

Annual Report **2014**

Simply Secure



Pakistan Reinsurance Company Limited

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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.

Company Profile

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

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.

Company Profile

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 atleast 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.

Company Profile

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 Futtaim 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.

Company Profile

- 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

Company Profile

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

Aviation & Aerospace

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

For all the above mentioned risks, due covers are arranged in the International Aviation Out of all the accounts maintained in the Aviation & Aerospace 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)

Aviation & Aerospace department placed its first step in the space insurance market in 2011 by reinsuring the sole satellite of country i.e. PAKSAT-1R satellite of SUPARCO worth US Dollar 190 million

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

Company Profile

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 2014 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.

Company Profile

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.

Company Profile

- 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.

Company Profile

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
 - > Acceptance System
 - > Retrocession system
- Accounting/Cash & Bank System
- Payroll system
- Loan & Advances System
- PRCL Employee Fund/Pension System
- PAKRE Investment Management System (PIMS)
- Help desk ticketing system

Company Profile

Reporting

Data Processing department provides following reporting services:

- Customized reporting on management's requirement
- Quarterly reporting for end users
- IT systems & procedure reporting in compliance to auditors

PRCL Website

- Content Management
- Uploading of accounts, tenders & news

Internet & Email

IBM Smart Cloud Notes (hybrid solution) is deployed in PRCL that allows email integration between an on-premises server and cloud.

Hardware & Networking

- Maintaining help desk ticketing system
- Maintaining antivirus & windows updates
- Managing firewall policies
- Preparation of technical and financial analysis for hardware/software
- Maintaining inventory of computers (PCs), printers, toners and computer related accessories
- VPN connectivity for applications (between Head office & Lahore office)

Management of LAN and intranet infrastructure of PRCL

- Server management (Domain Controller, ISA, Antivirus server, hardware firewall etc.)
- Providing help desk support for hardware problems
- Extending LAN connectivity
- Software license management
- Support for intranet applications & VPN
- Backup of servers & configuration

Achievements of 2014

- Documentation of security policies and procedures
- Training (Phishing & IT security awareness)
- Helpdesk portal (Online Ticketing System)
- Deployment of Firewall Security restrictions
- Upgrade of enterprise antivirus
- Deployment of Windows update server

Future Goals

- Establishing IT disaster recovery & business continuity plan
- Software development of new modules
- Upgrade of server hardware
- Upgrade of database server
- Acquiring business intelligence tools for customized reporting
- Revamping of network infrastructure
- Implementation of security controls
- Upgrade of internet bandwidth

Corporate Information

BOARD OF DIRECTORS OF PRCL

Mr. Mumtaz Ali Rajper	Director
Mr. Taufiq Habib	Director
Mr. Kamal Afsar	Director
Syed Arshad Ali	Director
Mr. Attaullah A. Rasheed	Director
Mr. Faisal Mumtaz	Director

COMPANY SECRETARY

Mr. Shahzad F. Lodhi

AUDIT COMMITTEE

Mr. Attaullah A. Rasheed	Chairman of the Committee
Mr. Mumtaz Ali Rajper	Member
Mr. Taufique Habib	Member
Mr. Shahzad F. Lodhi	Secretary of the Committee

SENIOR MANAGEMENT

Mr. Shahzad F. Lodhi
Executive Director (HR)/Company Secretary

Mrs. Farzana Munaf
Executive Director/CFO

Mrs. Ghazala Imran
Regional Director (NZO)

AUDITORS

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

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 Shahra-e-Faisal,
Karachi-74400, Pakistan
Ph: (92-21) 111-111-500

REGISTERED OFFICE

PRC Towers, 32-A, Lalazar Drive,
M.T. Khan Road, P.O. Box: 4777,
Karachi, Pakistan
Tel: (92-21) 99202908-15
Telex: (92-21) 20428
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 15th Annual General Meeting

Notice is hereby given that 15th Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on Thursday the 30th April 2015 at 09:30 a.m. at Beach Luxury Hotel, Karachi, Lalazar Drive, M. T. Khan 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 May 2014.
2. To consider and adopt the audited annual Accounts of the Company for the year ended 31st December, 2014 and the reports of Directors and Auditors thereon.
3. To consider and approve the payment of final dividend @ 25%. That is Rs.2.50 per ordinary share of Rupees Ten (10.00) for the year ended 31st December 2014.
4. To appoint M/s. BDO Ebrahim & Co (Chartered Accountants) as Auditors of the Company (PRC) for the year ending 31st December 2015 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: 08/04/2015

NOTES:

1. The share transfer books of the company shall remain closed for eight days i.e. from 23rd April 2015 to 30th April 2015 (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

Notice of the 15th Annual General Meeting

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, SMCHS, Main Shahrah-e-Faisal, Karachi in the case of any change in their address and provide the Zakat Declaration/Tax exception certificate (if any) immediately along with contact details.

Directors' Report | for the year ended December 31, 2014

**The Shareholders,
Pakistan Reinsurance Co. Ltd.,**

Dear Shareholders,

Your Directors are pleased to present the 15th Annual Report of the Company together with the Audited Financial Statements and Auditors' Report thereon for the year ended 31st December, 2014.

Economic Overview

During the year 2014 the Pakistan Economy shows some recovery in terms of G.D.P growth which is accelerated to 4.14% against the growth of 3.7% recording in the same period last year, inflation continued in the single digits, successful launch of Euro Bonds auction, long pending of 3G & 4G licence, Foreign Exchange reserves significantly rises, Rupees strengthened and stock market created a new history further declining trend of inflation was also observed, oil prices touches historical high initially and now big slump in its prices.

Further some of the reforms programme are initiated by Government such as improvement in Corporate Governance, restructuring of Public Sector Enterprises' (PSEs) and strategic partnership through privatization. Moreover, poor law and order situation, political instability and challenging energy crises continued which hamper the momentum of the business due to which the condition of insurance industry remain challenging.

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 tenth 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, Pakistan Reinsurance Company Limited was bound to accept good or bad business without discrimination. New insurance sector reform announced at the end of April, 2007 in which right of first refusal was introduced that has contributed positively towards the augmented growth in the reinsurance business.

Directors' Report | for the year ended December 31, 2014

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, 2014 are as under:-

	<u>Dec. 31, 2014</u>	<u>Dec. 31, 2013</u>
	(Rs in Million)	
Gross Premium	8,661	8,659
Retrocession	(3,942)	(3,461)
Net Retention	4,719	5,198
Premium Reserve	(65)	(474)
Net Premium	4,784	4,724
Net Commission	(950)	(937)
Net Claims	(2,793)	(2,831)
Management expenses	(525)	(503)
Underwriting Profit	515	453
Investment Income	1,079	1,101
Rental & other income	51	53
Exchange (Loss)/Gain	(50)	157
Gen. & Admn. Expense	(30)	(58)
Value of available-for- sale-investment-write off	0	(0.097)
Profit before tax	1,565	1,706
Taxation	(321)	(385)
Profit after Tax	1,244	1,321

During the period under review, Company has underwritten Rs 8,661 Million and registered growth of 0.02% over the corresponding year. The break-up is as follows:

	(Rs. in Million)	
Facultative Premium	<u>2014</u>	<u>2013</u>
Fire	1,690	1,669
Marine Cargo	49	56
Marine Hull	142	158
Accident and others	194	159
Aviation	1,198	1,116
Engineering	1,433	1,336
	4,706	4,494
Treaty Premium	3,955	4,165
	8,661	8,659

Directors' Report | for the year ended December 31, 2014

During the period under review, the net premium of the Company was Rs.4,784 million showing an increase of Rs.60 million (1%) over the corresponding year.

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

(Rs in Million)

Particulars	2014	2013
Premium Written	8,661	8,659
Reinsurance Ceded	(3,942)	(3,461)
Net Retention	4,719	5,198
Premium Reserve	65	(474)
Net Premium	4,784	4,724

The commission expenses of the Company during the year ended December 31, 2014 were Rs.950 million as compared to Rs.937 million during the year ended December 31, 2013. The reason for increase was mainly due to increase in business.

Net claims of the company for the year 2014 were Rs.2,793 million as compared to Rs.2,831 million in the year ended December 31, 2013 showing decrease of Rs.38 million.

Investment Income

The investment income in the year 2014 was Rs.1,079 million as compared to Rs.1,101 million in the year 2013. The breakup is as follows:-

(Rs. In Million)

Particulars	2014	2013
Capital gain	2	7.625
Dividend Income	440	482
Return on Government Securities	483	447
Return on other fixed income securities and deposits	142	142
Gain on revaluation on investments	19	26
Investment related expenses	(7)	(7)
	1,079	1,097.625

Profit after tax

The profit after tax is Rs.1,244 million as compared to Rs.1,321 million of last year by showing a slight reduction of Rs.77 million.

Directors' Report | for the year ended December 31, 2014

Appropriations:

	(Rs. in Million)
Profit before tax	1,565
Less: Tax	(321)
Profit after tax	1,244
Add: Unappropriated profit brought forward	1,513
Add: Comprehensive Income	1,166
Less: Final cash dividend 2013 @ 25%	(750)
Unappropriated profit carried forward	1,929

Credit Rating:

M/s. JCR-VIS Credit Rating Company Limited has re-affirmed the Insurer Financial Strength (IFS) rating of Pakistan Reinsurance Company Limited at "AA" (Double A). Outlook on the assigned rating is "Stable".

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 2014 including upgrade of enterprise antivirus solution, deployment of Windows update server, helpdesk portal, acquisition of computer hardware and upgrades to networking infrastructure. Various enhancements were made to Reinsurance Management System's reports and on modules. Training sessions were held for end users to increase their workplace productivity. A training session on 'Protection against Phishing and hacking' (a method of online identity theft) was also arranged to provide awareness of internet related security threats such as hacking, fake portals, fake offers and stealing of passwords and confidential information.

Corporate Social Responsibility:

During the year 2014 PRCL employees made contribution towards the Prime Minister relief fund for IDPs.

Pakistan Insurance Institute in association with University of Karachi have started a Post Graduate Diploma program, PRCL have provided its full support to this program and nominated 3 employees of PRCL.

Directors' Report | for the year ended December 31, 2014

Pension, Gratuity and Provident Funds

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

(Rs. in Millions)

Pension and Gratuity Fund	967.400
General Provident Fund/Provident Fund	363.366

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 Framework

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.

Directors' Report | for the year ended December 31, 2014

- 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.

Board Meetings and Attendance

In the year 2014, five 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	Mr. Zia-ul-Haq	01
2	Dr. Masuma Hasan	04
3	Mr. Mumtaz Ali Rajper	05
4	Mr. Ataullah A. Rasheed	05
5	Mr. Taufique Habib	05

The Board places on record its sincere appreciation to the outgoing Director Dr. Masuma Hasan to whom we are indebted for her prudent, professional and diligent guidance that helped in achieving such tremendous performance.

The Board also welcome the new Directors Mr. Kamal Afsar, Syed Arshad Ali and Mr. Faisal Mumtaz.

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

Compliance with the Code of Corporate Governance

The requirements of the Code of Corporate Governance set out by the regulatory authorities have been duly complied with, except as stated in the Statement of Compliance.

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.

Directors' Report | for the year ended December 31, 2014

Performance of the company during the last six years

(Rs. In Millions)

	<u>2014</u>	<u>2013</u>	<u>2012</u> (Restated)	<u>2011</u>	<u>2010</u>	<u>2009</u>
Gross Premium	8,661	8,659	8,153	6,893	6,552	5,839
Net Premium	4,784	4,724	4,096	3,535	2,940	2,171
Net Commission	(950)	(937)	(867)	(785)	(659)	(553)
Net Claims	(2,793)	(2,831)	(2,217)	(2,018)	(1,688)	(905)
Management Expenses	(525)	(503)	(448)	(353)	(302)	(231)
Underwriting Profit/(Loss)	515	453	563	379	291	482
Investment Income	1,079	1,101	918	891	653	1,099
Profit before Tax	1,565	1,706	1,537	1,257	650	318
Profit after Tax	1,244	1,321	1,160	844	526	270

Dividend

The Directors recommended the payment of Cash dividend @ 25% subject to approval of the shareholders.

Earning per share

The earnings per share of the Company was Rs.4.15 for the year 2014 as compared to Rs. 4.40 in the year 2013.

Trading in Company Shares

Trading pattern in the shares of the Company, by directors, executives, their spouses and minor children if any have been disclosed as part of the Annual Report.

Appointment of Auditors

Based on the consent received from the company's existing auditors M/s. BDO Ebrahim and Co., Chartered Accountants, to continue to act as auditors of the company, if so appointed, the Audit Committee has suggested their name to be appointed as external auditors of the company for the next year.

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

Directors' Report | for the year ended December 31, 2014

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.

Chairman/Director

Six Year Performance at a Glance

Pakistan Reinsurance Company Limited

Investment Department

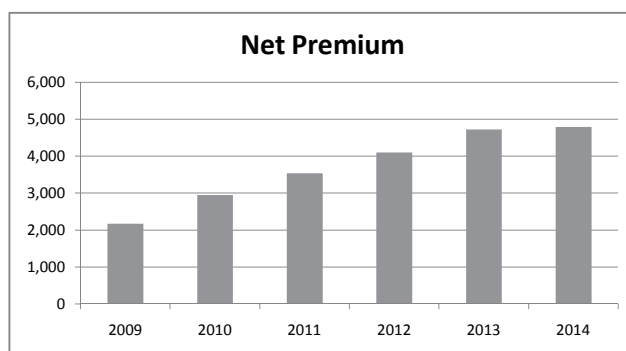
Six Year Performance at a Glance

(Rs. in Millions)

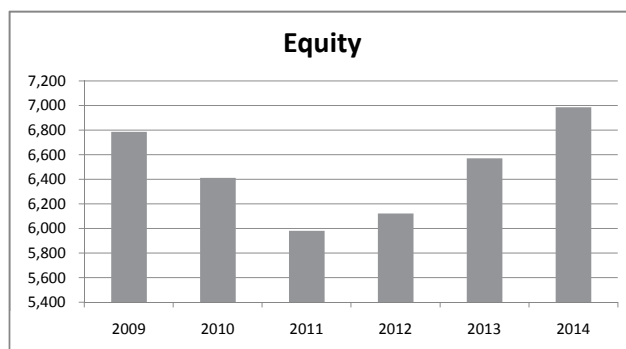
S.No.	PARTICULARS	2014	2013	2012	2011	2010	2009
				(Restated)	(Restated)		
	FINANCIAL DATA						
1	Paid up capital	3,000	3,000	3,000	3,000	3,000	3,000
2	General & Capital Reserves	3,987	3,571	3,122	2,982	3,412	3,786
3	Equity	6,987	6,571	6,122	5,982	6,412	6,786
4	Investment	6,650	6,513	6,434	5,793	4,674	5,482
5	Fixed Assets	49	56	53	49	47	49
6	Cash & Bank Deposits	3,081	2,706	2,014	1,597	2,417	1,834
7	Total Assets	17,621	16,306	15,766	14,474	12,535	12,373
8	Total liabilities	10,633	9,734	9,644	8,492	6,123	5,587
	OPERATING DATA						
1	Gross Premium	8,661	8,659	8,153	6,893	6,552	5,839
2	Net Premium	4,784	4,724	4,096	3,535	2,941	2,171
3	Net Claims	2,793	2,831	2,217	2,018	1,688	905
4	Net Commission	950	937	868	785	659	553
5	Underwriting Results	515	453	563	379	291	481
6	Total Management Expenses	523	503	448	353	302	231
7	Investment Income	1,079	1,101	918	891	653	1,099
8	Profit Before Tax	1,565	1,706	1,537	1,257	650	318
9	Profit After Tax	1,244	1,321	1,160	845	526	270
	SHARE INFORMATION & PAYOUTS						
1	No of shares (In million)	300	300	300	300	300	300
3	Cash dividend %	25	25	25	30	30	30
4	Bonus Shares %	-	-	-	-	-	-
5	Total Dividend %	25	25	25	30	30	30
	FINANCIAL RATIO ANALYSIS						
1	Claims ratio	58.38	59.93	54.13	57.09	57.00	41.69
2	Total Assets Turnover (Times)	0.49	0.53	0.52	0.53	0.52	0.47
3	Total Liabilities / equity (%)	152.18	148.14	157.53	102.60	95.49	82.33
4	Paid up Capital / Total Assets (%)	17.03	18.40	19.03	23.30	23.93	24.25
5	Equity / Total Assets (%)	39.65	40.30	38.83	49.36	51.15	54.85

Financial Review

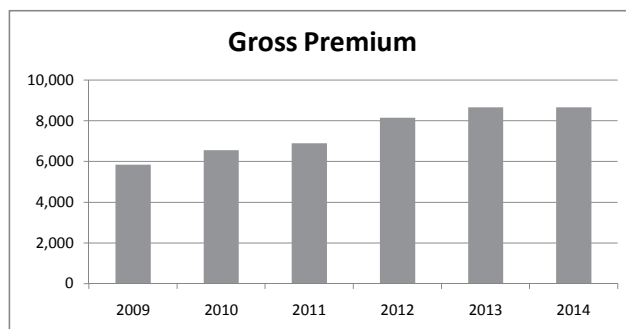
Year	2009	2010	2011	2012	2013	2014
Net Premium	2,171	2,941	3,535	4,096	4,724	4,784



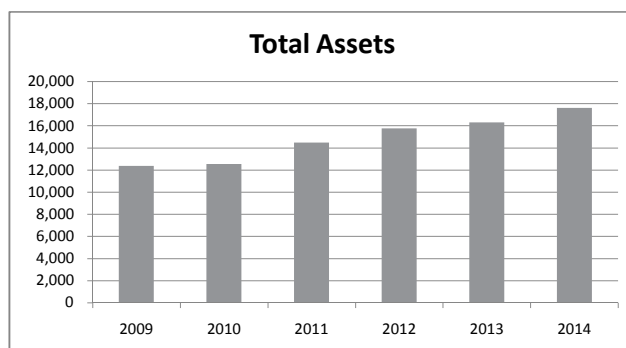
Year	2009	2010	2011	2012	2013	2014
Equity	6,786	6,412	5,982	6,122	6,571	6,987



Year	2009	2010	2011	2012	2013	2014
Gross Premium	5,839	6,552	6,893	8,153	8,659	8,661



Year	2009	2010	2011	2012	2013	2014
Total Assets	12,373	12,535	14,474	15,766	16,306	17,621



Statement of Compliance with the Code of Corporate Governance

Pakistan Reinsurance Company Limited
Year ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of the Karachi, Lahore and Islamabad Stock Exchange 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 four non-executive directors on Pakistan Reinsurance Company Limited board including two independent (elected) directors.

Category	Names
Independent Directors	Mr. Mumtaz Ali Rajper Mr. Taufique Habib
Executive Directors	Nil
Non-Executive Directors	Mr. Attaullah A. Rahseed Dr. Masuma Hasan

- 2- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
- 3- The casual vacancies on the Board of Directors, including Chief Executive Officer (CEO), was not filled up by the competent authority during the stipulated period.
- 4- 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 Direct Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI) 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.
- 5- The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- 6- The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. However, the Company is in the process of further strengthening its policies and procedures. A complete record of particulars of significant policies along with the dates on which they will be approved or amended will also be maintained.
- 7- All the powers of the board are exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment

Statement of Compliance with the Code of Corporate Governance

of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

- 8- 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.
- 9- 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.
- 10- The board has not arranged any training programs for its directors during the year.
- 11- The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12- The financial statements of the Company were duly endorsed by CFO before approval of the board.
- 13- The directors and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 14- The company has complied with all the corporate and financial reporting requirements of the Code except for matters reported in the statement.
- 15- The board has formed an Audit Committee. It comprises of board members, all of whom are non-executive directors.
- 16- The meeting 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.
- 17- The board has not formed any committees except for Audit committee. The board committees are being constituted as the casual vacancies are being filled up.
- 18- There was no fresh appointment of CFO, Company Secretary. The board has set up an effective internal audit function but currently Head of Internal audit appointed does not meet the qualification requirement as per Code of Corporate Governance although he has got over 6 years' experience of working in internal audit. Further, the company has communicated this fact to Ministry of Commerce and requested their approval for appointment of Head of Internal are conversant with the policies and procedures of Company and has also written to SECP for relaxation in qualification requirement of the present incumbent for the intervening period .

Statement of Compliance with the Code of Corporate Governance

- 19- The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute Of Chartered Accountant Of Pakistan (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.
- 20- 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.
- 21- 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 exchanges(s).
- 22- Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
- 23- We confirm that all other material principles enshrined in the Code have been complied with.

We confirm that all other material principles enshrined in the Code have been complied with except for the following towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:

S.NO	REFERENCE	CLAUSE DESCRIPTION
1.	iii	The casual vacancies on the Board of Directors were not filled up by the competent authority during the stipulated time.
2.	xi	The Board has not arranged training programs for its directors during the year.
3.	xxi	The casual vacancy of Chief Executive Officer was not filled up by the competent authority during the stipulated time.
4.	v (c)	Significant policies were not formulated by the Company.
5.	xiv	The Head of Internal Audit Department does not meet the qualification requirement as per Code of Corporate Governance
6.	xxv	Human Resource and Remuneration (HR&R) Committee was not formed
7.	Section b xxvii	Under Writing Committee, Claim Settlement Committee, Reinsurance Committee and Co- Insurance Committee were not formed

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (referred to as 'the Code') prepared by the Board of Directors of Pakistan Reinsurance Company Limited for the year ended December 31, 2014 to comply with the requirements of Listing Regulation No. 35 of Karachi Stock Exchange, Islamabad Stock Exchange and Lahore Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2014.

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

Further, we highlight below instances of non-compliance with the requirements of the Code and reflected in the paragraphs 3, 6, 10 and 17, where these are stated in the Statement.

S.NO	REFERENCE	CLAUSE DESCRIPTION
1.	iii	The casual vacancies on the Board of Directors were not filled up by the competent authority during the stipulated time.
2.	xi	The Board has not arranged training programs for its directors during the year
3.	xxi	The casual vacancy of Chief Executive Officer was not filled up by the competent authority during the stipulated time.
4.	v (c)	Significant policies were not formulated by the Company.
5.	xiv	The Head of Internal Audit Department does not meet the qualification requirement as per Code of Corporate Governance
6.	xxv	Human Resource and Remuneration (HR&R) Committee was not formed
7.	Section b xxvii	Under Writing Committee, Claim Settlement Committee, Reinsurance Committee and Co- Insurance Committee were not formed

KARACHI

DATED: APRIL 02, 2015

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

PAKISTAN REINSURANCE COMPANY LIMITED Year ended December 31, 2014

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

The Company has complied with the provisions of the Rules, during the year ended December 31, 2014 as follows:

1. The independent directors meet the criteria of independence, as defined under the Rules.
2. The Board had the requisite percentage of independent directors during the year. At present, the Board includes:

Category	Names
Independent Directors	Mr. Mumtaz Ali Rajper Mr. Taufique Habib
Executive Directors	Nil
Non-Executive Directors	Mr. Attaullah A. Rahseed Dr. Masuma Hasan

3. Three casual vacancies occurred on the Board in the year 2013, which still exists at the year end due to non-receipt of nomination from the majority shareholder.
4. The Directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously.
5. Election of the Board of Directors was in the prior year, the condition of fit and proper criteria was not applicable.
6. Currently, the Company does not have a Chief Executive and does not have a nominated Chairman, however for each Board /Committee meeting, a Chairman is elected from amongst the independent directors. The condition of Chairman of the Board working separately from the designation of Chief Executive of the Company was not applicable.
7. Since no new appointment of the Chief Executive was made during the year, the condition of fit and proper criteria was not applicable.
8. (a) The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

- (b) The Board has set in place adequate systems and controls for the identification and redressing of grievances arising from unethical practices.
9. The Board has established a system of sound internal control to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.
 10. The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.
 11. The Board has developed and implemented a policy on anti-corruption in the Company's Code of Conduct to minimize actual or perceived corruption in the Company.
 12. (a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.

(b) The Board Human Resource Committee has not been formed to investigate deviations from the Company's Code of Conduct.
 13. The Board has ensured compliance with the law as well as the Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the Public Procurement Regulatory Authority Rules.
 14. The Board has developed a vision and mission statement, corporate strategy and significant policies of the Company are in place. However, the Company is in the process of further strengthening its policies and procedures. A complete record of particulars of significant policies along with the dates on which they will be approved or amended will also be maintained.
 15. During the year, the Company did not deliver any services or sell any goods as public service obligation, hence no submissions of requests for compensation were made to the Government.
 16. (a) The Board met four times during the year.

(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.

(c) The minutes of the meetings were appropriately recorded and circulated.
 17. The Board has not carried out performance evaluation of Board members, including the Chairman and the Chief Executive, as both positions were vacant during the year. However, Performance Evaluation of Senior Management was undertaken by the Company.

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

18. The Board has reviewed and approved related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.
19. The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year, as well as the financial year end and has placed annual financial statements on the Company's website. Quarterly accounts are also circulated amongst the Board members.
20. The Company did not arrange for its Board members an orientation course to apprise them of the material developments and information as specified in the Rules.
21. (a) The board has not formed any committees except for Audit Committee. The Board Committees are being constituted as the casual vacancies are being filled up.

(b) The Audit Committee was provided with written term of reference defining their duties, authority and composition.

(c) The minutes of the meetings of the committee was circulated to all the board members.

(d) The committee was chaired by the following non-executive directors:

Audit Committee	Four (4) Meetings	Chair: Mr. Attaullah A. Rasheed
-----------------	-------------------	---------------------------------
22. No new appointments of the Chief Financial Officer (CFO), Company Secretary or Head of Internal Audit were made during the year. The remuneration and terms and conditions of employment have been approved by the Board.
23. The Company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of subsection (3) of section 234 of the Companies Ordinance, 1984.
24. The Directors' Report has been prepared in compliance with the requirements of the Ordinance and the Rules and fully describes the salient matters required to be disclosed.
25. The directors and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
26. Non-executive Directors of the Company are paid a Directors fee to attend the Board/ Committee meetings, in accordance with the Articles of Association of the Company.
27. The financial statements of the Company were duly endorsed by the Chief Financial Officer, before approval of the Board. At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

28. Board Audit Committee, with defined and written terms of reference, has the following members:

Names	Category	Experience
Mr. Attaullah A. Rahseed	Non-Executive Director	Fellow Member of Institute of Cost and Management Accountant of Pakistan with 22 years of Experience, currently Head of Investment at State Life Insurance Corporation of Pakistan
Mr. Mumtaz Ali Rajper	Independent Director	Holds a Masters Degree in Economics with more than 33 years of experience
Mr. Taufique Habib	Independent Director	Certified Director from Pakistan Institute of Corporate Governance with 37 years of experience

The Chief Executive and Chairman of the Board are not members of the Audit Committee.

29. There was no fresh appointment of CFO and Company Secretary. The board has set up an effective internal audit function but currently Head of Internal audit appointed does not meet the qualification requirement as per the Rules although he has over 6 years' experience of working in internal audit. Further, the Company has communicated this fact to Ministry of Commerce and requested their approval for appointment of Head of Internal are conversant with the policies and procedures of Company and has also written to SECP for relaxation in qualification requirement of the present incumbent for the intervening period.
30. The Company has appointed its external auditors in line with the requirements envisaged under the Rules.
31. The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.
32. The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

33. The Company has complied with all the corporate and financial reporting requirements of the Rules.

We confirm that all other material principles enshrined in the Rules and the Code have been complied with except for the following towards which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:

S.NO	REFERENCE	CLAUSE DESCRIPTION
1.	Rule 3(4)	The casual vacancies on the Board of Directors were not filled up by the competent authority during the stipulated time.
2.	Rule 8	The Board has not carried out performance evaluation of Board members, including the Chairman and the Chief Executive, on the basis of a process based on specified criteria.
3.	Rule 11	The Company did not arrange for its Board members an orientation course to apprise them of the material developments and information as specified in the Rules.
4.	Rule 4	The casual vacancy on chief executive officer was not filled up by the competent authority during the stipulated time.
5.	Rule 5(5)(b)(ii)-(iv)	Significant policies were not formulated by the Company.
6.	Rule 13/14	The Head of internal audit department does not meet the qualification as per required.
7.	Rule 12	Procurement Committee, Human Resource and Remuneration (HR&R) Committee, Risk Management Committee and Nomination Committee were not formed.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

Review Report to the Members on the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) for the year ended December 31, 2014 prepared by the Board of Directors of Pakistan Reinsurance Company Limited (the Company) to comply with the provisions of the Rules.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material aspects with the Public Sector Companies (Corporate Governance) Rules 2013, as applicable to the Company for the year ended December 31, 2014.

Further, we highlight below instances of non-compliance with the requirements of the Rules and reflected in the paragraphs 3, 6, 14, 12(b), 17, 20, 21 and 29, where these are stated in the Statement.

S.NO	REFERENCE	CLAUSE DESCRIPTION
1.	Rule 3(4)	The casual vacancies on the Board of Directors were not filled up by the competent authority during the stipulated time.
2.	Rule 8	The Board has not carried out performance evaluation of Board members, including the Chairman and the Chief Executive, on the basis of a process based on specified criteria.
3.	Rule 11	The Company did not arrange for its Board members an orientation course to apprise them of the material developments and information as specified in the Rules.
4.	Rule 4	The casual vacancy on chief executive officer was not filled up by the competent authority during the stipulated time.
5.	Rule 5(5)(b)(ii)-(iv)	Significant policies were not formulated by the Company.
6.	Rule 13/14	The Head of internal audit department does not meet the qualification as per required
7.	Rule 12	Procurement Committee, Human Resource and Remuneration (HR&R) Committee, Risk Management Committee and Nomination Committee were not formed

KARACHI
DATED: APRIL 02, 2015

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

Independent Auditors' Report to the Members of Pakistan Reinsurance Company Limited

AUDITORS' REPORT TO THE MEMBERS

Introduction

We have reviewed the accompanying:

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

of **PAKISTAN REINSURANCE COMPANY LIMITED** ("the Company") as at December 31, 2014 together with the notes forming part thereof, for the year then ended.

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

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

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 up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2014 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved International Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the central Zakat Fund established under Section 7 of that Ordinance.

The financial statements for the year ended December 31, 2013 were audited by another firm of chartered accountants who had expressed an unqualified opinion thereon vide their report dated April 30, 2014.

KARACHI

DATED:

CHARTERED ACCOUNTANTS
Engagement partner: Zulfikar Ali Causer

Financial Statement of

Pakistan Reinsurance Comapny Limited
for the year ended
December 31, 2014



Balance Sheet | as at December 31, 2014

		December 31, 2014 Rupees	December 31, 2013 Rupees
Note			
EQUITY AND LIABILITIES			
Share capital and reserves			
	Authorized share capital		
	2,500,000,000 (2013: 2,500,000,000)		
	Ordinary shares of Rs.10 each	25,000,000,000	25,000,000,000
	Issued subscribed and paid up capital		
	3,000,000 (2013: 3,000,000)		
	Ordinary shares of Rs. 10 each	6 3,000,000,000	3,000,000,000
	Retained earnings	1,928,993,292	1,512,977,449
	Reserve for exceptional losses	7 281,000,000	281,000,000
	General reserve	1,777,419,085	1,777,419,085
		3,987,412,377	3,571,396,534
	Shareholders' equity	6,987,412,377	6,571,396,534
LIABILITIES			
Underwriting provisions			
	Provision for outstanding claims (including IBNR)	8 3,183,398,261	2,564,779,785
	Provision for unearned premium	9 4,522,636,500	4,502,049,279
	Commission income unearned	10 56,386,252	75,141,712
	Total underwriting provisions	7,762,421,013	7,141,970,776
	Deferred liability - employee benefits	11 804,333,398	704,236,000
	Long term deposits	12 12,484,487	14,367,887
Creditors and accruals			
	Amount due to other insurers and reinsurers	13 1,678,642,152	1,357,718,565
	Premium and claim reserves retained from retrocessionaires	14 19,063,742	19,063,742
	Other creditors and accruals	15 39,330,163	34,340,782
	Accrued expenses	24,624,664	22,030,942
	Taxation - net	160,945,606	353,889,913
	Retention money payable	6,368,183	6,821,056
		1,928,974,510	1,793,865,000
Other liabilities			
	Dividend payable	124,504,179	78,809,294
	Surplus profit payable	16 1,212,602	1,212,602
		125,716,781	80,021,896
	Total liabilities	10,633,930,189	9,734,461,559
CONTINGENCIES AND COMMITMENTS			
	TOTAL EQUITY AND LIABILITIES	17 17,621,342,566	16,305,858,093

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Balance Sheet | as at December 31, 2014

	Note	December 31, 2014 Rupees	December 31, 2013 Rupees
ASSETS			
Cash and bank deposits			
Cash and other equivalents		47,105	47,825
Current and other accounts		2,856,323,164	2,056,331,619
Deposits maturing within 12 months		225,000,000	650,000,000
	18	3,081,370,269	2,706,379,444
Loans to employees	19	70,577,021	73,156,019
Investments	20	6,650,009,639	6,513,424,268
Investment properties	21	33,892,378	35,751,748
Current assets - others			
Amount due from other insurers and reinsurers	22	3,037,906,812	2,611,797,575
Premium and claim reserves retained by cedants	23	207,383,486	16,841,456
Accrued investment income	24	178,320,523	170,654,899
Reinsurance recoveries against outstanding claims	25	1,610,368,696	1,541,433,305
Deferred commission expense	26	534,955,573	495,865,753
Prepayments	27	2,074,844,772	1,991,791,441
Sundry receivables	28	90,887,275	90,926,500
Stock of stationery		1,633,635	1,396,718
		7,736,300,772	6,920,707,647
Fixed assets			
Tangible			
Land and building		17,229,629	18,107,173
Furniture, fixture, books and office equipment		10,345,885	12,115,884
Electrical installations, air conditioning plant and lifts		12,379,136	13,163,291
Motor vehicles		9,237,836	13,052,619
	29	49,192,487	56,438,967
Assets relating to Bangladesh	30	-	-
TOTAL ASSETS		17,621,342,566	16,305,858,093

The annexed notes from 1 to 45 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Profit & Loss Account | for the year ended December 31, 2014

Note	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	Treaty	2014 Aggregate	2013 Aggregate
	-----Rupees-----								
Revenue account									
Net premium revenue	876,868,203	55,700,041	69,341,750	166,868,266	171,450,706	428,062,701	3,015,630,952	4,783,922,619	4,724,399,368
Less:									
Net claims	454,955,962	14,961,556	511,393	35,918,883	111,595,852	43,078,464	2,132,144,421	2,793,166,531	2,830,900,639
Expenses	100,468,156	15,213,761	9,369,534	25,510,712	29,230,316	51,778,755	293,901,689	525,472,923	503,353,925
Net commission	119,353,054	12,583,916	3,042,963	18,633,771	358,899	6,506,366	789,478,744	949,957,713	936,769,292
Underwriting results	202,091,031	12,940,809	56,417,860	86,804,900	30,265,639	326,699,116	(199,893,902)	515,325,452	453,375,512
Investment income - net								1,078,904,472	1,101,402,174
Rental income - net	32							50,186,640	50,476,898
Exchange (loss) / gain								(50,578,845)	156,933,805
Other income	33							1,036,639	2,375,047
General and administration expenses	34							(30,168,920)	(58,562,113)
Value of available -for-sale investment, directly written-off								-	(97,334)
								<u>1,049,379,985</u>	<u>1,252,528,477</u>
Profit before tax								<u>1,564,705,437</u>	<u>1,705,903,989</u>
Income tax expense									
Current								(395,594,664)	(384,755,911)
Prior year tax	35							74,905,070	-
								<u>(320,689,594)</u>	<u>(384,755,911)</u>
Profit after tax								<u>1,244,015,843</u>	<u>1,321,148,078</u>
Profit and loss appropriation account									
Balance at the commencement of year								<u>1,512,977,449</u>	<u>1,063,734,371</u>
Profit after tax for the year								1,166,015,843	1,199,243,078
Final cash dividend 2013: Rs. 2.50 @ 25% (2012: Rs. 2.50 @ 25%) per share								(750,000,000)	(750,000,000)
Balance of unappropriated profit at the end of the period								<u>1,928,993,292</u>	<u>1,512,977,449</u>
Earnings per share - basic and diluted	36							<u>4.15</u>	<u>4.40</u>

The annexed notes from 1 to 45 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Comprehensive Income | for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
Profit for the year	1,244,015,843	1,321,148,078
Other comprehensive income		
Remeasurement of defined benefit obligations - net	(78,000,000)	(121,905,000)
Total comprehensive income for the year	<u>1,166,015,843</u>	<u>1,199,243,078</u>

The annexed notes from 1 to 45 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Cash Flows | for the year ended December 31, 2014

PAKISTAN REINSURANCE COMPANY LIMITED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

	2014 Rupees	2013 Rupees
Operating cash flows		
Underwriting activities:-		
Premium received	8,982,257,303	8,854,245,680
Reinsurance premium paid	(4,419,142,946)	(3,751,319,269)
Claims paid	(3,029,428,615)	(5,287,265,078)
Reinsurance and other recoveries received	785,945,169	2,436,483,079
Commission paid	(1,122,885,693)	(1,076,393,133)
Commission received	115,082,700	143,731,607
Premium and claim reserves retained from retrocessionaires/withheld by ceding companies	(190,542,029)	59,277,700
Expenses paid	(421,986,578)	(404,357,925)
Net cash inflows from underwriting activities	699,299,310	974,402,661
Other operating activities		
Income tax paid	(365,895,684)	(543,584,418)
General management expenses paid	(20,638,913)	(29,631,450)
Payment under defined benefit obligation	(79,477,602)	(53,381,000)
Loans disbursed - net	2,578,998	(12,565,369)
Other receipts - sundry debtors	55,008,416	18,199,525
Net cash used in other operating activities	(408,424,786)	(620,962,712)
Total cash generated from all operating activities	290,874,525	353,439,949
Investment activities		
Addition to fixed assets	(2,054,316)	(14,197,536)
Proceeds on disposal of fixed assets	2,419,080	3,446,700
Acquisition of investments	(2,856,599,840)	(2,983,581,929)
Rental income received - net of expenses	45,702,125	48,222,476
Dividend income received	440,046,619	481,835,990
Interest income on bank deposits	143,672,627	139,991,038
Investment income received - net of expenses	141,594,370	479,442,921
Proceeds on sale / maturity of investments	2,873,640,750	2,919,882,490
Total cash inflow from investment activities	788,421,415	1,075,042,150
Financing activities		
Dividend paid	(704,305,115)	(736,547,489)
Total cash outflow from financing activities	(704,305,115)	(736,547,489)
Net cash generated from all activities	374,990,825	691,934,610
Cash and cash equivalents at beginning of the period	2,706,379,444	2,014,444,834
Cash and cash equivalents at end of the period	3,081,370,269	2,706,379,444

The annexed notes from 1 to 45 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Cash Flows | for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
Reconciliation to profit and loss account		
Operating cash flows	290,874,525	353,439,949
Depreciation on fixed assets	(7,670,638)	(2,044,119)
Depreciation on investment properties	(1,859,370)	(8,778,797)
Exchange (loss) / gain	(50,578,845)	156,933,805
Gain on disposal of fixed assets	-	1,584,226
Rental income	50,186,640	50,476,898
Charge for deferred liability-employee benefits	(100,097,398)	(98,996,000)
Provision for doubtful debts	-	(18,107,747)
Investment income	1,078,904,472	1,101,402,174
Value of available-for-sale investments, directly written-off	-	(97,334)
Gratuity	(1,056,000)	-
Reinsurance recoveries against outstanding claims	-	159,786,654
Provision for outstanding claims	(549,683,085)	(139,905,294)
Provision for unearned premium	(20,587,221)	(151,671,433)
Prepaid reinsurance	85,630,988	(322,205,850)
Increase in operating assets other than cash	645,881,693	(39,061,362)
Decrease in operating liability other than cash	(221,136,007)	66,182,801
Other adjustments:		
Income tax refunded / (paid) - net	365,895,684	543,584,418
Deferred liability-employee benefits paid	-	53,381,000
	<u>365,895,684</u>	<u>543,584,418</u>
Profit before taxation	1,564,705,437	1,705,903,989
Provision for taxation	(320,689,594)	(384,755,911)
Profit after taxation	<u><u>1,244,015,843</u></u>	<u><u>1,321,148,078</u></u>

Definition of cash

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

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

Cash and cash equivalents:

Cash and other equivalents	47,105	47,825
Current and other accounts	2,856,323,164	2,056,331,619
Deposit maturing within 12 months	225,000,000	650,000,000
	<u><u>3,081,370,269</u></u>	<u><u>2,706,379,444</u></u>

The annexed notes from 1 to 45 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Changes in Equity | for the year ended December 31, 2014

	Share capital		Reserves			Total
	Issued subscribed and paid-up	Reserve for exceptional losses	Revenue reserves	General reserve	Total reserves	
			Retained earnings			
	Rupees					
Balance as at January 01, 2013 - Restated	3,000,000,000	281,000,000	1,063,734,371	1,777,419,085	2,841,153,456	6,122,153,456
Total comprehensive income for the year ended December 31, 2013						
Other comprehensive income	-	-	1,321,148,078	-	1,321,148,078	1,321,148,078
Remeasurement of defined benefit obligations - net	-	-	(121,905,000)	-	(121,905,000)	(121,905,000)
Transactions with owners	-	-	1,199,243,078	-	1,199,243,078	1,199,243,078
Final cash dividend paid for the year 2012 at Rs.2.50 per share			(750,000,000)		(750,000,000)	(750,000,000)
Balance as at December 31, 2013	3,000,000,000	281,000,000	1,512,977,449	1,777,419,085	3,290,396,534	6,571,396,534
Balance as at January 01, 2014	3,000,000,000	281,000,000	1,512,977,449	1,777,419,085	3,290,396,534	6,571,396,534
Total comprehensive income for year ended December 31, 2014						
Other comprehensive income	-	-	1,244,015,843	-	1,244,015,843	1,244,015,843
Remeasurement of defined benefit obligations - net	-	-	(78,000,000)	-	(78,000,000)	(78,000,000)
Transactions with owners	-	-	1,166,015,843	-	1,166,015,843	1,166,015,843
Final cash dividend paid for the year 2013 at Rs.2.50 per share	-	-	(750,000,000)	-	(750,000,000)	(750,000,000)
Balance as at December 31, 2014	3,000,000,000	281,000,000	1,928,993,292	1,777,419,085	3,706,412,377	6,987,412,377

The annexed notes from 1 to 45 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Premiums | for the year ended December 31, 2014



Class	Premiums written (A)	Unearned premium reserve		Premiums earned (D=A+B- C)	Reinsurance ceded (E)	Prepaid reinsurance		Reinsurance expense (H=E+F-G)	Net premium revenue	
		Opening (B)	Closing (C)			Opening (F)	Closing (G)		2014 (I=D-H)	2013
	-----Rupees-----									
Business underwritten inside Pakistan										
Facultative										
Fire	1,690,369,440	836,819,945	777,880,731	1,749,308,654	753,959,658	387,805,080	269,324,287	872,440,451	876,868,203	802,534,784
Marine cargo	48,796,724	10,040,554	3,137,237	55,700,041	-	-	-	-	55,700,041	57,879,934
Marine hull	141,739,522	71,360,408	65,486,533	147,613,397	74,148,332	37,575,493	33,452,178	78,271,647	69,341,750	98,676,301
Accident and others	194,303,247	78,715,398	106,150,379	166,868,266	-	-	-	-	166,868,266	138,311,863
Aviation	1,198,691,515	910,779,804	975,634,961	1,133,836,358	982,435,937	801,369,181	821,419,466	962,385,652	171,450,706	162,429,076
Engineering	1,432,710,457	721,563,721	803,354,282	1,350,919,896	926,692,483	511,651,889	515,487,177	922,857,195	428,062,701	499,200,880
Total	4,706,610,905	2,629,279,829	2,731,644,123	4,604,246,611	2,737,236,410	1,738,401,642	1,639,683,107	2,835,954,944	1,768,291,667	1,759,032,838
Treaty	3,954,722,811	1,872,769,450	1,790,992,377	4,036,499,884	1,205,218,454	247,588,865	431,938,387	1,020,868,932	3,015,630,952	2,965,366,530
Grand total	8,661,333,716	4,502,049,279	4,522,636,500	8,640,746,495	3,942,454,864	1,985,990,507	2,071,621,494	3,856,823,876	4,783,922,619	4,724,399,368

The annexed notes from 1 to 45 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Claims | for the year ended December 31, 2014

Class	Claims paid (A)	Provision for outstanding claims		Claims expense (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)		2014 (I=D-H)	2013
-----Rupees-----										
Business underwritten inside Pakistan										
Facultative										
Fire	163,509,612	476,137,341	767,583,691	454,955,962	-	136,468,099	136,468,099	-	454,955,962	300,319,011
Marine cargo	24,078,672	39,074,138	29,957,022	14,961,556	-	-	-	-	14,961,556	46,902,816
Marine hull	49,209,312	61,811,334	33,884,876	21,282,854	35,173,910	14,442,587	40,138	20,771,461	511,393	25,684,515
Accident and others	23,948,340	110,641,028	122,611,571	35,918,883	-	-	-	-	35,918,883	45,527,198
Aviation	95,737,695	61,809,888	585,936,620	619,864,427	47,081,833	59,056,879	520,243,621	508,268,575	111,595,852	143,101,109
Engineering	124,555,727	222,710,921	146,958,529	48,803,335	47,529,192	122,687,816	80,883,495	5,724,871	43,078,464	224,625,732
Total	481,039,358	972,184,650	1,686,932,309	1,195,787,017	129,784,935	332,655,381	737,635,353	534,764,907	661,022,110	786,160,381
Treaty	2,548,389,257	1,597,547,135	1,501,417,952	2,452,260,074	656,160,234	1,208,777,924	872,733,343	320,115,653	2,132,144,421	2,044,740,258
Grand total	3,029,428,615	2,569,731,785	3,188,350,261	3,648,047,091	785,945,169	1,541,433,305	1,610,368,696	854,880,560	2,793,166,531	2,830,900,639

The annexed notes from 1 to 45 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Expenses | for the year ended December 31, 2014



Class	Commission paid or payable (A)	Deferred commission		Net commission expenses (D=A+B-C)	Other management expenses	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)		2014 (K=F-J)	2013
Rupees												
Business underwritten inside Pakistan												
Facultative												
Fire	196,022,511	95,306,645	104,189,543	187,139,613	100,468,156	287,607,769	40,194,410	41,325,138	13,732,988	67,786,559	219,821,210	123,635,551
Marine cargo	10,998,186	2,264,145	678,416	12,583,916	15,213,761	27,797,677	-	-	-	-	27,797,677	22,326,396
Marine hull	16,704,110	8,065,439	7,977,120	16,792,430	9,369,534	26,161,964	12,725,666	6,985,873	5,962,073	13,749,467	12,412,497	11,477,081
Accident and others	21,121,397	9,307,221	11,794,847	18,633,771	25,510,712	44,144,483	-	-	-	-	44,144,483	24,338,451
Aviation	2,959,625	716,978	1,582,688	2,093,915	29,230,316	31,324,231	1,512,433	708,885	486,301	1,735,016	29,589,215	10,161,469
Engineering	68,599,892	27,308,699	40,159,187	55,749,404	51,778,755	107,528,159	57,099,312	25,946,372	33,802,646	49,243,037	58,285,121	15,446,539
Total	316,405,721	142,969,127	166,381,800	292,993,048	231,571,234	524,564,282	111,531,821	74,966,267	53,984,008	132,514,080	392,050,203	207,385,487
Treaty	806,479,972	352,896,625	368,573,773	790,802,824	293,901,689	1,082,793,168	3,550,879	175,445	2,402,244	1,324,080	1,081,469,087	1,232,737,730
Grand total	1,122,885,693	495,865,752	534,955,573	1,083,795,872	525,472,923	1,607,357,450	115,082,700	75,141,712	56,386,252	133,838,160	1,473,519,290	1,440,123,217

The annexed notes from 1 to 45 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Investment Income | for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
Income from trading investments		
Held-for-trading	-	3,828,995
Dividend income	5,045,187	5,585,452
	5,045,187	9,414,447
Income from non-trading investments		
Held-to-maturity		
Return on Government Securities	368,173,630	350,523,195
Return on other fixed income securities and deposits	141,594,370	142,001,095
Income on treasury bills	110,032,800	92,282,681
Amortization of premium on Pakistan Investment Bond	5,336,796	3,946,732
	625,137,596	588,753,703
Available-for-sale		
Gain on disposal of available-for-sale investments	2,070,730	7,625,908
Dividend income on available-for-sale investments	435,001,431	476,250,538
	437,072,161	483,876,446
Gain on revaluation of investments		
Held-for-trading	20.6	18,660,556
		26,177,636
Less: Investment related expenses	(7,011,028)	(6,820,058)
Net investment income	<u>1,078,904,472</u>	<u>1,101,402,174</u>

The annexed notes from 1 to 45 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Notes to the Financial Statements | for the year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

Pakistan Reinsurance Company Limited (the Company) was incorporated in Pakistan as a public limited company on March 30, 2000. The Company is engaged in providing of reinsurance and other insurance business. The shares of the Company are quoted on Stock Exchanges of Karachi and Lahore. The registered office of the Company is situated at PRC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

With effect from February 15, 2001, the Company took over all the assets and liabilities of former Pakistan Insurance Corporation (PIC) 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 in accordance with the Insurance Ordinance, 2000 and the formats prescribed under Insurance Rules vide SRO 938(1) dated December 12, 2002.

2.1 Statement of compliance

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

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

Notes to the Financial Statements | for the year ended December 31, 2014

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	January 1, 2015
IAS 1	Presentation of Financial Statements-Disclosure initiative (Amendments)	January 1, 2016
IAS 16 & 38	Property, Plant and Equipment & Intangible assets- Clarification of Acceptable Method of Depreciation and	January 1, 2016
IAS 16 & 41	Property, Plant and Equipment & Agriculture: Agriculture Bearer Plants (Amendments)	January 1, 2016
IAS 19	Employees Benefits- Defined benefits Plans: Employee Contributions (Amendments)	July 1, 2014

The Company is currently evaluating the impact of the above standards and amendments on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 1, 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Notes to the Financial Statements | for the year ended December 31, 2014

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 9	Financial Instruments: Classification and Measurement	January 1, 2018
IFRS 14	Regulatory Deferral Accounts	January 1, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2017

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on periodic basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

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

4.1 Classification of investments

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

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

Notes to the Financial Statements | for the year ended December 31, 2014

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

4.2 Income tax

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

4.3 Fixed assets and depreciation

In making estimates of the depreciation method, the management uses method which reflects pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimate in accordance with International Accounting Standard 8 "Changes in Accounting Policies, Changes in accounting Estimates and Errors".

4.4 Impairment in available for sale investments

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

4.5 Premium deficiency reserve

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

Notes to the Financial Statements | for the year ended December 31, 2014

4.6 Outstanding claims including incurred but not reported (IBNR)

The Company estimates the liability for claims, which include amounts relating to unpaid, reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future pattern of reporting of claims and the claims actually reported subsequent to the balance sheet date.

4.7 Reinsurance

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

4.8 Unearned premium reserve

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

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Insurance contracts

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

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

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

Notes to the Financial Statements | for the year ended December 31, 2014

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

5.1.1 Premiums

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

Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned portion of premium income is recognized as a liability. The liability is calculated by applying 1/24 method as specified in the Securities and Exchange Commission (Insurance) Rules, 2002.

Administration surcharge

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

Premiums due but unpaid

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

5.1.2 Reinsurance ceded

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

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

Notes to the Financial Statements | for the year ended December 31, 2014

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

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

5.1.3 Claims expense

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

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

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

5.1.4 Reinsurance recoveries against outstanding claims

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

5.1.5 Commission

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

Notes to the Financial Statements | for the year ended December 31, 2014

a) Commission income

Commission income is being taken to profit and loss account on a time proportion basis in accordance with the pattern of recognition of reinsurance premium to comply with the requirements of SRO 938 issued by the SECP in 2002.

b) Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting period to comply with the requirements of SRO 938 issued by the SECP in 2002.

5.1.6 Premium deficiency reserve

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

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

5.2 Investments

5.2.1 Recognition

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

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

Notes to the Financial Statements | for the year ended December 31, 2014

5.2.2 Measurement

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

Investments which are designated at fair value through profit or loss upon initial recognition.

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

(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.

5.2.3 Quoted

Subsequent to initial recognition, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the SECP in December 2002. Moreover, section 16(a) of the Securities and Exchange (Insurance) Rules, 2002 for available for sale - fixed income investments redeemable at a given date and where the cost is different from the redemption value, require such difference to be amortised uniformly between the date of acquisition and the date of maturity. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

International Accounting Standard 39 dealing with the recognition and measurements of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on December 31, 2014 would have been higher by Rs. 4,046.785 million (2013: higher by Rs. 2,468 million), and the net equity would have been higher by Rs. 4,046.785 million (2013: higher by Rs. 2,468 million).

5.2.4 Unquoted

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

Notes to the Financial Statements | for the year ended December 31, 2014

5.2.5 Date of recognition

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

5.3 Investment properties

Investment properties are accounted for under the cost model in accordance with the International Accounting Standard (IAS) 40 "Investment Property" and 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.

5.4 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.

Notes to the Financial Statements | for the year ended December 31, 2014

5.4.1 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.

5.4.2 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.

5.4.3 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. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances 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 and recognizes that impairment loss in the profit and loss account.

Notes to the Financial Statements | for the year ended December 31, 2014

5.4.4 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.

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

Provision for IBNR is based on the management's best estimate which takes into account the past trends net of exceptional claims.

5.4.5 Commission expense, other acquisition costs and commission income

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

5.4.6 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.

5.4.7 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.

Notes to the Financial Statements | for the year ended December 31, 2014

5.4.8 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.

5.4.9 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.

5.5 Staff retirement benefits

5.5.1 Defined benefits plan

5.5.1.1 Post employment benefits - Retirements benefits and Other post-employment benefits

The Company operates approved gratuity and pension scheme for all its permanent employees who are entitled / have opted for either of the above schemes. The Company makes contributions or record liability in respect of defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries and in line with the provisions of the Income Tax Ordinance, 2001. The latest actuarial valuations were carried out as of December 31, 2014 using the Projected Unit Credit Method based on the significant assumptions stated in note 39.1.9 for valuation of the funds as at December 31, 2014.

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

5.5.1.2 Other long term employment benefits - Compensated absences

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

Notes to the Financial Statements | for the year ended December 31, 2014

The Company makes periodic provisions in the financial statements for its liability towards defined encashment of leaves up to maximum of 6 months in respect of leave preparatory to retirement (LPR) on the basis of basic plus all allowances except conveyance allowance. The liability is estimated on the basis of actuarial advice under the Projected Unit Credit method carried out by a qualified actuary.

5.5.2 Defined contribution plan

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

5.6 Taxation

5.6.1 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.

5.6.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary difference arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. A deferred tax asset is generally recognized and only to the extent that is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

5.7 Fixed assets - tangibles

Owned

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

Depreciation is charged to income applying the reducing balance method. The rates of depreciation are stated in note 29.5 to the financial statements.

Notes to the Financial Statements | for the year ended December 31, 2014

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.

5.8 Revenue recognition

5.8.1 Premium

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

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

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

5.8.2 Investments

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

Profit / interest income on investments securities are recognized on effective interest method.

Profit on bank accounts are accounted for on accrual basis.

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

Notes to the Financial Statements | for the year ended December 31, 2014

5.8.3 Rental income

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

5.9 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.

5.10 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.

5.11 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Significant exchange rates applied during the year are provided in note 37.7. 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.

5.12 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.

5.13 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.

Notes to the Financial Statements | for the year ended December 31, 2014

5.14 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.

5.15 Segment reporting

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

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

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

5.16 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.

5.17 Provision for doubtful debts

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

5.18 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.

Notes to the Financial Statements | for the year ended December 31, 2014

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.

5.19 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.

5.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. However, there were no dilutive potential ordinary shares in issue at December 31, 2014.

			2014	2013
			Rupees	Rupees
6	ISSUED SUBSCRIBED PAID UP CAPITAL			
	2014	2013		
	(Number of shares)			
		Ordinary shares of Rs.10		
	8	8 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	2,949,999,920	2,949,999,920
		bonus share		
			<u>3,000,000,000</u>	<u>3,000,000,000</u>
7	RESERVES FOR EXCEPTIONAL LOSSES			

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

Notes to the Financial Statements | for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
8 PROVISION FOR OUTSTANDING CLAIMS (including IBNR)		
Facultative business		
Fire	767,583,691	476,137,341
Marine cargo	29,957,022	39,074,138
Marine hull	33,884,876	61,811,334
Accident and others	122,611,571	110,641,028
Aviation	585,936,620	61,809,888
Engineering	146,958,529	222,710,921
	<u>1,686,932,309</u>	<u>972,184,650</u>
Treaty	<u>1,501,417,952</u>	<u>1,597,547,135</u>
	<u>3,188,350,261</u>	<u>2,569,731,785</u>
Claims related to Bangladesh, adjusted in note 30	8.1 <u>(4,952,000)</u>	<u>(4,952,000)</u>
	<u><u>3,183,398,261</u></u>	<u><u>2,564,779,785</u></u>

8.1 Claims related to Bangladesh

Facultative business		
Fire	2,382,000	2,382,000
Marine	1,470,000	1,470,000
Miscellaneous	1,100,000	1,100,000
	<u>4,952,000</u>	<u>4,952,000</u>

9 PROVISION FOR UNEARNED PREMIUM

Facultative business		
Fire	777,880,731	836,819,945
Marine cargo	3,137,237	10,040,554
Marine hull	65,486,533	71,360,408
Accident and others	106,150,379	78,715,398
Aviation	975,634,961	910,779,804
Engineering	803,354,282	721,563,721
	<u>2,731,644,123</u>	<u>2,629,279,830</u>
Treaty	<u>1,790,992,377</u>	<u>1,872,769,449</u>
	<u><u>4,522,636,500</u></u>	<u><u>4,502,049,279</u></u>

Notes to the Financial Statements | for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
10 COMMISSION INCOME UNEARNED		
Facultative business		
Fire	13,732,988	41,325,138
Marine hull	5,962,073	6,985,873
Aviation	486,301	708,885
Engineering	33,802,646	25,946,372
	<u>53,984,008</u>	<u>74,966,268</u>
Treaty	2,402,244	175,444
	<u>56,386,252</u>	<u>75,141,712</u>
11 DEFERRED LIABILITY-EMPLOYEE BENEFITS		
Defined benefit obligations		
Post employee benefits		
Retirements benefits		
Employee's pension fund	92,441,986	101,324,000
Officer pension benefits	358,103,320	286,187,000
Gratuity fund	5,404,802	5,928,000
Other post employment benefits		
Post retirement medical benefits	288,112,342	251,164,000
Other long term employment benefits		
Compensated absences	60,270,948	59,633,000
	<u>804,333,398</u>	<u>704,236,000</u>
12 LONG TERM DEPOSITS		
This represents deposits received from tenants in connection with letting of PRC Towers.		
13 AMOUNT DUE TO OTHER INSURERS		
Amount due to other insurers	185,685,408	300,614,635
Amount due to other reinsurers	1,492,956,744	1,057,103,930
	<u>1,678,642,152</u>	<u>1,357,718,565</u>
14 PREMIUM AND CLAIMS RESERVES RETAINED FROM RETOCESSIONARIES		
Premium reserves	230,627	230,627
Losses reserves	17,190,994	17,190,994
Cash losses received from retrocessionaries	1,642,121	1,642,121
	<u>19,063,742</u>	<u>19,063,742</u>

Notes to the Financial Statements | for the year ended December 31, 2014

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

	2014 Rupees	2013 Rupees
15 OTHERS CREDITORS AND ACCURUALS		
Provision for litigation	16,075,253	16,075,253
Employee's general provident fund payable	362,400	148,740
Government provident fund payable	95,840	85,538
Advance rent	4,834,115	702,996
Others	17,962,555	17,328,255
	<u>39,330,163</u>	<u>34,340,782</u>

16 SURPLUS PROFIT PAYABLE

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

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 the PRC Towers. The Company filed a claim against the NCC amounting to Rs. 105.9 million for breach of the contract. The 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 the 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. There has been no further proceeding in the case since last year.
- 17.2 Decree had been awarded to National Bank of Pakistan against the Company in a case amounting to Rs. 36.55 (2013: Rs. 36.55) million, pertaining to the default of Adamjee Insurance Company Limited for the advance payment guaranteed by the Company. The matter was last fixed in January 2010 but the Board was discharged and the matter was adjourned. The decree holder has not filed execution application within the prescribed limitation period, the management therefore considers it as time barred and the Company has a strong position in this case.
- 17.3 The Company has disputed the unilateral increase in rentals of its lease hold land by Karachi Port Trust (KPT) being exorbitant and unreasonable, a view supported by the Company's legal advisor. The amount not acknowledged as payable in this regard as at December 31, 2014 amounted to Rs. 15.876 million.

Notes to the Financial Statements | for the year ended December 31, 2014

Currently, stay is operating in favour of the Company and the matter is pending before the Honourable Court of Senior Judge - Karachi, West, for the issue and hearing of application. The matter is currently being contested by both parties and there has been no negotiation to settle the matter out of the court. Most likely outcome of the case, may be in accordance with the market rate in the vicinity. The case is pending in the Honourable High Court of Sindh and there has been no further proceedings in this case since last year.

17.4 The Company has received a notice from Sindh Revenue Board (SRB) relating to non filing of Sales Tax return on services provided by them to Insurance Companies. The Company contested the notice; however the decision was made against the Company giving rise to Sales Tax liability amounting to Rs. 495.5 million. The Company filed an appeal with Commissioner of Appeals, Sindh Revenue Board, however, it was rejected. The Company has filed an appeal with the Appellate Tribunal, Sindh Revenue Board which is pending for hearing due to its disfunctionality, for that reason, the Honorable High Court of Sindh has granted a interim stay order in the favor of the Company. The management and the tax advisor are confident that good grounds exist to contest the case. They believe that eventual outcome will come in favor of the Company. Hence, no provision has been made in these financial statements.

17.5 Contingencies related to income tax are presented in note 35.

17.6 There is no commitment as on the balance sheet date (2013: Nil).

	Note	2014 Rupees	2013 Rupees
18 CASH AND BANK DEPOSITS			
Cash and other equivalents		47,105	47,825
Current and other accounts		2,856,323,164	2,056,331,619
Deposits maturing within 12 months	18.1	225,000,000	650,000,000
		<u>3,081,370,269</u>	<u>2,706,379,444</u>

18.1 This represents Term Deposits Receipts (TDR) in local currency carrying effective interest rates of 9.82% (2013: 10%) per annum. These deposits are due to mature within 12 months of the year end.

19 LOANS TO EMPLOYEES

Secured		70,577,021	73,156,019
	19.1	<u>70,577,021</u>	<u>73,156,019</u>
19.1 Long term portion of the loan		56,385,118	12,595,700
Current portion of the loan		14,191,903	60,560,319
		<u>70,577,021</u>	<u>73,156,019</u>

Notes to the Financial Statements | for the year ended December 31, 2014

19.2 No loan has been advanced to the directors of the Company. Details of loans to Chief Executive and Executives of the Company is as under:

	Note	2014 Rupees	2013 Rupees
Balance as the beginning of the year			
Chief Executive		-	54,364
Executives		1,352,595	1,555,864
		1,352,595	1,610,228
Disbursements during the year			
Chief Executive		-	-
Executives		1,460,000	1,160,720
		1,460,000	1,133,348
Repayments / adjustments during the year			
Chief Executive		-	(54,364)
Executives		1,487,384	(1,363,989)
		1,487,384	(1,156,467)
Balance as the end of the year			
Chief Executive		-	-
Executives		1,325,211	1,352,595
		1,325,211	1,352,595

19.3 Loans to employees represent mark-up free loans except motor car loans, and are secured against retirement benefits of respective employees including, where applicable, documents of assets for which the loan has been given. Motor car loans carry mark-up at a rate of 10% (2013: 10%) per annum. None of the amount is either past due or impaired, consequently no provision for bad or doubtful loans has been made.

19.4 The maximum month-end amount of these loan during the year has been Rs. 77,954,103 (2013: Rs. 91,159,267).

20 INVESTMENTS

Available-for-sale

Ordinary shares - listed	20.2	421,028,207	421,028,207
Mutual fund units	20.3	1,957,007,894	1,957,007,894
Ordinary shares - unlisted	20.4	617,613	617,613
		2,378,653,714	2,378,653,714

Held-to-maturity

Pakistan Investment Bonds	20.5	3,140,720,013	3,170,704,754
Treasury Bills	20.5	1,027,295,000	880,405,000
		4,168,015,013	4,051,109,754

Held-for-trading

Ordinary shares - listed	20.6	103,340,912	83,660,800
		6,650,009,639	6,513,424,268

Notes to the Financial Statements | for the year ended December 31, 2014

20.1 Investments in related parties

20.1.1 Available for sale

Available for sale

Name of company	2014			2013		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Listed						
National Bank of Pakistan	6,359,119	6,824,793	441,704,406	6,359,119	6,824,793	369,210,449
National Refinery Limited	502,363	28,312,467	92,861,801	502,363	28,312,467	108,269,274
Pakistan State Oil Company Limited	8,127	371,225	2,908,735	7,389	371,225	2,454,774
Pakistan Petroleum Limited	396,000	27,388,953	69,901,920	396,000	27,388,953	84,728,160
Sui Southern Gas Company Limited	12,694,227	36,461,488	492,282,123	12,694,227	36,461,488	305,423,102
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	249,725,408	8,698,203	17,110,611	185,271,724
	28,658,039	116,469,537	1,349,384,393	28,657,301	116,469,537	1,055,357,483
Unlisted						
State Bank of Pakistan	4,900	517,615	-	4,900	517,615	-
National Investment Trust Limited	79,200	100,000	-	79,200	100,000	-
	84,100	617,615	-	84,100	617,615	-
	28,742,139	117,087,152	1,349,384,393	28,741,401	117,087,152	1,055,357,483

	2014	2013
	Book value	
	Rupees	
20.1.2 Held to maturity		
Pakistan investment Bonds	3,138,061,418	3,170,704,754
Treasury bills	1,027,295,000	880,405,000
	4,165,356,418	4,051,109,754

20.1.3 Held for trading

		2014		2013		
Name of company	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Listed						
National Bank of Pakistan	399,266	23,181,384	27,733,016	399,266	17,147,615	23,181,384
				Note	2014 Rupees	2013 Rupees

20.2 Investment in listed companies - available-for-sale

Cost of investment in listed companies	20.2.1	434,090,770	434,090,770
Less: Provision for diminution in value			
Balance brought forward from last year		(13,062,563)	(13,062,563)
Provision made during the year		-	-
		(13,062,563)	(13,062,563)
		421,028,207	421,028,207

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

Name of company	2014			2013		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Financial Services						
Escort Investment Bank	16,846	25,269	38,746	16,846	25,269	54,076
	16,846	25,269	38,746	16,846	25,269	54,076
Banks						
Askari Bank Limited	7,276	101,906	167,857	7,276	101,906	101,864
Bank Al-Falah Limited	9,232	147,079	322,012	9,232	147,079	249,633
Faysal Bank Limited	60,909	391,273	1,108,544	60,909	391,273	693,754
MCB Bank Limited	370,432	55,357,113	113,222,541	336,757	55,357,113	94,685,966
National Bank of Pakistan	6,359,119	6,824,793	441,704,406	6,359,119	6,824,793	369,210,449
N.I.B Bank Limited	28,420,050	56,828,787	65,934,516	28,420,050	56,828,787	66,502,917
Silk Bank Limited	24,656	51,778	54,736	24,656	51,778	51,778
The Bank of Punjab Limited	30,080	175,667	329,376	30,080	175,667	331,482
United Bank Limited	1,024	4,350	180,951	1,024	4,350	135,731
	35,282,778	119,882,746	623,024,939	35,249,103	119,882,746	531,963,574
Balance carried forward	35,299,624	119,908,015	623,063,685	35,265,949	119,908,015	532,017,650

Notes to the Financial Statements | for the year ended December 31, 2014

Name of company	2014			2013		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Balance brought forward	35,299,624	119,908,015	623,063,685	35,265,949	119,908,015	532,017,650
Insurance						
Adamjee Insurance Company Limited	1,398,536	32,124,622	69,171,591	1,398,536	32,124,622	52,263,290
Asia Insurance Company Limited	24,480	244,800	489,600	24,480	244,800	489,600
Crescent Star Insurance Company Limited	604,491	1,208,982	2,835,063	604,491	1,208,982	4,715,030
Habib Insurance Company Limited	10,160	1,724	223,520	10,160	1,724	153,924
Pakistan Guarantee Insurance Company Limited	22,029	-	-	22,029	-	-
PICIC Insurance Company Limited	855,790	4,450,108	8,985,795	855,790	4,450,108	7,702,110
Sterling Insurance Company Limited	23,250	-	-	23,250	-	-
Union Insurance Company of Pakistan Limited	56,227	-	-	56,227	-	-
United Insurance Company of Pakistan Limited	303,402	166,165	1,562,520	303,402	166,165	4,308,308
	3,298,365	38,196,401	83,268,089	3,298,365	38,196,401	69,632,262
Personal Goods						
Brothers Textile Mills Limited	353	229	2,771	353	229	2,178
Khurshid Spinning Mills Limited	7,600	-	-	7,600	-	-
Sahrish Textile Mills Limited	13,510	-	-	13,510	-	-
Yousaf Weaving Mills Limited	-	-	-	-	-	-
Pakistan Synthetics Limited	2,846	21,252	42,747	2,846	21,252	49,236
Crescent Jute Products Limited	157,314	64,498	641,841	157,314	64,499	396,431
Usman Textile Mills Limited	300	-	-	300	-	-
Colony Mills Limited	149,762	149,762	705,379	149,762	149,762	849,151
Kohinoor Industries Limited	11,681	10,513	36,912	11,681	10,513	55,134
Muhammad Farooq Textile Mills Limited	4,100	2,255	22,263	4,100	2,255	18,860
Taj Textile Mills Limited	5,600	-	-	5,600	-	-
Crescent Sugar Mills Limited	-	-	-	-	-	-
	353,066	248,509	1,451,913	353,066	248,510	1,370,990
General Industries						
Packages Limited	821,714	90,388,540	557,360,389	821,714	90,388,540	224,023,888
Hashmi Can Company Limited	5,250	-	-	5,250	-	-
	826,964	90,388,540	557,360,389	826,964	90,388,540	224,023,888
Household Goods						
Hussain Industries Limited	15,820	-	-	15,820	-	-
Towellers Limited	315,759	2,551,333	13,261,878	315,759	2,551,333	4,736,385
	331,579	2,551,333	13,261,878	331,579	2,551,333	4,736,385
Food Producers						
Colony Sugar Mills Limited	39,924	71,863	309,411	39,924	71,863	435,571
Kohinoor Sugar Mills Limited	26,451	92,579	251,549	26,451	92,579	308,419
Pangrio Sugar Mills Limited	100,000	277,000	301,000	100,000	277,000	296,000
Sakrand Sugar Mills Limited	11,900	10,948	36,890	11,900	10,948	36,057
Shahtaj Sugar Mills Limited	397	2,974	28,810	397	2,974	34,142
Sind Abadgar Sugar Mills Limited	98,500	492,500	1,050,010	98,500	492,500	1,083,500
Universal Oil Mills Limited	30,000	-	-	30,000	-	-
	307,172	947,864	1,977,670	307,172	947,864	2,193,689
Construction and Materials						
Akzo Nobel Pakistan Limited	154,518	17,899,449	55,244,821	154,518	17,899,449	19,266,849
Dada Bhoj Cement Industries Limited	17,300	27,853	70,238	17,300	27,853	111,758
Fauji Cement Company Limited	5,238	17,286	135,350	5,238	17,286	83,546
Javedan Cement Limited	118	1,126	3,322	118	1,126	7,679
D.G Khan Cement Limited	12,000	228,360	1,326,361	12,000	228,360	1,028,760
Zeal Pak Cement Factory Limited	39,130	-	-	39,130	-	-
	228,304	18,174,074	56,780,091	228,304	18,174,074	20,498,592
Tobacco						
Philip Morris (Pakistan) Limited (formerly Lakson Tobacco Company Limited)	21,206	36,893	22,056,573	21,206	36,893	8,376,370
Pakistan Tobacco Company Limited	70,140	234,209	74,330,164	70,140	234,209	39,467,077
	91,346	271,102	96,386,737	91,346	271,102	47,843,447
Balance carried forward	40,736,420	270,685,838	1,433,550,451	40,702,745	270,685,839	902,316,903

Notes to the Financial Statements | for the year ended December 31, 2014

Name of company	2014			2013		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Balance brought forward	40,736,420	270,685,838	1,433,550,451	40,702,745	270,685,839	902,316,903
Oil and Gas						
National Refinery Limited	502,363	28,312,467	92,861,801	502,363	28,312,467	108,269,274
Pakistan State Oil Company Limited	8,127	371,225	2,908,735	7,389	371,225	2,454,774
Pakistan Petroleum Limited	396,000	27,388,953	69,901,920	396,000	27,388,953	84,728,160
	906,490	56,072,645	165,672,456	905,752	56,072,645	195,452,208
Electricity						
The Hubpower Company Limited	582,085	10,773,636	45,612,181	582,085	10,773,636	35,344,201
K-Electric Limited (formerly Karachi Electric Supply Company Limited)	385,548	863,418	3,554,753	385,548	863,418	2,178,346
Kot Addu Power Company Limited	30,000	1,481,678	2,368,200	30,000	1,481,678	1,852,500
Southern Electric Power Company Limited	13,963	9,774	33,092	13,963	9,774	37,281
	1,011,596	13,128,506	51,568,225	1,011,596	13,128,506	39,412,328
Gas Water and Multiutilities						
Sui Southern Gas Company Limited	12,694,227	36,461,488	492,282,123	12,694,227	36,461,488	305,423,102
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	249,725,408	8,698,203	17,110,611	185,271,724
	21,392,430	53,572,099	742,007,531	21,392,430	53,572,099	490,694,826
Engineering						
Dewan Automotive Engineering Limited	52,333	39,249	-	52,333	39,249	155,952
Pakistan Engineering Company Limited	43,776	364,738	4,867,891	43,776	364,738	2,145,024
	96,109	403,987	4,867,891	96,109	403,987	2,300,976
Travel and Leisure						
Pakistan International Airlines Corporation - "A" Class Shares	-	-	-	-	-	-
	-	-	-	-	-	-
Fixed Line Telecommunication						
Worldcall Telecom Limited	3,672	3,672	6,242	3,672	3,672	9,107
	3,672	3,672	6,242	3,672	3,672	9,107
Forestry and Paper						
Security Papers Limited	920,950	195,915	71,281,530	773,908	195,915	54,405,732
	920,950	195,915	71,281,530	773,908	195,915	54,405,732
Chemicals						
Fauji Fertilizer Bin Qasim Limited	20,035	452,878	905,782	20,035	452,878	877,733
ICI Pakistan Limited	307,281	35,595,431	142,105,171	307,281	35,595,431	77,748,239
Lotte Chemical Pakistan Limited (Formerly: Lotte Pakistan PTA Limited)	1,206,602	3,874,321	8,277,290	1,206,602	3,874,321	8,856,459
Linde Pakistan Limited (Formerly: BOC Pakistan Limited)	1,100	105,478	228,228	1,100	105,478	196,746
Lotte Pakistan PTA Limited	1,535,018	40,028,108	151,516,471	1,535,018	40,028,108	87,679,177
Total	66,602,685	434,090,770	2,620,470,799	66,421,230	434,090,770	1,772,271,257

* Frozen shares

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

Notes to the Financial Statements | for the year ended December 31, 2014

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

Name of company	2014			2013		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Open-End Mutual Funds						
Pakistan Capital Market Fund	18,970	79,326	196,529	16,244	79,326	123,130
National Investment Trust	46,328,425	1,455,639,114	3,059,065,903	46,328,425	1,455,639,114	2,304,375,860
JS Value Fund Limited	41,049	2,267,483	7,383,911	34,620	2,267,483	6,121,508
Pakistan Stock Market Fund Limited	6,476	111,336	476,267	-	-	-
JS Growth Fund	3,499	140,039	554,729	2,834	140,039	447,205
	46,398,419	1,458,237,298	3,067,677,339	46,382,123	1,458,125,962	2,311,067,703
Close-End Mutual Funds						
PICIC Growth Fund	30,406,721	498,670,224	749,525,673	30,406,721	498,670,224	762,600,563
Pakistan Premier Fund Limited	-	-	-	18,712	111,336	182,442
PICIC Investment Fund	17,246	100,372	210,401	17,246	100,372	196,087
	30,423,967	498,770,596	749,736,074	30,442,679	498,881,932	762,979,092
	76,822,386	1,957,007,894	3,817,413,413	76,824,802	1,957,007,894	3,074,046,795

20.3.1 The Company holds 46,328,425 NIT units (2013: 46,328,425 units). The cost ranges from Rs. 53.95 to Rs. 54.50 (2013: Rs. 53.95 to Rs. 54.50) per unit. The units repurchase price as at year end was Rs. 66.03 (2013: Rs. 49.74) per unit.

20.3.2 During the year on 3rd May, 2014, Pakistan Premier Fund Limited Closed-End Mutual Fund was converted to Pakistan Stock Market Fund Limited Open-End Mutual Fund. On conversion 6,746 units were issued against the previous holding of 18,172 units.

20.3.3 Market value of quoted available for sale investment (listed share and NIT unit) is Rs 2,621 million (2013: Rs.1,773 million).

	Note	2014 Rupees	2013 Rupees
20.4 Investment in unlisted companies			
Cost of investment in unlisted companies	20.4.1	2,608,105	2,608,105
Less: Provision for diminution in value		(1,990,492)	(1,990,492)
Balance brought forward from last year		-	-
Provision made during the year		(1,990,492)	(1,990,492)
		617,613	617,613

Name of company	2014		2013	
	Number of shares / certificates	Book Value (Rupees)	Number of shares / certificates	Book Value (Rupees)
20.4.1 Cost of investment in unlisted companies				
Banks				
State Bank of Pakistan (Break-up value is Rs. 688,831 per share based on financial statements for the year ended June 30, 2014) Governor: Mr. Ashraf Mahmood Wathra Industrial Development Bank of Pakistan * / ** (Break-up value is Rs. Nil per share based on financial statements for the year ended June 30, 2012) Chairman/Managing Director: Mr. Jamal Nasim	4,900 6,213 11,113	517,614 618,227 1,135,841	4,900 6,213 11,113	517,614 618,227 1,135,841
Mutual Funds				
National Investment Trust Limited (Break-up value is Rs. 11,021 per share based on financial statements for the year ended June 30, 2014) Managing Director & Chairman: Mr. Shahid Ghaffar	79,200	100,000	79,200	100,000
Insurance				
Indus Assurance Limited *	25,000	250,000	25,000	250,000
Cotton and Textile				
Afsar Textile Mills Limited *	1,000	9,950	1,000	9,950
Kohinoor Cotton Mill Limited *	22,397	219,801	22,397	219,801
	23,397	229,751	23,397	229,751
Chemical				
Synthetic Chemical Limited *	20,000	200,000	20,000	200,000
Vanaspatti and Allied Industries				
Burma Oil Limited *	861	6,470	861	6,470
Burma Soap Limited *	64	640	64	640
	925	7,110	925	7,110
Miscellaneous				
Arag Industries Limited *	133,333	685,403	133,333	685,403
	292,968	2,608,105	292,968	2,608,105

Notes to the Financial Statements | for the year ended December 31, 2014

- * Financial statements of these companies are not available, therefore, the break-up value and the name of the Chief Executive Officer is not presented.
- ** Industrial Development Bank of Pakistan (IDBP) has been dissolved and all assets and liabilities are vested in the Industrial Development Bank Limited (IDBL) vide Government of Pakistan (GoP)'s Finance division's S.R.O. (1)/2012 dated November 13, 2012.

	2014	2013	2014	2013
	Treasury bills		Pakistan Investment Bonds	
	Rupees		Rupees	Rupees
20.5 Held-to-maturity - secured	1,027,295,000	880,405,000	3,140,720,013	3,170,704,754
Tenure	3 months	3 months	3 years	3 years
		to 1 year	to 10 years	to 10 years
Face value - Rupees in million	1,050	900	3,150	3,825
Market value - Rupees in million	1,037	888	3,325	3,276
Maturity dates	January 201 to March 2015	January 2014 to March 2014	July 2015 to September 2024	April 2014 to July 2022
Profit repayment - frequency	On maturity	On maturity	Semi-annually	Semi-annually
Principal repayment - frequency	On maturity	On maturity	On maturity	On maturity
Effective interest rate / coupon rate - per annum	8.63% to 10.06%	8.58% to 9.17%	11.25% to 12%	8% to 12%

20.5.1 The amount of Pakistan Investment Bonds include Rs. 300 million (2013: Rs. 300 million) deposited with the State Bank of Pakistan as required by section 29 of the Insurance Ordinance, 2000.

	Note	2014 Rupees	2013 Rupees
20.6 Investment in listed companies - held-for-trading			
Cost of investment in listed companies	21.6.1	58,502,720	57,483,164
Prior year gain		26,177,636	23,072,038
Gain for the current year		18,660,556	3,105,598
Gain on revaluation of investments	21.6.2	44,838,192	26,177,636
		103,340,912	83,660,800

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

Name of company	2014			2013		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Cement						
Attock Cement Limited	57,500	4,990,500	11,222,275	57,500	4,990,500	8,201,225
Commercial Banks						
National Bank of Pakistan	399,266	17,147,638	27,733,016	399,266	17,147,615	23,181,384
Refinery						
The Hubpower Company Limited	100,004	4,524,181	7,836,313	100,004	4,524,181	6,072,424
Technology and Communication						
Pakistan Telecommunication Company Limited	319,500	5,543,325	7,358,085	319,500	5,543,325	9,086,580
Chemicals						
Fauji Fertilizer Company Limited	60,000	7,028,400	7,026,624	60,000	7,028,400	6,717,600
Engro Fertilizer Company Limited	17,078	1,019,533	1,333,792	-	-	-
Engro Corporation Limited	170,786	15,719,143	37,830,807	170,786	15,719,143	27,049,087
Engro Polymer and Chemicals Limited	250,000	2,530,000	3,000,000	250,000	2,530,000	3,352,500
	497,864	26,297,076	49,191,223	480,786	25,277,543	37,119,187
	1,374,134	58,502,720	103,340,912	1,357,056	57,483,164	83,660,800

Notes to the Financial Statements | for the year ended December 31, 2014

21 INVESTMENT PROPERTIES

2014	PRC Building, Karachi	Lease hold land	PRC Towers, Karachi	Electrical installation	Air conditioning plant	Lift	Total
	Rupees						
As at January 01, 2014							
Cost	150,302	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(69,084)	-	(55,028,908)	(18,718,892)	(26,163,664)	(20,779,458)	(120,760,006)
Book value	81,218	572,406	34,122,415	276,176	393,166	306,367	35,751,748
December 31, 2014							
Opening net book amount	81,218	572,406	34,122,415	276,176	393,166	306,367	35,751,748
Additions	-	-	-	-	-	-	-
Depreciation charge for the year	(3,986)	-	(1,674,397)	(51,228)	(72,930)	(56,829)	(1,859,370)
Book value	77,232	572,406	32,448,018	224,948	320,236	249,538	33,892,378
As at December 31, 2014							
Cost	150,302	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(73,070)	-	(56,703,305)	(18,770,120)	(26,236,594)	(20,836,287)	(122,619,376)
Book value	77,232	572,406	32,448,018	224,948	320,236	249,538	33,892,378
Depreciation rate - percentage	5%	0%	5%	20%	20%	20%	
2013	PRC Building, Karachi	Lease hold land	PRC Towers, Karachi	Electrical installation	Air conditioning plant	Lift	Total
	Rupees						
As at January 01, 2013							
Cost	150,302	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(64,809)	-	(53,232,992)	(18,649,848)	(26,065,372)	(20,702,866)	(118,715,887)
Book value	85,493	572,406	35,918,331	345,220	491,458	382,959	37,795,867
December 31, 2013							
Opening net book amount	85,493	572,406	35,918,331	345,220	491,458	382,959	37,795,867
Additions	-	-	-	-	-	-	-
Depreciation charge for the year	(4,275)	-	(1,795,916)	(69,044)	(98,292)	(76,592)	(2,044,119)
Book value	81,218	572,406	34,122,415	276,176	393,166	306,367	35,751,748
As at December 31, 2013							
Cost	150,302	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(69,084)	-	(55,028,908)	(18,718,892)	(26,163,664)	(20,779,458)	(120,760,006)
Book value	81,218	572,406	34,122,415	276,176	393,166	306,367	35,751,748
Depreciation rate - percentage	5%	0%	5%	20%	20%	20%	

Buildings and related lease hold lands are held by the Company for both own use purposes and as investment properties. The carrying value of these buildings and lease hold lands have been allocated between the investment properties and assets held for own use (refer note - 29, fixed assets) on the basis of floor space occupied for respective purposes.

The book value of the PRC Building, Karachi and PRC Towers, Karachi including portion attributable as owner-occupied property and all installations therein and excluding lease hold land is Rs. 64.435 million (2013: Rs. 64.771 million). The market value of the same amounted to Rs. 1,281 million (2013: Rs. 1,038) million. The valuation at both the year end have been carried out by M/s. M.J. Surveyors (Private) Limited, an independent valuer.

Notes to the Financial Statements | for the year ended December 31, 2014

	Note	2014 Rupees	2013 Rupees
22 AMOUNT DUE FROM OTHER INSURERS AND REINSURERS			
Amount due from other insurers		181,683,600	2,696,184,075
Amount due from other reinsurers		3,242,223,212	301,613,500
	22.1	<u>3,423,906,812</u>	<u>2,997,797,575</u>
Less: Provision for doubtful debts		<u>(386,000,000)</u>	<u>(386,000,000)</u>
		<u>(386,000,000)</u>	<u>(386,000,000)</u>
		<u>3,037,906,812</u>	<u>2,611,797,575</u>

- 22.1 This includes gross amount Rs.1,405,601,843 (2013:1,110,357,000) due from related parties. The age analysis of amount due from related parties is as follows:

	Rupees in thousand (000)	
Upto 3 months	1,458,430	755,043
Over 3 months and upto twelve months	881,984	355,314
	<u>2,340,414</u>	<u>1,110,357</u>

23 PREMIUM AND CLAIMS RESERVES RETAINED BY CEDANTS

Premium reserves	2,210,521	3,020,877
Losses reserves	28,946,570	28,775,268
Cash losses paid to ceding companies	193,226,395	2,045,311
Less: Provision for doubtful debts	<u>(17,000,000)</u>	<u>(17,000,000)</u>
	<u>207,383,486</u>	<u>16,841,456</u>

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

Notes to the Financial Statements | for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
24 ACCURED INVESTMENT INCOME		
Dividend receivable	1,997,534	1,997,534
Interest on held to maturity investments	130,572,555	125,313,189
Interest on deposits maturity within 12 months	1,604,010	3,682,267
Rentals receivable	46,143,958	41,659,443
	<u>180,318,057</u>	<u>172,652,433</u>
Provision for dividend receivable	(1,997,534)	(1,997,534)
	<u>178,320,523</u>	<u>170,654,899</u>
25 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS		
Facultative business		
Fire	136,468,099	136,468,099
Marine cargo	-	-
Marine hull	40,138	14,442,587
Accident and others	-	-
Aviation	520,243,621	59,056,879
Engineering	80,883,495	122,687,816
	<u>737,635,353</u>	<u>332,655,381</u>
Treaty	<u>872,733,343</u>	<u>1,208,777,924</u>
	<u>1,610,368,696</u>	<u>1,541,433,305</u>
26 DEFERRED COMMISSION EXPENSE		
Facultative business		
Fire	104,189,543	95,306,645
Marine cargo	678,416	2,264,145
Marine hull	7,977,120	8,065,439
Accident and others	11,794,847	9,307,221
Aviation	1,582,688	716,978
Engineering	40,159,187	27,308,699
	<u>166,381,800</u>	<u>142,969,127</u>
Treaty	<u>368,573,773</u>	<u>352,896,626</u>
	<u>534,955,573</u>	<u>495,865,753</u>

Notes to the Financial Statements | for the year ended December 31, 2014

		2014 Rupees	2013 Rupees
27	PREPAYMENTS		
	Prepayment reinsurance ceded-Facultative business		
	Fire	269,324,287	387,805,080
	Marine hull	33,452,178	37,575,493
	Aviation	821,419,466	801,369,181
	Engineering	515,487,177	511,651,888
		<u>1,639,683,107</u>	<u>1,738,401,642</u>
	Prepayment reinsurance ceded-Treaty business	431,938,387	247,588,866
		<u>2,071,621,494</u>	<u>1,985,990,508</u>
	Other prepayments	3,223,278	5,800,933
		<u>2,074,844,772</u>	<u>1,991,791,441</u>
28	SUNDRY RECEIVABLE		
	Employee welfare fund receivable	888,135	888,135
	Export Credit Guarantee schemes	56,142,435	56,142,435
	Receivable against National Co-insurance Scheme	4,939,471	4,939,471
	Receivable against War Risk Insurance-Karachi	7,724,303	7,724,303
	Receivable against War Risk Insurance-Lahore	10,541,524	10,541,524
	Receivable From Economic Cooperation Organization (ECO) Reinsurance Pool	36,215,493	36,215,493
	Receivable from Investment Corporation of Pakistan	4,565,000	4,565,000
	Advances	5,336,306	5,026,310
	Security deposits	3,349,514	3,349,514
	Others	3,914,718	4,263,939
		<u>133,616,899</u>	<u>133,656,124</u>
	Less: Provision for doubtful debts		
	Balance brought forward from last year	(42,729,624)	(24,621,877)
	Provision made during the year	-	(18,107,747)
		<u>(42,729,624)</u>	<u>(42,729,624)</u>
		<u>90,887,275</u>	<u>90,926,500</u>

Notes to the Financial Statements | for the year ended December 31, 2014

- 28.1 This represents the total amount of income tax deposited by the Company since the year 1984-85 to the year 2001-02 in respect of Export Credits Guarantee scheme. The income of the respective years under the Scheme was transferred to the Government. The income tax department, however, taxed ECGS income by clubbing it with the Company's income. The Company's appeal in this respect which was pending before High Court has been dismissed. This amount was previously classified as advance tax and has been transferred as amount receivable from the Ministry of Finance, Government of Pakistan. The Company had filed an appeal in the Supreme Court of Pakistan in this respect which vide order dated August 21, 2007 granted leave to appeal filed by the Company against the judgment of the High Court. The matter is now before Alternate Dispute Resolution Committee (ADRC).

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

FBR via letter No. 2(48) IT-Jud/2006-ADR/45098-R regretted the request for reconstitution of ADRC. Therefore the Company needs to pursue its case with the Supreme Court of Pakistan which has 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.

- 28.2 Amount is receivable from Government of Pakistan against expenses for running the affairs of War Risk Insurance Department (the Department) working under the supervision of Pakistan Insurance Company (defunct). The Department was set up for insurance of losses which could have occurred due to war.
- 28.3 The amount represents the management fee receivable from Economic Cooperation Organization (ECO) in respect of arrangements of meetings in Pakistan in relation to ECO Reinsurance pool.
- 28.4 Investment Corporation of Pakistan (ICP) was amalgamated with and into Industrial Development Bank of Pakistan in terms of Scheme of Amalgamation-2006. All the shareholders of ICP (Defunct) were converted into creditors. The said amount represents receivable from ICP in this regard.
- 28.5 Contingencies related to tax are presented in note 35.

Notes to the Financial Statements | for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
29 FIXED ASSETS		
29.1 Land and Building		
PRC House	1,383,879	1,455,290
Lift	147	146
PRC Tower-leasehold land	223,622	223,622
PRC Tower-building	15,621,982	16,428,115
	<u>17,229,629</u>	<u>18,107,173</u>
29.2 Furniture, fixtures, books, office equipments and computer		
Furniture and fixture	1,383,979	1,421,032
Office equipment	1,730,417	1,928,311
Books	318,684	337,295
Computers	6,912,805	8,429,246
	<u>10,345,885</u>	<u>12,115,884</u>
29.3 Electrical installation, air-conditioning and lifts		
Electrical installation	2,848,550	3,497,272
Air-conditioning	7,197,691	8,836,877
Lifts	2,332,895	829,142
	<u>12,379,136</u>	<u>13,163,291</u>
29.4 Motor vehicles	<u>9,237,836</u>	<u>13,052,619</u>
	<u>49,192,487</u>	<u>56,438,967</u>

Notes to the Financial Statements | for the year ended December 31, 2014



29.5

2014

	Land and Building				Furniture, fixture, books and office equipment				Electrical installation, air-conditioning and lift			Motor vehicles	Total
	PRC House	Lift	PRC Towers		Furniture and fixture	Office equipment	Books	Computers	Electrical installation	Air-conditioning	Lift		
			leasehold land	Building									
	Rupees												
As at January 01, 2014													
Cost	2,693,186	146	223,622	38,663,647	11,055,962	4,702,684	520,086	21,716,898	12,659,713	22,847,657	9,505,592	22,819,400	147,408,593
Accumulated depreciation	(1,237,896)	-	-	(22,235,532)	(9,634,930)	(2,774,373)	(182,791)	(13,287,652)	(9,162,441)	(14,010,780)	(8,676,450)	(9,766,781)	(90,969,626)
Book value	1,455,290	146	223,622	16,428,115	1,421,032	1,928,311	337,295	8,429,246	3,497,272	8,836,877	829,142	13,052,619	56,438,967
December 31, 2014													
Opening net book amount	1,455,290	146	223,622	16,428,115	1,421,032	1,928,311	337,295	8,429,246	3,497,272	8,836,877	829,142	13,052,619	56,438,967
Additions	-	-	-	-	97,300	35,750	13,710	7,600	-	-	1,899,956	-	2,054,316
Disposals / transfers													
Cost	-	-	-	-	-	-	-	-	-	-	-	(4,675,500)	(4,675,500)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	3,045,341	3,045,341
Depreciation charge for the year	(71,411)	-	-	(806,133)	(134,353)	(233,644)	(32,321)	(1,524,041)	(648,722)	(1,639,186)	(396,203)	(2,184,624)	(7,670,638)
Book value	1,383,879	146	223,622	15,621,982	1,383,979	1,730,417	318,684	6,912,805	2,848,550	7,197,691	2,332,895	9,237,836	49,192,486
As at December 31, 2014													
Cost	2,693,186	146	223,622	38,663,647	11,153,262	4,738,434	533,796	21,724,498	12,659,713	22,847,657	11,405,548	18,143,900	144,787,409
Accumulated depreciation	(1,309,307)	-	-	(23,041,665)	(9,769,283)	(3,008,017)	(215,112)	(14,811,693)	(9,811,163)	(15,649,966)	(9,072,653)	(8,906,064)	(95,594,923)
Book value	1,383,879	146	223,622	15,621,982	1,383,979	1,730,417	318,684	6,912,805	2,848,550	7,197,691	2,332,895	9,237,836	49,192,486
Depreciation rate - percentage	5%	20%	0%	5%	10%	15%	10%	20%	20%	20%	20%	20%	

29.6

2013

	Land and Building				Furniture, fixture, books and office equipment				Electrical installation, air-conditioning and lift			Motor vehicles	Total
	PRC House	Lift	PRC Towers		Furniture and fixture	Office equipment	Books	Computers	Electrical installation	Air-conditioning	Lift		
			leasehold land	Building									
	Rupees												
As at January 01, 2013													
Cost	2,693,186	146	223,622	38,663,647	10,892,662	4,496,089	454,716	21,090,727	11,835,113	15,693,157	9,505,592	23,141,400	138,690,057
Accumulated depreciation	(1,161,302)	-	-	(21,370,894)	(9,473,090)	(2,388,929)	(149,225)	(11,143,389)	(8,333,772)	(12,484,665)	(8,469,164)	(10,832,925)	(85,807,355)
Book value	1,531,884	146	223,622	17,292,753	1,419,572	2,107,160	305,491	9,947,338	3,501,341	3,208,492	1,036,428	12,308,475	52,882,702
December 31, 2013													
Opening net book amount	1,531,884	146	223,622	17,292,753	1,419,572	2,107,160	305,491	9,947,338	3,501,341	3,208,492	1,036,428	12,308,475	52,882,702
Additions	-	-	-	-	163,300	206,595	65,370	626,171	824,600	7,154,500	-	5,157,000	14,197,536
Disposals / transfers													
Cost	-	-	-	-	-	-	-	-	-	-	-	(5,479,000)	(5,479,000)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	3,616,526	3,616,526
Depreciation charge for the year	(76,594)	-	-	(864,638)	(161,840)	(385,444)	(33,566)	(2,144,263)	(828,669)	(1,526,115)	(207,286)	(2,550,382)	(8,778,797)
Book value	1,455,290	146	223,622	16,428,115	1,421,032	1,928,311	337,295	8,429,246	3,497,272	8,836,877	829,142	13,052,619	56,438,967
As at December 31, 2013													
Cost	2,693,186	146	223,622	38,663,647	11,055,962	4,702,684	520,086	21,716,898	12,659,713	22,847,657	9,505,592	22,819,400	147,408,593
Accumulated depreciation	(1,237,896)	-	-	(22,235,532)	(9,634,930)	(2,774,373)	(182,791)	(13,287,652)	(9,162,441)	(14,010,780)	(8,676,450)	(9,766,781)	(90,969,626)
Book value	1,455,290	146	223,622	16,428,115	1,421,032	1,928,311	337,295	8,429,246	3,497,272	8,836,877	829,142	13,052,619	56,438,967
Depreciation rate - percentage	5%	20%	0%	5%	10%	15%	10%	20%	20%	20%	20%	20%	

Notes to the Financial Statements | for the year ended December 31, 2014

29.7 Disposal / transfer of fixed assets

Particulars of items	Purchase price	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal	Particular of purchaser
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During the year ended December 31, 2014

Vehicles

Honda City - GP 5781	1,319,000	(881,988)	437,012	437,012	-	Company policy	Fida Samoo
Toyota Corolla - GA 9519	1,169,000	(1,047,629)	121,371	630,000	508,629	Auction	Faisal Iqbal
Suzuki Cultus - GA 9495	585,000	(525,292)	59,708	340,000	280,292	Auction	Faisal Iqbal
Toyota Corolla - GP 7779	1,602,500	(590,432)	1,012,068	1,012,068	-	Company policy	Ayaz Hussain M. Gad
Total	4,675,500	(3,045,341)	1,630,159	2,419,080	788,921		

Particulars of items	Purchase price	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal	Particular of purchaser
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During the year ended December 31, 2013

Vehicles

Suzuki Baleno - GA 9515	834,000	(725,763)	108,237	360,000	251,763	Auction	Abdul Razzak
Suzuki Cultus - GA 9554	585,000	(523,015)	61,985	314,000	252,015	Auction	Wajid Surjan
Suzuki Cultus - AXB 639	990,000	(289,300)	700,700	700,700	-	Company policy	Anzarul Hassan Hashmi
Suzuki Baleno - GA 9514	834,000	(725,763)	108,237	381,000	272,763	Auction	Syed Miraj Maqbool
Suzuki Baleno - GA 9494	834,000	(725,763)	108,237	421,000	312,763	Auction	Syed Miraj Maqbool
Toyota Corolla - GP 5811	1,269,000	(600,322)	668,678	1,150,000	481,322	Recoveries under insurance claims	National Insurance Company Limited
Honda Motor Cycle - KFR 515	66,500	(13,300)	53,200	60,000	6,800	Recoveries under insurance claims	National Insurance Company Limited
Honda Motor Cycle - KFR 532	66,500	(13,300)	53,200	60,000	6,800	Recoveries under insurance claims	National Insurance Company Limited
Total	5,479,000	(3,616,526)	1,862,474	3,446,700	1,584,226		

Notes to the Financial Statements | for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
30 ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)-NET		
Assets relating to Bangladesh comprise of fixed assets and investments are as follows:		
Fixed assets		
Land and building	8,608,000	8,608,000
Furniture and fixture	4,000	4,000
	8,612,000	8,612,000
Investments		
Stock and shares	7,112,000	7,112,000
Debenture	250,000	250,000
	7,362,000	7,362,000
	15,974,000	15,974,000
Liabilities		
Outstanding claims	(4,952,000)	(4,952,000)
Other liabilities	(809,000)	(809,000)
	(5,761,000)	(5,761,000)
	10,213,000	10,213,000
Provision for loss on assets in Bangladesh	(10,213,000)	(10,213,000)
	-	-
31 OTHER MANAGEMENT EXPENSES		
Salaries, wages and benefits	351,986,015	333,051,065
Employee benefits		
Officers' pension	49,817,000	32,754,000
Employees' pension	(601,000)	11,079,000
Post retirement medical benefits	39,127,000	34,221,000
Gratuity fund	2,082,000	1,198,000
Compensated absences	11,150,000	19,744,000
	101,575,000	98,996,000
Travelling and conveyance	9,628,526	13,378,140
Entertainment	6,796,480	6,903,803
Subscription and membership	345,501	789,030
Legal fees	754,000	589,500
Communication	605,305	671,337
Insurance	6,649,466	4,222,123
Utilities	30,976,005	24,547,478
Printing and stationary	2,260,709	1,684,436

Notes to the Financial Statements | for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
Repairs and renewal	1,320,992	1,625,683
Medical	18,323,524	17,911,480
Rent, rates and taxes	4,509,855	5,586,960
Computer related expenses	1,986,118	1,729,808
Consultancy and professional charges	569,800	1,137,545
Newspaper and periodicals	4,975,626	4,888,192
Financial and CDC charges	580,029	789,622
Others	525,967	582,160
	<u>544,368,918</u>	<u>519,084,362</u>
Expenses allocated to rental income	(11,884,967)	(8,910,379)
Expenses allocated to investment income	<u>(7,011,028)</u>	<u>(6,820,058)</u>
	<u>525,472,923</u>	<u>503,353,925</u>
31.1 General Provident Fund		
Size of the fund	<u>91,239,568</u>	<u>135,450,361</u>
Cost of investment made	<u>125,213,562</u>	<u>94,472,274</u>
Fair value of investment	<u>145,448,555</u>	<u>131,529,949</u>
Number of members	<u>229</u>	<u>245</u>
Composition of fund		
Special account in scheduled bank(s)	961,124	71,850
Government securities	109,581,530	71,840,242
National investment trust units	15,632,032	15,632,032
Term deposits receipts (TDRs)	-	7,000,000
	<u>126,174,686</u>	<u>94,544,124</u>
	Percentage	Percentage
Percentage of investments made in.		
Special account in scheduled bank(s)	1%	0%
Government securities	87%	76%
National investment trust units	12%	17%
Term deposits receipts (TDRs)	0%	7%

The investment out of provident fund have been made in accordance with provisions of section 227 of the Companies Ordinance, 1984.

31.1.1 The audit of the financial statements for the current year, of the Fund have not been finalized.

Notes to the Financial Statements | for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
32 RENTAL INCOME		
Rental income	62,071,607	59,387,277
Investment property related expenditures	(11,884,967)	(8,910,379)
	<u>50,186,640</u>	<u>50,476,898</u>

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

33 OTHER INCOME

Income from financial assets

Interest on deposits	183,579	609,042
Interest on loans	15,672	10,720

Income from non-financial assets

Miscellaneous income	48,466	171,059
Gain on disposal of fixed assets	788,921	1,584,226
	<u>1,036,639</u>	<u>2,375,047</u>

34 GENERAL AND ADMINISTRATION EXPENSES

Depreciation-fixed assets	7,670,638	8,778,797
Depreciation - investment properties	1,859,370	2,044,119
Director's meetings	2,063,041	5,882,907
Advertisement and business promotion	1,579,328	3,463,066
Training and research	54,130	2,988,458
Mark-up / interest	-	13,540
Repairs and maintenance	13,077,167	10,100,263
Shares transaction costs	38,618	30,731
Auditors' remuneration	34.1 726,000	660,000
Other certification	186,600	-
Provision for doubtful debts	-	18,107,747
Others	2,914,028	6,492,485
	<u>30,168,920</u>	<u>58,562,113</u>

34.1 Auditors' remuneration

Audit fee	528,000	528,000
Interim review	132,000	132,000
Audit out of pocket	66,000	-
	<u>726,000</u>	<u>660,000</u>

Notes to the Financial Statements | for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
35 INCOME TAX EXPENSE		
35.1 Provision for taxation		
Current	395,594,664	384,755,911
Prior year	(74,905,070)	-
	<u>320,689,594</u>	<u>384,755,911</u>

- 35.2 The department had made add backs relating to assessment years 1984-85 to 2001-02 on account of income under Export Credit Guarantee Schemes (ECGS). The Company had filed appeal against this in Income Tax Appellate Tribunal (ITAT), however, the ITAT concluded the appeals against the Company for the assessment years 1984-85 to 1994-95. The Company had filed an appeal in the Honourable High Court against the add backs relating to assessment years 1984-89, however the judgment was made against the Company by the Honourable High Court. The Company has now filed an appeal in the Honourable Supreme Court of Pakistan against the said judgement of the Honourable High Court, the Honourable Supreme Court of Pakistan vide order dated August 21, 2007 has granted leave to file an appeal against the said judgment.

The Company had filed an appeal in the Honourable High Court against the add backs relating to assessment years 1995-96 to 2001-02. These cases are pending for finalization before the Honourable High Court.

- 35.3 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) is now recorded as a receivable from the Ministry of Finance, Government of Pakistan. The matter is contested by the Ministry and is now before Alternate Dispute Resolution Committee (ADRC).
- 35.4 The Additional Commissioner and Deputy Commissioner of Inland Revenue (FBR) have issued show cause notices under section 233 and 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2008, 2009, 2012 for non deduction of withholding tax on reinsurance commission paid to local/ceding insurance companies. The Company has, in respect of this issue, received a demand notice of Rs. 217,443,076 and Rs. 252,776,143 and Rs.148,318,431 under various orders in 2014. Currently, the case is before Appellate Tribunal Inland Revenue (FBR) for final verdict.

The Company has filed an appeal contesting the Federal Board of Revenue stance on the basis that the Company do not pay any such amount but such amounts are adjusted and the net amount of premium is received by the Company and it is in accordance with current industry practice. The Company has not made provision in this regard with consultation of tax advisor as it is confident that the case will be decided in the Company's favor.

Notes to the Financial Statements | for the year ended December 31, 2014

- 35.5 Notice has been issued by the authority for tax year 2003, however, assessment proceedings are pending before the Honourable High Court. Further, a relief of Rs. 41,567,000 was allowed to the Company by the Commissioner Inland Revenue (Appeal) for tax year 2004, which was also confirmed by Appellate Tribunal Inland Revenue. The Income Tax department has filed an ITRA against the said relief. The said ITRA is considered doubtful as it relates to miscellaneous application for rectification and has not challenged the main order. The Company has not made provision in this regard as it is confident that the case will be decided in the Company's favour.

	2014 Rupees	2013 Rupees
35.6 Relationship between tax expenses and accounting profit		
Profit before tax	1,564,705,437	1,705,903,989
Tax at the applicable rate of 33% (2013: 34%)	516,983,539	580,007,356
Tax effect of exempt capital gain	(683,341)	(3,894,667)
Tax effect of Dividend income taxed at lower rate	(101,210,722)	(115,640,638)
Tax effect of property income being taxed separately	(16,231,591)	(12,149,455)
Tax effect of (income)/loss that are deductible in determining the taxable profit	(3,263,220)	(63,566,685)
Charge for the year	<u>395,594,665</u>	<u>384,755,911</u>

36 EARNINGS PER SHARE - basic and diluted

Profit after tax for the year - Rupees	<u>1,244,015,843</u>	<u>1,321,148,078</u>
Weighted average number of ordinary shares	<u>300,000,000</u>	<u>300,000,000</u>
Earnings per share - Rupees - basic and diluted	<u>4.15</u>	<u>4.40</u>

- 36.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which when exercised would have an impact on earnings per share, i.e. there were no convertible dilutive potential shares outstanding on December 31, 2014.

Notes to the Financial Statements | for the year ended December 31, 2014

37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

37.1 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

37.2 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:

	2014	2013
	Rupees	Rupees
Bank deposits	3,081,370,269	2,706,331,619
Investments	2,481,994,626	2,462,314,514

Notes to the Financial Statements | for the year ended December 31, 2014

	2014 Rupees	2013 Rupees
Amount due from other insurers and reinsurers	3,037,906,812	2,611,797,575
Premium and claim reserves retained by cedants	207,383,486	16,841,456
Accrued investment income	180,318,057	170,654,899
Reinsurance recoveries against outstanding claims	1,610,368,696	1,541,433,305
Sundry receivables	90,887,275	90,926,500
	<u>10,690,229,221</u>	<u>9,600,299,868</u>

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

The age analysis of receivables comprising 'amount due from other insurers' and 'amount due from other reinsurers' is as follows:

	2014 Rupees in thousand ('000)'	2013 Rupees in thousand ('000)'
Upto three months	1,458,430	1,417,468
Over three months but upto one year	881,984	814,713
Over one year but upto two year	583,852	335,230
Over two year but upto three year	188,356	155,488
Over three year	311,284	274,899
	<u>3,423,906</u>	<u>2,997,798</u>

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

	Rating			2014 Rupees in thousand ('000)	2013 Rupees in thousand ('000)
	Short term	Long term	Rating agency		
National Bank of Pakistan	A1+	AAA	JCR-VIS	11,344	42,194
Bank Al-Habib Limited	A1+	AA+	PACRA	862,684	979,935
United National Bank Limited, London	A1+	AA+	PACRA	4,908	3,899
Summit Bank Limited	A-3	A-	JCR-VIS	7,625	7,199
Bank Al-Habib Limited	A1+	AA+	PACRA	1,945,742	1,023,243
Allied Bank Limited	A1+	AA+	PACRA	-	220,000
Faysal Bank Limited	A1+	AA+	PACRA	225,000	215,000
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	215,000
				<u>3,057,303</u>	<u>2,706,471</u>

Notes to the Financial Statements | for the year ended December 31, 2014

37.3 Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Maturity in one year	Maturity exceeding one year
Rupees in thousand ('000)				
December 31, 2014				
Provision for outstanding claims	3,183,398	3,183,398	3,183,398	-
Amount due to other insurers / reinsurers	1,678,642	1,678,642	1,678,642	-
Premium and claim reserves retained from retrocessionaires	19,064	19,064	-	19,064
Other creditors and accruals	39,330	39,330	39,330	-
Accrued expenses	24,625	24,625	24,625	-
Retention money payable	6,368	6,368	6,368	-
Unclaimed dividend	124,504	124,504	124,504	-
Surplus profit payable	1,213	1,213	1,213	-
	<u>5,077,144</u>	<u>5,077,144</u>	<u>5,058,080</u>	<u>19,064</u>
December 31, 2013				
Provision for outstanding claims	2,564,780	2,564,780	2,564,780	-
Long term deposits	14,368	14,368	-	14,368
Amount due to other insurers / reinsurers	1,357,719	1,357,719	1,357,719	-
Premium and claim reserves retained from retrocessionaires	19,064	19,064	-	19,064
Other creditors and accruals	34,341	34,341	34,341	-
Accrued expenses	22,031	22,031	22,031	-
Retention money payable	6,821	6,821	6,821	-
Unclaimed dividend	78,809	78,809	78,809	-
Surplus profit payable	1,213	1,213	1,213	-
	<u>4,099,146</u>	<u>4,099,146</u>	<u>4,065,714</u>	<u>33,432</u>

37.4 Market risk

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

Notes to the Financial Statements | for the year ended December 31, 2014

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

Sensitivity analysis

The table below summarizes company's equity price risk as of December 31, 2014 and 2013 and shows the effects of a 10% increase and a 10% decrease in market prices as at the year end. The selected change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in company's equity investment portfolio because of the nature of equity markets.

	Fair value	Estimated fair value after change in prices	Increase / (decrease) in	
			Shareholders'	Profit /
			equity	before tax
	Rupees in thousands ('000)			
December 31, 2014				
10% increase	3,920,754	4,312,830	258,770	392,076
10% decrease		3,528,679	(258,770)	(392,075)
December 31, 2013				
10% increase	3,157,708	3,473,479	205,251	315,771
10% decrease		2,841,937	(205,251)	(315,771)

37.5 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.

37.6 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:

Notes to the Financial Statements | for the year ended December 31, 2014

2014						
Effective rate per annum (percentage)	Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	Total
	Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total		
Rupees in thousand ('000)						
Financial assets						
Cash and bank deposits	5.00 to 10.00	3,081,370	-	-	2,218,686	3,081,370
Loans to employees	10	147	-	-	147	70,577
Investment	8.58 to 12	1,532,440	1,744,530	891,045	4,168,015	6,650,010
Amount due from other insurers / reinsurers	-	-	-	-	-	-
Premium and claim reserves retained by cedants	-	-	-	-	-	3,037,907
Accrued investment income	-	-	-	-	-	207,383
Reinsurance recoveries against outstanding claims	-	-	-	-	-	178,321
Sundry receivables	-	-	-	-	-	1,610,369
						90,887
Total		4,613,957	1,744,530	891,045	6,386,848	8,539,974
						14,926,824
Financial liabilities						
Provision for outstanding claims	-	-	-	-	-	3,183,398
Deferred liability - employee benefits	-	-	-	-	-	804,333
Long term deposits	-	-	-	-	-	12,484
Amount due to other insurers / reinsurers	-	-	-	-	-	-
Premium and claim reserves retained from retrocessionaires	-	-	-	-	-	1,678,642
Other creditors and accruals	-	-	-	-	-	19,064
Accrued expenses	-	-	-	-	-	39,330
Retention money payable	-	-	-	-	-	39,330
Unclaimed dividend	-	-	-	-	-	24,625
Surplus profit payable	-	-	-	-	-	6,368
						124,504
						1,213
Total		-	-	-	-	5,933,292
						5,933,292
2013						
Effective rate per annum (percentage)	Interest / mark-up bearing financial instruments				Non-interest / mark-up bearing financial instruments	Total
	Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total		
Rupees in thousand ('000)						
Financial assets						
Cash and bank deposits	5.00 to 10.00	1,679,644	-	-	1,679,644	2,706,380
Loans to employees	10	38	-	-	38	73,156
Investment	8.58 to 12	1,449,505	1,734,610	866,994	4,051,109	6,513,424
Amount due from other insurers / reinsurers	-	-	-	-	-	-
Premium and claim reserves retained by cedants	-	-	-	-	-	2,611,798
Reinsurance recoveries against outstanding claims	-	-	-	-	-	16,841
Accrued investment income	-	-	-	-	-	170,655
Sundry receivables	-	-	-	-	-	1,541,433
						90,927
Total		3,129,187	1,734,610	866,994	5,730,791	7,993,822
						13,724,613
Financial liabilities						
Provision for outstanding claims - net	-	-	-	-	-	2,564,780
Deferred liability - employee benefits	-	-	-	-	-	704,236
Long term deposits	-	-	-	-	-	14,368
Amount due from other insurers / reinsurers	-	-	-	-	-	-
Premium and claim reserves retained from retrocessionaires	-	-	-	-	-	1,357,719
Other creditors and accruals	-	-	-	-	-	19,064
Accrued expenses	-	-	-	-	-	34,341
Retention money payable	-	-	-	-	-	22,031
Unclaimed dividend	-	-	-	-	-	6,821
Surplus profit payable	-	-	-	-	-	78,809
						1,213
Total		-	-	-	-	-
						4,803,382
Interest risk sensitivity gap		3,129,187	1,734,610	866,994	5,730,791	
Cumulative interest risk sensitivity gap		3,129,187	4,863,797	5,730,791		

Notes to the Financial Statements | for the year ended December 31, 2014

Sensitivity analysis

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

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

	2014		2013	
	Increase in profit / (loss) upon change of 100 bps	Decrease	Increase in profit / (loss) upon change of 100 bps	Decrease
	Rupees in thousand ('000)			
Cash flow sensitivity - Variable Rate Financial Liabilities	-	-	-	-
Cash flow sensitivity - Variable Rate Financial Assets	63,868	(63,868)	57,308	(57,308)

37.7 Foreign currency risk

Foreign currency risk is the risk that the value of financial instrument will fluctuate due to change in foreign exchange rates. The Company principal transactions are carried out in Pakistani Rupee and its exposure to foreign exchange risk arises primarily with respect to US \$ and UK Pound. Financial assets exposed to foreign exchange risk amounted to Rs. 862.864 million (2013: Rs. 1,026.686 million) and Rs. 0.455 million (2013: Rs. 0.455 million) respectively at the end of the year.

The following significant exchange rates were applied during the year:

	2014	2013	2014	2013
	Rupees per US Dollars		Rupees per UK Pound	
	Rupees	Rupees	Rupees	Rupees
Average rate	101.84	106.49	167.80	172.43
Reporting date rate	100.40	105.00	156.30	173.03

Notes to the Financial Statements | for the year ended December 31, 2014

37.8 Insurance risk

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

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

Frequency and severity of claims

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

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

	2014	2013
	Gross sum insured	
	Rupees in thousand ('000)	
Fire	6,593,598	2,716,330
Marine cargo	942,996	1,142,445
Marine hull	1,495,392	1,559,948
Accident and others	2,286,000	1,351,160
Aviation	130,539,000	101,513,263
Engineering	17,346,000	17,726,000
	159,202,986	126,009,146

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.

Notes to the Financial Statements | for the year ended December 31, 2014

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	2014	2013
	Assumed net loss ratio	
	Percentage	
Fire	52%	37%
Marine cargo	25%	81%
Marine hull	1%	26%

Notes to the Financial Statements | for the year ended December 31, 2014

Class	2014	2013
	Assumed net loss ratio	
	Percentage	
Accident and others	65%	33%
Aviation	10%	88%
Engineering	21%	45%

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.

	Profit before tax		Shareholders' equity	
	2014	2013	2014	2013
	Rupees in '000		Rupees in '000	
10% increase in loss	279,317	283,090	184,349	186,839
10% decrease in loss	(279,317)	(283,090)	(184,349)	(186,839)

37.9 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.

37.10 Reinsurance and retrocession arrangements

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

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

Notes to the Financial Statements | for the year ended December 31, 2014

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

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

	2014	2013
	Rupees in thousand ('000)	
A or above	2,760,403	2,416,868
BBB	30,526	26,727
Others	632,978	554,203
Total	3,423,907	2,997,798

38 Capital management

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

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

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

Notes to the Financial Statements | for the year ended December 31, 2014

39 EMPLOYEE BENEFITS

39.1 Defined benefit plans

		2014					2013							
		Post employment benefits		Other post-employment benefits	Other long term employment benefits	Total	Post employment benefits		Other post-employment benefits	Other long term employment benefits	Total			
		Retirement benefits					Retirement benefits							
		Pension	Gratuity				Pension	Gratuity						
		Officer	Employees	Medical	Compensated absences		Officer	Employees		Compensated absences				
Note		Rupees in millions ('000,000)												
39.1.1	Payable to / (receivable) from defined benefit plan													
	Present value of defined benefit obligation	39.1.3	990.202	307.897	5.405	288.113	60.271	1,651.888	740.236	359.941	7.360	251.164	59.633	1,418.334
	Fair value of plan assets	39.1.4	(632.099)	(215.454)	-	-	-	(847.553)	(454.049)	(258.617)	(1.432)	-	-	(714.098)
		39.1.2	358.103	92.443	5.405	288.113	60.271	804.335	286.187	101.324	5.928	251.164	59.633	704.236
39.1.2	Movement in payable to / (receivable) from defined benefit plan													
			286.187	101.324	5.928	251.164	59.633	704.236	206.974	35.998	3.803	241.786	48.155	536.716
Expenses recognized (refer note - 31)														
	Current service cost		12.613	14.212	2.028	0.884	3.048	32.785	6.882	6.579	0.723	1.960	9.443	25.587
	Benefit paid		-	-	(0.459)	-	-	-	-	-	-	-	-	-
	Past service cost		-	-	-	6.336	-	6.336	-	-	-	4.983	-	4.983
	DSC's Encashed		-	(27.985)	-	-	-	-	-	-	-	-	-	-
	Interest cost		37.204	13.173	(2.092)	31.907	7.069	87.261	25.872	4.500	0.475	27.278	6.019	64.144
	Actuarial (gains) / losses *		-	-	-	-	1.033	1.033	-	-	-	-	4.282	4.282
			49.817	(0.600)	(0.523)	39.127	11.150	127.415	32.754	11.079	1.198	34.221	19.744	98.996
Other comprehensive income														
	Actuarial (gain) / loss on defined benefit obligations arising from changes:													
	demographic assumptions		9.256	(37.750)	(0.002)	4.570	-	(23.926)	9.256	(37.750)	(0.002)	4.570	-	(23.926)
	financial assumptions		(85.318)	5.680	-	-	-	(79.638)	(85.318)	5.680	-	-	-	(79.638)
	experience (gains) / losses		190.075	109.438	1.644	(20.245)	-	280.912	190.075	111.584	1.644	(20.245)	-	283.058
			66.155	25.141	-	9.271	-	100.567	114.013	79.514	1.642	(15.675)	-	179.494
	Actuarial (gain) / loss on plan assets		9.557	(29.978)	-	-	-	(22.567)	(34.484)	(22.390)	(0.715)	-	-	(57.589)
			75.712	(4.837)	-	9.271	-	78.000	79.529	57.124	0.927	(15.675)	-	121.905
Liability transferred from														
	Employees' Pension' fund		-	-	-	-	-	-	-	-	-	-	-	-
	Contributions to the Fund		-	-	-	-	-	-	-	-	-	-	-	-
	Payment made on behalf of fund		(132.065)	132.065	-	-	-	-	(33.070)	(2.877)	-	-	-	(35.947)
	Benefits paid - net		-	(33.736)	(0.459)	6.336	(10.512)	(38.371)	-	-	-	(9.168)	(8.266)	(17.434)
Closing balance	39.1.1		279.651	194.216	4.946	305.898	60.271	871.280	286.187	101.324	5.928	251.164	59.633	704.236

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

Notes to the Financial Statements | for the year ended December 31, 2014



Note	2014						2013					
	Post employment benefits				Total	Post employment benefits				Total		
	Retirement benefits		Other post-employment benefits	Other long term employment benefits		Retirement benefits		Other post-employment benefits	Other long term employment benefits			
	Pension	Gratuity				Pension	Gratuity					
	Officer	Employees				Officer	Employees					
Rupees in millions ('000,000)												
	740.236	359.941	5.928	251.164	59.633	1,416.902	572.802	271.735	4.727	241.786	48.155	1,139.205
	12.613	14.212	2.028	0.884	3.048	32.785	6.882	6.579	0.723	1.960	9.443	25.587
	-	-		31.907	-	31.907	-	-		4.983	-	4.983
	92.746	46.419	(2.092)	(11.449)	7.069	132.693	68.779	33.440	0.572	27.278	6.019	136.088
	(53.613)	(5.751)	(0.459)	6.336	(10.512)	(63.999)	(45.138)	(8.429)	(0.304)	(9.168)	(8.266)	(71.305)
	132.065	(132.065)	-	-	-	-	22.898	(22.898)	-	-	-	-
	66.155	25.141	-	9.271	1.033	101.600	114.013	79.514	1.642	(15.675)	4.282	183.776
39.1.1	990.202	307.897	5.405	288.113	60.271	1,651.888	740.236	359.941	7.360	251.164	59.633	1,418.334
	454.049	258.617	1.432	-	-	714.098	365.828	235.737	0.924	-	-	602.489
	55.542	33.246	-	-	-	88.788	42.907	28.940	0.097	-	-	71.944
	-	-	-	-	-	-	-	-	-	-	-	-
	132.065	(132.065)	-	-	-	-	33.070	2.877	-	-	-	35.947
	(53.613)	27.985	-	-	-	(25.628)	(45.138)	(8.429)	(0.304)	-	-	(53.871)
	53.613	3.444	-	-	-	57.057	22.898	(22.898)	-	-	-	-
	-	(5.751)	-	-	-	(5.751)	-	-	-	-	-	-
	(9.557)	29.978	-	-	-	20.421	34.484	22.390	0.715	-	-	57.589
39.1.1	632.099	215.454	1.432	-	-	848.985	454.049	258.617	1.432	-	-	714.098
	45.985	63.224	-	-	-	109.209	77.391	51.330	0.812	-	-	129.533

Notes to the Financial Statements | for the year ended December 31, 2014

	2014						2013					
	Pension - officers'		Pension - employees'		Gratuity		Pension - officers'		Pension - employees'		Gratuity	
	Amount Rupees	Percentage	Amount Rupees	Percentage	Amount Rupees	Percentage	Amount Rupees	Percentage	Amount Rupees	Percentage	Amount Rupees	Percentage
Assets with an active market												
Open ended mutual funds units	248,370,000	115.28%	248,370,000	115.28%	132,937,000	8780.52%	84,318,896	18.57%	97,303,469	37.62%	93,164,874	96.72%
Term Finance certificates	-		-	0.00%	-		-	0.00%	-	0.00%	-	0.00%
Assets with no active market												
Term deposit receipts	148,754,000	69.04%	148,754,000	69.04%	-		-	0.00%	115,363,432	44.61%	-	0.00%
Others (including cash and bank balances)	(181,670,000)	-84.32%	(181,670,000)	-84.32%	870,000	57.46%	369,730,307	81.43%	45,950,184	17.77%	3,163,811	3.28%
Liabilities	-		-		(132,293,000)	-8737.98%	-		-		(94,896,685)	
	<u>215,454,000</u>	<u>100.00%</u>	<u>215,454,000</u>	<u>100.00%</u>	<u>1,514,000</u>	<u>100.00%</u>	<u>454,049,203</u>	<u>100.00%</u>	<u>258,617,085</u>	<u>100.00%</u>	<u>1,432,000</u>	<u>100.00%</u>

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

39.1.8 Expected charge to the Funds for the year ending December 31, 2014

	49,375	27,384	2,112	33,535	10,799
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39.1.9 Actuarial valuation assumptions

	2014					2013				
	Pension		Gratuity	Medical	Compensated absences	Pension		Gratuity	Medical	Compensated absences
	Officer	Employees				Officer	Employees			
Valuation discount rate	11.25%	11.25%	11.25%	11.25%	11.25%	13.00%	13.00%	13.00%	13.00%	13.00%
Expected return in plan assets	10.25%	11.25%	0.00%	-	-	13.00%	13.00%	13.00%	-	-
Salary increase rate	11.25%	10.25%	10.25%	-	10.25%	12.00%	12.00%	12.00%	-	12.00%
Indexation in pension	8.00%	8.00%	-	-	-	8.00%	8.00%	-	-	-
Exposure inflation rate	-	-	-	3.00%	-	-	-	-	3.00%	-
Medical inflation rate	-	-	-	7.75%	-	-	-	-	9.50%	-

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

	Original	1% Increase	1% Decrease
	Rupees in millions ('000,000)		
Valuation discount rate			
Present value of obligation - other than medical	1,303.504	1,290.469	1,316.539
Financial impact on present value of obligation		(13.035)	13.035
Valuation discount rate	11.25%	12.25%	10.25%
Salary increase rate			
Present value of obligation - other than medical	1,303.504	1,290.469	1,316.539
Financial impact on present value of obligation		(13.035)	13.035
Salary increase rate	11.25%	12.25%	10.25%
Medical inflation rate			
Present value of obligation - medical	288.113	285.232	290.994
Financial impact on present value of obligation		(2.881)	2.881
Medical inflation rate	7.75%	8.75%	6.75%
Life expectancy			
Present value of obligation	1,651.888	1,635.369	1,668.407
Financial impact on present value of obligation		(16.519)	16.519

Notes to the Financial Statements | for the year ended December 31, 2014



40 SEGMENT REPORTING

40.1 Segment by class of business

	2014						
	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	Treaty
	Total						
	Rupees in thousand ('000)						
Segment result							
Net premium	876,868	55,700	69,342	166,868	171,451	428,063	3,015,631
Net claims	(454,956)	(14,962)	(511)	(35,919)	(111,596)	(43,078)	(2,132,144)
Management expenses	(100,468)	(15,214)	(9,369)	(25,511)	(29,230)	(51,779)	(293,902)
Net commission	(119,353)	(12,584)	(3,043)	(18,634)	(359)	(6,506)	(789,479)
Net commission	202,091	12,941	56,419	86,804	30,266	326,699	(199,894)
Segment assets							
Prepaid reinsurance ceded	269,324	-	33,452	-	821,419	515,487	431,938
Deferred commission expense	104,190	678	7,977	11,795	1,583	40,159	368,574
	373,514	678	41,429	11,795	823,002	555,646	800,512
Unallocated corporate assets							15,014,765
Total assets							17,621,342
Segment liabilities							
Provision for unearned premium	777,881	3,137	65,487	106,150	975,635	803,354	1,790,992
Commission income unearned	13,733	-	5,962	-	486	33,803	2,402
Provision for outstanding claims	767,584	29,957	33,885	122,612	585,937	146,959	1,501,418
	1,559,198	33,094	105,334	228,762	1,562,058	984,116	3,294,812
Un-allocated corporate liabilities							2,866,557
Total liabilities							10,633,930

Notes to the Financial Statements | for the year ended December 31, 2014

	2013						
	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	Treaty
	Rupees in thousand ('000)						
Segment result							
Net premium	802,535	57,880	98,676	138,312	162,429	499,201	2,965,367
Net claims	(300,319)	(46,903)	(25,685)	(45,527)	(143,101)	(224,626)	(2,044,740)
Management expenses	(12,051)	(8,613)	(3,552)	(7,741)	(10,914)	(8,236)	(452,247)
Net commission	(111,584)	(13,714)	(7,926)	(16,598)	753	(7,210)	(780,491)
Underwriting result	378,581	(11,350)	61,513	68,446	9,167	259,129	(312,111)
Segment assets							
Prepaid reinsurance ceded	387,805	-	37,575	-	801,369	511,652	247,589
Deferred commission expense	95,307	2,264	8,065	9,307	717	27,309	352,897
Unallocated corporate assets							13,824,002
Total assets							16,305,858
Segment liabilities							
Provision for unearned premium	836,820	10,041	71,360	78,715	910,780	721,564	1,872,769
Commission income unearned	41,325	-	6,986	-	709	25,946	175
Provision for outstanding claims	476,137	39,074	61,811	110,641	61,810	222,711	1,597,547
Un-allocated corporate liabilities							2,587,541
Total liabilities							9,734,462

40.2 Segment by geographical location

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

Locations	2014		2013	
	Lahore	Karachi	Lahore	Karachi
	Rupees in thousand ('000)			
Premium	1,000,965	3,782,958	1,029,518	3,694,882
Total assets	816	17,620,526	743	16,305,114
Total liabilities	400,716	10,233,214	514,250	9,220,212

Notes to the Financial Statements | for the year ended December 31, 2014

40.3 Information about major customer

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

	2014	2013
	Rupees in thousand ('000)	
National Insurance Company Limited		
Facultative business		
Fire	300,556	463,102
Marine cargo	-	-
Marine hull	11,838	132,907
Accident and others	-	-
Aviation	1,167,152	1,109,537
Engineering	1,258,876	1,135,376
	2,738,422	2,840,922
Treaty business	406,681	505,929
	3,145,103	3,346,851
Reliance on customer - percentage of total premium written	36%	39%

41 TRANSACTIONS WITH RELATED PARTIES

Government of Pakistan through Ministry of Commerce owns 51% (2013: 51%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. The related parties comprise major shareholders, associated company, directors, companies with common directorship, key management personnel, and staff retirement benefit funds. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material and hence not disclosed in these financial statements. Moreover, transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 42 of these financial statements, are as follows:

	2014	2013
	Rupees	
Major shareholder		
Government of Pakistan (GoP) through Ministry of Commerce		
Dividend paid for the preceding year	336,599,463	336,599,463
State Life Insurance Corporation of Pakistan		
Dividend paid for the preceding year	183,080,503	183,080,503

Notes to the Financial Statements | for the year ended December 31, 2014

	2014	2013
	Rupees	
Related parties by virtue of GoP's holdings		
State Bank of Pakistan		
Purchase of investment (Pakistan Investment Bonds)	517,178,463	698,399,582
Purchase of investment (Treasury Bills)	5,047,482,080	2,250,005,000
Dividend received during the year	49,000	49,000
Sui Northern Gas Pipelines Limited		
Dividend received during the year	-	19,768,645
Sui Southern Gas Company Limited		
Dividend received during the year	-	28,562,011
Pakistan State Oil Company Limited		
Dividend received during the year	62,064	33,868
National Investment Trust Limited		
Dividend received during the year	63,360,000	35,640,000
National Insurance Company Limited		
Premium due but unpaid	1,110,357,465	1,444,397,543
Insurance premium written during the period	3,251,651,105	3,462,765,386
Premium received	(2,956,406,727)	(3,796,805,464)
Balance at the end of year	1,405,601,843	1,110,357,465
	1,405,602	1,110,357
Insurance commission paid	66,367,760	55,768,501
Insurance claims paid	151,774,484	2,489,569,798
Other related parties		
Contribution to staff benefit funds		
Remuneration including benefits and perquisites of key management personnel	32,362,192	37,277,158

Notes to the Financial Statements | for the year ended December 31, 2014

42 REMUNERATION INCLUDING BENEFITS AND PERQUISITES OF KEY MANAGEMENT PERSONNEL

	Managerial remuneration including bonus	Retirement benefits	House rent and other benefits	Utilities and others	Total
	Rupees				
December 31, 2014					
Chief Executive	-	-	-	-	-
Executives	23,329,754	135,660	7,462,620	1,434,158	32,362,192
	23,329,754	135,660	7,462,620	1,434,158	32,362,192
December 31, 2013					
Chief Executive	1,861,865	179,898	652,612	796,500	3,490,875
Executives	22,194,380	113,050	11,059,246	419,607	33,786,283
	24,056,245	292,948	11,711,858	1,216,107	37,277,158

	2014	2013
	Number of person(s)	
Chief Executive	0	2
Director		
- executive director	0	0
- non-executive director	5	6
Executives	17	17

The Company makes contribution based on actuarial calculations to executives. Company maintained cars have been provided to the 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.

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

43 EMPLOYEES

	2014	2013
	Number of person(s)	
Number of employees at the year end		
Permanent	230	245
Others	16	17
Average number of employees during the year		
Permanent	238	248
Others	17	19

Notes to the Financial Statements | for the year ended December 31, 2014

44 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on April 2, 2015 have recommended a final cash dividend of Rs. 2.5 per share (2013: Rs. 2.5 per share) and a bonus issue of Rs. Nil per share (2013: Rs. Nil per share) for the approval of the members in the Annual General Meeting to be held on April 30, 2015.

These financial statements for the year ended December 31, 2014 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2015.

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on April 2, 2015 by the Board of Directors of the company.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Attaullah A. Rasheed
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Pattern of Shareholding

PAKISTAN REINSURANCE COMPANY LIMITED Pattern of Shareholding as of December 31, 2014

# Of Shareholders	Shareholdings'Slab			Total Shares Held
585	1	to	100	25,462
774	101	to	500	295,026
748	501	to	1000	669,770
1103	1001	to	5000	2,935,363
359	5001	to	10000	2,845,874
110	10001	to	15000	1,382,459
56	15001	to	20000	1,010,089
36	20001	to	25000	847,033
42	25001	to	30000	1,193,294
25	30001	to	35000	826,404
14	35001	to	40000	552,500
11	40001	to	45000	476,719
17	45001	to	50000	834,766
14	50001	to	55000	749,265
9	55001	to	60000	531,019
9	60001	to	65000	571,220
6	65001	to	70000	412,695
6	70001	to	75000	447,147
5	75001	to	80000	383,247
2	80001	to	85000	164,000
5	85001	to	90000	441,899
3	90001	to	95000	278,304
13	95001	to	100000	1,299,000
3	100001	to	105000	307,100
3	105001	to	110000	322,000
4	110001	to	115000	450,420
3	115001	to	120000	353,499
1	120001	to	125000	122,000
3	125001	to	130000	377,000
4	130001	to	135000	532,912
2	135001	to	140000	276,746
1	140001	to	145000	142,500
8	145001	to	150000	1,189,463
1	155001	to	160000	155,999
1	160001	to	165000	161,500
1	175001	to	180000	177,777
1	180001	to	185000	182,888
4	195001	to	200000	800,000
1	200001	to	205000	203,500
3	205001	to	210000	623,999
1	215001	to	220000	220,000

Pattern of Shareholding

PAKISTAN REINSURANCE COMPANY LIMITED Pattern of Shareholding as of December 31, 2014

# Of Shareholders	Shareholdings'Slab			Total Shares Held
1	220001	to	225000	222,599
1	245001	to	250000	249,800
2	270001	to	275000	547,598
1	275001	to	280000	278,500
2	285001	to	290000	576,086
3	295001	to	300000	899,999
2	315001	to	320000	634,836
1	330001	to	335000	335,000
1	340001	to	345000	345,000
1	345001	to	350000	350,000
1	380001	to	385000	383,999
1	385001	to	390000	386,500
1	395001	to	400000	395,999
1	410001	to	415000	414,000
1	460001	to	465000	461,999
1	495001	to	500000	500,000
1	715001	to	720000	718,625
1	735001	to	740000	740,000
1	775001	to	780000	779,998
2	995001	to	1000000	2,000,000
1	1000001	to	1005000	1,000,500
1	1195001	to	1200000	1,200,000
1	2095001	to	2100000	2,100,000
1	2725001	to	2730000	2,728,995
1	3745001	to	3750000	3,747,882
1	6495001	to	6500000	6,500,000
1	7410001	to	7415000	7,414,500
1	12080001	to	12085000	12,083,770
1	18355001	to	18360000	18,359,971
1	73230001	to	73235000	73,232,201
1	134635001	to	134640000	134,639,785
4034				300,000,000

Pattern of Shareholding

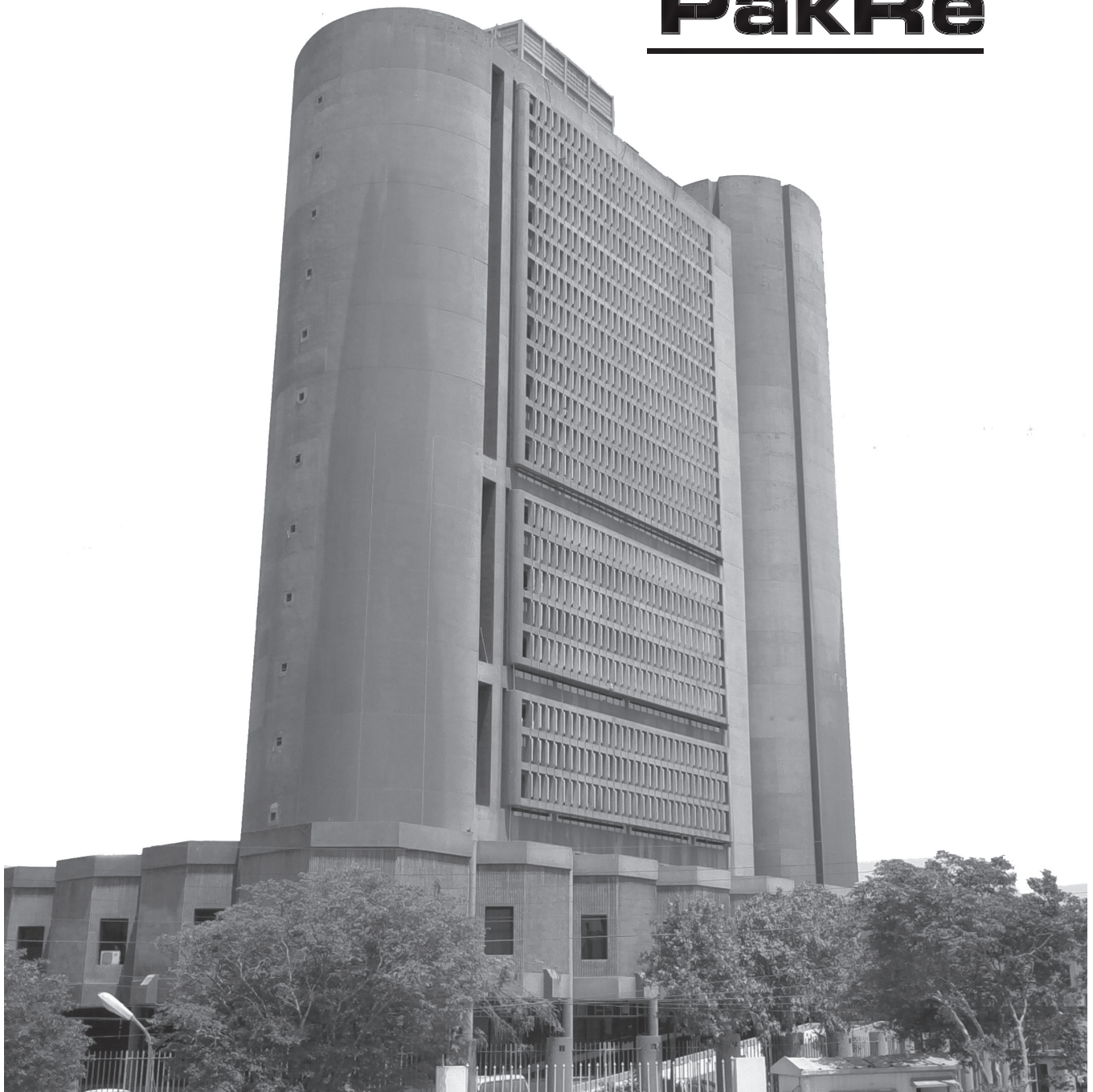
PAKISTAN REINSURANCE COMPANY LIMITED Pattern of Shareholding as of December 31, 2014

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government of Pakistan			
THE SECRETARY MINISTRY OF COMMERCE,	1	134,639,785	44.88
PRCL EMPLOYEES EMPOWERMENT TRUST	1	18,359,971	6.12
Associated Companies, undertakings and related parties			
STATE LIFE INSURANCE CORP. OF PAKISTAN	1	73,232,201	24.41
Mutual Funds	5	2,144,551	0.71
Directors and their spouse(s) and minor children			
MUMTAZ ALI RAJPER	3	610	0.00
TAUFIQUE HABIB	2	1,555	0.00
ATTAULLAH A. RASHEED	1	55	0.00
ZIA-UL-HAQ	1	55	0.00
DR. MASUMA HASAN	1	55	0.00
RASUL BUX PHULPOTO	1	55	0.00
Executives	7	4,930	0.00
Public Sector Companies and Corporations	2	12,583,770	4.19
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful and modarabas			
	12	13,999,236	4.67
General Public			
a. Local	3928	36,122,575	12.04
b. Foreign	3	3,022	0.00
Foreign Companies	2	7,475,689	2.49
Others	62	1,431,885	0.48
Totals	4034	300,000,000	100.00

Share holders holding 5% or more	Shares Held	Percentage
THE SECRETARY MINISTRY OF COMMERCE,	134,639,785	44.88
STATE LIFE INSURANCE CORP. OF PAKISTAN	73,232,201	24.41
PRCL EMPLOYEES EMPOWERMENT TRUST	18,359,971	6.12



PakRe



Simply Secure

Proxy Form

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 15th Annual General Meeting of the Company to be held on Thursday the 30th April, 2015 at
09:30 a.m and at any adjournment thereof.

Signed this _____ day of April 2015.

**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:

- 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.
- 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.
- In case of joint holders any one of the joint holders may sign the instrument of proxy.
- The signature on the instrument of proxy must confirm to the specimen signature filed with the Company.
- 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,
- 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.

The Company Secretary

PAKISTAN REINSURANCE COMPANY LIMITED

PRC Towers. 32-A, Lalazar Drive,
M.T. Khan Road,
Karachi, PO Box 4777, Sindh,
Pakistan

Simply Secure



Pakistan Reinsurance Company Limited

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