human resource function serves to make sure that PRCL's mission, vision, values, and the factors that keep PRCL guided toward success are optimized.

Staffing

The Human Resource Department at PRCL works in collaboration with units seeking to hire staff, with a view to ensuring that new recruits correspond as closely as possible to the profiles required and are available as needed.



Performance appraisals

At PRCL we foster an environment that motivates and rewards exemplary performance. This is done through a formal review on a periodic basis known as a performance appraisal or performance evaluation.

The performance appraisals help in rewarding employees through bonuses, promotions, and so on; providing feedback and noting areas of improvement; and identifying training and development needs in order to improve the individuals performance on the job.

Compensation and benefits

At PRCL we try to ensure that the designed compensation and benefits structure conforms not only to industry norms but also rewards initiative and productivity from our employees.

Training and development

The Human Resource Department's primary focus is on growth and employee development, It emphasizes developing individual potential and skills Thus, the selection, training and development process of the selected individuals is of immense importance to PRCL. Leveraging best practices for the development and training of its employees is PRCL's key to successfully increasing business value.

Finance and Accounts Department

The accounting system used by Pakistan Reinsurance Company Limited is designed to enhance financial strength of the company and ensure the compliance of state insurance rules and regulations. The finance department of PRCL is headed by Chief Financial Officer.

This department comprises three main sections:

Technical Wing

Assist the Manager, Technical Accounts in discharging and fulfilling reinsurance technical accounting functions.

Responsibilities

Facultative technical accounting

- Checking of Premium Closings for Assumed Business;
- Ensure accuracy of the Technical Bookings in the Reinsurance System;
- Ensure timely Monthly and Financial Year end Technical Closing.

Treaty technical accounting

- Checking of Statement of Accounts, Premium and Profit Commission Statements, Sliding Scale Commission Statements.
- Monitor outstanding closings, statements of accounts, premium adjustments, profit commissions. Sliding Scale Commission Statements.



- Ensure accuracy of the Technical Bookings in the Reinsurance System.
- Ensure timely Monthly and Financial Year end Technical Closing.
- Checking of outstanding loss figures provided in treaty statement of accounts.

Financial Wing

- Assist the Manager, Finance to process Finance matters and liaise with Lahore Office counterparts on all Finance issues.
- Responsibilities
- Assist to handle the day-to-day accounting function, including but not limited to preparing payment voucher and processing check payment.
- Improve internal control system.
- Prepare full set of accounts, reconcile bank account and inter-company billing/balances.
- Verify and ensure accurate loading of interface files linked between underwriting system to accounting system.
- Prepare quarterly and annual statutory returns to Insurance Authority.
- Assist in maintaining accounting records and control system.
- Assist in preparing accounting policies and procedures.
- Liaise with IT department for accounting data loading.

Investment department

- Assist the CFO to implement the guidance of Investment Committee about the asset allocation, to ensure Financial liquidity, security and diversification.

Responsibilities

- Assist to utilize funds without draining capital and surplus amount.
- Assist to achieve a consistent high real rate of return, comprising both income and capital growth whilst operating within acceptable risk parameters set by the Board
- Preserve and protect the capital of the Company.
- Place special emphasis in generating a significant portion of its Investment Income from sustainable sources such as interest income and dividends.
- Appropriate risk management practices are adopted with an objective to manage risk arising during the period.
- Analyze performance of all assets classes and total portfolio relative to appropriate benchmark.

Internal Audit Department

The Internal Audit Department provides to the management and the Audit Committee of the Board of Trustees with assurance that the management control systems throughout PRCL are adequate and operating effectively. It also provides an Independent and objective appraisal of activity for management and furnishes them with analyses, recommendations, counsel, and Information concerning the activities reviewed. This includes promoting effective controls at a reasonable cost.

The Internal Audit Department provides valuable support in maintaining the public's confidence by performing independent, objective reviews and reporting to the Audit Committee and responsible administrative officers on their findings so that corrective actions can be taken.

The Internal Audit Department assists the management in achieving PRCL's financial and operating goals by evaluating controls to ensure systems function adequately, by identifying weaknesses, and by providing recommendations. Through complete and unrestricted access to records, property, and personnel. Internal Audit provides PRCL with an additional resource in meeting these goals. With the support of PRCL management and the Audit Committee, the Internal Audit Department provides the highest quality of auditing services, thus enhancing fiscal control at PRCL.

New documents such as Report on Internal Control System & Management System and Internal Audit Plan were developed and Audit Manual was updated by consultant; M/s. Anjurn Asim Shahid & Rehman Company, Chartered Accountants. The Consultant reviewed the work and functions of all departments and assessed the work of Internal Audit Department with the following remarks:

Sub-function	Compliance with Existing Guideline	Effectiveness of Control
Asset Protection		Good
Quality Control	Good	Good
Monitoring & Assessing procedures	Good	Good
Pre audits	Good	Good
Post Audit reports	Good	Good

Data Processing Department

The Data Processing Department has been instilled with the functions of processing data in the most efficient and effective way. It is crafted around various modules and systems which PRCL uses to perform various operations. Some of the projects that Data Processing Department is working on are listed as under:

Implemented Modules/Systems

Implementation, modification and maintenance of the following core business and supporting applications:

- Reinsurance Management System (RMS)
- Acceptance System
- Retrocession system
- Accounting/Cash & Bank System
- Payroll system
- Loan & Advances System
- PRCL Employee Fund/Pension System
- PAKRE Investment Management System (PIMS)



Reporting

- Designing MIS reports for top management
- Customized reporting requested by end users

PRCL Website

- Content management (Uploading of accounts, tenders, news, notices etc.)

Internet & Email

- IBM SmartCloud Notes (hybrid solution) is acquired from IBM that allows email integration between on-premises systems and the cloud
- DSL Internet connection is acquired from PTCL along with wireless device connectivity

Hardware & Networking

- Preparation of technical and financial analysis for acquisition of hardware/software
- Maintaining inventory of computers (PCs), printers, toners and computer related accessories
- VPN connectivity support (between Head office & Lahore office)

Management of LAN and intranet infrastructure of PRCL

- Management of servers (Domain Controller, ISA and Antivirus server, hardware firewall etc.)
- Providing help desk support for hardware & software related problems
- Extending LAN connectivity for new users
- Software license management
- Backup & support for intranet applications

Achievements of 2012

- Purchase of new laptops
- Up gradation of enterprise antivirus to latest version
- Continuation of IBM SmartCloud Notes email for 2nd consecutive year

Future Goals

- To speedup software development of new modules
- To initiate data entry & networking over VPN
- To revamp and upgrade existing network infrastructure of PRCL
- To upgrade server hardware
- To extend internet/intranet email facilities to users of PRCL
- To upgrade internet connectivity within PRCL
- Establishing IT disaster recovery & business continuity plan



BOARD OF DIRECTORS

Mr. Rasul Bux Phulpoto	Chairman
Mr. Abdul Kabir Kazi	Director
Dr. Masuma Hasan	Director
State Life Nominee	Director
Mr. Mumtaz Ali Rajper	Director
Mr. Taufique Habib	Director
Mr. Sikander Mahmood	Director

ED (HR) / COMPANY SECRETARY

Mr. Shahzad F. Lodhi

AUDIT COMMITTEE

Mr. Sikander Mahmood	Chairman of the Committee
Mr. Abdul Kabir Kazi	Member
Mr. Mumtaz Ali Rajper	Member
Mr. Taufique Habib	Member
Mr. Shahzad F. Lodhi	Secretary of the Committee

UNDERWRITING COMMITTEE

1. Mr. Rasul Bux Phulpoto	Chairman of the Committee
2. Mrs. Farzana Munaf, ED (CFO)	Member
3. Mr. Ayaz Hussain M. Gad, ED (BD)	Member
4. Mr. Fida Hussain Samoo, ED (Re)	Member/Secretary of the Committee

REINSURANCE COMMITTEE

1. Mr. Rasul Bux Phulpoto	Chairman of the Committee
2. Mr. Abdul Kabir Kazi	Member
3. Mr. Taufique Habib	Member
4. Dr. Masuma Hasan	Member
5. Mr. Ayaz Hussain M. Gad, ED (BD)	Member
6. Mr. Fida Hussain Samoo, ED (Re)	Member/Secretary of the Committee



CLAIM SETTLEMENT COMMITTEE

1. Mr. Sikander Mahmood	Chairman of the Committee
2. Mr. Rasul Bux Phulpoto	Member
3. Mrs. Farzana Munaf ED (CFO)	Member
4. Mr. Ayaz Hussain M. Gad, ED (BD)	Member
5. Mr. Fida Hussain Samoo, ED (Re)	Member/Secretary of the Committee

INVESTMENT COMMITTEE

1. Mr. Sikander Mahmood	Chairman of the Committee
2. Mr. Rasul Bux Phulpoto	Member
3. Mr. Abdul Kabir Kazi	Member
4. Mr. Mumtaz Ali Rajper	Member
5. Mr. Taufique Habib	Member
6. Mrs. Farzana Munaf, ED (CFO)	Member/Secretary of the Committee

HUMAN RESOURCE COMMITTEE

1. Mr. Abdul Kabir Kazi	Chairman of the Committee
2. Mr. Rasul Bux Phulpoto	Member
3. Dr. Masuma Hasan	Member
4. Mr. Mumtaz Ali Rajper	Member
5. Mr. Shahzad F. Lodhi, ED (HR) / Company Secretary	Member/Secretary of the Committee

AUDITORS

Mr. Mohammad Shaukat Naseeb,

Senior Partner,
Anjum Asim Shahid Rahman
Chartered Accountant
1st and 3rd Floor, Modern Motors House,
Beaumont Road, Karachi – 75530

BANKERS

National Bank of Pakistan
Bank Al-Habib Limited

SHARE REGISTRAR

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

REGISTERED OFFICES

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Telex: 20428 Pakre Pk, Telefax
(92-21)99202920-22
E-Mail: Prcl@Pakre.Org.Pk Website: Www.Pakre.
Org.Pk

ZONAL OFFICE

State Life Building, 1st Floor, 15-A, Davis Road,
Lahore.



Notice of the 13th Annual General Meeting

Notice is hereby given that 13th Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on Tuesday the 30th April 2013 at 12:30 p.m. at Marriot Hotel, 9, Abdullah Haroon Road, Karachi to transact the following business:-

Ordinary Business:

1. To confirm the minutes of the last Annual General Meeting of the company held on 30th April 2012.
2. To consider and adopt the audited Annual Accounts of the Company for the year ended 31st December, 2012 and the reports of Directors and Auditors thereon.
3. To consider and approve the payment of final dividend at the rate of 25%. That is Rs. 2.50 per ordinary share of rupees ten (10) for the year ended 31 December, 2012.
4. To appoint M/s. Anjum Asim Shahid Rahman, (Chartered Accountants) as auditors of the Company (PRC) for the year ending December 31st, 2013 and fix their remuneration.
5. To consider any other business with the permission of the Chair.

By Order of the Board

**(Shahzad F. Lodhi)
Company Secretary**

Place: Karachi.
Dated: 08/04/2013

NOTES:

1. The share transfer books of the company shall remain closed for eight days i.e. from 23rd April 2013 to 30th April 2013 (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 Accounts holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

**A. For attending the meeting:**

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

B. For appointing proxies:

- i. In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in a group and their registration details are uploaded as per the Regulations, 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, S.M.C.H.S., main Shahrah-e-Faisal, Karachi, in the case of any change in their addresses and provide the zakat Declaration/Tax exception certificate (if any) immediately along with contact details.



The Shareholders,
Pakistan Reinsurance Co. Ltd.,

Dear Shareholders,

Your Directors are pleased to present the 13th Annual Report of the Company together with the Audited Financial Statements and Auditors' Report thereon for the year ended December, 31st 2012.

Economic Overview

In the year 2012 it is observed that Pakistan economy show some recovery in terms of GDP growth, the key macro indicators still remain weak. Moreover, recurrent power shortages, poor law and order conditions and heavy rains that have damaged standing crops in some parts of the country hamper the momentum of the Industry. The condition in the insurance industry continued to be challenging and characterized by intense competition and pressure with premium rates.

Company's Performance

PRCL was converted into a company in the year 2001 and is now operating under Insurance Ordinance, 2000, and Companies Ordinance, 1984. The Company is the Sole Re-insurer in the country. A number of steps to run it on commercial lines have already been taken. Authorized Capital has been enhanced from Rs.4 billion (four billion) to Rs.25 billion (twenty five billion) and Paid-up Capital has been enhanced from Rs.540 million (five hundred forty million) to Rs.3 billion (three billion), in order to strengthen the equity base as the company has been planning to expand locally as well as abroad. Corporate Culture is being introduced.

Compulsory cession was withdrawn w.e.f. Jan 01, 2005 and as such, this was the eighth year of the company without compulsory cession since the inception of the company (formerly Corporation). Withdrawal of the compulsory cession was a good step because under compulsory cession, PRCL was bound to accept good or bad business without discrimination. During the year 2012, PRCL was selective in accepting business under Treaty and Facultative. New insurance sector reform announced at the end of April, 2007 in which right of first refusal was introduced has contributed positively towards the augmented growth in the reinsurance business.

PRCL has continuously been trying through strategic and concentrated efforts to avoid outflow of foreign exchange from the country and improve the performance of insurance sector in Pakistan. The Company's business strategy would continue to focus on providing prompt service to insurance companies with reference to facultative offers.



The salient features of the business operations during the year, 2012 are as under:-

	2012	2011
	(Rupees in million)	
Gross Premium	8,153	6,893
Retrocession	(4,049)	(2,844)
Net Retention	4,104	4,049
Premium Reserve	(8)	(514)
Net Premium	4,096	3,535
Net Commission	(867)	(785)
Net Claims	(2,217)	(2,018)
Management expenses	(503)	(353)
Underwriting Profit	509	379
Investment Income	918	891
Exchange gain, rental & other income	117	89
Gen. & Admn. Expense	(43)	(38)
Profit before tax and Value of available-for sale-investment-write off	1,501	1,321
Value of available-for sale-investment-write off	(20)	(64)
Profit before tax	1,481	1,257
Taxation	(377)	(413)
Profit after Tax	1,104	844

During the period under review, Company has underwritten Rs.8,153 million and registered growth of 18% over the corresponding year. The break-up is as follows:

	(Rupees in million)	
	2012	2011
Facultative Premium		
Fire	1,641	1,191
Marine Cargo	48	34
Marine Hull	190	72
Accident and others	122	66
Aviation	1,311	1,230
Engineering	1,459	1,065
	4,771	3,658
Treaty Premium Bal	3,382	3,235
	8,153	6,893



There was an increase in facultative business in all departments particularly in Fire and Engineering department whereby the percentage increase were 38% and 37% respectively. The Fire business improved due to increase in sum insured and premium rates and improvement in Engineering department was on account of increase in rate of fronting business. Similarly overall result of treaty business increased by 4.51% over the corresponding period.

During the period under review, the net premium of the Company was Rs.4,096 million showing growth of 16% over the corresponding year.

This improvement in overall underwriting result was mainly due to increase in business as explained below:-

Particulars	2012	2011
	(Rupees in million)	
Premium Written	8,153	6,893
Reinsurance Ceded	(4,049)	(2,844)
Net Retention	4,104	4,049
Premium Reserve	(8)	(514)
Net Premium	4,096	3,535

The commission expenses of the company during the year ended December 31, 2012 were Rs.867million as compared to Rs.785 million during the year December 31, 2011. The reason for increase was mainly due to increase in business.

Net claims of the company for the year 2012 were Rs.2,217 million as compared to Rs.2,018 million in the year ended December 31, 2011 showing an increase of Rs. 199 million. The increase in claims is due to booking of flood losses of previous year as well as old claim which have been identified in reconciliation exercise and booked in the third and fourth quarters. There are no catastrophic or major losses reported as yet showing the healthy business trend.

Investment Income

The investment income in the year 2012 increased to Rs. 918 million as compared to Rs.891 million in the year 2011. Investment income mainly comprises of realized capital gain on Available for sale and Held for trading investments, profit on government securities, fixed income securities and dividend income.

Profit after tax

The profit before tax is Rs.1,104 million as compared to Rs.844 million of last year by showing 31% increase.

**(Rupees in million)****Appropriations:**

Profit before taxation	1,481
Less: Taxation	(377)
Profit after taxation and impairment	<u>1,104</u>
Add: Unappropriated profit brought forward	1,298
Less: Final cash dividend 2010 @ 30%	(900)
	<u>1,502</u>

Credit Rating:

For the FY 2012, M/s. JCR-VIS Credit Rating Company Limited has re-affirmed "AA" rating of Pakistan Reinsurance Company Limited with a stable Outlook. The AA Rating and Stable Outlook denote a very strong capacity of company to meet the future Reinsurance contract obligation.

Information Technology:

Information Technology (IT) benefits the business world by allowing an organization to work more efficiently and maximize its productivity. Faster communication, electronic storage and protection of data are some advantages that IT can have on an enterprise. The company is fully aware of the importance of information technology in business and its supportive components like computer applications, storage of information, data protection, automated processes & communication. Therefore based on the same lines, the company is continuously growing and promoting IT culture in the organization.

PRCL's IT department has achieved various milestones in 2012 including deployment of a centralized enterprise antivirus solution, acquisition of latest computer hardware & upgrades to networking infrastructure. Reinsurance Management System (RMS) completed 2nd successful year of smooth operation with enhanced features. Development of new modules of (RMS) is also in progress. Training sessions were held for end users to increase their workplace productivity.

Corporate Social Responsibility:

During the Year 2012, PRCL hosted training of two batches under Benazir Bhutto Shaheed Youth Development Program (BBSYDP); the participating candidates got the basis knowledge of Insurance, Reinsurance and Risk Management from experienced faculty during initial three months of the program, and for remaining quarter, Company provided them extensive on-job training of Underwriting, Investment, Accounts and Audit. Most of the participants have got the suitable jobs at market reputed Insurance companies and brokerage houses.



Training and development:

1. To enhance and upgrade the technical skills of reinsurance underwriters, PRCL in support of AON Benfield arranged a two days training program for NICL/PRCL on "Proportional & Non-proportional Property Treaties" and invited an international speak Mr. Charles Robertson, Senior Director AON Benfield (Training).
2. In collaboration with Pakistan Insurance Institute (PII) IAP, SECP and Insurance Industry, PRCL sponsored the Internal Conference on Catastrophe events, held in April 2012, at Karachi.
3. PRCL Sponsored another international seminar on "Claims Management" held at Karachi in December 2012.

Awards

Excellence Award

The Company's business strategy continued to focus on providing prompt service to insurance companies to improve the performance of insurance sector in Pakistan. This contribution has been recognized by the community and PRCL was awarded an "Excellence Award" by the Management Association of Pakistan (MAP) for the year 2011 for demonstrating excellence in corporate management in the non-life insurance sector.

FPCCI Award

PRCL has also been selected for the first FPCCI achievement Award for the year 2012.

Pension, Gratuity and Provident Funds

The value of investment in pension, gratuity and provident fund is as follows:-

	(Rupees in million)
Gratuity Fund	
Pension and Gratuity Fund	432.523
General Provident Fund/Provident Fund	199.447



Future Prospects:

In order to achieve the company's short and long term objectives, its business strategy will continue to focus on providing prompt service to insurance companies particularly with reference to facultative offers. PRCL with strengthened balance sheet and enhanced equity structure will continue to concentrate on quality treaty and facultative business and profitable treaty cession by gradually increasing its retention capacity and adoption of risk management's measures.

The company will also continue to improve its IT infra-structure by extending IT disaster recovery plan and procedures and up-gradation of net work infra-structure along with planned in-house development of online web based Reinsurance Management System and planned in-house training of end users.

Statement on Corporate and Financial Reporting Frame Work

The directors confirm compliance with the corporate and Financial Reporting Framework of the SECP Code of 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 as required under the Companies Ordinance, 1984, except as qualified by the external auditor in their report to members.
- c) The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes where made, have been adequately disclosed and accounting estimates are 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, requirement of Companies Ordinance, 1984, Insurance Ordinance, 2000, and the Securities and Exchange Commission (Insurance) Rules, 2002.
- e) The system of internal control is in place and internal audit department is in the process of strengthening.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g). The Company has followed the best practices of corporate governance, as laid down in the listing regulations of the stock exchanges and there has been no material departure.

Board Meetings and Attendance

In the year 2012 during the year, eight meetings of the Board of Directors were held and the number of meetings attended by each Director is given hereunder:-

Sr. No.	Name of Directors	Number of meetings attended
1	Mrs. Rukhsana Saleem	2
2	Mr. Munawar Opel	6
3	Mrs. Yasmin Saud	3
4	Mr. Najeeb Khawer Awan	1
5	Mr. Abdul Kabir Kazi	3
6	Dr. Masuma Hasan	6
7	Mr. Mumtaz Ali Rajper	8
8	Mr. Sikandar Mahmood	8
9	Mr. Taufique Habib	8
10	Mr. Shoaib Mir	5

* Mrs. Rukhsana Saleem Chairperson PRCL transferred on April 02,2012 and

** Mr. Munawar Opel Chairman PRCL transferred on Jan 10, 2013 and Mr R.B. Phulphoto took the charge.

*** Mr. Shoaib Mir nominated in place of Mrs. Yasmin Saud and Mr. Abdul Kabir Kazi nominated in place of Mr. Najeeb Khawer Awan

The Board places on record its sincere appreciation to the outgoing, Mrs. Rukhsana Saleem , Mr. Munawar Opel and Directors Mr. Khawaja Mahmood-ur-Rahman, Mrs. Yasmin Saud, and Mr. Najeeb Khawer Awan to whom we are indebted for their prudent, professional and diligent guidance that helped in achieving such tremendous performance.

The Board also welcome the new Directors Mr. Abdul Kabir Kazi, Mr. Shoaib Mir and Chairman R. B. Phulpoto on PRCL Board.

Leave of absence was granted to the Directors who could not attend some of the meetings

Compliance with the Code of Corporate Governance

The Board is pleased to announce that your company has adopted and complied with the Code of Corporate Governance as per the provisions set out by the SECP and the consequent listing regulations of the Karachi and Lahore Stock Exchanges, on which your company is listed.

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. The names of the Committee are given in Corporate Information.



Performance of the company during the last six years

	(Rupees in million)					
	2012	2011	2010	2009	2008	2007 (Restated)
Gross Premium	8,153	6,893	6,552	5,839	4,555	4,750
Net Premium	4,096	3,535	2,940	2,171	1,896	1,693
Net Commission	(867)	(785)	(659)	(553)	(478)	(400)
Net Claims	(2,217)	(2,018)	(1,688)	(905)	(962)	(931)
Management Expenses	(503)	(353)	(302)	(231)	(250)	(154)
Underwriting Profit/(Loss)	509	379	291	482	206	208
Investment Income	918	891	653	1,099	846	3,689
Profit before Tax	1,481	1,257	650	318	1,139	3,858
Profit after Tax	1,104	844	526	270	886	3,725

Auditor's Report

Pakistan Insurance Corporation's accounts were qualified on reconciliation of 'Due From' and 'Due To' Balances since 1986 and when it got converted into listed company in the year 2001, then the same qualification continued in the auditors' report of listed company's (Pakistan Reinsurance Company Limited) accounts.

In the recent past management took this as a challenge and the focus efforts were made in this regard, including in house development of IT modules for facultative and claim transactions, which ultimately helped in identification of differences. Further, there were continuous meetings by finance and underwriting departments with ceding insurance companies. Regular reporting to the Audit Committee of the Board and Board of Directors in their specific meetings. Active coordination was also made with SECP including senior level presentations in response to the SECP's show cause notice dated July 05, 2012 relating to removal of auditor qualification from PRCL accounts. We are very pleased to inform that all these effort came to success and the financial statement for the year ended December 31, 2012 does not contain any qualification. This is the first ever accounts after over two decades where audit report has not been qualified by the external auditors.

Dividend

Your directors are pleased to declare a cash dividend of 25% for the year 2012.

Earning per share

The earning per share of the Company was Rs 3.68 for the year 2012 as compared to 2.82 in the year 2011.



Trading in Company Shares

Except as detailed below, no trading in the shares of the Company were carried out by the Directors, Chief Executive, Chief Financial Officer, Company Secretary, their spouses and minor children:

S. No.	Name	No. of Shares (CDC)
1.	Mr. Taufique Habib, Director	1,555
2.	Mr. Sikander Mehmood, Director	69,055
3.	Ms. Farzana Munaf, C.F.O.	900

Appointment of Auditors

The present auditors M/s. Anjum Asim Shahid Rahman Chartered Accountants being eligible have offered themselves for reappointment. The Audit Committee has recommended appointment of M/s. Anjum Asim Shahid Rehman Chartered Accountants to conduct the audit of the company for the year 2013.

Pattern of shareholding

The statement of pattern of shareholding is separately shown in report.

Acknowledgement

In the end, your directors would like to thank all insurance companies and regulators. We also acknowledge the hard work and dedication of our officers and staff for the co-operation extended by them in running the affairs of the Company.

For and on behalf
of the Board of Directors.

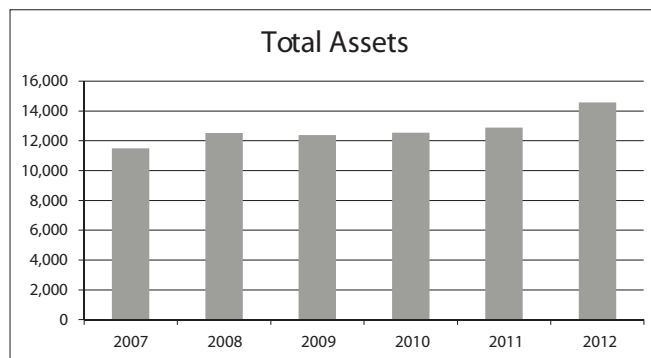
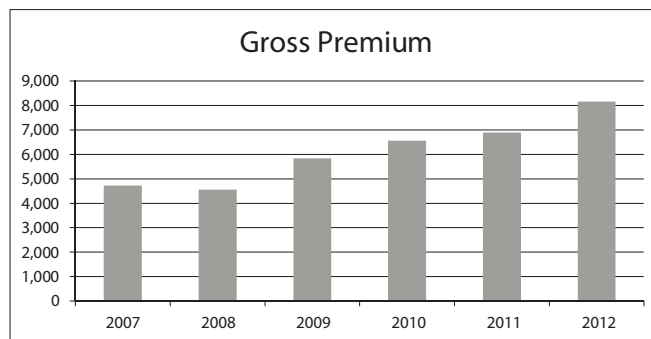
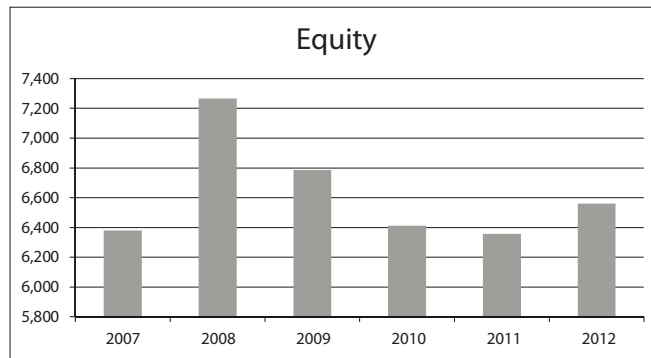
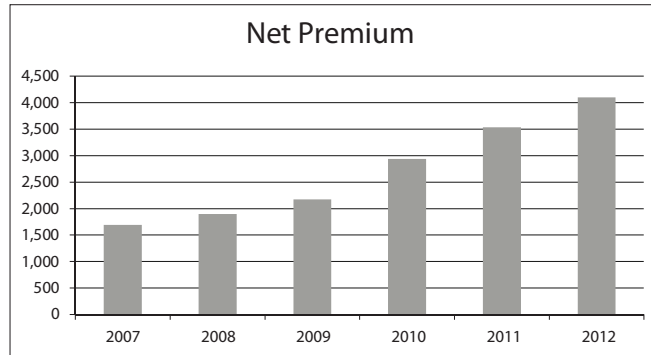
(R. B. Phulpoto)
Chairman

Six Year Performance at a Glance

Pakistan Reinsurance Company Limited



S.No.	PARTICULARS	2012	2011	2010	2009	2008	2007
FINANCIAL DATA		(Rupees In Million)					
1	Paid up capital	3,000	3,000	3,000	3,000	3,000	540
2	General & Capital Reserves	3,561	3,356	3,412	3,786	4,265	5,839
3	Equity	6,561	6,356	6,412	6,786	7,265	6,379
4	Investment	6,434	5,792	4,674	5,482	5,458	6,412
5	Fixed Assets	52	49	47	48	40	30
6	Cash & Bank Deposits	2,014	1,597	2,417	1,834	2,836	1,021
7	Total Assets	14,565	12,878	12,535	12,373	12,528	11,497
8	Total liabilities	8,004	6,521	6,123	5,586	5,262	5,117
OPERATING DATA							
1	Gross Premium	8,153	6,892	6,552	5,839	4,555	4,730
2	Net Premium	4,096	3,535	2,940	2,171	1,895	1,693
3	Net Claims	2,217	2,018	1,688	905	961	931
4	Net Comission	867	785	659	553	478	400
5	Underwriting Results	509	379	291	481	206	207
6	Total Management Expenses	502	353	302	231	250	154
7	Investment Income	918	891	653	1,099	846	3,689
8	Profit Before Tax	1,481	1,257	650	318	1,138	3,859
9	Profit After Tax	1,104	844	526	270	886	3,727
SHARE INFORMATION & PAYOUTS							
1	No of shares (In million)	300.00	300.00	300	300	300	54
3	Cash dividend %	25.00	30.00	30.00	30.00	25.00	-
4	Bonus Shares %	-	-	-	-	-	455.55
5	Total Dividend %	25.00	30.00	30.00	30.00	25.00	455.55
FINANCIAL RATIO ANALYSIS							
1	Claims ratio	54.13	57.09	57.00	41.69	50.71	54.99
2	Total Assets Turnover (Times)	0.56	0.53	0.52	0.47	0.36	0.41
3	Total Liabilities / equity (%)	121.99	102.60	95.49	82.32	72.43	80.22
4	Paid up Capital / Total Assets (%)	20.60	23.30	23.93	24.25	23.95	4.70
5	Equity / Total Assets (%)	45.05	49.36	51.15	54.85	57.99	55.48





PAKISTAN REINSURANCE COMPANY LIMITED

Year ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulations No.35 of Chapter XI of listing regulations of the Karachi Stock Exchange (Guarantee) Limited and the Lahore Stock Exchange (Guarantee) Limited respectively for the purpose of establishing a framework of good governance by a listed company and additional frameworks by a listed insurance company, whereby a listed company is managed in compliance with the best practice of corporate governance.

The company has applied the principles contained in the Code in the following manner:-

1. The company encourages representation of independent non-executive directors on its board of directors. At present there are six non-executive directors on PRCL's board including two independent directors.
2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange. No director or his/her spouse is engaged in the business of stock brokerage.
4. The company has prepared a "Statement of Ethics and Business Practices" which has been signed by the directors and employees of the company.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
7. Related party transactions entered during the year were at arm's length basis and these have been placed before the audit committee and approved by the board of directors.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.



10. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
11. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
12. The company has complied with all the corporate and financial reporting requirements of the Code.
13. 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.
14. The board has formed an Audit Committee. It comprises of board members, all of whom are non-executive directors and the chairman of the committee is an independent director.
15. The board has formed an Investment, Human Resource, Underwriting, Claim Settlement and Reinsurance Committee. The meetings of Underwriting, Claim Settlement and Reinsurance Committees were held at least once in every quarter.
16. There was no fresh appointment of CFO, Company Secretary. The board has set up an effective internal audit function but currently there is no Head of Internal Audit appointed or designated. Moreover, the Company has communicated this fact to the Ministry of Commerce and requested their approval for appointment of Head of Internal Audit. Apart from this issue personnel appointed are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
17. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. 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, employees and stock exchange(s).
20. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
21. We confirm that all other material principles enshrined in the Code have been complied with.

Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance

Pakistan Reinsurance Company Limited



We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the board of directors of Pakistan Reinsurance Company Limited (the Company) to comply with the Listing Regulations of the Karachi and Lahore Stock Exchanges where the company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the company's personnel and review of various documents prepared by the Company to comply with the Code.

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

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the Company to place before the board of directors for their consideration and approval of 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 recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before 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.

As explained in paragraph 16 which describes that currently there is no person appointed as Head of Internal Audit of the company.

Based on our review, except for the matter as explained in the above paragraph, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2012.

Karachi
Date: April 4, 2013

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb



We have audited the annexed financial statements comprising of:

- | | |
|--|-------------------------------------|
| (i) balance sheet; | (vi) statement of premiums; |
| (ii) profit and loss account; | (vii) statement of claims; |
| (iii) statement of comprehensive income; | (viii) statement of expenses; and |
| (iv) statement of changes in equity; | (ix) statement of investment income |
| (v) statement of cash flows; | |

of **Pakistan Reinsurance Company Limited** (the Company) as at December 31, 2012 together with the notes forming part thereof, for the year then ended.

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

32 Annual Report 2012 We conducted our audit in accordance with the auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

in our opinion:

- a) Proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) The financial statements together with the notes thereon have been drawn upon in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) The financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2012 and of the profit, its comprehensive



income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

Karachi
Date: April 4, 2013

Anjum Asim Shahid Rahman
Chartered Accountants
Muhammad Shaukat Naseeb

Financial Statement



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	Note	2012 Rupees	2011 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital 2,500,000,000 (2011: 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 (2011: 300,000,000) ordinary shares of Rs. 10 each	6	3,000,000,000	3,000,000,000
Retained earnings		1,502,169,703	1,298,302,385
Reserve for exceptional losses	7	281,000,000	281,000,000
General reserve		1,777,419,085	1,777,419,085
		3,560,588,788	3,356,721,470
Shareholders' equity		6,560,588,788	6,356,721,470
LIABILITIES			
Underwriting provisions			
Provision for outstanding claims (including IBNR)	8	1,043,227,840	753,313,736
Provision for unearned premium	9	4,350,377,846	3,887,859,030
Commission income unearned	10	45,017,368	34,803,842
Total underwriting provisions		5,438,623,054	4,675,976,608
Deferred liability - employee benefits	11	219,779,000	166,827,000
Long term deposits	12	14,217,257	14,222,217
Creditors and accruals			
Amount due to other insurers / reinsurers	13	1,623,538,033	1,285,062,959
Premium and claim reserves retained from retrocessionaires	14	20,172,734	26,587,143
Other creditors and accruals	15	80,968,419	24,006,780
Accrued expenses		21,024,648	6,675,968
Taxation - net		512,718,420	266,688,886
Retention money payable		6,475,833	6,480,973
		2,264,898,087	1,615,502,709
Other liabilities			
Unclaimed dividends		65,356,783	47,473,992
Surplus profit payable	16	1,212,602	1,212,602
		66,569,385	48,686,594
Total liabilities		8,004,086,783	6,521,215,128
TOTAL EQUITY AND LIABILITIES		14,564,675,571	<u>12,877,936,598</u>
CONTINGENCIES AND COMMITMENTS			
	17		

The annexed notes from 1 to 43 form an integral part of these financial statements.



	Note	2012 Rupees	2011 Rupees
ASSETS			
Cash and bank deposits			
Cash and other equivalents		85,694	67,433
Current and other accounts		1,614,359,140	747,195,690
Deposits maturing within 12 months		400,000,000	850,000,000
	18	2,014,444,834	1,597,263,123
Loan to employees - (considered good)	19	60,590,650	56,634,060
Investments	20	6,434,420,530	5,792,680,783
Investment properties	21	37,795,867	39,995,716
Current assets - others			
Amount due from other insurers / reinsurers	22	2,625,332,998	2,541,621,198
Premium and claim reserves retained by cedants	23	77,228,148	25,469,400
Accrued investment income	24	183,669,885	203,234,134
Sundry receivables	25	292,220,470	280,026,129
Prepayments	26	2,315,277,674	1,861,689,863
Deferred commission expense		469,849,175	429,568,319
Stock of stationery		962,639	714,126
		5,964,540,989	5,342,323,169
Fixed assets			
Tangible			
Land and building	27	19,048,405	20,039,175
Furniture, fixtures, books and office equipments		13,779,561	14,956,522
Electrical installations, air-conditioning plant and lifts		7,746,261	6,582,395
Motor vehicles		12,308,474	7,461,655
		52,882,701	49,039,747
Assets relating to Bangladesh	28	-	-
TOTAL ASSETS		14,564,675,571	12,877,936,598

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

R.B. Phulpoto
Chief Executive

Dr. Masuma Hasan
Director

Sikander Mahmood
Director

Profit & Loss Account

For the year ended December 31, 2012

	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	Treaty	2012 Aggregate	2011 Aggregate
Revenue account	-----Rupees-----								
Net premium	759,078,641	40,253,095	91,287,240	89,291,455	174,950,275	407,650,879	2,533,572,655	4,096,084,240	3,534,950,079
Less:									
Net claims	290,762,148	28,607,633	7,223,754	121,776,203	78,673,879	242,304,389	1,447,704,600	2,217,052,606	2,017,544,619
Expenses	29 9,096,474	6,297,854	2,477,366	5,850,774	7,479,344	6,137,975	465,597,475	502,937,262	352,920,536
Net commission	145,193,048	8,970,592	12,269,109	10,665,902	621,296	(544,263)	690,161,995	867,337,679	785,059,136
Underwriting results	314,026,971	(3,622,984)	69,317,011	(49,001,424)	88,175,756	159,752,778	(69,891,415)	508,756,693	379,425,788
Investment income-net								918,242,731	890,803,683
Rental income-net	30							49,449,654	54,038,710
Exchange gain								67,497,544	32,512,566
Other income	31							790,028	2,414,022
General and administration expenses	32							(43,191,366)	(37,757,382)
Value of available-for-sale- investments- write-off								(20,461,256)	(63,909,856)
								972,327,335	878,101,743
Profit before tax								1,481,084,028	1,257,527,531
Income tax expense	33							(377,216,710)	(353,592,455)
- Current								-	(59,122,113)
- Deferred								(377,216,710)	(412,714,568)
Profit after tax								1,103,867,318	844,812,963
Profit and loss appropriation account									
Balance at the commencement of year								1,298,302,385	1,353,489,422
Profit after tax for the year								1,103,867,318	844,812,963
Final cash dividend for the year 2011 Rs. 3.00 per share (2010: Rs.3.00 per share) @ 30% (2010: 30%)								(900,000,000)	(900,000,000)
Balance of unappropriated profit at end of the year								1,502,169,703	1,298,302,385
Earnings per share - basic and diluted	34							3.68	2.82

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

R.B. Phulpoto
Chief Executive

Dr. Masuma Hasan
Director

Sikander Mahmood
Director

Statement of Comprehensive Income

For the year ended December 31, 2012

Pakistan Reinsurance Company Limited



	2012 Rupees	2011 Rupees
Profit for the year	1,103,867,318	844,812,963
Other comprehensive income	-	-
Total comprehensive income for the year	<u>1,103,867,318</u>	<u>844,812,963</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

R.B. Phulpoto
Chief Executive

Dr. Masuma Hasan
Director

Sikander Mahmood
Director



Statement of Changes in Equity

For the year ended December 31, 2012

	Share capital	Reserve for exceptional losses	Reserves			Total
	Issued subscribed and paid-up		Revenue reserves		Total reserves	
			Retained earnings	General reserve		
-----Rupees-----						
Balance as at January 1, 2010	3,000,000,000	281,000,000	1,353,489,422	1,777,419,085	3,130,908,507	6,411,908,507
Total comprehensive income for the year ending December 31, 2011	-	-	844,812,963	-	844,812,963	844,812,963
Transactions with owners						
Final cash dividend paid for the year 2010 Rs. 3.00 per share	-	-	(900,000,000)	-	(900,000,000)	(900,000,000)
Balance as at December 31, 2011	<u>3,000,000,000</u>	<u>281,000,000</u>	<u>1,298,302,385</u>	<u>1,777,419,085</u>	<u>3,075,721,470</u>	<u>6,356,721,470</u>
Balance as at January 1, 2012	3,000,000,000	281,000,000	1,298,302,385	1,777,419,085	3,075,721,470	6,356,721,470
Total comprehensive income for the year ending December 31, 2012	-	-	1,103,867,318	-	1,103,867,318	1,103,867,318
Transactions with owners						
Final cash dividend paid for the year 2011 Rs. 3.00 per share	-	-	(900,000,000)	-	(900,000,000)	(900,000,000)
Balance as at December 31, 2012	<u>3,000,000,000</u>	<u>281,000,000</u>	<u>1,502,169,703</u>	<u>1,777,419,085</u>	<u>3,279,588,788</u>	<u>6,560,588,788</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

R.B. Phulpoto
Chief Executive

Dr. Masuma Hasan
Director

Sikander Mahmood
Director

Statement of Cash Flows

For the year ended December 31, 2012

Pakistan Reinsurance Company Limited



Operating cash flows	Note	2012 Rupees	2011 Rupees
Underwriting activities			
Premium received		8,069,843,008	6,746,669,112
Reinsurance premium paid		(3,643,031,536)	(3,282,441,468)
Claims paid		(3,116,222,263)	(2,195,928,002)
Reinsurance and other recoveries received		1,189,083,761	320,451,799
Commissions paid		(1,028,384,701)	(940,413,572)
Commissions received		130,979,693	89,640,393
Premium and claim reserves retained from retrocessionaires/withheld by ceding companies		(58,173,157)	78,589,037
Expenses paid		(502,937,262)	(352,920,536)
Net cash inflows from underwriting activities		1,041,157,543	463,646,763
Other operating activities			
Income tax paid		(131,187,175)	(94,388,700)
General administration expenses paid		(43,191,366)	(29,828,813)
Loans disbursed-net		(3,956,590)	(1,541,886)
Other receipts - sundry debtors		110,556,288	74,368,065
Net cash outflow from other operating activities		(67,778,843)	(51,391,334)
Total cash inflows from all operating activities		973,378,700	412,255,429
Investment activities			
Fixed capital expenditure	27	(1,643,105)	(8,592,327)
Sale proceeds of fixed assets	27.1	1,717,667	50,000
Acquisition of investments		(4,846,254,508)	(3,233,663,600)
Rental income received - net of expenses		47,726,472	52,196,686
Dividend income received		332,963,917	458,401,028
Interest income on bank deposits		131,365,214	112,086,482
Investment income received - net of expenses		477,444,149	214,846,217
Sale proceeds of investments		4,182,600,414	2,055,938,460
Total cash inflows / (outflows) from investment activities		325,920,220	(348,737,054)
Financing activities			
Dividend paid		(882,117,209)	(882,886,705)
Total cash outflow from financing activities		(882,117,209)	(882,886,705)
Net cash inflows / (outflows) from all activities		417,181,711	(819,368,330)
Cash and cash equivalents at beginning of the year		1,597,263,123	2,416,631,453
Cash and cash equivalents at end of the year	18	2,014,444,834	1,597,263,123

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Farzana Munaf
Chief Financial Officer

R.B. Phulpoto
Chief Executive

Dr. Masuma Hasan
Director

Sikander Mahmood
Director



Statement of Cash Flows

For the year ended December 31, 2012

Reconciliation to profit and loss account	Note	2012 Rupees	2011 Rupees
Operating cash flows		973,378,700	412,255,429
Depreciation expense			
- Investment property	32	(2,199,848)	(2,375,809)
- Fixed assets	32	(8,235,647)	(6,918,618)
Exchange gain		67,497,544	32,512,566
Rental income - net	30	49,449,654	54,038,710
Pension officers expenses	29	99,572,263	(85,578,947)
Pension employees expenses	29	13,065,646	56,578,597
Medical expenses	29	(54,514,110)	(34,524,656)
Gratuity expenses	29	(1,340,000)	(994,000)
Compensated absences	29	(14,117,712)	(7,420,631)
Provision for outstanding claims		(289,914,104)	(142,068,416)
Provision for unearned premium		(462,518,816)	(433,957,168)
Prepaid reinsurance premium ceded		(454,052,400)	(79,817,691)
Provision for employee benefits		(52,952,000)	(26,600,606)
Dividend income		332,963,917	458,177,486
Investment income		434,991,474	316,934,498
Interest income		131,365,214	112,086,482
Amortization of discount		8,996,816	4,719,945
Gain on sale of investment		10,567,551	28,154,140
Increase in operating assets other than cash		136,435,510	24,001,962
Decrease/(Increase) in operating liabilities		431,457,201	483,935,558
		1,349,896,853	1,163,138,831
Other adjustments			
(Increase) in provision for diminution in value of investments		131,187,175	94,388,700
Income tax paid		131,187,175	94,388,700
Profit before taxation		1,481,084,028	1,257,527,531
Provision for taxation		(377,216,710)	(412,714,568)
Profit after taxation		1,103,867,318	844,812,963

Definition of cash

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

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

Cash and cash equivalents

Cash and other equivalents	85,694	67,433
Current and other accounts	1,614,359,140	747,195,690
Deposit maturing within 12 months	400,000,000	850,000,000
	2,014,444,834	1,597,263,123

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
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R.B. Phulpoto
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Dr. Masuma Hasan
Director

Sikander Mahmood
Director

Statement of Premiums

For the year ended December 31, 2012

Class	Premiums written (A)	Unearned premium reserve		Premiums earned (D=A+B-C)	Reinsurance ceded (E)	Prepaid reinsurance premium ceded		Reinsurance expense (H=E+F-G)	Net premium revenue	
		Opening (B)	Closing (C)			Opening (F)	Closing (G)		2012 (I=D-H)	2011
-----Rupees-----										
Business underwritten inside Pakistan										
Facultative										
Fire	1,641,589,256	678,671,607	865,588,124	1,454,672,739	773,666,072	295,884,725	373,956,699	695,594,098	759,078,641	467,732,551
Marine cargo	47,812,640	4,304,059	11,863,604	40,253,095	-	-	-	-	40,253,095	34,347,591
Marine hull	189,720,787	38,393,238	94,781,038	133,332,987	77,388,728	-	35,342,981	42,045,747	91,287,240	61,769,880
Accident and others	121,937,959	25,323,035	57,969,539	89,291,455	-	-	-	-	89,291,455	71,853,692
Aviation	1,310,847,046	1,075,066,951	1,072,596,887	1,313,317,110	1,138,199,589	939,205,134	939,037,888	1,138,366,835	174,950,275	170,783,755
Engineering	1,459,218,529	631,818,390	821,774,856	1,269,262,063	1,031,022,893	399,203,182	568,614,891	861,611,184	407,650,879	266,830,379
Total	4,771,126,217	2,453,577,280	2,924,574,048	4,300,129,449	3,020,277,282	1,634,293,041	1,916,952,459	2,737,617,864	1,562,511,585	1,073,317,848
Treaty	3,382,428,592	1,434,281,750	1,425,803,797	3,390,906,545	1,028,726,872	219,850,917	391,243,899	857,333,890	2,533,572,655	2,461,632,231
Grand total	8,153,554,809	3,887,859,030	4,350,377,845	7,691,035,994	4,049,004,154	1,854,143,958	2,308,196,358	3,594,951,754	4,096,084,240	3,534,950,079

Secure today & tomorrow

The annexed notes from 1 to 43 form an integral part of these financial statements.

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Director

Statement of Claims

For the year ended December 31, 2012

Class	Claims paid (A)	Provision for outstanding claims		Claims expenses (D=A+C-B)	Reinsurance and other recoveries received (E)	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue (H=E+G-F)	Net claims expense	
		Opening (B)	Closing (C)			Opening (F)	Closing (G)		2012 (I=D-H)	2011
Business underwritten inside Pakistan										
Facultative										
Fire	355,486,991	362,809,531	377,061,951	369,739,411	175,009,164	165,000,000	68,968,099	78,977,263	290,762,148	240,875,034
Marine cargo	32,050,789	19,295,929	15,852,773	28,607,633	-	-	-	-	28,607,633	(79,859)
Marine hull	1,009,428	16,512,486	22,726,812	7,223,754	-	-	-	-	7,223,754	3,342,529
Accident and others	72,810,625	27,238,090	76,203,668	121,776,203	-	-	-	-	121,776,203	92,270,528
Aviation	243,212,414	94,778,261	101,702,342	250,136,495	174,470,102	89,719,743	86,712,257	171,462,616	78,673,879	11,156,687
Engineering	330,788,325	790,514,199	234,416,994	(225,308,880)	71,757,023	735,680,067	196,309,775	(467,613,269)	242,304,389	78,969,568
Total	1,035,358,572	1,311,148,496	827,964,540	552,174,616	421,236,289	990,399,810	351,990,131	(217,173,390)	769,348,006	426,534,487
Treaty	2,080,863,691	1,216,913,980	1,601,861,951	2,465,811,662	767,847,472	779,396,930	1,029,656,520	1,018,107,062	1,447,704,600	1,591,010,132
Grand total	3,116,222,263	2,528,062,476	2,429,826,491	3,017,986,278	1,189,083,761	1,769,796,740	1,381,646,651	800,933,672	2,217,052,606	2,017,544,619

Secure today & tomorrow

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Farzana Munaf
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Dr. Masuma Hasan
Director

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Director

Statement of Expenses

For the year ended December 31, 2012

Secure today & tomorrow

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 (H)	Closing (I)		2012 (K=F-J)	2011
Business underwritten inside Pakistan												
----- Rupees -----												
Facultative												
Fire	194,530,326	90,949,256	108,512,564	176,967,018	9,096,474	186,063,492	58,325,141	10,213,429	36,764,600	31,773,970	154,289,522	110,498,911
Marine cargo	11,190,817	925,708	3,145,933	8,970,592	6,297,854	15,268,446	-	-	-	-	15,268,446	13,732,161
Marine hull	24,581,791	6,441,591	12,232,634	18,790,748	2,477,366	21,268,114	12,394,149	-	5,872,510	6,521,639	14,746,475	12,721,536
Accident and others	14,357,918	2,977,429	6,669,445	10,665,902	5,850,774	16,516,676	-	-	-	-	16,516,676	15,668,456
Aviation	3,246,102	1,784,519	1,527,264	3,503,357	7,479,344	10,982,701	3,904,369	1,341,759	2,364,067	2,882,061	8,100,640	8,858,945
Engineering	47,736,176	20,881,129	22,995,731	45,621,574	6,137,975	51,759,549	52,494,953	21,417,111	27,746,227	46,165,837	5,593,712	3,623,591
Total	295,643,130	123,959,632	155,083,571	264,519,191	37,339,787	301,858,978	127,118,612	32,972,299	72,747,404	87,343,507	214,515,471	165,103,600
Treaty	732,741,571	305,608,687	314,765,604	723,584,655	465,597,475	1,189,182,130	3,861,081	1,831,543	(27,730,036)	33,422,660	1,155,759,470	972,876,072
Grand total	1,028,384,701	429,568,319	469,849,175	988,103,846	502,937,262	1,491,041,108	130,979,693	34,803,842	45,017,368	120,766,167	1,370,274,941	1,137,979,672

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

R.B. Phulpoto
Chief Executive

Dr. Masuma Hasan
Director

Sikander Mahmood
Director



Statement of Investment Income

For the year ended December 31, 2012

	Note	2012 Rupees	2011 Rupees
Income from trading investments			
Held-for-trading		1,117,019	10,373,422
Dividend income		332,963,917	458,177,486
		334,080,936	468,550,908
Income from non-trading investments			
<i>Held-to-maturity</i>			
Return on Government Securities		273,483,093	206,043,270
Return on other fixed income securities and deposits		131,365,214	112,086,482
Income on Treasury Bills		142,607,534	110,891,228
Amortization of discount on Pakistan Investment Bonds		8,996,816	4,719,945
		556,452,657	433,740,925
Available-for-sale		9,450,532	17,780,718
Gain / (Loss) on revaluation of investments			
Held-for-trading	20.6	23,072,038	(24,316,793)
Provision for impairment in value of investments			
Available-for-sale		-	-
Held-for-trading		-	-
		923,056,163	895,755,758
Less: Investment related expenses		(4,813,432)	(4,952,075)
Net investment income		918,242,731	890,803,683

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

R.B. Phulpoto
Chief Executive

Dr. Masuma Hasan
Director

Sikander Mahmood
Director

Notes to the Financial Statements

For the year ended December 31, 2012

Pakistan Reinsurance Company Limited



1 STATUS AND NATURE OF BUSINESS

Pakistan Reinsurance Company Limited (the company) was incorporated in Pakistan on March 30, 2000 as public limited company under the Companies Ordinance, 1984. Its shares are quoted on Karachi and Lahore Stock Exchanges. The Company is engaged in providing of reinsurance, insurance and other insurance based firms of risk transfer. The company's registered office 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) vide SRO No.98(1)/2000 dated February 14, 2001 of the Ministry of Commerce issued in terms of Pakistan Insurance Corporation (Re-organization) Ordinance, 2000 to provide for conversion of Pakistan Insurance Corporation into Pakistan Reinsurance Company Limited which was established in 1952 as Pakistan Insurance Corporation (PIC) under PIC Act 1952. Accordingly, PIC has been dissolved and ceased to exist and the operations and undertakings of PIC are being carried out by the company.

2 BASIS OF PREPARATION

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

The financial statements are prepared and presented in Pakistani Rupees, which is the company's functional and presentation currency.

2.1 Statement of compliance

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

The SECP has allowed the insurance companies to defer the application of International Accounting Standard - 39 (IAS39) "Financial Instruments: Recognition and Measurement", in respect of investments available-for-sale. Accordingly, the requirements of IAS 39, to the extent allowed by the SECP have not been considered in preparation of these financial statements.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair value or amortized cost as applicable.

These financial statements have been prepared following accrual basis of accounting except for cash flow information.

3 APPLICATION OF STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS

3.1 New / revised standards and interpretations to existing standards effective from the current year.

The following standards (revised or amended) and interpretations became effective for the current financial period or earlier adopted:



- IFRS 2 - (Amendments) "Share-based Payments - Group cash-settled share-based payment transactions"

Amendments to IFRS 2 Share-based Payment - Group Cash- settled Shared- based Payment Transactions became effective from July 1, 2010 which requires an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements.

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 the employment of these entities 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 shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allocated 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 amount from Trust Funds in exchange of the surrendered units as would be determined based on market price for listed entities or breakup values for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The scheme also provides that 50% of the 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 Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet 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 need to be accounted for by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard 2 Share-based Payment (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan 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 to such entities from the application of IFRS 2 to the Scheme, vide SRO 587(1)/2011 dated June 07, 2011.

Had the exemption not been granted the staff costs of the company for the year would have been higher Rs. 86.191 million, profit after taxation would have been lower by Rs.86.191 million, retained earnings would have been lower by Rs.86.191 million, earning per share would have been lower by Rs.0.29 per shares reserve would have been higher by Rs.86.191 million.

IAS 1 (Amendment), 'Presentation of Financial Statements' is effective for the accounting periods beginning on or after 1 January 2011. This amendment requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statements of changes in equity or in the notes to financial statements. The new amendment may extend the disclosures for any other comprehensive income in the Company's financial statements. However, it will have no impact on the Company's financial statements.

IAS 24 (Revised), 'Related Party Disclosures', is effective for the accounting periods beginning on or after 1 January 2011. It amends the definition of a related party and modifies certain related party disclosure requirements for government related entities. The revised standard is not expected to have a material impact on the Company's financial statements.

Notes to the Financial Statements

For the year ended December 31, 2012

Pakistan Reinsurance Company Limited



IFRS 7 (Amendment), 'Financial Instruments: Disclosure', is effective for the accounting periods beginning on or after 1 January 2011. This Amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risk associated with financial instrument. The new amendment is not expected to materially affect the disclosure in the financial statements of the Company.

IFRIC 14 (Amendment), 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction', is effective for the accounting periods beginning on or after 1 January 2011. It removes the unidentified consequences of the existing standard that restricted the recognition of some voluntary prepayments for minimum funding contributions as an asset. The new amendment is not expected to have a material impact on the Company's financial statements.

The other new standards, amendments and interpretation that are mandatory for accounting periods beginning on or after 01 January 2012 are considered not to be relevant for the company's financial statement and hence have not been detailed here.

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset.
- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7) - (effective for annual periods beginning on or after July 01, 2011). The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement.

3.2 Standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after the dates mentioned:

- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective January 01, 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture.



- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. During the year, the Bank has not recognised any actuarial loss in the profit and loss account and its net unrecognised actuarial loss at December 31, 2011 amounted to Rs. 369.454 million. Following the change actuarial losses will be recorded immediately in other comprehensive income.
- IAS 32 (Amendment) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after February 01, 2010) – 'Classification of rights issues' - The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

4 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgments / estimates and associated 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 estimate 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 an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas requiring the management to use estimates in these financial statements relate to provision for outstanding claims including claims incurred but not reported (IBNR), impairment of assets, premium deficiency reserves, provision for income taxes, classification of investments, impairment, recoveries from reinsurers, staff retirement benefits and useful lives of assets and methods of depreciation.

Judgments

In process of applying company's accounting policies, management has made following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Notes to the Financial Statements

For the year ended December 31, 2012

Pakistan Reinsurance Company Limited



Classification of investments

Management decides on acquisition of an investment whether it should be classified as held-to-maturity, held-for-trading, or available-for-sale.

For those debts instruments deemed held to maturity, management ensures that the requirements of IAS 39 are met and in particular the company has the intention and ability to hold these to maturity.

Investments typically bought with the intention to sell in the near future are classified as held-for-trading.

As the company's objective is to maintain an investment portfolio that can generate a constant return in terms of dividend and capital appreciation and not for the purpose of making short term profit from market volatility, all other debt, investment funds, and equity investment securities are classified as available-for-sale.

Impairment of investments

"The company determines that available for sale equity investments are impaired when there has been significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" required considerable judgments. In making these judgments, 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."

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for outstanding claims

Considerable judgment by management is required in the estimation of amounts due to contract holders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying and possible significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the end of the reporting period. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions, for reported claims and claims incurred but not reported, on a quarterly basis.

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.



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.

Premium deficiency reserve

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

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful life of property and equipment

The company's estimate of useful economic lives of its property and equipment takes into account the renovation frequency of the asset and the future plans of the company.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are the same as those applied in preparation of the published financial statements for the year ended December 31, 2011 except stated otherwise.

5.1 Investments

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

Measurement

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

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

Notes to the Financial Statements

For the year ended December 31, 2012

Pakistan Reinsurance Company Limited



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 investments 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.

Subsequent to initial recognition, these investments are measured at amortized cost, less provision for impairment in value, if any. Amortized cost is calculated taking into account any discount or premium on acquisition by using effective interest method.

(c) Available-for-sale

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

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 S.R.O. 938 issued by the SECP in December 2002. The company uses stock exchange quotations at the balance sheet date to determine the market value.

Unquoted

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

Date of recognition

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

5.2 Investment properties

Investment properties are accounted for under the cost model in accordance with the International Accounting Standard (IAS) 40 "Investment Property" and S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan.

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

- Leasehold land is stated at cost.
- Building on leasehold land is depreciated to its estimated salvage value on reducing balance method over its useful life.
- Installations forming a part of building on leasehold land but having separate useful lives are depreciated at the rate of 20 percent under the reducing balance method.



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

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

5.3 Insurance contracts

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

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.

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 Reinsurance

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. Incomes or expenses from reinsurance contract are not offset against expenses or incomes 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

Notes to the Financial Statements

For the year ended December 31, 2012

Pakistan Reinsurance Company Limited



5.7 Claims expense

Insurance claims including 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.

5.8 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.

5.9 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.

5.10 Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the company. This liability is calculated by applying the 1/24 method as specified in the SEC (Insurance) Rules, 2002.

5.11 Premium deficiency reserve

Where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses expected to be incurred after the balance sheet date in respect of policies in that class of business in force at balance sheet date, a premium deficiency reserve is recognized as a liability to meet the deficit. The movement in the premium deficiency reserve is recorded as an expense in the profit and loss account.

5.12 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.

5.13 Staff retirement benefits

Defined benefit plans

The company operates approved gratuity and pension scheme for all its permanent employees who are entitled / have opted for either of the above schemes. Contributions to the funds are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation was carried out effective for the year ended December 31, 2012 using the Projected Unit Credit Method. Actuarial gains / losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation at the end of the previous reporting period) are recognized over the average remaining service life of the employees.



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).

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.

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.

5.14 Taxation*Current*

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.

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for the taxation purposes. A deferred tax asset is recognized only to the extent that is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.15 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 28 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.

5.16 Revenue recognition*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.

Notes to the Financial Statements

For the year ended December 31, 2012

Pakistan Reinsurance Company Limited



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

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

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.

Profit on bank accounts are accounted for on accrual basis.

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

Rental income

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

5.17 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.

5.18 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.

5.19 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees using year end spot foreign exchange rates. 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.

5.20 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.

5.21 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 S.R.O dated December 12, 2002.

5.22 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.



5.23 Segment reporting

For management purposes, the company is organized into seven business segments 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.

5.24 Provisions

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

5.25 Provision for doubtful debts

Provision, as considered adequate by the management, is made to cover doubtful debts.

5.26 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.

5.27 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.

5.28 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. There were no dilutive potential ordinary shares in issue at December 31, 2012.

Notes to the Financial Statements

For the year ended December 31, 2012

Pakistan Reinsurance Company Limited



6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2012	2011		2012	2011
Number of shares			Rupees	
8	8	Ordinary shares of Rs. 10 each fully paid in cash	80	80
5,000,000	5,000,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	50,000,000	50,000,000
294,999,992	294,999,992	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	2,949,999,920	2,949,999,920
300,000,000	300,000,000		3,000,000,000	3,000,000,000

7 RESERVE FOR EXCEPTIONAL LOSSES

281,000,000 281,000,000

The reserve for exceptional losses was set aside prior to 1979 and was charged to income with the provisions of Income Tax Act of 1922. The company has ceased to set aside such reserve.

	Note	2012	2011
		Rupees	
8 PROVISION FOR OUTSTANDING CLAIMS (including IBNR)			
Facultative business			
Fire		308,093,852	197,809,531
Marine cargo		15,852,773	19,295,929
Marine hull		22,726,812	16,512,486
Accident and others		76,203,668	27,238,090
Aviation		14,990,085	5,058,518
Engineering		38,107,219	54,834,132
		475,974,409	320,748,686
Treaty		572,205,431	437,517,050
		1,048,179,840	758,265,736
Claims related to Bangladesh	8.2	(4,952,000)	(4,952,000)
		1,043,227,840	753,313,736

8.1 The above amounts represents estimated liabilities in respect of outstanding claims incurred up to the balance sheet date as intimated by the ceding companies to the company. Out of the same, estimated recoveries are deducted to arrive at the net amount of such liabilities which would fall on the company (net account).

The company, generally computes such liabilities, in respect of treaty business on the basis of various forms received from the ceding companies including forms "S5", "S6". In case where no information is received from the ceding companies, the estimated liability is recorded on the basis of actuarial valuation for the concerned class of business. At the end of the next accounting period / year, the reserve brought forward is reversed and a new reserve is created for the estimated liability in respect of the outstanding claims.



	Note	2012 Rupees	2011 Rupees
8.2 Facultative			
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		865,588,124	678,671,607
Marine cargo		11,863,604	4,304,059
Marine hull		94,781,038	38,393,238
Accident and others		57,969,539	25,323,035
Aviation		1,072,596,887	1,075,066,951
Engineering		821,774,856	631,818,390
		<u>2,924,574,048</u>	<u>2,453,577,280</u>
Treaty		<u>1,425,803,798</u>	<u>1,434,281,750</u>
		<u>4,350,377,846</u>	<u>3,887,859,030</u>
10 COMMISSION INCOME UNEARNED			
Facultative business			
Fire		36,764,600	10,213,429
Marine hull		5,872,510	-
Aviation		2,364,067	1,341,759
Engineering		27,746,227	21,417,111
		<u>72,747,404</u>	<u>32,972,299</u>
Treaty		<u>(27,730,036)</u>	<u>1,831,543</u>
		<u>45,017,368</u>	<u>34,803,842</u>
11 DEFERRED LIABILITY - EMPLOYEE BENEFITS			
Defined benefit obligations			
Post retirement medical benefits	38.1.1	171,624,000	125,242,000
Compensated absences	38.1.1	48,155,000	41,585,000
		<u>219,779,000</u>	<u>166,827,000</u>
12 LONG TERM DEPOSITS		<u>14,217,257</u>	<u>14,222,217</u>
This represents deposits received from tenants in connection with letting of PRC Towers.			
13 AMOUNT DUE TO OTHER INSURERS / REINSURERS			
Amount due to other insurers / reinsurers		<u>1,623,538,033</u>	<u>1,285,062,959</u>
14 PREMIUM AND CLAIM RESERVES RETAINED FROM RETROCESSIONAIRES			
Premium		230,941	236,779
Losses		17,243,465	17,304,395
Cash losses received from retrocessionaires		2,698,328	9,045,969
		<u>20,172,734</u>	<u>26,587,143</u>
14.1	This represents 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, 2012

Pakistan Reinsurance Company Limited



15	OTHER CREDITORS AND ACCRUALS	Note	2012 Rupees	2011 Rupees
	Provision for litigation		16,075,253	16,075,253
	Employees' welfare fund payable		111,865	-
	Advance rent		44,898	177,021
	Pension fund payable	37.1.1	54,776,000	-
	Gratuity fund payable	37.1.1	4,037,000	2,697,000
	Others		5,923,403	5,057,506
			<u>80,968,419</u>	<u>24,006,780</u>
16	SURPLUS PROFIT PAYABLE		<u>1,212,602</u>	<u>1,212,602</u>

This represents the amount set aside for the share holders in accordance with the requirements of PIC Act, 1952.

17 CONTINGENCIES AND COMMITMENTS

17.1 The Company has certain disputes with National Construction Company Limited (NCC) and other consultants, over the certification of final bills in relation to the construction of PRC Towers. The company filed a claim against NCC amounting to Rs. 105.9 million for breach of contract for the construction of PRC Towers. NCC has filed a counter claim of Rs. 133.6 million against the company for financial loss and loss of goodwill. In relation to the dispute with the consultants / contractors the total work as certified by company's consultants amounted to Rs. 200.76 million against the total contract price of Rs. 208.94 million and the asset capitalized amounted to Rs. 191.92 million only.

17.2 Case related to Export Credits Guarantee Scheme

Decrees have been awarded against the company in a case amounting to Rs. 31.68 (2011: Rs. 31.68) million, pertaining to the export credit guarantees issued by Export Credits Guarantee Scheme (ECGS). The management is of the view that the said matter relates to ECGS and the company has no responsibility for any liability in this respect. It further, contends that no liability will arise for the ECGS from such cases. The Scheme has been abolished by the Federal Government and also, the accounts relevant to the Scheme have been transferred by the company. Moreover the decree holder has not filed execution application with in prescribed limitation period, therefore management considers it as time barred.

17.3 The company has disputed the unilateral increase in rentals of one of its lease hold land being exorbitant and unreasonable, a view supported by the company's legal advisor. The amount not acknowledged as debt in this regard as at December 31, 2012 amounted to Rs. 3.351 million (2011: Rs. 3.351 million).

Currently, stay is operating in favor of the Company and matter is pending before the court of III 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 court. Most likely outcome of the case, may be in accordance with the market rate in the vicinity.

17.4 The company received a notice from Sindh Revenue Board 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. 495.5 million. The company filed an appeal with Commission of appeals, Sindh Revenue Board, however, it was rejected.

The company has now filed an appeal with Appellant Tribunal, Sindh Revenue Board, which is pending for hearing.

The management and tax advisor are confident that good grounds exist to contest the case. They believe that eventual outcome will come in favour of the Company. Hence no provision has been made in these financial statements.



	Note	2012 Rupees	2011 Rupees
18 CASH AND BANK DEPOSITS			
Cash and other equivalents		85,694	67,433
Current and other accounts	18.1	1,614,359,140	747,195,690
Deposits maturing within 12 months	18.2	400,000,000	850,000,000
		2,014,444,834	1,597,263,123

18.1 These represent interest bearing accounts carrying interest rates 5% to 11.15% (2011: 5% to 10%) per annum.

18.2 This represents Term Deposit Receipts (TDRs) in local currency carrying effective interest rates of 9.75% per annum (2011: 12% per annum). These deposits are due to mature within next 12 months.

19 LOANS TO EMPLOYEES (considered good)

- Secured		59,114,060	44,226,628
- Unsecured		1,476,590	12,407,433
	19.1	60,590,650	56,634,061

19.1 Maturity of loans

Receivable within one year		26,989,836	23,898,324
Receivable after one year		33,600,814	32,735,737
		60,590,650	56,634,061

19.2 Loans to employees represent mark-up free loans except motor car loans (mark-up rate 10%) and are secured against retirement benefits of respective employees including, where applicable, documents of assets for which the loan has been given.

20 INVESTMENTS

Available-for-sale

Ordinary shares - listed	20.1	428,362,643	429,066,673
Mutual funds	20.2	1,957,007,894	2,134,569,150
Ordinary shares - unlisted	20.3	617,613	617,613
		2,385,988,150	2,564,253,436

Held-to-maturity

Pakistan Investment Bonds	20.4	2,468,358,440	2,248,853,014
Treasury Bills (1 year)	20.5	1,509,129,600	930,047,336
		3,977,488,040	3,178,900,350

Held-for-trading

Ordinary shares - listed	20.6	70,944,340	49,526,997
		6,434,420,530	5,792,680,783

As mentioned in note 5.1 to these financial statements, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary) as per Rule 16(a) of SECP Insurance Rules, 2002. However, 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, 2012 would have been higher by Rs. 1,018 million (2011: higher by Rs. 194 million), and the net equity would have been higher by Rs. 1,018 million (2011: higher by Rs. 194 million).

Notes to the Financial Statements

For the year ended December 31, 2012

Pakistan Reinsurance Company Limited



20.1 Investment in listed companies - available-for-sale	20.1.1	2012	2011
		Rupees	Rupees
Cost of investment in listed companies		441,425,206	442,129,236
Less: Provision for diminution in value			
Balance brought forward from last year		13,062,563	13,062,563
Provision (reversed) / made during the year		-	-
		13,062,563	13,062,563
		428,362,643	429,066,673

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

Name of company	2012			2011		
	Number of shares / certificates	Book value	Market value	Number of shares	Book value	Market value
	-----Rupees-----			-----Rupees-----		
Financial Services						
Escort Investment Bank	16,846	25,269	69,069	16,846	25,269	25,269
	16,846	25,269	69,069	16,846	25,269	25,269
Banks						
Askari Bank Limited	43,570	609,297	750,275	37,887	609,297	380,007
Bank Al-Falah Limited	5,994	82,538	100,819	5,994	82,538	67,433
Faysal Bank Limited	54,142	391,273	576,612	48,127	391,273	391,273
MCB Bank Limited	306,143	55,357,113	64,216,556	278,312	55,357,113	37,460,795
National Bank of Pakistan	5,529,669	6,824,793	273,110,352	5,026,973	6,824,793	206,357,242
N.I.B Bank Limited	28,420,050	56,828,787	74,744,732	28,420,050	56,828,787	49,166,687
Silk Bank Limited	24,656	62,380	56,216	24,656	62,380	43,641
The Bank of Punjab Limited	30,080	175,667	321,856	30,080	175,667	162,733
United Bank Limited	1,024	4,350	85,678	1,024	4,350	53,647
	34,415,328	120,336,198	413,963,096	33,873,103	120,336,198	294,083,458
Insurance						
Adamjee Insurance Company Limited	494,301	32,124,622	33,681,670	494,301	32,124,622	22,989,940
Asia Insurance Company Limited	24,480	244,800	491,558	24,980	249,800	501,598
Crescent Star Insurance Company Limited	604,491	1,208,982	2,417,964	604,491	1,208,982	1,208,982
Habib Insurance Company Limited	10,160	1,724	128,422	9,237	1,724	90,984
Pakistan Guarantee Insurance Company Limited	22,029	-	-	22,029	-	-
PICIC Insurance Company Limited	855,790	4,450,108	5,990,530	855,790	4,450,108	4,278,950
Sterling Insurance Company Limited	23,250	-	-	23,250	-	-
Union Insurance Company of Pakistan Limited	56,227	-	-	56,227	-	-
United Insurance Company of Pakistan Limited	246,669	166,165	3,206,697	214,495	166,165	1,018,851
	2,337,397	38,196,401	45,916,841	2,304,800	38,201,401	30,089,305
Personal Goods						
Brothers Textile Mills Limited	353	229	1,271	353	229	152
Khurshid Spinning Mills Limited	7,600	5,700	60,800	7,600	5,700	7,600
Sahrish Textile Mills Limited	13,510	-	-	13,510	-	-
Yousaf Weaving Mills Limited	227	272	1,033	227	272	227
Pakistan Synthetics Limited	2,846	21,252	56,892	2,846	21,252	51,143
Crescent Jute Products Limited	157,314	64,499	284,738	157,314	64,499	64,499
Usman Textile Mills	300	-	-	300	-	-
Colony Mills Limited	149,762	149,762	450,784	149,762	149,762	149,762
Kohinoor Industries Limited	11,681	10,513	59,456	11,681	10,513	10,513
Muhammad Farooq Textile Mills	4,100	2,255	12,300	4,100	2,255	2,255
Taj Textile Mills	5,600	2,072	-	5,600	2,072	1,400
Crescent Cotton (Formerly: Crescent Sugar Mills Limited)	137,386	807,573	4,279,574	162,386	954,574	2,111,018
	490,679	1,064,127	5,206,848	515,679	1,211,128	2,398,569
General Industries						
Packages Limited	821,714	90,388,540	124,210,288	821,714	90,388,540	67,972,182
Hashmi Can Company Limited	5,250	31,500	-	5,250	31,500	43,050
	826,964	90,420,040	124,210,288	826,964	90,420,040	68,015,232
Household Goods						
Hussain Industries Limited	15,820	47,460	102,672	15,820	47,460	47,460
Towellers Limited	315,759	2,551,333	2,605,012	315,759	2,551,333	2,551,333
	331,579	2,598,793	2,707,684	331,579	2,598,793	2,598,793
Food Producers						
Colony Sugar Mills Limited	39,924	71,863	244,335	39,924	71,863	59,886
Kohinoor Sugar Mills Limited	26,451	92,579	145,481	26,451	92,579	94,959
Pangriro Sugar Mills Limited	100,000	277,000	340,000	100,000	277,000	277,000
Sakrand Sugar Mills Limited	11,900	10,948	57,120	11,900	10,948	10,948
Shah Taj Sugar Mills Limited	397	2,974	31,804	397	2,974	35,404
Sind Abadgar Sugar Mills Limited	98,500	492,500	837,250	98,500	492,500	492,500
Universal Oil	30,000	-	-	30,000	-	-
	307,172	947,864	1,655,990	307,172	947,863	970,697
Balance carried forward	38,725,965	253,588,692	593,729,816	38,176,143	253,740,692	398,181,323



Name of company	2012			2011		
	Number of shares / certificates	Book value	Market value	Number of shares	Book value	Market value
		-----Rupees-----			-----Rupees-----	
Balance brought forward	38,725,965	253,588,691	593,729,816	38,176,143	253,740,692	398,181,323
Construction and Materials						
Akzo Nobel Pakistan Limited	154,518	17,899,449	13,367,352	-	-	-
Dada Bhoy Cement Industries Limited	17,300	27,853	43,596	17,300	27,853	24,393
Fauji Cement Company Limited	5,238	17,286	34,257	5,238	17,286	17,285
Javedan Cement Limited	118	1,126	11,216	118	1,126	7,493
D.G Khan Cement Limited	12,000	228,360	645,960	12,000	228,360	228,360
Zeal Pak Cement Factory Limited	39,130	-	-	39,130	-	-
	228,304	18,174,074	14,102,381	73,786	274,625	277,531
Tobacco						
Philip Morris (Pakistan) Limited (Formerly Lakson Tobacco Company Ltd.)	21,206	36,893	2,650,750	21,206	36,893	2,947,634
Pakistan Tobacco Company Limited	70,140	234,209	4,738,658	70,140	234,209	3,892,770
	91,346	271,102	7,389,408	91,346	271,102	6,840,404
Oil and Gas						
National Refinery Limited	502,363	28,312,467	106,350,247	502,363	28,312,467	121,918,476
Pakistan State Oil Company Limited	6,158	371,225	1,429,949	5,132	371,225	1,166,042
Pakistan Petroleum Limited	330,000	27,388,953	58,340,700	264,000	27,388,953	44,436,480
	838,521	56,072,645	166,120,896	771,495	56,072,645	167,520,998
Electricity						
The Hubpower Company Limited	582,085	10,773,636	26,333,525	582,085	10,773,636	19,907,307
Karachi Electric Supply Company Limited	385,548	863,418	2,220,756	385,548	863,418	616,877
Kot Addu Power Company Limited	30,000	1,481,678	1,481,700	30,000	1,481,678	1,239,600
Southern Electric Power Company Limited	13,963	9,774	32,953	13,963	9,774	9,774
	1,011,596	13,128,506	30,068,934	1,011,596	13,128,506	21,773,558
Gas Water and Multiutilities						
Sui Southern Gas Company	12,694,227	36,461,488	260,358,596	12,694,227	36,461,488	244,871,639
Sui Northern Gas Pipelines Limited *	7,907,458	17,110,611	183,848,398	7,907,458	17,110,611	124,226,165
	20,601,685	53,572,099	444,206,994	20,601,685	53,572,099	369,097,804
Engineering						
Ghandhara Industries Limited	-	-	-	2,543	18,284	18,513
Dewan Automotive Engineering Limited	52,333	39,249	183,165	52,333	39,249	39,250
Pakistan Engineering Company Limited	43,776	364,738	2,407,680	43,776	364,738	1,575,498
	96,109	403,987	2,590,845	98,652	422,271	1,633,261
Travel and Leisure						
Pakistan International Airlines Corporation "A" Class Shares	2,293,278	5,985,456	9,241,910	2,497,778	6,519,200	4,920,623
	2,293,278	5,985,456	9,241,910	2,497,778	6,519,200	4,920,623
Fixed Line Telecommunication						
Worldcall Telecom Limited	3,672	3,672	9,290	3,672	3,672	3,672
	3,672	3,672	9,290	3,672	3,672	3,672
Forestry and Paper						
Security Papers Limited	644,924	195,915	33,097,500	644,924	195,915	22,830,310
	644,924	195,915	33,097,500	644,924	195,915	22,830,310
Chemicals						
Fauji Fertilizer Bin Qasim Limited	20,035	452,878	773,151	20,035	452,878	850,085
ICI Pakistan Limited	307,281	35,595,431	53,433,093	461,800	53,494,880	55,540,686
Lotte Pakistan PTA Limited	1,206,602	3,874,321	8,868,525	1,206,602	3,874,321	11,185,201
Linde Pakistan (Formerly: BOC Pakistan Limited)	1,100	105,479	168,839	1,100	105,479	111,100
Sardar Chemical Industries	500	950	4,300	500	950	600
	1,535,518	40,029,059	63,247,908	1,690,037	57,928,508	67,687,672
Total	66,070,918	441,425,206	1,363,805,882	65,661,114	442,129,235	1,060,767,156

* Frozen shares

This represents 7,907,458 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.

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

Notes to the Financial Statements

For the year ended December 31, 2012

Pakistan Reinsurance Company Limited



Name of company	2012			2011		
	Number of units/certificates	Book value -----Rupees-----	Market value	Number of units/certificates	Book value -----Rupees-----	Market value
Open-End Mutual Funds						
Pakistan Capital Market Fund	14,100	79,326	120,696	13,045	79,326	91,443
National Investment Trust	46,328,425	1,455,639,114	1,537,640,426	51,328,425	1,612,739,114	1,329,406,208
	46,342,525	1,455,718,440	1,537,761,122	51,341,470	1,612,818,440	1,329,497,651
Close-End Mutual Funds						
JS Value Fund Limited	346,204	2,267,483	3,115,836	346,204	2,267,483	1,488,677
Pakistan Premier Fund Limited	18,712	111,336	182,442	18,712	111,336	161,110
PICIC Growth Fund	30,406,721	498,670,224	498,670,224	30,406,721	519,131,480	378,867,744
PICIC Investment Fund	17,246	100,372	121,929	17,246	100,372	93,991
JS Growth Fund	28,348	140,039	247,478	28,348	140,039	133,236
	30,817,231	501,289,454	502,337,909	30,817,231	521,750,710	380,744,758
	77,159,756	1,957,007,894	2,040,099,031	82,158,701	2,134,569,150	1,710,242,409

20.2.1 The company holds 46,328,425 NIT units (2011: 51,328,425 units). The cost ranges from Rs. 53.95 to Rs. 54.50 per unit. The units repurchase price as at December 31, 2012 was Rs. 33.19 per unit.

20.2.2 Market value of quoted available-for-sale investments (listed shares and NIT units) is Rs. 3,403 (2011: Rs. 2,821) million.

	Note	2012 Rupees	2011 Rupees
20.3 Investment in unlisted companies			
Cost of investment in unlisted companies	20.3.1	2,608,105	2,608,105
Less: Provision for diminution in value			
Balance brought forward from last year		1,990,492	1,990,492
Provision (reversed)/made during the year		-	-
		1,990,492	1,990,492
		617,613	617,613

	2012		2011	
	Number of shares / certificates	Book Value (Rupees)	Number of shares / certificates	Book Value (Rupees)
20.3.1 Cost of investment in unlisted companies				
Banks				
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: Jamal Nasim	6,213	618,227	6,213	618,227
State Bank of Pakistan (Break-up value is Rs. 511.59 per share based on financial statements for the year ended June 30, 2012) Governor: Shahid Hafiz Kardar	4,900	517,614	4,900	517,614
	11,113	1,135,841	11,113	1,135,841
Mutual Funds				
National Investment Trust Limited (Break-up value is Rs. 3,423.11 per share based on financial statements for the year ended June 30, 2012) Managing Director & Chairman: Mr. Wazir Ali Khoja	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 Mill	1,000	9,950	1,000	9,950
Kohinoor Cotton Mill Limited	22,397	219,801	22,397	219,801
Chemical				
Synthetic Chemical Limited	20,000	200,000	20,000	200,000
Vanaspatti and Allied Industries				
Burma Oil Limited	861	6,470	861	6,470
Burma Soap Limited	64	640	64	640
Miscellaneous				
Arag Industries Limited	133,333	685,403	133,333	685,403
	202,655	1,372,264	202,655	1,372,264
	292,968	2,608,105	292,968	2,608,105

20.3.2 Since the financial statements of the above entities are not available, therefore, the break-up value and the name of the chief executive cannot be ascertained.



20.4 Pakistan Investment Bonds	Tenure	Face value	Maturity date	Profit repayment frequency	Coupon rate		
Pakistan Investment Bonds	3 to 10 Years	2,525,000,000	April 29, 2014 to July 19, 2022	Semi-annually	8% to 12%	2,468,358,440	2,248,853,014

20.4.1 The amount of Pakistan Investment bonds include Rs. 300 millions (2011: Rs. 300 million) deposited with State Bank of Pakistan as required by section 29 of the Insurance Ordinance, 2000.

20.4.2 Market value of Pakistan Investment Bonds is Rs. 2,477.686 (2011: 2,260.900) million.

20.5 Treasury bills	Tenure	Face value	Maturity date	Profit repayment frequency	Effective interest rate		
Treasury bills	3 months to 1 Year	1,600,000,000	January 10, 2013 to October 17, 2013	On maturity	9.23% to 11.92%	1,509,129,600	930,047,336
					Note	2012 Rupees	2011 Rupees

20.6 Investment in listed companies - held-for-trading

Cost of investment in listed companies	20.6.1	47,872,302	73,843,790
Gain / (loss) on revaluation of investments		23,072,038	(24,316,793)
		70,944,340	49,526,997

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

Name of company	2012			2011		
	Number of shares	Book value	Market value	Number of shares	Book value	Market value
Cement						
Attock Cement Limited	184,868	8,198,505	18,451,675	193,200	12,192,185	9,853,200
Commercial Banks						
National Bank of Pakistan	347,188	12,956,406	17,147,615	315,625	18,036,075	12,956,406
Refinery						
The Hubpower Company Limited	100,004	3,420,137	4,524,181	100,004	3,725,149	3,420,137
Technology and Communication						
Pakistan Telecommunication Company Limited	319,500	3,319,605	5,543,325	319,500	6,204,690	3,319,605
Chemicals						
Fauji Fertilizer Company Limited	60,000	5,981,779	7,028,400	40,000	5,681,454	5,981,779
Engro Corporation	170,786	12,178,370	15,719,143	131,374	24,436,737	12,178,370
Engro Polymer and Chemicals Limited	250,000	1,817,500	2,530,000	250,000	3,567,500	1,817,500
	480,786	19,977,649	25,277,543	421,374	33,685,691	19,977,649
	1,432,346	47,872,302	70,944,339	1,349,703	73,843,790	49,526,997

21 INVESTMENT PROPERTIES

	2012						Book value	Rate (%)
	COST			Depreciation				
	As at January 01, 2012	Addition / (Disposal)	As at December 31, 2012	As at January 01, 2012	For the year / (disposal)	December 31, 2012		
PRC Building -Karachi	150,302	-	150,302	60,309	4,500	64,809	85,493	5
Lease hold land	572,406	-	572,406	-	-	-	572,406	-
Building	89,151,323	-	89,151,323	51,342,554	1,890,438	53,232,992	35,918,331	5
Electrical installation	18,995,068	-	18,995,068	18,563,544	86,304	18,649,848	345,220	20
Air conditioning plant	26,556,830	-	26,556,830	25,942,507	122,865	26,065,372	491,458	20
Lift	21,085,825	-	21,085,825	20,607,125	95,741	20,702,866	382,959	20
	156,511,754	-	156,511,754	116,516,039	2,199,848	118,715,887	37,795,867	

Notes to the Financial Statements

For the year ended December 31, 2012

Pakistan Reinsurance Company Limited



	C O S T			Depreciation		Book value	Rate (%)	
	As at January 01, 2011	Addition / (Disposal)	As at December 31, 2011	As at January 01, 2011	For the year / (disposal) December 31, 2011			
	-----Rupees-----							
PRC Building -Karachi	150,302	-	150,302	55,572	4,737	60,309	89,993	5
Lease hold land	572,406	-	572,406	-	-	-	572,406	-
Building	89,151,323	-	89,151,323	49,352,619	1,989,935	51,342,554	37,808,769	5
Electrical installation	18,995,068	-	18,995,068	18,455,662	107,881	18,563,543	431,525	20
Air conditioning plant	26,556,830	-	26,556,830	25,788,926	153,581	25,942,507	614,323	20
Lift	21,085,825	-	21,085,825	20,487,450	119,675	20,607,125	478,700	20
	156,511,754	-	156,511,754	114,140,229	2,375,809	116,516,038	39,995,716	

Buildings including 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 on the basis of floor space occupied for respective purposes.

The market value of the investment properties is Rs. 776.471 million (2011: Rs. 1014.780). The valuation have been carried out by an independent valuer in 2012.

	Note	2012 Rupees	2011 Rupees
22 AMOUNT DUE FROM OTHER INSURERS / REINSURERS			
Amount due from other insurers / reinsurers	22.1	3,011,332,998	2,927,621,198
Provision for doubtful balances		(386,000,000)	(386,000,000)
		2,625,332,998	2,541,621,198
22.1	This includes Rs. 1,422 million (2011: Rs. 1,422 million) due from related parties.		
23 PREMIUM AND CLAIMS RESERVES RETAINED BY CEDANTS			
Premium reserve		8,782,257	8,866,771
Losses reserve		32,945,125	34,950,120
Cash losses paid to ceding companies		52,500,766	(1,347,491)
Provision for doubtful deposits		(17,000,000)	(17,000,000)
		77,228,148	25,469,400
23.1	This represents the retention of deposits by the ceding companies from the total amount ceded by them to the company.		
24 ACCRUED INVESTMENT INCOME			
Dividend		1,997,534	1,997,534
Interest		144,264,864	165,552,295
Rental		39,405,021	37,681,839
		185,667,419	205,231,668
Provision for dividend receivable		(1,997,534)	(1,997,534)
		183,669,885	203,234,134
25 SUNDRY RECEIVABLES			
Employees Pension Fund	37.1.1	180,311,333	159,554,991
Employees Provident Fund		-	-
Government Provident Fund		31,270	32,051
Employees General Provident Fund		973,697	-
Officers Pension Fund	37.1.4	-	14,582,000
Employees Welfare Fund		-	-
Export Credit Guarantee Schemes		56,142,435	56,142,435
Receivable against National Co-insurance Scheme	25.1	4,939,471	4,939,471
Receivable from War Risk Insurance - Karachi	25.2	7,724,303	7,724,303
Receivable from War Risk Insurance - Lahore	25.2	10,541,524	10,541,524
Receivable from Economic Cooperation Organization (ECO) Reinsurance Pool	25.3	36,215,493	36,215,493
Receivable from Investment Corporation of Pakistan	25.4	4,565,000	4,565,000
Receivable against sale of shares		62,777	-
Advances		7,224,154	4,233,363
Security deposits		3,349,514	3,079,514
Others		4,761,375	3,037,860
		316,842,346	304,648,005
Provision for doubtful debts		(24,621,876)	(24,621,876)
		292,220,470	280,026,129



25.1 This represents the total amount of income tax deposited by the company since the year 1984-85 to the year 2001-02 in respect of Export Credits Guarantee Scheme (ECGS) managed by the company on behalf of the Government. 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.

The ADRC therefore concluded that they would refer matter to the FBR for providing a legal expert to the ADRC or to reconstitute the ADRC by including therein the legal expert who can interpret and decide on the applicability of the aforesaid Article. FBR via letter No. 2(48) IT-Jud/2006-ADR/45098-R regretted the request for reconstitution of ADRC. Therefore the Company needs to pursue its case with the Supreme Court of Pakistan which has been already granted a leave to appeal against order of High Court.

No provision has been made in this respect as management is confident that this amount will be recovered in due course.

25.2 Amount is receivable from Government of Pakistan against expenses for running the affairs of War Risk Insurance department working under the supervision of old Pakistan Insurance Company (PIC). Department was set up for insurance of losses which could have occurred due to War.

25.3 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.

25.4 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.

	Note	2012 Rupees	2011 Rupees
26 PREPAYMENTS			
Prepaid reinsurance ceded	26.1	2,308,196,358	1,854,143,958
Others		7,081,316	7,545,905
		2,315,277,674	1,861,689,863
26.1 Prepaid reinsurance ceded			
Facultative business			
Fire		373,956,699	295,884,725
Marine hull		35,342,981	-
Aviation		939,037,888	939,205,134
Engineering		568,614,891	399,203,182
		1,916,952,459	1,634,293,041
Treaty		391,243,899	219,850,917
		2,308,196,358	1,854,143,958

Notes to the Financial Statements

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27 FIXED ASSETS

Particulars	2012									Rate (%)
	C O S T				Depreciation				Book value December 31, 2012	
	As at January 01, 2012	Additions	Disposal / Transfer	As at December 31, 2012	As at January 01, 2012	For the year	Disposal / Transfer	December 31, 2012		
Rupees										
Land and Building										
<i>Tangible</i>										
PRC House - Karachi	2,693,186	-	-	2,693,186	1,080,677	80,625	-	1,161,302	1,531,884	5
Lift (fully depreciated)	146	-	-	146	-	-	-	-	146	20
<i>PRC Towers</i>										
Leasehold land	223,622	-	-	223,622	-	-	-	-	223,622	-
Building	38,663,647	-	-	38,663,647	20,460,749	910,145	-	21,370,894	17,292,753	5
Sub total	41,580,601	-	-	41,580,601	21,541,426	990,770	-	22,532,196	19,048,405	
Furniture, fixture, books and office equipment										
Furniture and fixture	10,714,662	196,400	18,400	10,892,662	9,320,737	152,353	-	9,473,090	1,419,572	10
Office equipment	4,049,787	481,302	35,000	4,496,089	2,067,117	321,812	-	2,388,929	2,107,160	15
Books	372,981	81,735	-	454,716	120,732	28,493	-	149,225	305,491	10
Computers	20,064,075	1,026,652	-	21,090,727	8,736,396	2,406,993	-	11,143,389	9,947,338	20
Sub total	35,201,505	1,786,089	53,400	36,934,194	20,244,982	2,909,651	-	23,154,633	13,779,561	
Electrical Installation, air-conditioning plant and lifts										
Electrical installation	9,040,293	2,794,820	-	11,835,113	7,719,881	613,891	-	8,333,772	3,501,341	20
Air conditioning plant	15,693,157	-	-	15,693,157	11,682,542	802,123	-	12,484,665	3,208,492	20
Lift	9,465,592	40,000	-	9,505,592	8,214,223	254,941	-	8,469,164	1,036,428	20
Sub total	34,199,042	2,834,820	-	37,033,862	27,616,646	1,670,955	-	29,287,601	7,746,261	
Motor vehicles	17,138,080	9,219,000	3,215,680	23,141,400	9,676,425	2,664,271	1,507,771	10,832,925	12,308,474	20
Sub total	17,138,080	9,219,000	3,215,680	23,141,400	9,676,425	2,664,271	1,507,771	10,832,925	12,308,474	
Total	128,119,228	13,839,909	3,269,080	138,690,057	79,079,479	8,235,647	1,507,771	85,807,355	52,882,701	

Particulars	2011									Rate (%)
	C O S T				Depreciation				Book value December 31, 2011	
	As at January 01, 2011	Addition	Disposal / Transfer	As at December 31, 2011	As at January 01, 2011	For the year	Disposal / Transfer	December 31, 2011		
Rupees										
Land and Building										
<i>Tangible</i>										
PRC House - Karachi	2,693,186	-	-	2,693,186	995,808	84,869	-	1,080,677	1,612,509	5
Lift (fully depreciated)	146	-	-	146	-	-	-	-	146	20
<i>PRC Towers</i>										
Leasehold land	223,622	-	-	223,622	-	-	-	-	223,622	-
Building	38,627,250	36,397	-	38,663,647	19,503,341	957,408	-	20,460,749	18,202,898	5
Subtotal	41,544,204	36,397	-	41,580,601	20,499,149	1,042,277	-	21,541,426	20,039,175	
Furniture, fixture, books and office equipment										
Furniture and fixture	10,655,130	60,635	-	10,715,765	9,167,751	154,089	-	9,321,840	1,393,925	10
Office equipment	3,926,202	123,585	-	4,049,787	1,686,869	380,248	-	2,067,117	1,982,670	15
Books	338,006	34,975	-	372,981	94,313	50,014	-	144,327	228,654	10
Computers	15,681,993	4,382,082	-	20,064,075	6,443,075	2,269,727	-	8,712,802	11,351,273	20
Subtotal	30,601,331	4,601,277	-	35,202,608	17,392,008	2,854,078	-	20,246,086	14,956,522	
Electrical Installation, air-conditioning plant and lifts										
Electrical installation	8,644,093	396,200	-	9,040,293	7,464,065	255,817	-	7,719,882	1,320,411	20
Air conditioning plant	13,247,672	2,495,485	50,000	15,693,157	10,983,627	698,915	-	11,682,542	4,010,615	20
Lift	8,402,624	1,062,968	-	9,465,592	8,012,106	202,117	-	8,214,223	1,251,369	20
Subtotal	30,294,389	3,954,653	50,000	34,199,042	26,459,798	1,156,849	-	27,616,647	6,582,395	
Motor vehicles	17,138,080	-	-	17,138,080	7,811,011	1,865,414	-	9,676,425	7,461,655	20
Subtotal	17,138,080	-	-	17,138,080	7,811,011	1,865,414	-	9,676,425	7,461,655	
Total	119,578,004	8,592,327	50,000	128,120,331	72,161,966	6,918,618	-	79,080,584	49,039,747	

27.1 Disposal/transfer of fixed assets

	Cost	Accumulated Depreciation	Book value	Sale proceeds	Gain on disposal	Mode of Disposal	Particular of purchaser
	Rupees						
2012 Toyota Corolla (GP-5814)	1,283,890	571,600	712,290	712,290	-	Full and final settlement	Asghar Imam
Honda Civic (GP-5900)	1,903,290	907,913	995,377	995,377	-	Full and final settlement	Ex - chairman
Motor Cycle Honda(KCA-513)	28,500	28,258	242	10,000	9,758	Auction	M. Nazir Zaka
Total	3,215,680	1,507,771	1,707,909	1,717,667			
2011 Air Conditioning Plant	50,000	50,000	-	50,000			

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	Note	2012 Rupees	2011 Rupees
28 ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)			
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
- Debentures		250,000	250,000
		7,362,000	7,362,000
		15,974,000	15,974,000
Less: Liabilities for outstanding claims	8.2	4,952,000	4,952,000
Other liabilities		809,000	809,000
		5,761,000	5,761,000
		10,213,000	10,213,000
Less: Provision for loss on net assets in Bangladesh		10,213,000	10,213,000
		-	-

28.1 The realisability of these assets is not presently determinable and hence provision for the loss that may arise has been made in these financial statements after netting of liability for outstanding claims mentioned in note 8.

29 EXPENSES

Salaries, wages and benefits		262,358,095	228,110,625
Retirement benefits	37		
- Officers' pension	37.1.2	99,572,263	85,578,947
- Employees' pension	37.1.2	(13,065,646)	(56,578,597)
- Medical	37.1.2	54,514,110	34,524,656
- Gratuity	37.1.2	1,340,000	994,000
- Compensated absences	37.1.2	14,117,712	7,420,631
Travelling and conveyance		12,911,186	9,176,748
Entertainment		4,445,797	4,770,968
Subscription and membership		908,285	658,851
Legal fees		904,325	468,680
Communication		289,992	451,174
Insurance		8,940,422	2,072,218
Utilities		24,367,793	21,408,009
Printing and stationery		1,578,943	1,507,370
Repairs and renewal		1,966,646	1,882,950
Medical		13,627,589	11,665,794
Rent, rates, and taxes		14,421,247	3,833,032
Computer related expenses		2,010,264	1,119,382
Consultancy/ Professional service charges		2,465,543	996,208
Newspapers and periodicals		3,820,080	3,334,134
Balance carried forward		511,494,646	363,395,780

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	Note	2012 Rupees	2011 Rupees
Balance brought forward		511,494,646	363,395,780
Others		<u>2,049,439</u>	1,176,826
		513,544,085	364,572,606
Transfer of assets to pension fund	37.1.4	-	-
Expense allocated to rental income	30	(5,793,391)	(6,699,995)
Expense allocated to investment income		(4,813,432)	(4,952,075)
		<u>502,937,262</u>	<u>352,920,536</u>
30 RENTAL INCOME - net			
Rental income		55,243,045	60,738,705
Investment property related expenditures	29	(5,793,391)	(6,699,995)
		<u>49,449,654</u>	<u>54,038,710</u>
30.1	The rental income represents income from letting out of PRC Towers.		
31 OTHER INCOME			
Interest on deposits		726,274	840,831
Interest on loans		23,348	36,239
Miscellaneous income		40,406	1,536,952
		<u>790,028</u>	<u>2,414,022</u>
32 GENERAL AND ADMINISTRATION EXPENSES			
Depreciation			
Investment property	21	2,199,848	2,375,809
Fixed assets	27	8,235,647	6,918,618
Directors' meetings		6,308,412	4,170,694
Auditors' remuneration	32.1	2,060,000	726,000
Advertisement and business promotion		4,079,578	3,202,614
Training and research		256,050	2,491,930
Mark-up / Interest		19,774	19,057
Donation	33.2.1	2,123,940	1,302,000
Repairs and maintenance		13,126,684	12,115,014
Shares transaction costs		5,394	83,740
Others		4,776,039	4,351,906
		<u>43,191,366</u>	<u>37,757,382</u>
32.1 Auditors' remuneration			
Audit fee		528,000	528,000
Interim review		132,000	132,000
Out of pocket expenses		-	66,000
Other certifications		1,400,000	-
		<u>2,060,000</u>	<u>726,000</u>

33.2.1 Donation was not paid to any individual / organization in which a director or his / her spouse had any interest at any time during the year.



33 INCOME TAX EXPENSE

33.1 Provision for taxation

	Note	2012 Rupees	2011 Rupees
Current		399,033,203	243,686,438
Prior year		(21,816,493)	109,906,017
Deferred		-	59,122,113
		377,216,710	412,714,568

33.2 Relationship between tax expenses and accounting profit

Profit before tax		1,481,084,028	1,257,527,531
Tax at the applicable rate of 35%		518,379,410	440,134,636
Permanent differences - capital gain		(3,307,686)	(6,344,405)
Tax effect of capital gain taxed at lower rate		-	(7,475,369)
Tax effect of dividend income taxed at lower rate		(71,694,837)	(114,544,371)
Tax effect of property income being taxed separately		(6,485,643)	(13,969,900)
Tax effect of (income) / loss that are deductible in determining the taxable profit		(23,624,140)	55,791,864
Deferred tax against provisions and accumulated depreciation reversed		-	59,122,113
Minimum tax at the rate of 0.5% of turnover		(20,480,421)	
Prior year reversal		(21,816,493)	
Others		6,246,520	-
Charge for the year		377,216,710	412,714,568

33.3 The department had made add backs relating to assessment years 1984-85 to 2001-02 on account of ECGS income in the company's income. The company has 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) as explained in note 25.1.

Notices have been issued under section 122 (5A) for the tax year 2005, 2006 and 2007, however, assessment proceedings are pending.

34 EARNINGS PER SHARE - basic and diluted

Profit after tax for the year		1,103,867,318	844,812,963
Weighted average number of ordinary shares	Number	300,000,000	300,000,000
Earnings per share	Rupees	3.68	2.82

34.1 There were no convertible dilutive potential shares outstanding on December 31, 2012.

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35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

35.1 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.

35.2 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:

	Note	2012 (Rupees in '000)	2011
Bank deposits	18	2,014,359	1,597,263
Loans to employees	19	1,477	12,407
Investments	20	2,456,932	2,613,780
Amount due from other insurers / reinsurers	22	2,625,333	2,541,621
Premium and claim reserves retained by cedants	23	77,228	25,469
Accrued investment income	24	1,672	26,997
Reinsurance recoveries against outstanding claims		1,381,647	1,769,797
Sundry receivables	25	292,220	280,026
		<u>8,850,868</u>	<u>8,867,360</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 is as follows:

Upton 1 year	2,253,958	2,160,753
1 - 2 years	322,176	306,641
2 - 3 years	135,793	150,374
Over 3 years	299,406	309,853
	<u>3,011,333</u>	<u>2,927,621</u>



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

	Rating		Rating agency	2012	2011
	Short term	Long term		(Rupees in '000)	
National Bank of Pakistan	A1+	AAA	JCR-VIS	401,993	10,824
Bank Al-Habib Limited	A1+	AA+	PACRA	1,600,317	463,947
United National Bank Limited - London	A1+	AA+	JCR-VIS	5,238	266,048
Atlas Bank Limited	A2	A-	PACRA	6,811	6,444
Bank Al-flah Limited	A1+	AA	PACRA	-	850,000
				2,014,359	1,597,263

35.3 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:

	2012			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	----- Rupees in '000 -----			
Financial liabilities				
Provision for outstanding claims	1,043,228	-	1,043,228	-
Long term deposits	14,217	-	-	14,217
Amount due to other insurers / reinsurers	1,623,538	-	1,623,538	-
Premium and claim reserves retained from retrocessionaires	20,173	-	2,698	17,554
Other creditors and accruals	80,968	-	80,968	-
Accrued expenses	21,025	-	21,025	-
Retention money payable	6,476	-	6,476	-
Unclaimed dividend	65,357	-	65,357	-
Surplus profit payable	1,213	-	1,213	-
	2,876,195	-	2,844,503	31,771
	2011			
	Carrying amount	Contractual cash flows	Upton one year	More than one year
	----- Rupees in '000 -----			
Financial liabilities				
Provision for outstanding claims	753,314	-	753,314	-
Long term deposits	14,222	-	-	14,222
Amount due to other insurers / reinsurers	1,285,063	-	1,285,063	-
Premium and claim reserves retained from retrocessionaires	26,587	-	6,336	20,251
Other creditors and accruals	24,007	-	24,007	-
Accrued expenses	6,676	-	6,676	-
Retention money payable	6,481	-	6,481	-
Unclaimed dividend	47,474	-	47,474	-
Surplus profit payable	1,213	-	1,213	-
	2,165,037	-	2,130,564	34,473

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Pakistan Reinsurance Company Limited



35.4 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.

The company minimize 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, 2012 and 2011 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical 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.

	Hypothetical price change	Fair value	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase / (decrease) in profit / (loss) before tax
-----Rupees in '000-----					
December 31, 2012	10% increase	1,434,750	1,578,225	-	143,475
	10% decrease	-	1,291,275	-	(143,475)
December 31, 2011	10% increase	1,110,294	1,221,323	-	111,029
	10% decrease	-	999,265	-	(111,029)

35.5 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.

35.6 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:



	2012						Total
	Effective rate % per annum	Interest / mark-up bearing financial instruments Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total	Non-interest / mark-up bearing financial instruments	
-----Rupees in '000-----							
Financial assets							
Cash and bank deposits	5% to 11.15%	2,014,359	-	-	2,014,359	86	2,014,445
Loans to employees	10%	26,990	33,601	-	60,591	-	60,591
Investment	8% to 12%	1,509,130	1,298,526	1,169,832	3,977,488	2,456,932	6,434,420
Amount due from other insurers / reinsurers	-	-	-	-	-	2,625,333	2,625,333
Premium and claim reserves retained by cedants	3%	77,228	-	-	77,228	-	77,228
Accrued investment income	-	-	-	-	-	219,170	219,170
Sundry receivables	-	-	-	-	-	293,938	293,938
Total		3,627,707	1,332,127	1,169,832	6,129,666	5,595,459	11,725,125
Financial liabilities							
Provision for outstanding claims - net	-	-	-	-	-	1,043,228	1,043,228
Long term deposits	-	-	-	-	-	14,217	14,217
Amount due to other insurers / reinsurers	-	-	-	-	-	1,623,538	1,623,538
Premium and claim reserves retained from retrocessionaires	3.5%	20,173	-	-	20,173	-	20,173
Other creditors and accruals	-	-	-	-	-	80,968	80,968
Accrued expenses	-	-	-	-	-	21,025	21,025
Retention money payable	-	-	-	-	-	6,476	6,476
Unclaimed dividend	-	-	-	-	-	65,357	65,357
Surplus profit payable	-	-	-	-	-	1,213	1,213
Total		20,173	-	-	20,173	2,856,022	2,876,195
Interest risk sensitivity gap		3,607,534	1,332,127	1,169,832	6,109,493		
Cumulative interest risk sensitivity gap		3,607,534	4,939,661	6,109,493			

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	2011					None interest / mark-up bearing financial instruments	Total
	Effective rate % per annum	Interest / mark-up bearing financial instruments			Sub total		
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years			
-----Rupees in '000-----							
Financial assets							
Cash and bank deposits	5% to 12%	1,597,196	-	-	1,597,196	67	1,597,263
Loans to employees	10%	23,898	32,736	-	56,634	-	56,634
Investment	8% to 13.78%	955,426	1,190,704	1,032,770	3,178,900	2,613,780	5,792,680
Amount due from other insurers / reinsurers	-	-	-	-	-	2,541,621	2,541,621
Premium and claim reserves retained by cedants	3%	25,469	-	-	25,469	-	25,469
Accrued investment income	-	-	-	-	-	203,234	203,234
Sundry receivables	-	-	-	-	-	280,026	280,026
Total		2,601,989	1,223,440	1,032,770	4,858,199	5,638,728	10,496,927
Financial liabilities							
Provision for outstanding claims - net	-	-	-	-	-	753,314	753,314
Long term deposits	-	-	-	-	-	14,222	14,222
Amount due from other insurers / reinsurers	-	-	-	-	-	1,285,063	1,285,063
Premium and claim reserves retained from retrocessionaires	3.5%	26,587	-	-	26,587	-	26,587
Other creditors and accruals	-	-	-	-	-	24,007	24,007
Accrued expenses	-	-	-	-	-	6,676	6,676
Retention money payable	-	-	-	-	-	6,481	6,481
Dividend payable	-	-	-	-	-	47,474	47,474
Surplus profit payable	-	-	-	-	-	1213	1,213
Total		26,587	-	-	26,587	2,138,450	2,165,037
Interest risk sensitivity gap		2,575,402	1,223,440	1,032,770	4,831,612		
Cumulative interest risk sensitivity gap		2,575,402	3,798,842	4,831,612			

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 hypothetical 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.

	Profit and loss 100 bps	
	Increase	Decrease
	Rupees in millions	
As at December 31, 2012		
Cash flow sensitivity - Variable Rate Financial Liabilities	-	-
Cash flow sensitivity - Variable Rate Financial Assets	712	(712)
As at December 31, 2011		
Cash flow sensitivity - Variable Rate Financial Liabilities	-	-
Cash flow sensitivity - Variable Rate Financial Assets	602	602

35.7 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 PKR, and its exposure to foreign exchange risk arises primarily with respect to US \$ and UK Pound. Financial assets exposed to foreign exchange risk amounted to Rs.973.826 million (2011: Rs. 266.73 million) and Rs.0.411 million (2011: Rs. 0.231million) respectively at the end of the year.

The following significant exchange rates were applied during the year:

	2012	2011
Rs. per US \$		
Average rate	93.04	89.095
Reporting date rate	96.90	89.6
Rs. per UK Pound		
Average rate	147.49	138.057
Reporting date rate	156.58	138.09

35.8 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.

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The company class wise major risk exposure is as follows:

	Gross sum insured 2012 Rupees in millions
Fire	6,796
Marine cargo	942
Marine hull	1,000
Accident and others	267
Aviation	98,995
Engineering	15,891
	123,891

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.

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	Assumed net loss ratio	Assumed net loss ratio
	2012 %	2011 %
Fire	87%	88%
Marine cargo	80%	108%
Marine hull	53%	30%
Accident and others	114%	108%
Aviation	59%	18%
Engineering	74%	78%



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 on profit before tax net of reinsurance.

	Pre tax profit		Shareholders' equity	
	2012	2011	2012	2011
	Rupees in '000		Rupees in '000	
10% increase in loss	(222,801)	(201,754)	(144,821)	(131,140)
10% decrease in loss	222,801	201,754	144,821	131,140

35.9 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.

35.10 Reinsurance arrangements

The company in the normal course of business, undertakes reinsurance business and controls its exposure to potential losses from large risk, by retrocession to various 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 be 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 all reinsurance assets recognized by the rating of the entity from which it is due are as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2012	2011
	Rupees in '000				
A or above	2,298,400	1,381,647	2,308,196	5,988,243	5,713,274
BBB	29,983	-	-	29,983	26,611
Others	682,949	-	-	682,949	811,677
Total	3,011,332	1,381,647	2,308,196	6,701,175	6,551,562

36 Capital management

Capital requirements are set and regulated by Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. Further, objective set by the company to maintain a strong credit rating and healthy capital ratios in order to support business objectives and maximize shareholders value.

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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.

37 EMPLOYEE BENEFITS

37.1 Defined benefit plans

Pension and gratuity fund scheme

The Projected Unit Credit method based on the significant assumptions stated below has been used for valuation of the above funds carried out by an actuary as at December 31, 2011.

Post retirement medical benefits

The Projected Unit Credit method based on the significant assumptions stated below has been used for valuation of post retirement medical benefits scheme carried out by an actuary as at December 31, 2011.

Employees compensated absences

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.

37.1.1 Reconciliation of payable to / (receivable) from defined benefit plan	Note	Pension		Gratuity	Medical	Compensated absences	2012 Total	2011
		Officer	Employees					
		-----Rupees in millions-----						
Present value of defined benefit obligation	37.1.3	572.802	271.735	4.727	241.786	48.155	1,139.205	905.887
Fair value of plan assets	37.1.5	(365.828)	(235.737)	(0.924)	-	-	(602.489)	(535.633)
Net actuarial gains / (losses) not recognized		206.974	35.998	3.803	241.786	48.155	536.716	370.254
Net actuarial gains / (losses) not recognized		(150.862)	(214.456)	0.234	(70.162)	-	(435.246)	(368.454)
Past service cost - Non-vested		(1.336)	(1.871)	-	-	-	(3.207)	(6.415)
	37.1.4	54.776	(180.329)	4.037	171.624	48.155	98.263	(4.615)
37.1.2 Charge / (prepaid) for defined benefit plan	Note	Pension		Gratuity	Medical	Compensated absences	2012 Total	2011
		Officer	Employees					
		-----Rupees in millions-----						
Current service cost		9.215	10.133	0.792	1.942	5.607	27.689	19.302
Interest cost		56.674	31.265	0.447	23.745	4.726	116.857	92.175
Expected return on plan assets		(34.243)	(26.236)	(0.036)	-	-	(60.515)	(66.855)
Actuarial (gains) / losses recognized		22.076	14.415	0.136	16.452	3.785	56.864	23.109
Past service cost - Vested		1.336	1.872	-	-	-	3.208	3.208
Employees transferred to Officers		44.515	(44.515)	-	12.317	-	12.317	-
Loss due to asset celling		-	-	-	-	-	-	1.000
Total charge		99.573	(13.066)	1.339	54.456	14.118	156.420	71.939
37.1.3 Reconciliation of the present value of the defined benefit obligations								
Present value of obligation at the beginning of the period		423.603	243.125	3.577	193.998	41.585	905.888	675.411
Current service cost		9.215	10.133	0.792	1.942	5.607	27.689	19.302
Interest cost		56.674	31.265	0.447	23.745	4.726	116.857	92.178
Benefits paid		(44.383)	(14.083)	-	(8.074)	(7.548)	(74.088)	(33.991)
Employee liability transferred from gratuity fund		44.515	(44.515)	-	12.317	-	12.317	-
Actuarial (gain) or loss on obligation (Balancing Figure)		83.178	45.810	(0.089)	17.858	3.785	150.542	152.987
		572.802	271.735	4.727	241.786	48.155	1,139.205	905.887
37.1.4 Movement in net liability / (assets) recognized								
Opening net liability		(14.582)	(159.554)	2.697	125.242	41.585	(4.612)	(48.498)
Expenses recognized	37.1.2	99.573	(13.066)	1.340	54.456	14.118	156.421	71.939
					(8.074)	(7.55)	(15.624)	
Contributions to the Fund / benefits paid during the year								(15.345)
Payment made on behalf of fund		(30.215)	(9.408)				(39.623)	(12.711)
Amount transferred from Employees' Pension Fund							-	-
Contributions / (Withdrawal)							-	-
Closing net liability	37.1.1	54.776	(182.028)	4.037	171.624	48.153	96.562	(4.615)



37.1.5 Movement in fair value of plan assets

Note	Pension		Gratuity	Medical	Compensated absences	2012 Total	2011
	Officer	Employees					
-----Rupees in millions-----							
Fair value at the beginning of the year	304.850	230.474	0.309	-	-	535.633	480.456
Expected return on plan assets	34.243	26.236	0.036	-	-	60.515	66.856
Contributions to the Fund	-	-	-	-	-	-	-
Payment made on behalf of fund	30.215	9.408	-	-	-	39.623	12.711
Benefits paid	(44.383)	(14.083)	-	-	-	(58.466)	(18.542)
Assets receivable from Provident Fund	-	-	-	-	-	-	-
Assets transferred from Employees' Pension Fund	-	-	-	-	-	-	-
Actuarial gain / (loss) on plan assets	40.903	(14.598)	0.579	-	-	26.884	(5.848)
Fair value at the end of the year	37.1.1 365.828	237.437	0.924	-	-	604.189	535.633

37.1.6 Actual return on plan assets

Expected return on plan assets	(34.243)	(26.236)	(0.036)	-	-	(60.515)	(66.855)
Actuarial gain / (loss) on plan assets recognized	40.903	(14.598)	0.579	-	-	26.884	(5.848)
	6.660	(40.834)	0.543	-	-	(33.631)	(72.703)

37.1.7 Five year data on surplus / deficit of the plans and experience adjustments

	Officers' Pension Fund				
	2012	2011	2010	2009	2008
-----Rupees in millions-----					
Present value of defined benefit obligation	572.802	423.603	245.216	214.500	156.018
Fair value of plan assets	(365.828)	(304.850)	(203.859)	(131.745)	(97.264)
(Surplus) / deficit	206.974	118.753	41.357	82.755	58.754
Experience adjustments on plan liabilities [actuarial gain/(loss)]	83.178	84.078	(3.656)	(16.025)	(19.984)
Experience adjustments on plan assets [actuarial gain/(loss)]	40.903	5.630	9.254	8.420	(36.588)

	Employees' Pension Fund				
	2012	2011	2010	2009	2008
-----Rupees in millions-----					
Present value of defined benefit obligation	271.735	243.125	226.646	206.653	177.914
Fair value of plan assets	(237.437)	(230.474)	(276.005)	(251.131)	(166.794)
(Surplus) / deficit	34.298	12.651	(49.359)	(44.478)	11.120
Experience adjustments on plan liabilities [actuarial gain/(loss)]	45.810	52.512	(3.014)	(43.220)	(16.731)
Experience adjustments on plan assets [actuarial gain/(loss)]	(14.598)	(11.112)	(12.428)	13.906	(43.869)

	Gratuity Fund				
	2012	2011	2010	2009	2008
-----Rupees in millions-----					
Present value of defined benefit obligation	0.924	3.576	2.301	0.358	0.337
Fair value of plan assets	(0.924)	(0.309)	(0.592)	(0.404)	(0.337)
(Surplus) / deficit	-	3.267	1.709	(0.046)	-
Experience adjustments on plan liabilities [actuarial gain/(loss)]	(0.089)	0.302	(0.088)	0.020	4.726
Experience adjustments on plan assets [actuarial gain/(loss)]	0.579	0.366	0.198	0.020	(63.043)

37.1.8 Components of plan assets as a percentage of total plan assets

	2012				
	Pension		Gratuity	Medical	Compensated absences
	Officer	Employees			
Government securities	66.69%	76.75%	1%	-	-
Equity securities	32.87%	22.69%	98%	-	-
Others (including cash and bank balances)	0.44%	0.57%	1%	-	-
	100%	100%	100%	-	-

37.1.9 Expected contributions to the Funds in the next financial year

Expected charge for the year ending December 31, 2013	7.918	49.753	28.890	1.323	42.644
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37.1.10 The effect of one percentage movement in assumed medical cost trend rates would have following effects:

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	Original	2012		Original	2011	
		1% Increase	1% Decrease		1% Increase	1% Decrease
	-----Rupees in millions-----			-----Rupees in millions-----		
Present value of obligation	241.786	263.547	258.711	193.998	211.46	207.58
Financial impact on:						
Present value of obligation	-	21.761	(16.925)		17.462	(13.582)
Current service cost and Interest Cost	-				2.092	(1.627)
					-	
Medical inflation rate	8%	9%	7%	8%	9%	7%

37.1.11 Actuarial valuation assumptions

	2012				
	Pension		Gratuity	Medical	Compensated absences
	Officer	Employees			
Valuation discount rate	11.50%	11.50%	11.50%	11.50%	11.50%
Expected return in plan assets	11.50%	11.50%	11.50%	0%	0%
Salary increase rate	10.50%	10.50%	10.50%	0%	10.50%
Indexation in pension	8%	8%	0%	0%	0%
Medical inflation rate	0%	0%	0%	8%	0%
Exposure inflation rate	0%	0%	0%	3%	0%

37.2 Defined contribution plan - Provident Fund

Equal monthly contributions are made both by the company and the employees to the contributory provident fund at the rate of 10% of the basic salary.

In case of general provident fund the contribution is made by the employees at the minimum rate of 10% of the basic salary.



38 SEGMENT REPORTING

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

(a) Segment by class of business	2012							Total
	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	Treaty	
	-----Rupees in '000-----							
Net premium	759,079	40,253	91,287	89,291	174,950	407,651	2,533,573	4,096,084
Net claims	290,762	28,608	7,224	121,776	78,674	242,304	1,447,705	2,217,053
Management expenses	9,096	6,298	2,477	5,851	7,479	6,138	465,597	502,936
Net commission	145,193	8,971	12,269	10,666	621	(544)	690,162	867,338
Underwriting result	314,028	(3,624)	69,317	(49,002)	88,176	159,753	(69,891)	508,757
Segment assets								
Prepaid reinsurance ceded	373,957	-	35,343	-	939,038	568,615	391,244	2,308,197
Deferred commission expense	108,512	3,146	12,233	6,669	1,527	22,996	314,766	469,849
	482,469	3,146	47,576	6,669	940,565	591,611	706,010	2,778,046
Unallocated corporate assets								11,786,630
Total assets								14,564,676
Segment liabilities								
Provision for unearned premium	865,588	11,864	94,781	57,970	1,072,597	821,775	1,425,804	4,350,379
Commission income unearned	36,765	-	5,873	-	2,364	27,746	(27,730)	45,018
Provision for outstanding claims	308,094	15,853	22,727	76,204	14,990	38,107	572,205	1,048,180
	1,210,447	27,717	123,381	134,174	1,089,951	887,628	1,970,279	5,443,577
Un-allocated corporate liabilities								2,560,510
Total liabilities								8,004,087

(a) Segment by class of business	2011							Total
	Fire	Marine Cargo	Marine Hull	Accident and others	Aviation	Engineering	Treaty Compulsory	
	-----Rupees in '000-----							
Net premium	467,733	34,348	61,770	71,854	170,784	266,830	2,461,632	3,534,951
Net claims	240,875	(80)	3,343	92,271	11,157	78,970	1,591,010	2,017,546
Management expenses	9,436	6,928	2,307	6,208	8,103	5,242	314,698	352,922
Net commission	101,063	6,804	10,415	9,461	756	(1,618)	658,178	785,059
Underwriting result	116,359	20,696	45,705	(36,086)	150,768	184,236	(102,254)	379,424
Segment assets								
Prepaid reinsurance ceded	295,885	-	-	-	1,230,173	335,193	176,743	2,037,994
Deferred commission expense	90,949	926	6,442	2,977	1,785	33,716	305,609	442,404
	386,834	926	6,442	2,977	1,231,958	368,909	482,352	2,480,398
Unallocated corporate assets								10,397,539
Total assets								12,877,937
Segment liabilities								
Provision for unearned premium	678,672	4,304	38,393	25,323	1,075,067	631,818	1,434,282	3,887,859
Commission income unearned	10,213	-	-	-	1,342	21,417	1,832	34,804
Provision for outstanding claims	197,810	19,296	16,512	27,238	5,059	54,834	437,517	758,266
	886,695	23,600	54,905	52,561	1,081,468	708,069	1,873,631	4,680,929
Un-allocated corporate liabilities								1,840,286
Total liabilities								6,521,215

(b) Geographical segment

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

Locations	2012		2011	
	Lahore	Karachi	Lahore	Karachi
	-----Rupees in '000-----			
Revenue - net premium	819,670	3,276,414	659,585	2,875,365
Total assets	678,615	13,886,061	402,710	12,534,349
Total liabilities	259,776	7,744,311	539,536	5,920,173

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39 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise companies under common directorship, staff retirement benefit funds, directors and key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment disclosed in note 41 of these financial statements, are as follows:

Relation with related party	Nature of Transaction	2012 Rupees	2011 Rupees
Associated undertakings (Common directorship)	Balance		
	Premium due but unpaid	19,761,042	4,847,953
	Insurance premium written during the period	5,680,053	12,562,591
	Premium received	(23,547,369)	(10,568,455)
	Balance at the end	<u>1,893,726</u>	<u>6,842,089</u>
	Transaction		
	Insurance commission paid	1,656,584	3,534,075
	Insurance claims paid	17,599,137	7,061,307
	Premium paid - net	-	-
	Insurance commission received	(14)	(23)
	Insurance claims received	(4,997)	(37)
Associated undertakings (Investment in units)	Transaction		
	Dividend income	27,720,000	27,511,490
Provision for retirement benefit plans			-

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

Profit oriented state-controlled entities - various

Balance at the beginning	1,249,740,829	1,401,283,778
Insurance premium written during the year	3,670,629,533	2,854,921,330
Premium received	(3,475,972,819)	(3,006,464,282)
Balance at the end	<u>1,444,397,543</u>	<u>1,249,740,826</u>
Insurance claims paid	474,436,253	147,612,291
Insurance commission paid	65,122,607	46,506,807

40 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Total	
	2012 Rupees	2011 Rupees	2012 Rupees	2011 Rupees	2012 Rupees	2011 Rupees
Managerial remuneration including bonus	3,057,084	1,755,756	16,102,855	11,464,646	19,159,939	13,220,402
Retirement benefits	222,392	151,116	135,660	135,660	358,052	286,776
House rent and other benefits	2,771,934	1,680,610	6,118,120	7,036,360	8,890,054	8,716,970
Utilities	15,140	144,908	419,294	353,326	434,434	498,234
Others	910,000	750,000				
	<u>6,976,550</u>	<u>4,482,390</u>	<u>22,775,929</u>	<u>18,989,992</u>	<u>28,842,479</u>	<u>22,722,382</u>

Number of persons , including those who worked part of the year

	2	1	13	11	15	12
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The company makes contribution based on actuarial calculations to executives. Company maintained cars have been provided to Chief Executive, and certain Executives of the company and they are also entitled to free medical facilities including hospitalization and club subscription as per company policy.

41 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on April 3, 2013 have recommended a final cash dividend of Rs. 2.5 per share (2011: Rs. 3 per share) and a bonus issue of Rs. Nil per share (2011: Rs. Nil per share) for the approval of the members in the Annual General Meeting to be held on April 30, 2013.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on April 3, 2013 by the Board of Directors of the company.

43 GENERAL

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

Farzana Munaf
Chief Financial Officer

R.B. Phulpoto
Chief Executive

Dr. Masuma Hasan
Director

Sikander Mahmood
Director

Pattern of Shareholding

As of December 31, 2012

Pakistan Reinsurance Company Limited



Pakistan Reinsurance Company Limited
Pattern of Shareholdings
As at December 31, 2012

# Of Shareholders	Shareholdings'Slab			Total Shares Held
664	1	to	100	34,678
1084	101	to	500	413,758
1003	501	to	1000	891,661
1528	1001	to	5000	4,120,339
442	5001	to	10000	3,419,041
145	10001	to	15000	1,834,611
94	15001	to	20000	1,710,872
52	20001	to	25000	1,236,764
51	25001	to	30000	1,444,320
27	30001	to	35000	879,633
17	35001	to	40000	664,419
16	40001	to	45000	693,501
23	45001	to	50000	1,143,666
13	50001	to	55000	684,465
10	55001	to	60000	580,974
5	60001	to	65000	319,166
8	65001	to	70000	543,302
5	70001	to	75000	366,746
10	75001	to	80000	778,623
5	80001	to	85000	414,740
4	85001	to	90000	352,798
1	90001	to	95000	95,000
15	95001	to	100000	1,497,376
4	100001	to	105000	411,090
2	105001	to	110000	213,700
4	110001	to	115000	447,321
3	115001	to	120000	354,212
3	120001	to	125000	374,000
1	125001	to	130000	126,510
2	130001	to	135000	265,198
2	135001	to	140000	276,846
2	140001	to	145000	282,979
9	145001	to	150000	1,336,962
1	150001	to	155000	152,400

Continue.....



3	155001	to	160000	469,452
1	170001	to	175000	175,000
1	175001	to	180000	177,777
1	180001	to	185000	182,888
7	195001	to	200000	1,395,421
1	205001	to	210000	209,999
1	210001	to	215000	212,000
1	220001	to	225000	222,599
2	245001	to	250000	500,000
1	260001	to	265000	262,799
1	270001	to	275000	274,799
1	275001	to	280000	279,000
2	285001	to	290000	576,086
2	295001	to	300000	598,024
1	310001	to	315000	315,000
2	315001	to	320000	638,199
1	345001	to	350000	350,000
1	355001	to	360000	357,520
1	380001	to	385000	383,999
1	395001	to	400000	395,999
1	410001	to	415000	411,200
1	415001	to	420000	420,000
1	420001	to	425000	424,000
1	435001	to	440000	435,500
1	450001	to	455000	453,000
1	455001	to	460000	455,137
1	460001	to	465000	461,999
1	545001	to	550000	549,600
1	595001	to	600000	600,000
1	600001	to	605000	605,000
1	635001	to	640000	640,000
1	775001	to	780000	779,998
1	2725001	to	2730000	2,728,995
1	3265001	to	3270000	3,267,521
1	3745001	to	3750000	3,747,882
1	6565001	to	6570000	6,567,200
1	14880001	to	14885000	14,882,779
1	18355001	to	18360000	18,359,971
1	73230001	to	73235000	73,232,201
1	134635001	to	134640000	134,639,785
Total	5307			300,000,000

Pattern of Shareholding

As of December 31, 2012

Pakistan Reinsurance Company Limited



Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
ABDUL KABIR KAZI	1	55	0.00
DR. MASUMA HASAN	1	55	0.00
MUMTAZ ALI RAJPER	1	55	0.00
MUNAWAR OPEL	1	55	0.00
SHOAIB MIR	1	55	0.00
SIKANDER MAHMOOD	3	69,055	0.02
TAUFIQUE HABIB	2	1,555	0.00
Associated Companies, undertakings and related parties	-	-	-
Executives	-	-	-
Public Sector Companies and Corporations	3	88,534,980	29.51
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	21	14,750,456	4.92
Mutual Funds			
CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	1	549,600	0.18
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	315,000	0.11
CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	1	350,000	0.12
CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	1	357,520	0.12
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	17,326	0.01
CDC - TRUSTEE MCB DYNAMIC STOCK FUND	1	435,500	0.15
CDC - TRUSTEE MCB DYNAMIC ALLOCATION FUND	1	90,000	0.03
CDC - TRUSTEE LAKSON EQUITY FUND	1	279,000	0.09
CDC-TRUSTEE PAKISTAN PREMIER FUND	1	298,025	0.10
TRUSTEE - PAKISTAN PENSION FUND - EQUITY SUB FUND	1	75,500	0.03
MCBFSL - TRUSTEE NAMCO BALANCED FUND - MT	1	16,500	0.01
CDC - TRUSTEE LAKSON INCOME FUND - MT	1	6,000	0.00
TRUSTEE-PAKISTAN HUMAN DEVELOPMENT FUND	1	5,000	0.00
General Public			
a. Local	5157	36,697,402	12.23
b. Foreign	4	192,676	0.06
OTHERS			
A - MINISTRY OF COMMERCE	1	134,639,785	44.88
B - PRCL EMPLOYEES EMPOWERMENT TRUST	1	18,359,971	6.12
C - JOINT STOCK COMPANIES	88	3,448,454	1.15
D - MISCELLANEOUS	9	510,420	0.17
Totals	5307	300,000,000	100.00

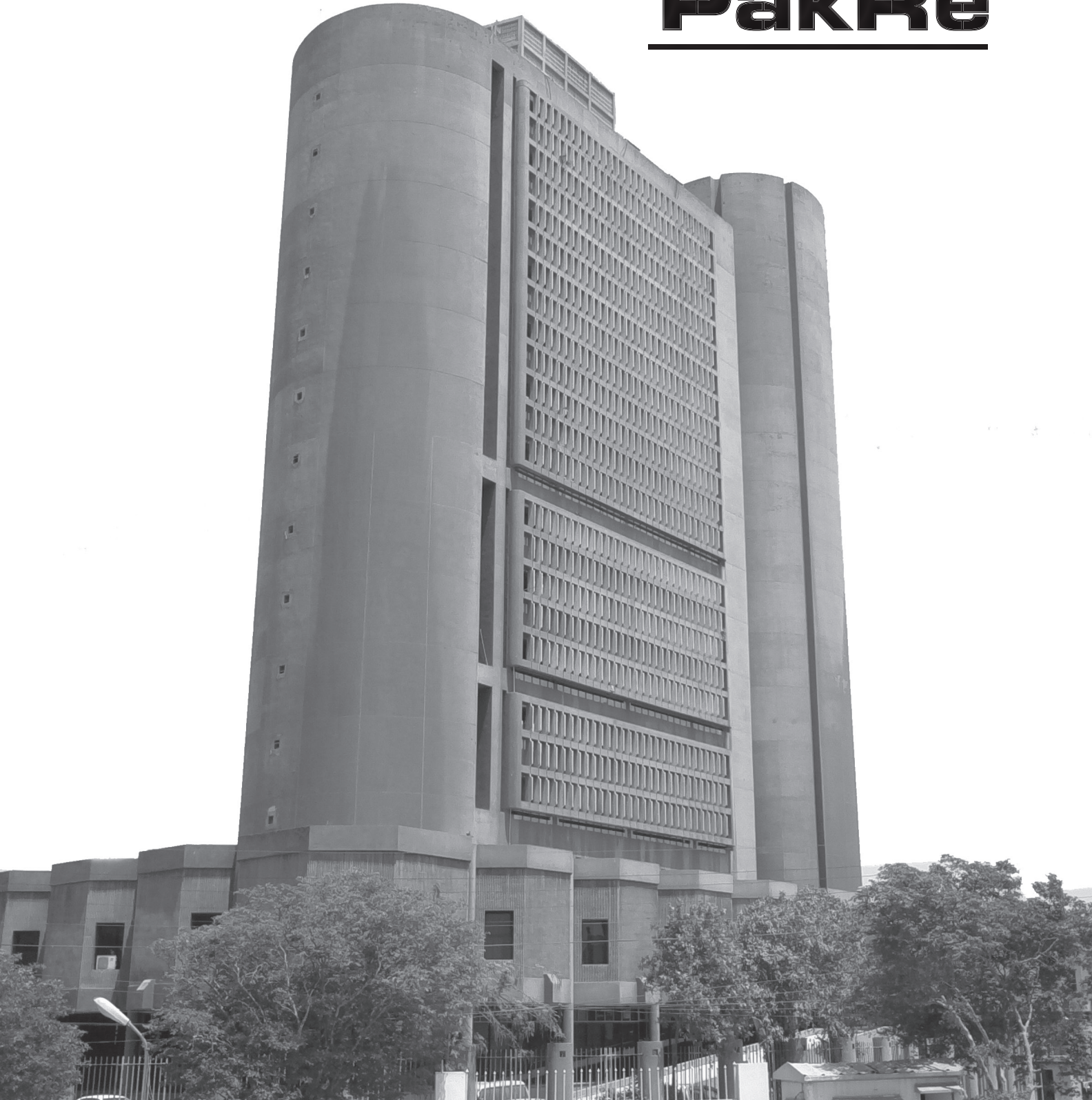
Share holders holding 10% or more

THE SECRETARY MINISTRY OF COMMERCE	152,999,756	51.00*
STATE LIFE INSURANCE CORP. OF PAKISTAN	73,232,201	24.41

* Including 12% shares transfer to PRCL Employees Empowerment Trust under BESOS Scheme.



PakRe



Proxy Form

Pakistan Reinsurance Company Limited



I/We _____ of _____ being a member of **Pakistan Reinsurance Company Limited** hereby appoint Mr. _____ of _____ Or failing him _____ of _____ as my / our proxy in my absence to attend and vote for me/ us and on my /our behalf at the 13th Annual General Meeting of the Company to be held on Tuesday the 30th April, 2013 at 12:30 p.m and at any adjournment thereof.

Signed this _____ day of April 2013.

Affix Rupees Five Revenue Stamp

Signature of Member(s)

Shareholder's Folio No. _____

and/ or CDC _____

Participant I D. No. _____

and Sub Account No. _____

WITNESSES:

- | | |
|----------------------------|----------------------------|
| 1. Signature _____ | 2. Signature _____ |
| Name _____ | Name _____ |
| Address _____ | Address _____ |
| CNIC or Passport No. _____ | CNIC or Passport No. _____ |

IMPORTANT:

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



Pakistan Reinsurance Company Limited

The Company Secretary
PAKISTAN REINSURANCE COMPANY LIMITED
PRC Towers. 32-A, Lalazar Drive,
M.T. Khan Road,
Karachi, PO Box 4777, Sindh,
Pakistan

Annual Report 2012

Secure today & tomorrow

Secure today & tomorrow



Pakistan Reinsurance Company Limited

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