



PAKISTAN REINSURANCE COMPANY LIMITED

(Formerly Pakistan Insurance Corporation)

**Annual
Report
2000**





Our Vision

PRC is committed to conserve precious foreign exchange on re-insurance cost, dedicated to create retention capacity in local market and strengthen financial position of insurance companies through retrocession from compulsory pool.

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Board of Directors

| | |
|--------------------------|----------|
| MR. KAMAL AFSAR | CHAIRMAN |
| MR. M. SHARIF IJAZ GHURI | DIRECTOR |
| MR. RASOOL BAKHSH BALOCH | DIRECTOR |
| MR.S.M. RAFIQUE AKHTAR | DIRECTOR |
| SYED YAWAR ALI | DIRECTOR |
| MR. FAZLUR REHMAN DITTU | DIRECTOR |
| MR IQBAL IBRAHIM | DIRECTOR |
| MR SHAMIM AHMED KHAN | DIRECTOR |

AUDITORS:

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

KHALID MAJID HUSSAIN RAHMAN
Chartered Accountants

HEAD OFFICE:

PIC Towers, 32-A, Lalazar Drive, M. T. Khan Road,
P.O. Box : 4777, Karachi-Pakistan
Telephone No: 9202908 to 14
Telex: 20428 PAKRE PK Telefax: (92-21) 9202921 - 9202922
E-Mail: pic@khi.compol.com & pic@worldtelmeca.net
Website: www.pakre.com.pk

ZONAL OFFICE :

Al-Jannat, Bank Square, Lahore

BANKERS

National Bank of Pakistan Limited
Habib Bank Limited
Muslim Commercial Bank Limited

Senior Management



| | |
|--------------------------|---|
| Ms. Naheed Hyder | Executive Director (Finance & Accounts) |
| Mr. S.S. Momin | Secretary |
| Mr. Mohammad Yakoob | Chief Manager (Finance & Accounts) |
| Mr. Sajid Ali Khan | Chief Manager (DPD) |
| Mrs. Ghazala Imran | Chief Manager (NZO) Lahore |
| Mr. Asghar Imam Khalid | Manager (Internal Audit) |
| Mr. Ayaz Hussain M. Gad | Manager (Administration) |
| Mr. Abbas Raza Rizvi | Manager (CRT/AVN/ECO) |
| Mr. Fida Hussain Samoo | Acting Chief Manager (Reinsurance) |
| Mr. Shehzad Farooq Lodhi | Manager (Establishment) |



Notice of Annual General Meeting

Notice is hereby given that the First Annual General Meeting of PAKISTAN REINSURANCE COMPANY LIMITED will be held on 31st December, 2001 at 11.30 a.m., at PIC Towers, 32-A, Lalazar Drive, M.T.Khan Road, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited accounts as at 31st December, 2000 of the company and also of the former Pakistan Insurance Corporation and the report of directors and auditors thereon.
2. To declare dividend, as recommended by the Board of Directors for the year ended 31st December, 2000.
3. To appoint auditors of the Company and fix their remuneration
4. To elect two (2) out of total eight (8) directors of the Co. in place of the following retiring directors, the remaining six (6) being directors nominated by the Federal Government.
 1. Mr. S.M. Rafique Akhtar
 2. Mr. Rasool Bukhsh Baloch
5. To consider any other business with the permission of the Chair.

By order of the Board

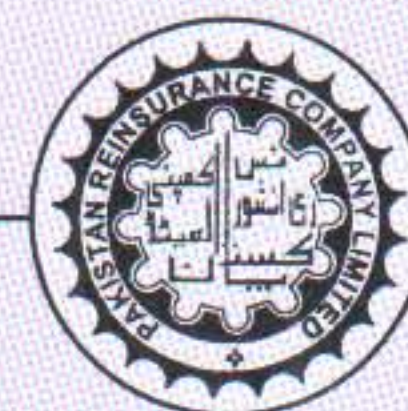
(S. S. Momen)
(Company Secretary)

Karachi, the 23rd November, 2001.

NOTES:

- i). The share transfer books of the company shall remain closed from 24th December, 2001 to 31st December, 2001 (both days inclusive); no transfer will be accepted for registration during this period.
- ii). 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 a member of the 'Company'. Proxy in order to be effective must be received by the Company not less than 48 hours before the meeting and in default forms of proxy will not be treated as valid.
- iii). Shareholders are requested to communicate to the Company of any change in their addresses.

Report of the Board of Directors on the working of Former PIC for the year ended 31st December, 2000



The Shareholders,
Pakistan Reinsurance Company Limited,

Gentlemen,

Your Directors feel pleasure in presenting the annual report on the accounts of the former PIC for the year 2000.

2. The position of Revenue Accounts, at a glance, of the former PIC during the year 2000 and the preceding years is as under:

(Rs. in million)

| Year | Gross Premium Income | Profit/Loss | Total Reserves | Total Investment |
|------|----------------------|-------------|----------------|------------------|
| 1968 | 131.9 | 7.4 | 63.4 | 42.3 |
| 1973 | 238.9 | 10.9 | 127.4 | 37.1 |
| 1978 | 578.6 | 33.6 | 390.0 | 251.5 |
| 1983 | 897.6 | 66.6 | 640.0 | 476.6 |
| 1988 | 1104.6 | 119.4 | 885.0 | 620.0 |
| 1991 | 1526.3 | 48.9 | 1175.4 | 724.0 |
| 1992 | 1735.4 | 116.0 | 1329.5 | 847.5 |
| 1993 | 1677.3 | 169.5 | 1447.7 | 841.0 |
| 1994 | 1983.7 | 142.2 | 1442.9 | 903.9 |
| 1995 | 2207.8 | 136.2 | 1468.8 | 860.2 |
| 1996 | 2548.5 | 211.6 | 1610.0 | 953.8 |
| 1997 | 2704.1 | (14.6) | 1763.0 | 1085.0 |
| 1998 | 2708.7 | 56.2 | 1928.0 | 1271.0 |
| 1999 | 2835.4 | 47.5 | 2125.0 | 1541.0 |
| 2000 | 3044.8 | 112.7 | 2280.0 | 1825.0 |



3. At a glance, the position of Revenue Accounts is as under:

(Rs. in million)

| | Fire | | Marine | | Misc. | | Total | |
|-----------------------------|------|------|--------|------|-------|------|-------|------|
| | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 | 1999 | 2000 |
| Gross Premium | 895 | 1075 | 410 | 412 | 1531 | 1558 | 2835 | 3045 |
| Retro Premium | 336 | 460 | 174 | 197 | 748 | 744 | 1258 | 1401 |
| Net Premium | 559 | 615 | 236 | 215 | 783 | 813 | 1577 | 1644 |
| Net Commission | 247 | 271 | 88 | 78 | 231 | 240 | 566 | 589 |
| Net Claims | 284 | 346 | 119 | 103 | 496 | 511 | 899 | 960 |
| Premium Res. Adjustment | 26 | 22 | (9) | (11) | 18 | 13 | 35 | 24 |
| Underwriting Surplus | 2 | (25) | 37 | 45 | 38 | 48 | 77 | 68 |
| Management Exp. | 37 | 31 | 16 | 10 | 52 | 40 | 105 | 81 |
| Underwriting Profit/Loss | (35) | (56) | 21 | 35 | (14) | 8 | (28) | (13) |

- The gross premium income in 2000 is Rs.3045 million against Rs. 2835 million in 1999 which shows an increase of 7% over last year. PIC continues to retain about 29% market share in the general insurance market of Pakistan.
- The management expenses, in percentage terms, are only about 4% of the gross premium income. This ratio compares favourably both with the direct insurance companies and the reinsurance companies operating either nationally or internationally.
- As in the past, Premium Reserve has been calculated at 100% of the net premium in respect of Marine Hull and Aviation Hull 50% of the net premium for the Marine Cargo and 40% of the net premium for Fire, Accident and Engineering Business.
- In 2000, PIC's investment increased to Rs. 1825 million from that of Rs. 1541 million in 1999 and Rs. 1271 million in 1998. The break-up value of PIC's share as at 31st December, 2000 was above Rs. 1800/- and the price/ earning ratio for the year 2000 was Rs. 225/= per share.



Corporatization of PIC:

8. Pakistan Reinsurance Company Limited (PRCL) was incorporated on 30th March 2000, under Companies Ordinance 1984. The object of the Company is to take over and carry on the Reinsurance business of Pakistan Insurance Corporation.
9. Subsequent to the year end, PRCL, has taken over all the properties, rights and liabilities of Pakistan Insurance Corporation (PIC) in terms of Ministry of Commerce, Government of Pakistan SRO No.3(35)/2000-Ins.II dated 14th February, 2001 as stipulated in Pakistan Insurance Corporation (Reorganization) Ordinance 2000. Accordingly, from 15th February, 2001 all properties, rights and liabilities of PIC vest in PRCL.
10. It has been decided by the Government of Pakistan that from 1st January, 2001 the compulsory cession to PRC by general insurance companies be reduced to 15% and gradually phased out by 1st January, 2004.
11. Your company is playing its due role in the proposed formation of reinsurance pool to cover the risks of terrorism in the aftermath of September 11, 2001 events.
12. Lastly, we regret to inform our shareholders that two of our senior executives, Late Abdul Ghaffar Qureshi, Executive Director and Mohammed Ali, Chief Manager passed away during this year. May Allah rest their souls in peace and give their families courage to bear the irreparable loss.

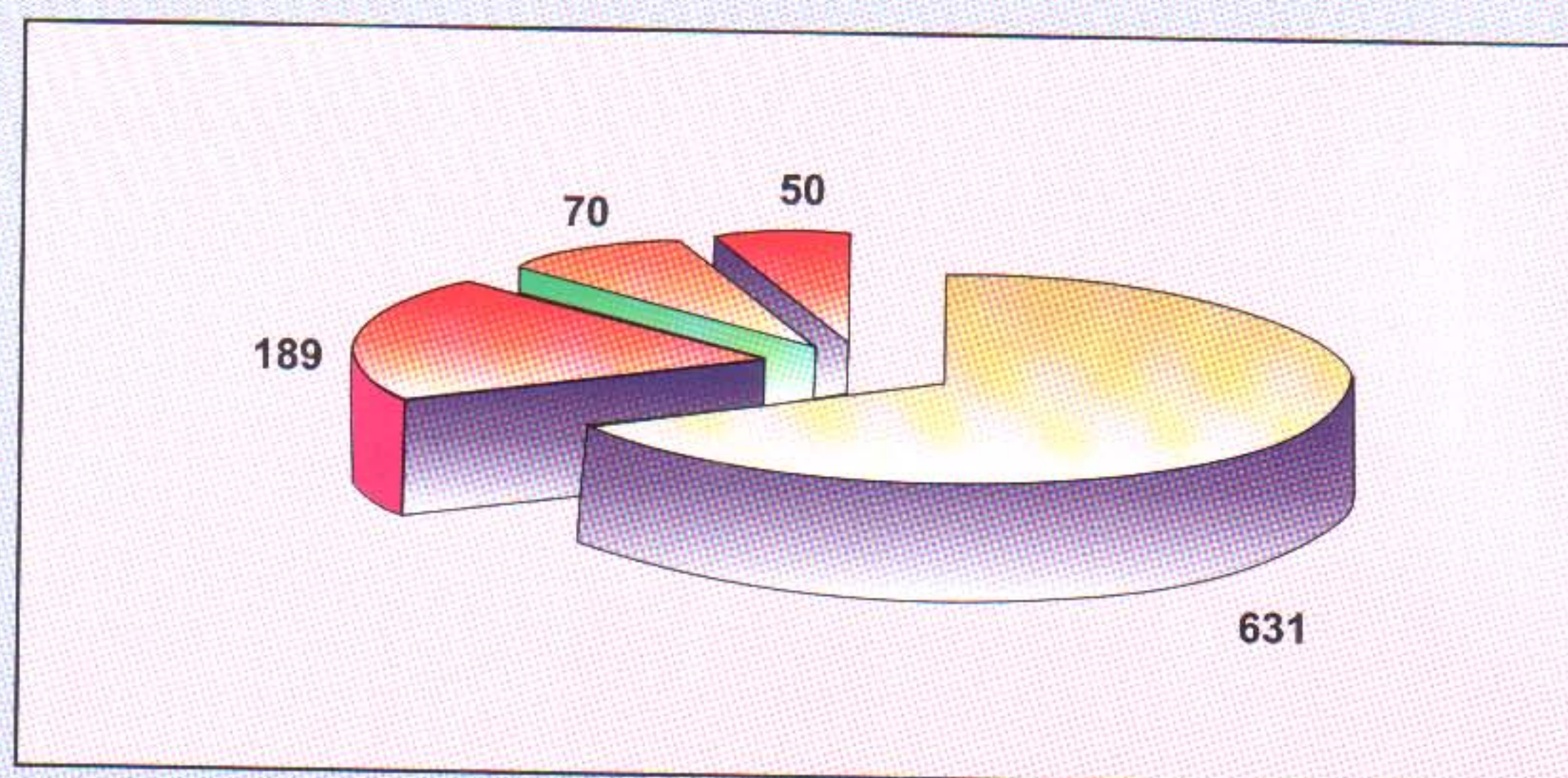
DIVIDEND:

The Directors are pleased to declare a dividend of 10% for the year 2000 and also take the opportunity to thank all insurance companies, their Chairmen, Directors, Officers and Staff for the co-operation extended by them in running the affairs of the Company.



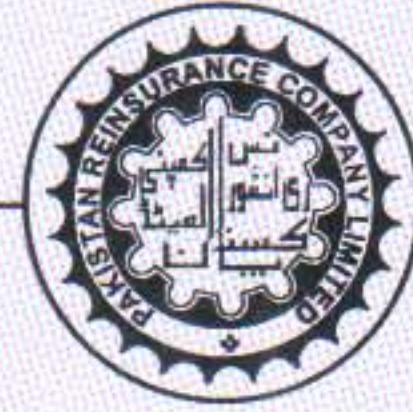
BREAK-UP VALUE OF COMPANY (FORMERLY PIC) SHARE AS AT 31ST DECEMBER, 2000

| | (Rs. in million) |
|---------------------------------------|------------------|
| Paid - up Capital | 50 |
| Reserve for Exceptional Losses | 631 |
| General Reserve | 189 |
| Profit & Loss Appropriation (balance) | 70 |
| Net worth (Owners' equity) | 940 |



Break -up value per share
of Rs. 100/- each

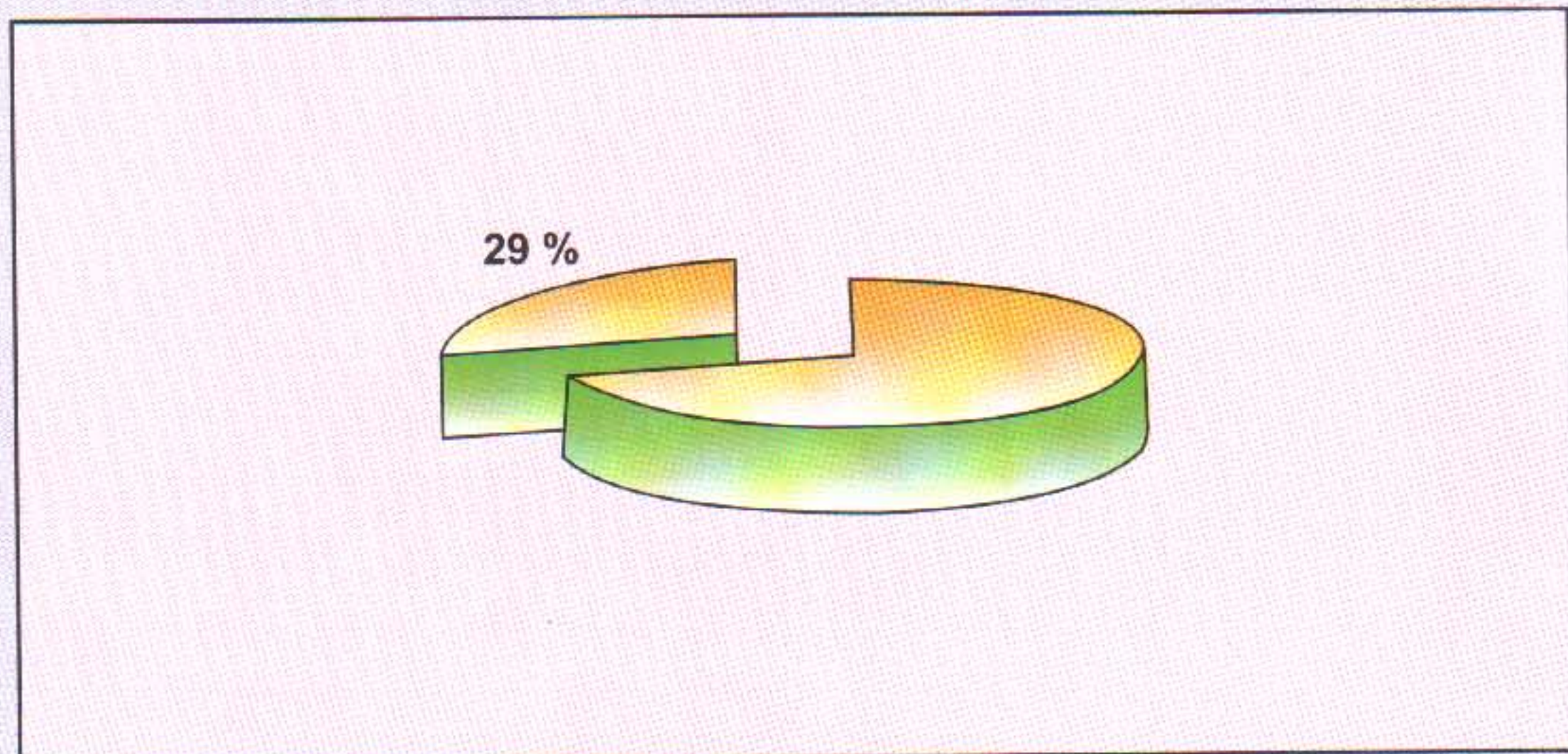
1,880



PAKISTAN INSURANCE MARKET AND COMPANY'S (FORMERLY PIC) SHARE 2000

(Rs. in million)

| | | |
|-----|---------------------------|--------|
| 1). | Gross Premium | |
| | (a) Insurance Market | 10,600 |
| | (b) Company | 3,045 |
| 2). | Company's Share of Market | 29% |

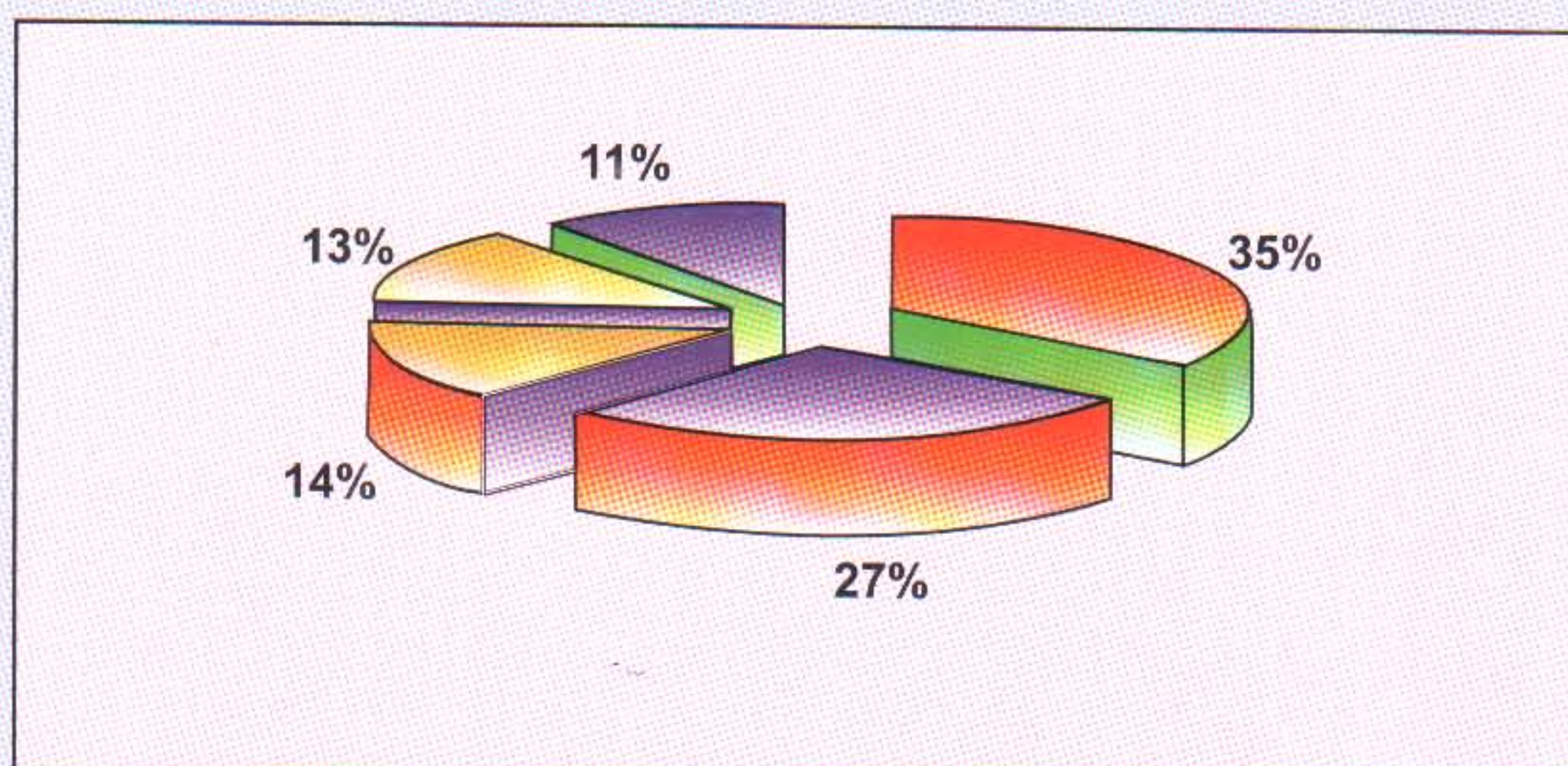


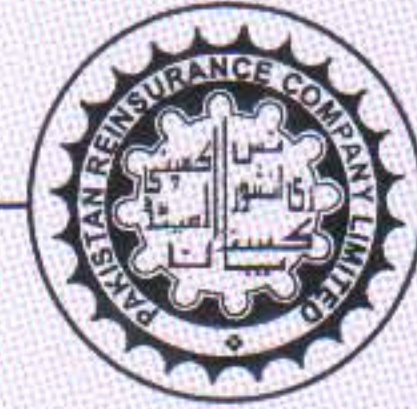


GROSS PREMIUM INCOME BY CLASS OF BUSINESS 2000

(Rs. in million)

| Class of Business | Gross Premium | % of Total |
|-------------------|---------------|------------|
| (a) Fire | 1,075 | 35 |
| (b) Accident | 811 | 27 |
| (c) Aviation | 423 | 14 |
| (d) Marine | 412 | 13 |
| (e) Engineering | 324 | 11 |
| | 3,045 | 100 |

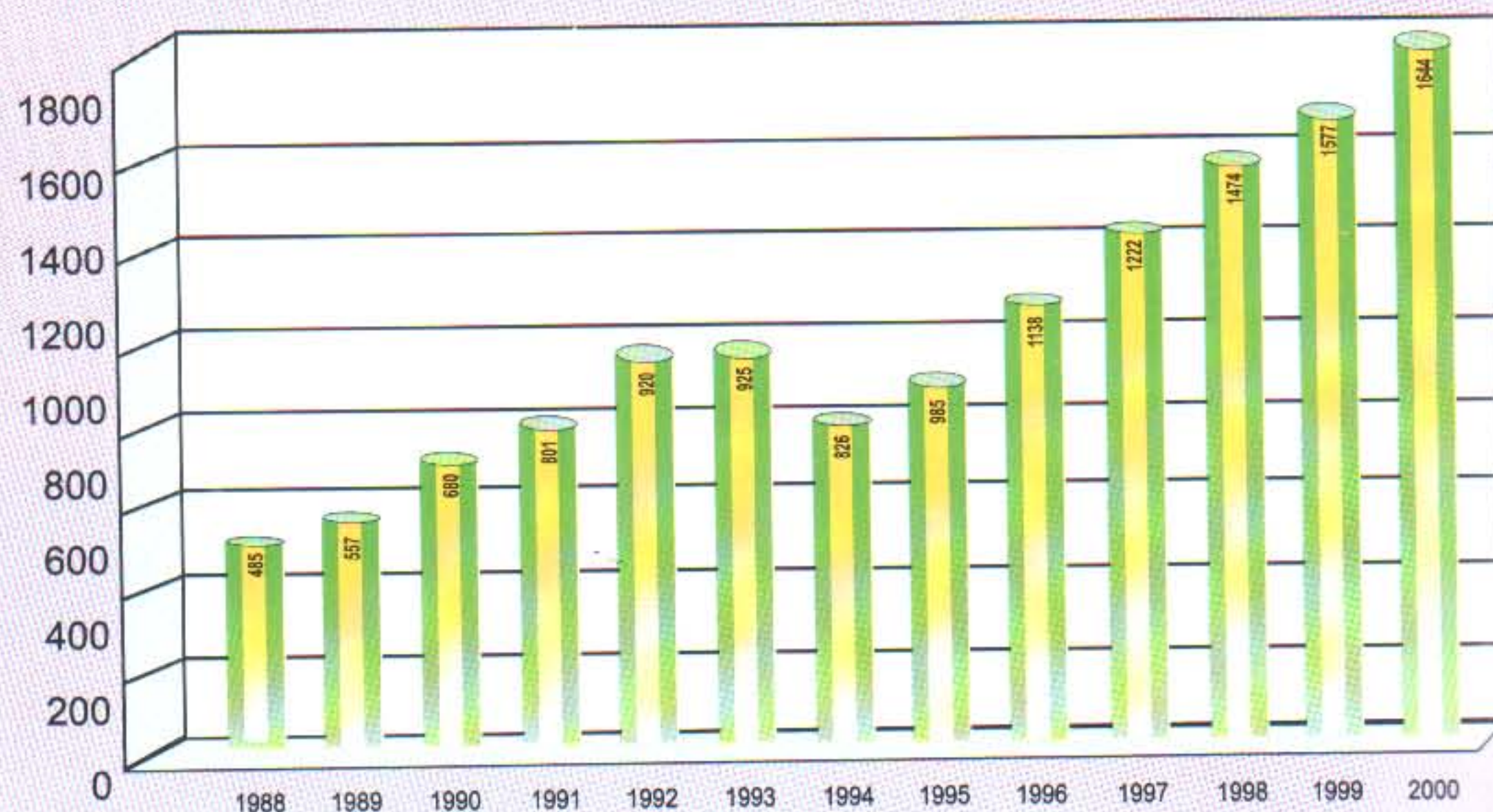




NET PREMIUM INCOME 1988 – 2000

| Year | Gross Premium | Retrocession | Rs. in million Net Premium |
|------|---------------|--------------|-------------------------------|
| 1988 | 1,104 | 619 | 485 |
| 1989 | 1,157 | 600 | 557 |
| 1990 | 1,333 | 653 | 680 |
| 1991 | 1,526 | 725 | 801 |
| 1992 | 1,735 | 815 | 920 |
| 1993 | 1,677 | 752 | 925 |
| 1994 | 1,984 | 1,158 | 826 |
| 1995 | 2,208 | 1,223 | 985 |
| 1996 | 2,549 | 1,411 | 1,138 |
| 1997 | 2,704 | 1,482 | 1,222 |
| 1998 | 2,708 | 1,234 | 1,474 |
| 1999 | 2,835 | 1,258 | 1,577 |
| 2000 | 3,045 | 1,401 | 1,644 |

GROWTH IN NET PREMIUM (Rs. in million)

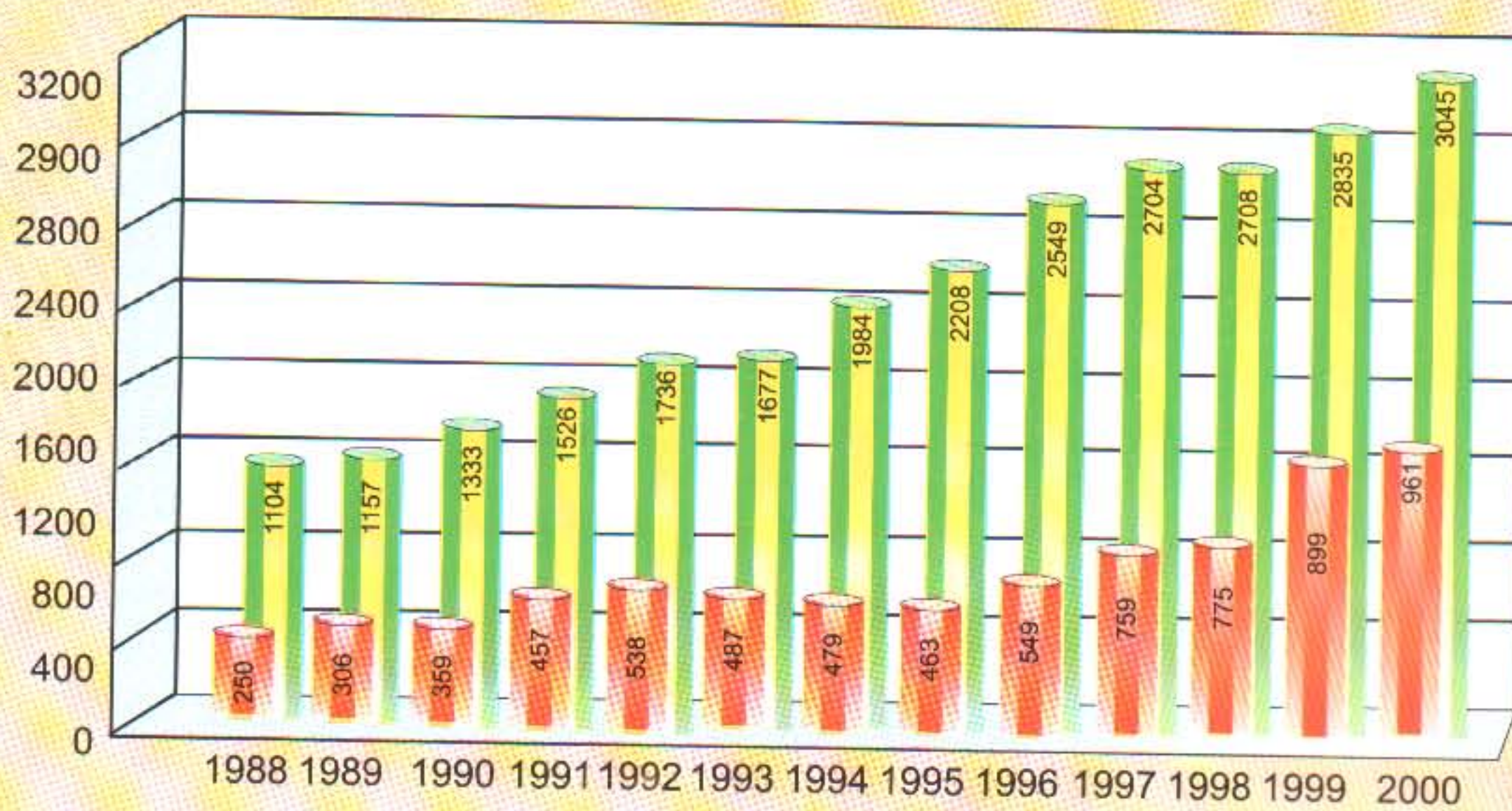


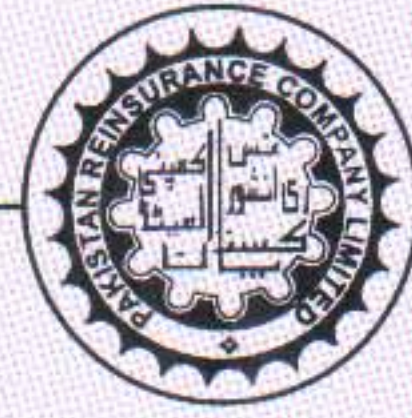


PREMIUM & CLAIMS 1988 – 2000

■ Premium ■ Claims

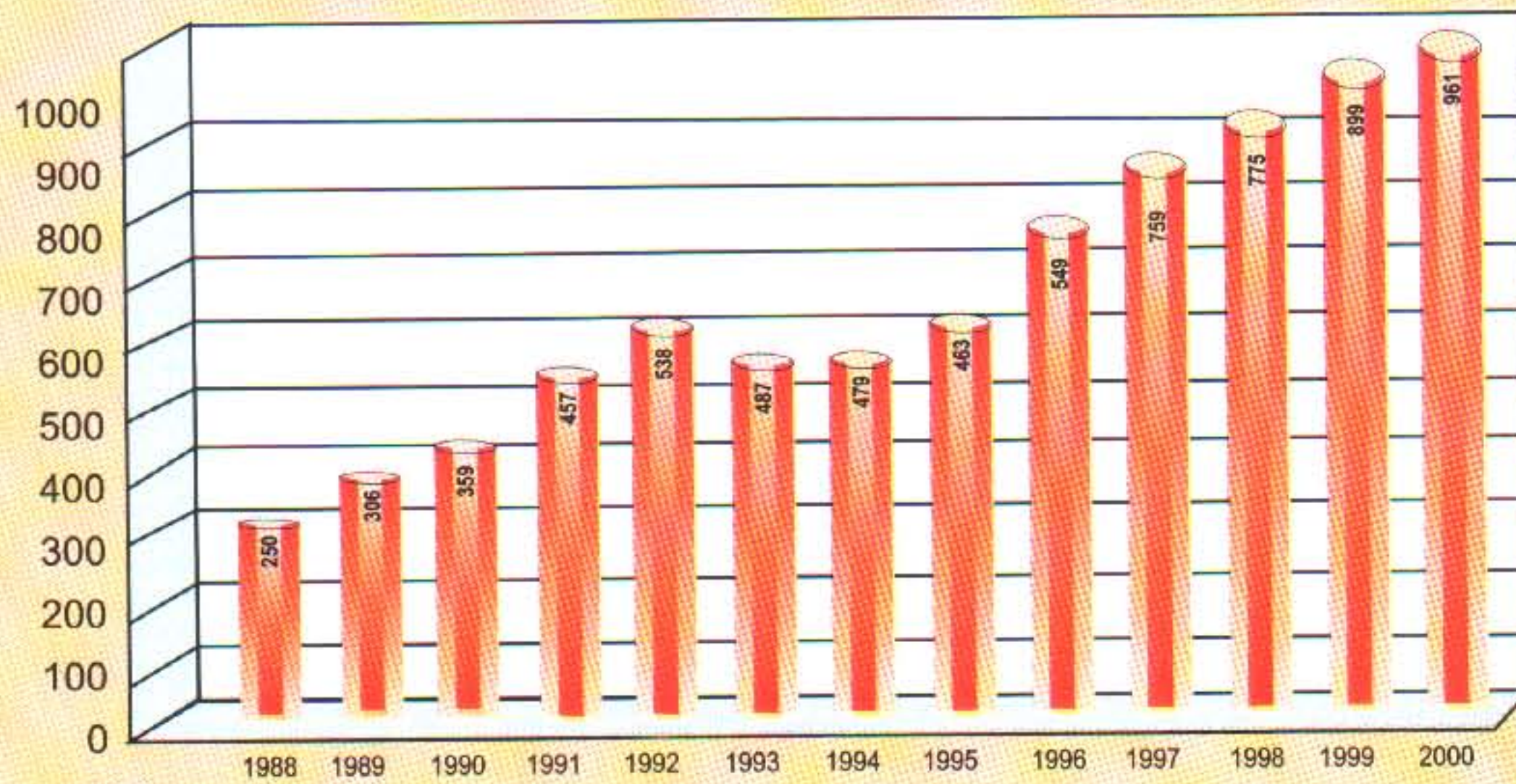
(Rs. In million)





NET CLAIMS 1988 – 2000

(Rs. In million)





MANAGEMENT EXPENSES 1988 – 2000

(Rs. In million)





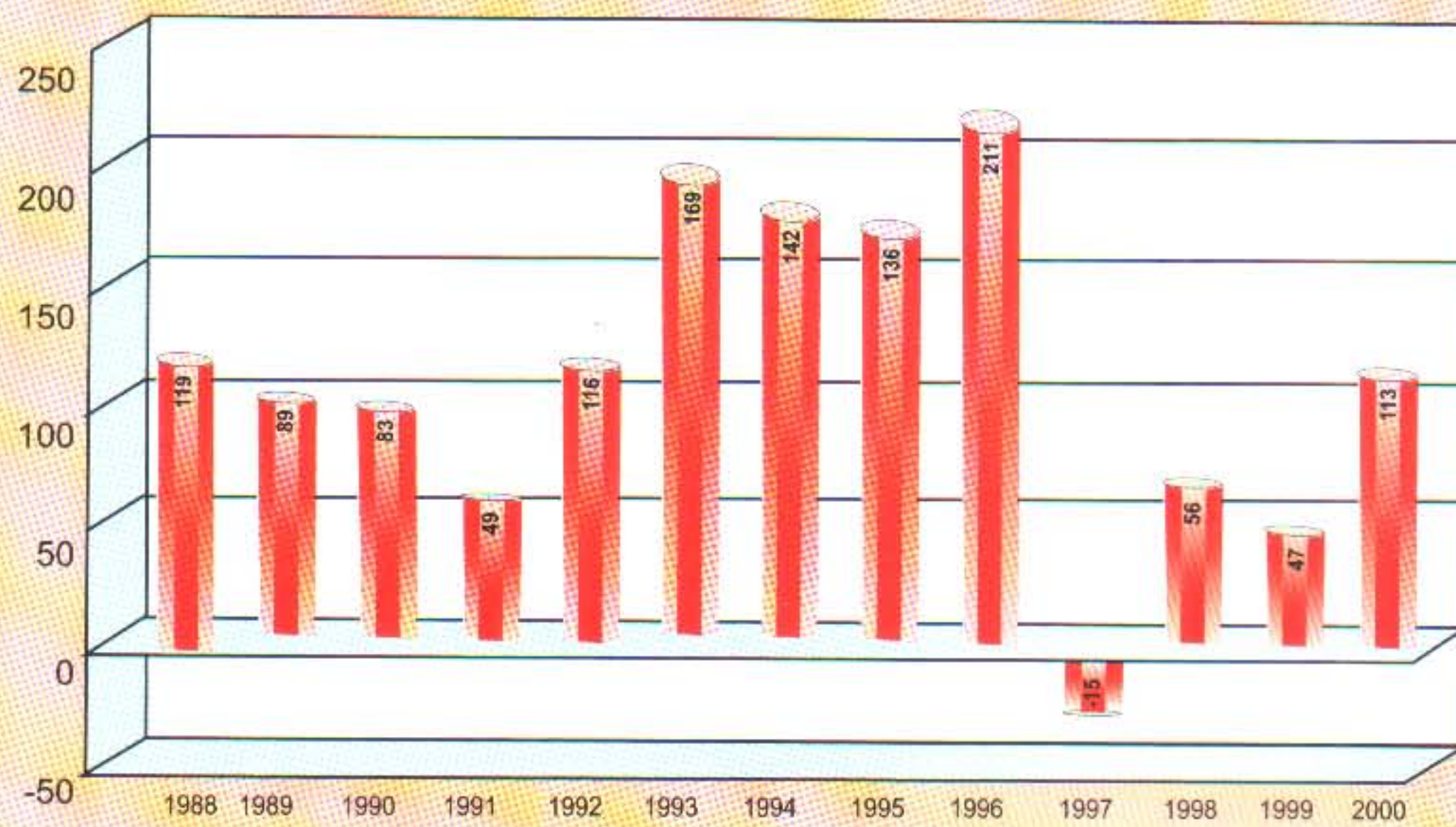
NET PREMIUM AND PROFIT 1988 – 2000

| (Rs. in million) | | |
|------------------|-------------|------------------|
| Year | Net Premium | Net Profit /Loss |
| 1988 | 485 | 119 |
| 1989 | 557 | 89 |
| 1990 | 680 | 83 |
| 1991 | 801 | 49 |
| 1992 | 920 | 116 |
| 1993 | 925 | 169 |
| 1994 | 826 | 142 |
| 1995 | 985 | 136 |
| 1996 | 1,138 | 211 |
| 1997 | 1,222 | (15) |
| 1998 | 1,474 | 56 |
| 1999 | 1,577 | 47 |
| 2000 | 1,644 | 113 |



NET PROFIT/LOSS 1988 – 2000

(Rs. In million)





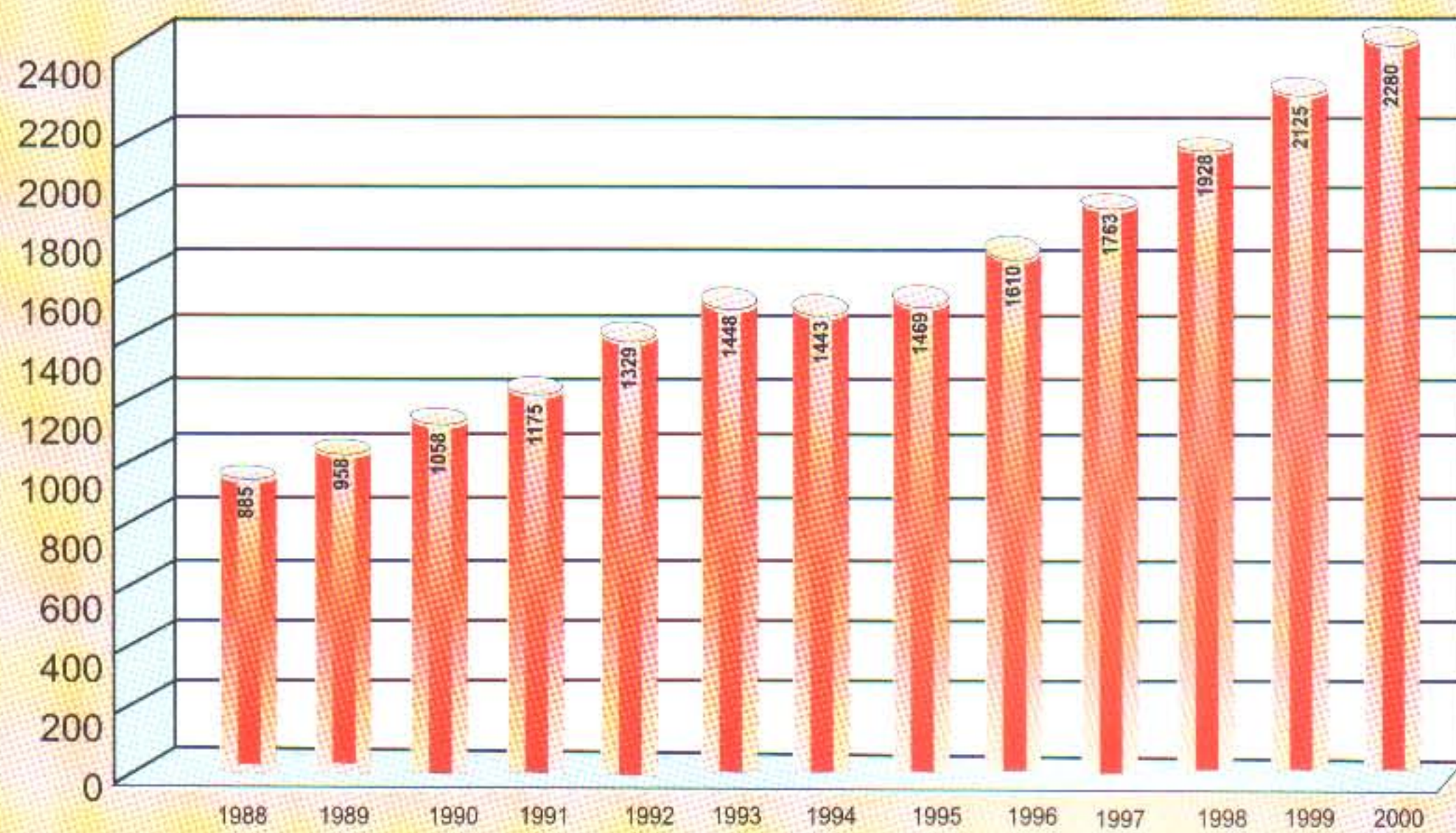
RESERVES & PROVISIONS 1988 – 2000

| (Rs. in million) | | | |
|------------------|--------------------|--------------------|-------|
| Year | Financial Reserves | Technical Reserves | Total |
| 1988 | 469 | 416 | 885 |
| 1989 | 502 | 456 | 958 |
| 1990 | 563 | 495 | 1,058 |
| 1991 | 596 | 579 | 1,175 |
| 1992 | 686 | 643 | 1,329 |
| 1993 | 791 | 657 | 1,448 |
| 1994 | 791 | 652 | 1,443 |
| 1995 | 796 | 673 | 1,469 |
| 1996 | 932 | 678 | 1,610 |
| 1997 | 940 | 823 | 1,763 |
| 1998 | 960 | 968 | 1,928 |
| 1999 | 970 | 1,155 | 2,125 |
| 2000 | 1007 | 1273 | 2,280 |



RESERVES & PROVISIONS 1988 – 2000

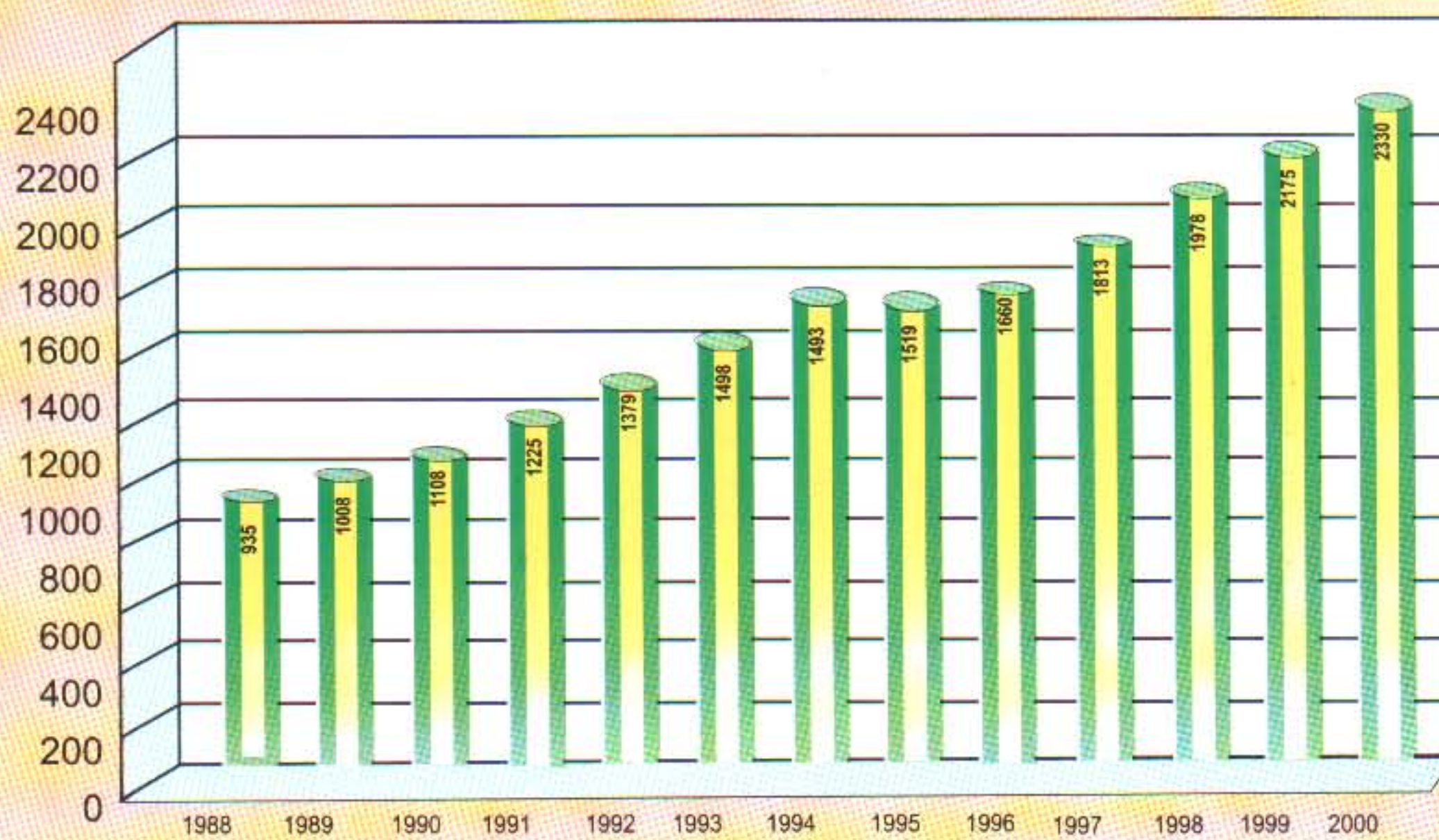
(Rs. In million)





RESERVES & PAIDUP CAPITAL 1988 – 2000

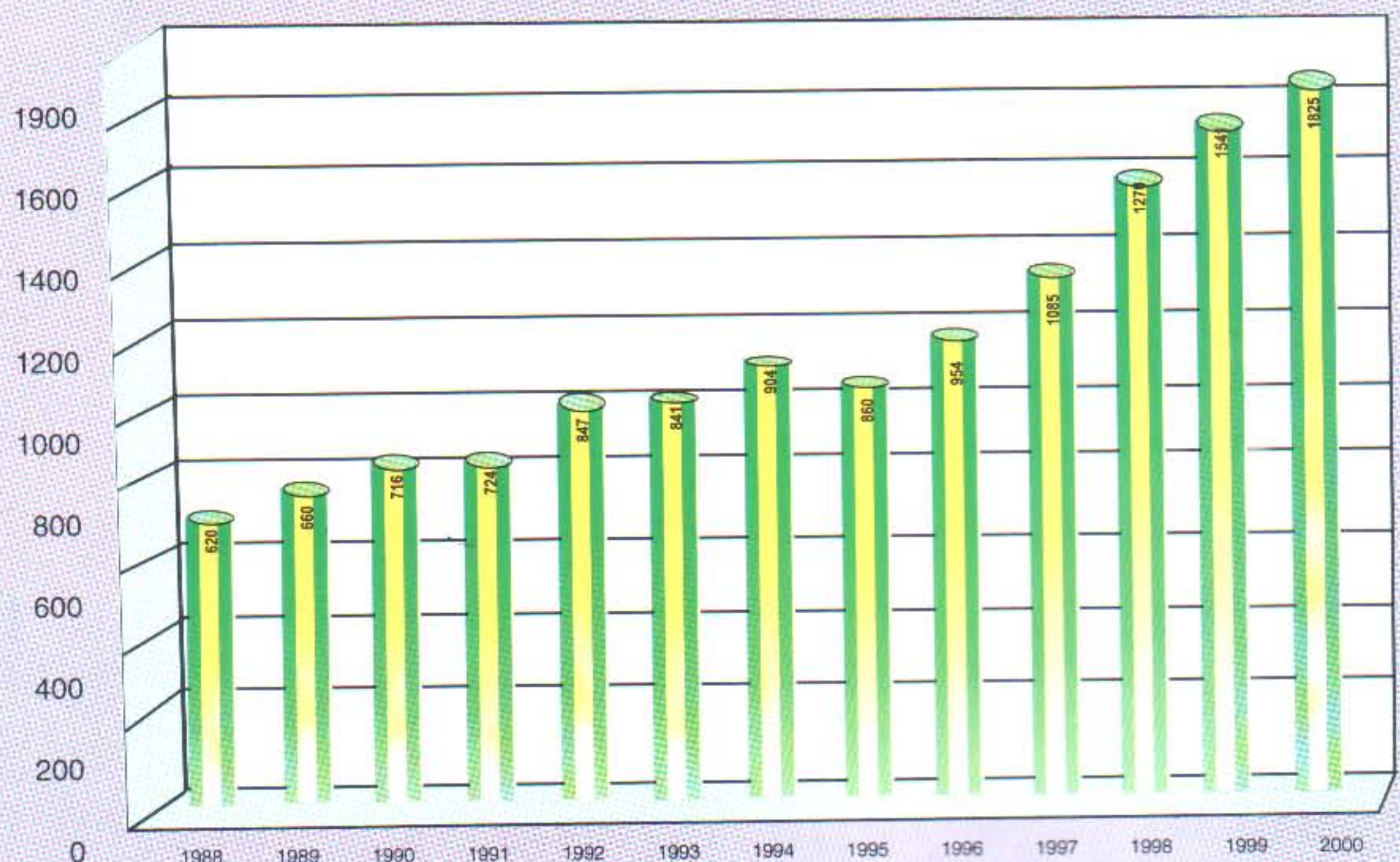
(Rs. In million)





INVESTMENT PORTFOLIO 1988 – 2000

| Year | Investments | Rs. in million |
|------|-------------|----------------|
| 1988 | 620 | |
| 1989 | 660 | |
| 1990 | 716 | |
| 1991 | 724 | |
| 1992 | 847 | |
| 1993 | 841 | |
| 1994 | 904 | |
| 1995 | 860 | |
| 1996 | 954 | |
| 1997 | 1085 | |
| 1998 | 1271 | |
| 1999 | 1541 | |
| 2000 | 1825 | |





RESERVES & INVESTMENTS 2000

Rs. in million

1. RESERVES

A. FINANCIAL RESERVES:

| | | |
|-------------------------------------|-----|-------|
| 1) Reserves for Exceptional Losses | 631 | |
| 2) General Reserve | 189 | |
| 3) Investment Fluctuation Reserve | 117 | |
| 4) Provision for the Doubtful Debts | 70 | 1,007 |

B. TECHNICAL RESERVES:

| | | |
|-----------------------|-----|--------------|
| 1) Outstanding Claims | 602 | |
| 2) Premium Reserves | 671 | 1,273 |
| | | <u>2,280</u> |

2. INVESTMENTS

| | | |
|--------------------------------------|-----|--------------|
| 1) NIT Units | 645 | |
| 2) Stocks & Shares | 300 | |
| 3) D.S.C/R.I.C. | 414 | |
| 4) Federal Investment Bonds etc. | 313 | |
| 5) Term Deposits | 153 | 1,825 |
| Less: Investment Fluctuation Reserve | | 117 |
| | | <u>1,708</u> |



(In Million of Rupees)

| Years | Paid up Capital | Dividend Declared | Gross Premium % | Net Premium | Underwriting Surplus/deficit before Management exp. |
|-------|--------------------|----------------------|-----------------------|----------------|---|
| 1953 | 2.000 | — | 1.638 | 1.447 | 0.083 |
| 1954 | 2.000 | 5 | 4.492 | 3.840 | 0.408 |
| 1955 | 2.000 | 4 | 5.674 | 4.338 | 0.755 |
| 1956 | 2.000 | 5 | 8.045 | 5.193 | 0.807 |
| 1957 | 2.000 | 6-1/4 | 9.461 | 5.696 | 0.851 |
| 1958 | 2.000 | 10 | 20.734 | 8.288 | 1.333 |
| 1959 | 2.000 | 10 | 25.012 | 9.060 | 1.833 |
| 1960 | 2.000 | 10 | 33.110 | 10.890 | 1.620 |
| 1961 | 2.000 | 10 | 37.663 | 12.307 | 1.376 |
| 1962 | 2.000 | 10 | 47.889 | 15.403 | 1.285 |
| 1963 | 4.994 | 10 | 57.165 | 17.381 | 1.295 |
| 1964 | 5.000 | 10 | 67.400 | 25.931 | 1.813 |
| 1965 | 5.000 | 10 | 72.298 | 33.246 | 1.242 |
| 1966 | 5.000 | 10 | 93.806 | 38.251 | 1.540 |
| 1967 | 5.000 | 10 | 108.431 | 46.808 | 2.984 |
| 1968 | 5.000 | 10 | 131.942 | 54.168 | 5.802 |
| 1969 | 5.000 | 10 | 156.291 | 69.519 | 6.348 |
| 1970 | 5.000 | 10 | 155.445 | 61.644 | 7.165 |
| 1971 | 5.000 | 10 | 166.767 | 65.040 | 5.882 |
| 1972 | 4.997 | 10 | 215.202 | 89.049 | 5.304 |
| 1973 | 5.000 | 7-1/2 | 238.288 | 106.354 | 9.777 |
| 1974 | 5.000 | 7-1/2 | 319.887 | 157.391 | 19.817 |
| 1975 | 5.000 | 10 | 399.717 | 189.810 | 20.983 |
| 1976 | 5.000 | 10 | 942.368 | 200.463 | 16.667 |
| 1977 | 5.000 | 10 | 554.482 | 237.556 | 8.379 |
| 1978 | 5.000 | 10 | 578.556 | 263.661 | 17.508 |
| 1979 | 5.000 | 10 | 666.478 | 313.851 | 16.770 |
| 1980 | 8.000 | 10 | 733.309 | 370.117 | (15.569) |
| 1981 | 8.000 | 10 | 780.507 | 368.972 | 38.457 |
| 1982 | 10.000 | 10 | 872.829 | 414.346 | 35.112 |
| 1983 | 12.500 | 10 | 897.624 | 388.253 | 27.351 |
| 1984 | 17.500 | 10 | 817.497 | 350.317 | 36.870 |
| 1985 | 24.500 | 10 | 903.596 | 341.846 | 32.321 |
| 1986 | 35.000 | 10 | 981.198 | 381.047 | 49.154 |
| 1987 | 50.000 | 10 | 1,165.766 | 476.128 | 60.393 |
| 1988 | 50.000 | 10 | 1,140.600 | 485.300 | 66.724 |
| 1989 | 50.000 | 10 | 1,156.986 | 557.182 | 24.129 |
| 1990 | 50.000 | 10 | 1333.101 | 680.201 | 22.808 |
| 1991 | 50.000 | 10 | 1526.299 | 801.312 | 4.992 |
| 1992 | 50.000 | 10 | 1735.423 | 920.608 | (12.586) |
| 1993 | 50.000 | 10 | 1677.307 | 925.259 | 85.959 |
| 1994 | 50.000 | 10 | 1983.690 | 825.799 | 63.727 |
| 1995 | 50.000 | 10 | 2207.803 | 984.800 | 96.552 |
| 1996 | 50.000 | 10 | 2548.542 | 1137.858 | 138.070 |
| 1997 | 50.000 | 10 | 2704.065 | 1221.506 | (23.662) |
| 1998 | 50.000 | 10 | 2708.774 | 1474.006 | 90.596 |
| 1999 | 50.000 | 10 | 2835.459 | 1577.047 | 77.077 |
| 2000 | 50.000 | 10 | 3045.845 | 1644.025 | 68.945 |

Years at a Glance



| Management expenses | Under-writing profit/loss | Net Profit/Loss | Total Reserves | Investments into shares & NIT Units | Total investments including Land and Building |
|---------------------|---------------------------|-----------------|----------------|-------------------------------------|---|
| 0.071 | 0.012 | 0.013 | 0.795 | — | 1.046 |
| 0.199 | 0.209 | 0.106 | 3.202 | 0.757 | 3.514 |
| 0.307 | 0.448 | 0.510 | 3.462 | 1.603 | 4.510 |
| 0.334 | 0.473 | 0.575 | 4.844 | 2.339 | 5.099 |
| 0.371 | 0.480 | 0.634 | 6.424 | 2.970 | 6.030 |
| 0.445 | 0.888 | 1.069 | 8.704 | 3.964 | 8.993 |
| 0.558 | 1.275 | 1.594 | 10.995 | 5.238 | 10.455 |
| 0.602 | 1.018 | 1.694 | 11.258 | 5.221 | 11.381 |
| 0.611 | 0.765 | 1.509 | 13.624 | 6.030 | 12.299 |
| 0.939 | 0.654 | 1.561 | 17.032 | 6.754 | 14.902 |
| 0.747 | 0.548 | 1.648 | 21.069 | 10.595 | 20.306 |
| 1.009 | 0.804 | 2.017 | 25.901 | 14.600 | 25.789 |
| 1.070 | 0.172 | 2.334 | 35.547 | 16.032 | 31.040 |
| 1.252 | 0.288 | 2.308 | 39.501 | 16.950 | 35.407 |
| 1.390 | 1.594 | 3.621 | 49.117 | 19.292 | 38.709 |
| 1.783 | 4.019 | 7.397 | 63.364 | 27.818 | 42.456 |
| 2.410 | 3.938 | 6.728 | 77.448 | 30.586 | 47.762 |
| 3.307 | 3.858 | 8.752 | 91.108 | 32.195 | 51.242 |
| 3.364 | 2.518 | 7.079 | 107.060 | 31.787 | 52.084 |
| 3.285 | 2.019 | 6.287 | 116.223 | 24.676 | 35.986 |
| 3.777 | 6.000 | 10.394 | 127.400 | 24.676 | 37.075 |
| 4.878 | 14.939 | 16.022 | 174.027 | 25.530 | 47.584 |
| 5.349 | 15.634 | 19.865 | 207.712 | 27.767 | 92.768 |
| 6.091 | 10.576 | 26.518 | 262.956 | 30.484 | 138.739 |
| 7.893 | 0.486 | 18.069 | 330.725 | 30.484 | 212.265 |
| 8.286 | 9.222 | 33.550 | 390.044 | 30.976 | 251.465 |
| 7.867 | 8.903 | 6.975 | 474.789 | 37.882 | 249.973 |
| 9.499 | (25.086) | 7.396 | 539.195 | 135.052 | 327.114 |
| 9.782 | 25.675 | 70.606 | 588.358 | 142.542 | 387.655 |
| 10.629 | 24.483 | 72.639 | 577.241 | 144.081 | 414.704 |
| 15.143 | 12.208 | 66.580 | 640.010 | 150.955 | 476.642 |
| 14.298 | 22.572 | 76.049 | 707.578 | 151.791 | 505.673 |
| 16.392 | 15.929 | 90.760 | 730.558 | 150.331 | 620.673 |
| 19.876 | 29.278 | 96.893 | 748.086 | 156.309 | 591.001 |
| 22.910 | 37.483 | 102.836 | 815.746 | 296.926 | 623.446 |
| 26.171 | 40.553 | 119.411 | 884.975 | 331.533 | 678.644 |
| 32.399 | (8.270) | 88.889 | 958.312 | 353.317 | 719.463 |
| 41.482 | (18.674) | 82.962 | 1058.624 | 524.233 | 776.851 |
| 51.167 | (46.171) | 48.971 | 1175.438 | 528.414 | 801.015 |
| 51.545 | (64.131) | 115.957 | 1329.442 | 628.404 | 968.968 |
| 65.995 | 19.964 | 169.491 | 1447.679 | 632.660 | 1020.004 |
| 75.858 | (12.131) | 142.193 | 1442.878 | 705.784 | 1122.541 |
| 91.320 | 5.232 | 136.183 | 1468.831 | 707.109 | 1059.532 |
| 88.574 | 49.496 | 211.560 | 1609.863 | 808.803 | 1132.120 |
| 78.826 | (102.488) | (14.605) | 1763.023 | 922.000 | 1245.000 |
| 107.287 | (16.691) | 56.223 | 1927.719 | 946.000 | 1408.000 |
| 105.106 | (28.029) | 47.519 | 2125.000 | 945.000 | 1666.000 |
| 81.702 | (12.748) | 112.658 | 2280.000 | 945.000 | 1949.000 |



Auditors' Report

We have audited the annexed balance sheet of PAKISTAN INSURANCE CORPORATION as at December 31, 2000 and the related Fire, Marine and Miscellaneous Revenue Accounts, the profit and loss account, the profit and loss appropriation account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that, except for the matters stated in paragraphs 'a' to 'd' below, we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Corporation's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the regulations 50 & 51 of Pakistan Insurance Corporation (General) Regulation 1953. Our responsibility is to express an opinion on these statements based on our audit.

Except for the matters stated in paragraph 'a' to 'd', we conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a. Our examination highlighted significant weaknesses in the internal control in respect of amounts due to and due from persons or bodies carrying on insurance business. Further, we did not receive independent confirmations for most of such balances. Consequently, we were unable to verify the accuracy of Rs. 352 million out of Rs. 1,313 million, shown in the balance sheet as amount due to persons or bodies carrying on insurance business and Rs. 360 million out of Rs. 1,302 million shown as amount due from persons or bodies carrying on insurance business.
- b. Notes 2.8 and 5 to the financial statements describe the basis for estimation of liability (reserve) for outstanding claims reflected in the balance sheet at Rs 602 million (net of recoveries from retrocessionaires). The aggregate gross amount of liability for outstanding claims estimated at Rs. 1,730 million includes an amount of Rs. 127 million, which has been estimated without any objective basis. The remaining amount of the liability is recognized on the basis of returns submitted by ceding insurance companies. The Corporation does not carry out any analysis of subsequent events to determine the accuracy of such estimated liability (including liability incurred but not reported).
- c. We were unable to verify the deposits retained from ceding companies (liability) and deposits held by ceding companies (asset) reflected in the balance sheet as Rs.95 million and Rs.51 million respectively in the absence of party-wise details of such balances during the course of our audit.
- d. The Corporation operates funded gratuity and pension scheme for its employees. While full provision for gratuity has been made, the funds have not been transferred to the gratuity fund. In the case pension fund, the provisions have been made based on actuarial valuation carried out as at December 31, 1987. The work for actuarial valuation as of December 31, 2000 is in progress and is yet to be completed. As the liability for pension scheme has not been determined based on actuarial valuation as on December 31, 2000, we were unable to ensure the accuracy and completeness of such liability.
- e. The Corporation has not made any provision in respect of liability for compensated absences in accordance with the International Accounting Standard (IAS-19) and has also not made any



estimation of such liability. Consequently, the financial impact of such liability can not be determined.

- f. The Corporation's net assets relating to Bangladesh (referred to in notes 5.1, 9 and 18 of the financial statements) amounted to Rs.11 million. The Corporation has no control over such assets and liabilities. No provision has been made for any loss that may arise.

In our opinion, proper books of account have been kept by the Corporation as required by the regulations 50 & 51 of the Pakistan Insurance Corporation (General) Regulation 1953 (the Regulation).

In our opinion, except for the effects of the matters stated in paragraph 'a' to 'f':

- i. proper books of account have been kept by the Corporation as required by the Pakistan Insurance Corporation Act, 1952 (the Act).
- ii. the annexed balance sheet, the Fire, Marine and Miscellaneous Insurance revenue accounts, the profit and loss account and the profit and loss appropriation account together with the notes thereon have been drawn up in conformity with the Act and the form set out in the Regulations and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
- iii. the expenditure incurred during the year was for the purpose of the Corporation's business;
- iv. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Corporation; and

In our opinion, except for the effects of the matters referred to in paragraphs 'a' to 'f' above, and to the best of our information and according to the explanations given to us, and as shown by the books of the Corporation, the annexed Balance Sheet, the Fire, Marine and Miscellaneous Revenue Accounts, the Profit and Loss Account, the Profit and Loss Appropriation Account and the Statement of Changes in Equity and Cash Flow Statement together with notes forming part thereof, give the information required by the Act in the manner so required and the balance sheet, profit and loss account, cash flow statement and statement of changes in equity give respectively a true and fair view of state of the Corporation's affairs as at December 31, 2000 and its profit, cash flow and changes in equity for the year then ended

In our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Corporation and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without further qualifying our opinion, we draw attention to note 1 of the financial statements which describes that subsequent to the balance sheet date all the assets and liabilities of the Corporation have been transferred and vested in the Pakistan Reinsurance Company Limited on February 15, 2001 as per the order of the Federal Government and the Corporation has been dissolved on that date through the same order. The financial statements have been prepared on going concern basis as the assets and liabilities of the Corporation are required to be transferred at their book values.

M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants

KHALID MAJID HUSAIN RAHMAN
Chartered Accountants

Karachi, 29 NOV 2001



Revenue Account for the Consolidated for all

| PARTICULARS | 2000 Rs. '000' | 1999 Rs. '000' |
|--|-------------------|-------------------|
| Commission (less: Retrocessions) | 589,672 | 566,363 |
| Claims (less: Retrocessions) paid during the year | 866,962 | 746,541 |
| Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated (net of estimated claims from retrocessionaires) | 602,286 | 508,605 |
| | 1,469,248 | 1,255,146 |
| Less: Outstanding at the end of the previous year | (508,605) | (356,543) |
| | 960,643 | 898,603 |
| Management Expenses | 104,378 | 105,106 |
| Reversal of provision for bonus - prior year | (22,676) | - |
| Premium Reserve for the year-net | 671,487 | 646,731 |
| | <u>2,303,504</u> | <u>2,216,803</u> |

M. YUSUF ADIL SALEEM & CO.
Chartered Accountants

KHALID MAJID HUSSAIN REHMAN
Chartered Accountants

Year ended 31st December, 2000

Classes of Business



| PARTICULARS | 2000 Rs. '000' | 1999 Rs. '000' |
|--|-------------------|-------------------|
| Premium Reserve brought forward from last year | 646,731 | 611,727 |
| Premium | 3,044,845 | 2,835,459 |
| Less: Retrocessions | (1,400,820) | (1,258,412) |
| | 1,644,025 | 1,577,047 |
| Loss transferred to Profit and Loss Account | 12,748 | 28,029 |
| | <u>2,303,504</u> | <u>2,216,803</u> |

KAMAL AFSAR
Chief Executive

RASOOL BAKHSH BALOCH
Director



M. YUSUF ADIL SALEEM & CO.
Chartered Accountants

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KAMAL AFSAR
Chief Executive

- Pakistan Reinsurance Company Limited -



Revenue Account for the Marine

| | 2000 Rs. '000' | 1999 Rs. '000' |
|--|-------------------|-------------------|
| PARTICULARS | | |
| Commission (less: Retrocessions) | 78,417 | 88,267 |
| Claims (less: Retrocessions) paid during the year | 95,011 | 105,394 |
| Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated (net of estimated claims from retrocessionaires) | 131,222 | 123,037 |
| | 226,233 | 228,431 |
| Less: Outstanding at the end of the previous year | (123,037) | (109,147) |
| | 103,196 | 119,284 |
| Management Expenses | 13,680 | 15,699 |
| Premium Reserve for the year-net | 96,076 | 107,412 |
| Reversal of provision for bonus - prior year | (3,606) | — |
| Profit transferred to Profit and Loss Account | 35,123 | 21,411 |
| | <u>322,886</u> | <u>352,073</u> |

M. YUSUF ADIL SALEEM & CO.
Chartered Accountants

KHALID MAJID HUSSAIN REHMAN
Chartered Accountants

Year ended 31st December, 2000
Business

| | 2000 Rs. '000' | 1999 Rs. '000' |
|--|-------------------|-------------------|
| PARTICULARS | | |
| Premium Reserve brought forward from last year | 107,412 | 116,515 |
| Premium | 412,166 | 409,960 |
| Less: Retrocessions | (196,692) | (174,402) |
| | 215,474 | 235,558 |

322,886

352,073KAMAL AFSAR
Chief ExecutiveRASOOL BAKHSH BALOCH
Director



Revenue Account for the Miscellaneous

| | 2000 Rs. '000' | 1999 Rs. '000' |
|--|-------------------|-------------------|
| PARTICULARS | | |
| Commission (less: Retrocessions) | 239,770 | 230,713 |
| Claims (less: Retrocessions) paid during the year | 422,371 | 447,453 |
| Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated (net of estimated claims from retrocessionaires) | 308,843 | 219,798 |
| | 731,214 | 667,251 |
| | (219,798) | (171,528) |
| Less: Outstanding at the end of the previous year | 511,416 | 495,723 |
| | 51,635 | 52,182 |
| Management Expenses | (11,252) | — |
| Reversal of provision for bonus - prior year | 328,135 | 314,730 |
| Premium Reserve for the year-net | 8,325 | — |
| Profit transferred to Profit and Loss Account | | |
| | <u>1,128,029</u> | <u>1,093,348</u> |

M. YUSUF ADIL SALEEM & CO.
Chartered Accountants

KHALID MAJID HUSSAIN REHMAN
Chartered Accountants

Year ended 31st December, 2000 Business



| | 2000 Rs. '000' | 1999 Rs. '000' |
|---|-------------------|-------------------|
| PARTICULARS | | |
| Premium Reserve brought forward from last year | 314,730 | 296,598 |
| Premium | 1,557,577 | 1,530,960 |
| Less: Retrocessions | (744,278) | (748,004) |
| | 813,299 | 782,956 |
| Loss transferred to Profit and Loss Account | — | 13,794 |
| | <u>1,128,029</u> | <u>1,093,348</u> |

KAMAL AFSAR
Chief Executive

RASOOL BAKHSH BALOCH
Director



Profit and Loss Account for the year

| | Note | 2000 Rs. '000' | 1999 Rs. '000' |
|---|------|-------------------|-------------------|
| PARTICULARS | | | |
| EXPENSES OF MANAGEMENT (NOT APPLICABLE TO ANY PARTICULAR REVENUE ACCOUNT) | | | |
| Directors' fee and travelling | 19 | 291 | 319 |
| Auditors' remuneration | | 157 | 122 |
| Advertisement and publicity | | 310 | 587 |
| Training and research | | 100 | 401 |
| Profit paid on deposits retained from other companies | | 391 | 1,054 |
| Building maintenance | | 3,443 | 5,849 |
| Depreciation | | 13,397 | 15,279 |
| Zakat deducted at source | | 12,812 | 8,520 |
| Exchange loss | | 27,884 | - |
| | | <u>58,785</u> | <u>32,131</u> |
| Reversal of provision for rent - prior years | | (2,369) | - |
| | | <u>56,416</u> | <u>32,131</u> |
| Net profit for the year carried down | | 112,658 | 47,519 |
| | | <u>169,074</u> | <u>79,650</u> |

Profit and Loss Appropriation Account

| | | |
|--|----------------|----------------|
| Provision for bad and doubtful debts | - | 10,000 |
| Provision for taxation - current | 39,000 | 17,000 |
| Transferred to General Reserve. | 50,000 | - |
| Investment fluctuation reserve | - | 124,091 |
| Proposed dividend | 5,000 | 5,000 |
| Unappropriated profit transferred to balance sheet | 70,564 | 39,094 |
| | <u>164,564</u> | <u>195,185</u> |

The annexed notes form an integral part of the financial statements.

M. YUSUF ADIL SALEEM & CO.
Chartered Accountants

KHALID MAJID HUSSAIN REHMAN
Chartered Accountants

ended 31st December, 2000



| PARTICULARS | Note | 2000 Rs. '000' | 1999 Rs. '000' |
|--|------|-------------------|-------------------|
| Investment Income | | | |
| Interest and dividends - Net | 3 | 154,015 | 80,331 |
| Management fee | | 4,266 | - |
| Other Receipts | | | |
| Rental income - Net | 4 | 3,843 | 1,819 |
| Profit received on deposits retained by other companies | | 3,783 | 2,706 |
| Profit on short-term deposits | | 13,751 | 17,137 |
| Exchange gain | | - | 1,683 |
| Miscellaneous income | | 2,164 | 4,003 |
| | | 23,541 | 27,348 |
| Profit/(Loss) transferred from Revenue Accounts | | | |
| Fire | | (56,196) | (35,646) |
| Marine | | 35,123 | 21,411 |
| Miscellaneous | | 8,325 | (13,794) |
| | | (12,748) | (28,029) |
| | | <u>169,074</u> | <u>79,650</u> |

for the year ended 31st December, 2000

| | | |
|--|----------------|----------------|
| Balance brought forward from last year | 39,094 | 23,544 |
| Reversal of provision for doubtful debenture loans | - | 31 |
| Transferred from general reserve | - | 124,091 |
| Write back of Inv. fluctuation reserve | 12,812 | - |
| Net profit for the year brought down | 112,658 | 47,519 |
| | <u>164,564</u> | <u>195,185</u> |

KAMAL AFSAR
Chief Executive

RASOOL BAKHSH BALOCH
Director



Balance Sheet as at

| | Note | 2000 Rs. '000' | 1999 Rs. '000' |
|--|------|-------------------|-------------------|
| CAPITAL AND LIABILITIES | | | |
| AUTHORISED CAPITAL | | | |
| 500,000 ordinary shares of Rs.100/- each | | 50,000 | 50,000 |
| Issued, subscribed and paid-up capital | | | |
| 50,000 ordinary shares of Rs.100/- each | | 5,000 | 5,000 |
| fully paid in cash | | | |
| 450,000 ordinary shares of Rs.100/- each | | 45,000 | 45,000 |
| issued as fully paid bonus shares | | | |
| | | 50,000 | 50,000 |
| | | | |
| Share premium account | | 11 | 11 |
| | | | |
| Reserves | | 631,000 | 631,000 |
| Exceptional loss reserve | | 188,409 | 138,409 |
| General reserve | | 70,564 | 39,094 |
| Unappropriated profit | | 889,973 | 808,503 |
| | | | |
| Reserve for outstanding claims - Net | 5 | | |
| Fire | | 162,221 | 165,770 |
| Marine | | 131,222 | 123,037 |
| Miscellaneous | | 308,843 | 219,798 |
| | | 602,286 | 508,605 |
| | | | |
| Premium reserve - Net | 6 | 671,487 | 646,731 |
| | | | |
| Amount due to other persons and | | 1,313,342 | 307,421 |
| bodies carrying on insurance business | | | |
| Deposits retained / received from | 7 | 95,075 | 31,233 |
| other companies | 8 | 2,825 | 4,027 |
| Advances and deposits | 9 | 54,383 | 78,348 |
| Other liabilities | | 7,867 | 7,827 |
| Retention money payable | 10 | 39,000 | 17,000 |
| Provision for taxation | | - | 5,000 |
| Dividend payable | | 5,000 | 5,000 |
| Proposed dividend | | 1,517,492 | 455,856 |
| | | | |
| Contingencies and Commitments | 11 | - | - |
| | | 3,731,249 | 2,469,706 |

Auditors' Report Annexed
The annexed notes form an integral part of the financial statements.

M. YUSUF ADIL SALEEM & CO.
Chartered Accountants

KHALID MAJID HUSSAIN REHMAN
Chartered Accountants

ended 31st December, 2000



| | Note | 2000 Rs. '000' | 1999 Rs. '000' |
|--|------|-------------------|-------------------|
| PROPERTY AND ASSETS | | | |
| Investments - at cost | 12 | 1,707,674 | 1,411,702 |
| Land and building | 13 | 119,302 | 124,402 |
| Capital work in progress | | — | 2,522 |
| Amount due from other persons and bodies carrying on insurance business | 14 | 1,301,867 | 419,557 |
| Deposits held by ceding companies | 15 | 51,095 | 56,744 |
| Cash and bank balances | 16 | 160,790 | 74,868 |
| Interest, return and dividend accrued/outstanding | | 46,605 | 34,499 |
| Other receivables | | 49,963 | 37,459 |
| Other assets | | | |
| Advances including taxation, loans, deposits and prepaid expenses | | 262,382 | 273,992 |
| Furniture, fixtures, office equipment, vehicles, books and computers | 17 | 15,219 | 17,489 |
| Stock of stationery etc. - at cost | | 378 | 498 |
| | | 277,979 | 291,979 |
| Assets relating to Bangladesh (former East Pakistan) | 18 | 15,974 | 15,974 |
| | | <u>3,731,249</u> | <u>2,469,706</u> |

KAMAL AFSAR
Chief Executive

RASOOL BAKHSH BALOCH
Director



Cash Flow Statement for the Year ended 31st December, 2000

| | 2000 Rs. '000' | 1999 Rs. '000' |
|---|-------------------|-------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 112,658 | 47,519 |
| ADJUSTMENTS FOR NON CASH CHARGES: | | |
| Depreciation on fixed assets | 13,397 | 15,278 |
| Increase in reserve for outstanding claims - net | 93,681 | 152,063 |
| Increase in premium reserve - net | 24,756 | 35,004 |
| | 131,834 | 202,345 |
| | 244,492 | 249,864 |
| (INCREASE)/DECREASE IN OPERATING ASSETS | | |
| Amounts due from other persons or bodies carrying on insurance business | (882,310) | 219,072 |
| Deposits held by ceding companies | 5,649 | 4,467 |
| Interest, return and dividend accrued/outstanding | (12,106) | (18,507) |
| Other receivables | (12,504) | (2,229) |
| Advances including taxation, loans deposits and prepaid expenses | (5,390) | (11,245) |
| Stock of stationery etc - at cost | 120 | (456) |
| | (906,541) | 191,102 |
| INCREASE /(DECREASE) IN OPERATING LIABILITIES | | |
| Amount due to other persons or bodies carrying on insurance business | 1,005,921 | (145,401) |
| Deposits retained/received from ceding companies | 62,640 | (10,442) |
| Other Liabilities | (28,965) | 20,778 |
| Retention money payable | 40 | 220 |
| | 1,039,636 | (134,845) |
| Net cash inflow from operating activities before income tax | 377,587 | 306,121 |
| Income tax paid | - | - |
| Net cash inflow from operating activities | 377,587 | 306,121 |
| CASH FLOW FROM INVESTMENT ACTIVITIES | | |
| Acquisition of investments | (312,260) | (394,250) |
| Investment sales proceeds | 29,100 | 123,530 |
| Purchase of fixed assets | (6,037) | (906) |
| Capital work in progress | 2,522 | (2,522) |
| Net cash used in investing activities | (286,675) | (274,148) |
| | 90,912 | 31,973 |
| Payment of dividend | (4,990) | (4,935) |
| Net increase/(decrease) in cash and cash equivalents | 85,922 | 27,038 |
| Cash and cash equivalents at the beginning of the year | 74,868 | 47,830 |
| Cash and equivalents at the end of the year | 160,790 | 74,868 |

M. YUSUF ADIL SALEEM & CO.
Chartered Accountants

KHALID MAJID HUSSAIN REHMAN
Chartered Accountants

Year
2000

Statement of Changes in Equity for the Year ended 31st December, 2000



| Particulars | Share Capital | Share Premium | Exceptional loss account | General reserve | Unappropri- ated profit | Total reserves |
|---|------------------|------------------|--------------------------------|--------------------|----------------------------|-------------------|
|Rupees "000" | | | | | | |
| Balance as at January 1, 1999 | 50,000 | 11 | 631,000 | 262,500 | 23,544 | 967,055 |
| Profit before taxation | - | - | - | - | 47,519 | 47,519 |
| Provision for bad and doubtful debts | - | - | - | - | (10,000) | (10,000) |
| Reversal of provision for doubtful debenture loans | - | - | - | - | 31 | 31 |
| General reserve | - | - | - | (124,091) | - | (124,091) |
| Provision for taxation | - | - | - | - | (17,000) | (17,000) |
| Investment fluctuation reserve | - | - | - | - | - | - |
| Dividend | - | - | - | - | (5,000) | (5,000) |
| Balance as at December 31, 1999 | 50,000 | 11 | 631,000 | 138,409 | 39,094 | 858,514 |
| Profit before taxation | - | - | - | - | 112,658 | 112,658 |
| Provision for taxation | - | - | - | - | (39,000) | (39,000) |
| Reversal of provision for diminution | - | - | - | - | 12,812 | 12,812 |
| General Reserve | - | - | - | 50,000 | (50,000) | - |
| Dividend | - | - | - | - | (5,000) | (5,000) |
| Balance as at December 31, 2000 | 50,000 | 11 | 631,000 | 188,409 | 70,564 | 939,984 |

KAMAL AFSAR
Chief Executive

RASOOL BAKHSH BALOCH
Director



Notes to the Account for the Year ended 31st December, 2000

1. STATUS AND ACTIVITIES

1.1 Pakistan Insurance Corporation (the Corporation) was established under the Pakistan Insurance Corporation Act XXXVII of 1952 for the purpose of development of insurance and reinsurance business in Pakistan. Its shares are quoted on Karachi and Lahore Stock Exchanges.

1.2 Corporatization of the Corporation

Subsequent to the balance sheet date, Pakistan Reinsurance Company Limited (PRCL) has taken over the business, properties, rights, liabilities and employees of the Corporation on February 15, 2001 as per an order notified by Federal Government No.3(35)/2000-Ins.II dated February 14, 2001 in accordance with Section 3 of the Pakistan Insurance Corporation (Re-organization) Ordinance 2000. As per this order the Corporation stand dissolved effective from February 15, 2001, on which date all the assets and liabilities of the Corporation stand transferred to the PRCL. Consequently these financial statements have been prepared for the use of PRCL's shareholders and other stakeholders. As the transfer of assets and liabilities from the Corporation to PRCL is required to be made at their respective book values, these financial statements have been prepared on a going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These financial statements have been prepared under 'historical cost convention',

2.2 Format of Accounts

The formats of the balance sheet, the Fire, Marine and Miscellaneous revenue accounts, profit and loss account and profit and loss appropriation account are as prescribed under regulation 50 and 51 of Pakistan Insurance Corporation (General) Regulations, 1953.

2.3 Staff benefits

The Corporation operates general provident fund and contributory provident fund for all its eligible employees. The schemes are administered by trustees. Contributions are made monthly to cover the obligations under the schemes.

The Corporation also operates funded gratuity and pension schemes for employees who are entitled /opted for either of the above scheme. Provisions are made annually to cover obligations under the funded gratuity scheme. Provision for pension scheme is made on the basis of actuarial valuation. The last such actuarial valuation was made as at December 31, 1987.

2.4 Taxation

The Corporation's income is assessed by the Income Tax authorities according to the requirements of the fourth Schedule to the Income Tax Ordinance, 1979 which normally correspond to the profits disclosed by the annual audited accounts. Accordingly, there are no material temporary differences which may result in deferred taxation.

2.5 Fixed Assets

Fixed assets except leasehold lands are stated at cost less accumulated depreciation calculated on written down values. Leasehold land is stated at cost.

Full years depreciation is charged on addition during the year whereas no depreciation is charged on assets disposed off during the year.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalised and assets so replaced, if any, are retired. Gains and losses on disposal of fixed assets, if any, are included in current income.



2.6 Investments

Investments are carried at cost. Provision is made to cover permanent diminution in value of investment.

Profit or loss on sale of investments is taken to the profit and loss account in the year of sale.

2.7 Dividend and rental income

2.7.1 Dividend income is recognized in the accounts as and when declared, except for preference shares and other investments, where it is recognized on an accrual basis.

2.7.2 Rentals of PIC Towers are recognized as income on accrual basis.

2.8 Reserve for outstanding claims

Outstanding claims whether due or intimated at the end of the year are accounted for on the basis of information received from the ceding companies and estimation made by the underwriting department with respect to the adequacy of reserve.

2.9 Premium reserve

Premium reserve represents the balance brought forward plus/minus the increase/decrease of the following percentages of the amounts by which the net premium income for the year exceed/decline in relation to the net premium income of the respective classes of business of the previous year. The percentage ascertained for the determination of premium reserve are:

| | Percentage |
|----------------------------|------------|
| Fire business | 40 |
| Marine business: | |
| – Marine Cargo | 50 |
| – Marine Hull | 100 |
| Miscellaneous business: | |
| – Accident and Engineering | 40 |
| – Aviation | 100 |

2.10 Provision for bad and doubtful debts

General provisions, as considered adequate by management, are made to cover doubtful debts.

2.11 Expenses of management

These are allocated to the various revenue accounts in proportion to the net premium income for the year.

2.12 Foreign currency transactions

Transactions in foreign currencies are translated into Pak rupees at the exchange rates prevailing on the last day of the quarter except for Aviation facultative business, which is translated into Pak rupees at the exchange rates prevailing on the last day of the month. Assets and liabilities other than bank accounts are not translated into Pak rupees at the rate of exchange prevailing at the balance sheet date and the exchange fluctuations are adjusted at the time of settlement. Gains and losses on transactions are taken to profit and loss account.



3. INTEREST AND DIVIDENDS - NET

| | 2000 Rs. '000' | 1999 Rs. '000' |
|---|-------------------|-------------------|
| Interest and dividend income | 156,300 | 82,075 |
| Less: Staff salaries and other expenses in respect of investment department | (2,285) | (1,744) |
| | <u>154,015</u> | <u>80,331</u> |

4. RENTAL INCOME - Net

| | | |
|--|--------------|--------------|
| Rental income | 9,101 | 11,342 |
| Less: Staff salaries and maintenance in respect of building project department | (5,258) | (9,523) |
| | <u>3,843</u> | <u>1,819</u> |

The rental income represents income from letting out of PIC Towers.

5. RESERVE FOR OUTSTANDING CLAIMS - Net

Represents estimated liability in respect of outstanding claims intimated by the ceding companies to the Corporation at the end of the year. Out of the same, estimated recoveries are deducted to arrive at the net amount of such liability which would fall on the Corporation (net account). The Corporation, generally computes such liabilities on the basis of various forms received from the ceding companies including forms "H", "HH" and "HHH" (Annual statement of Estimated Liability for Outstanding Losses). In case where no information is received from the ceding companies, the estimate of the liability is made by the underwriter for the concerned class of business. At the end of the next accounting period/year, the reserve brought forward is reversed and a new reserve is created for the estimated liability in respect of the outstanding claims.

- 5.1 This includes an amount of Rs.4.952 million (1999: Rs.4.952 million) representing brought forward claims from previous years which relate to Bangladesh (former East Pakistan). The businesswise breakup of such claims is as follows:

| | 2000 Rs. '000' | 1999 Rs. '000' |
|-------------------------|-------------------|-------------------|
| Fire insurance | 2,382 | 2,382 |
| Marine insurance | 1,470 | 1,470 |
| Miscellaneous insurance | 1,100 | 1,100 |
| | <u>4,952</u> | <u>4,952</u> |

No adjustment, (if any) has been made since 1973, which is pending ascertainment of actual liabilities in this regard.



6. **PREMIUM RESERVE - Net**

(Rupees '000)

| | Fire | Marine | Miscellaneous | Total |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
| Opening balance | 224,589 | 107,412 | 314,730 | 646,731 |
| Addition during the year | | | | |
| Acceptance retrocession | 72,225 (49,538) | (4,728) (6,608) | 27,936 (14,531) | 95,433 (70,677) |
| | 22,687 | (11,336) | 13,405 | 24,756 |
| Rupees | 247,276 | 96,076 | 328,135 | 671,487 |
| 1999 - Rupees | 224,589 | 107,412 | 314,730 | 646,731 |

2000
Rs.'000'

1999
Rs.'000'

7. **DEPOSITS RETAINED/RECEIVED FROM OTHER COMPANIES**

| | | |
|---|--------|--------|
| Premium reserve withheld | 11,353 | 12,937 |
| Losses reserve withheld | 11,727 | 5,295 |
| Cash losses received from retrocessionaries | 71,995 | 13,001 |
| | 95,075 | 31,233 |

8. Represents advance rent and deposits received from tenants in connection with letting of PIC Towers.

9. **OTHER LIABILITIES**

It includes an amount of Rs.0.809 million (1999: Rs.0.809 million) relating to Bangladesh creditors.

10. **PROVISION FOR TAXATION**

The income tax assessments of the Corporation have been finalised upto and including assessment year 1997-98 (Income year ended December 31, 1996). The assessment for the year 1998-99 has been finalized and order has been issued u/s 62 and the Corporation has filed appeal u/s 132 of the Income Tax Ordinance, 1979. The assessment for the assessment year 1999-2000 is pending.

2000
Rs.'000'

1999
Rs.'000'

11. **CONTINGENCIES AND COMMITMENTS**

| | | |
|--|--------|--------|
| 11.1 Suit filed by the Corporation for the recovery of debts | 35,607 | 33,011 |
| 11.2 Claims not acknowledged as debt by the Corporation | 35,641 | 11,417 |
| 11.3 Outstanding letter of guarantees | — | 2,204 |



- 11.4 M/s. Mercantile and General Reinsurance Company plc., London (M&G) served a winding-up petition as per Insolvency Act, 1986 against the Corporation on December 15, 1997 in the High Court of Justice, Chancery Division, London. The winding-up petition was initiated by M&G on non-payment of Rs.50,630,856/- by the Corporation.

The Court dismissed the petition on June 10, 1998. However, M&G has initiated Arbitration Proceedings as per Arbitration Act, 1996 for the recovery of said amount. Mr. C.W. Rome was appointed to represent as Arbitrator from M&G who has since resigned and a new arbitrator, Mr. Peter Fryer, has been appointed in his place and Mr. M.Q. Kazmi from the Corporation. The proceedings of the arbitration have not yet started.

In September 1998, the Corporation had filed a suit for damages of Rs.3,333,000,000/- against M&G in the Honourable High Court of Sindh. The hearing for this case is fixed on October 29, 2001. However, M&G has expressed its inability to appear before the Court therein on the grounds that they are not under the jurisdiction of a Pakistani Court. The Court was pleased to pass orders that the suit would proceed *ex parte* against defendant as service has been effected on the defendant.

- 11.5 The Corporation lodged a claim of Rs.105.9 million against National Construction company Limited (NCC) in the past for the breach of contract regarding construction of PIC Towers. A counter claim amounting to Rs.133.6 million has been lodged by NCC against PIC for its financial and goodwill loss. Meetings are in progress, however, matter has not been resolved yet.

- 11.6 Construction of PIC Towers includes civil construction, installation of lifts, air-conditioning, furniture, fixtures and electrical installations. Total work as certified by PIC's consultant amounts to Rs.236.5 million against the total contract price of Rs.245.5 million. However, the Corporation capitalised only Rs.225.35 million, as it disputes with the consultant and contractors over certification of final bills.

| | Note | 2000 Rs.'000' | 1999 Rs.'000' |
|----------------------------------|------|------------------|------------------|
| 12. INVESTMENTS - at cost | | | |
| Investment in listed companies | 12.1 | 284,988 | 284,988 |
| Investment in unlisted companies | 12.2 | 15,584 | 15,584 |
| Term deposits | | 152,500 | 136,600 |
| NIT Units | 12.3 | 527,862 | 515,050 |
| WAPDA Bonds | | 20,000 | 20,000 |
| Federal Investment Bonds | | 72,730 | 72,730 |
| Regular Income Certificates | | 301,900 | 294,750 |
| Defence Saving Certificate | | 112,000 | 72,000 |
| Pakistan Investment Bonds | | 220,110 | - |
| Debentures | 12.4 | - | - |
| | | <u>1,707,674</u> | <u>1,411,702</u> |



12.1 Investment in listed companies

Ordinary shares/certificate of Rs.10/- each unless stated otherwise:

| Name of Company | Number of Shares / certificates | | Book value as on | Marker value as on |
|-----------------|------------------------------------|---------------------|---------------------|-----------------------|
| | 31 December 2000 | 31 December 1999 | 31 December 2000 | 31 December 2000 |

Mutual Funds

| | | | | |
|----------------------------------|-----------|-----------|------------|-------------|
| Confidence Mutual Fund | 99,270 | 99,270 | 992,700 | 774,306 |
| ICP State Enterprise Mutual fund | 9,000,000 | 9,000,000 | 90,000,000 | 128,250,000 |

Banks

| | | | | |
|--|-----------|-----------|------------|------------|
| Muslim Commercial Bank Limited | 73,420 | 60,679 | 515,299 | 2,378,808 |
| Pakistan Industrial Credit and Investment Corporation | 2,573,580 | 2,237,896 | 15,846,389 | 34,872,009 |

Insurance

| | | | | |
|--|---------|---------|-----------|------------|
| Adamjee Insurance Co. Ltd. | 188,744 | 171,586 | 10,000 | 14,344,544 |
| Asia Insurance Co. Ltd. | 25,000 | 25,000 | 250,000 | 620,000 |
| Central Insurance Co. Ltd. | 120,384 | 100,320 | 50,000 | 6,326,160 |
| Crescent Star Insurance Co. Ltd. | 399,995 | 399,995 | 2,933,156 | 3,599,955 |
| Habib Insurance Co. Ltd. (Rs.5/- each) | 199,074 | 170,635 | 256,787 | 2,787,036 |
| National Security Insurance Co. Ltd. | 87,500 | 87,500 | 100,000 | 288,750 |
| Pakistan Guarantee Insurance Co. Ltd. | 22,029 | 22,029 | 173,000 | 418,551 |
| Sterling Insurance Co. Ltd. | 23,250 | 23,250 | 232,500 | 162,750 |
| Union Insurance Co. of Pakistan Ltd. | 55,125 | 55,125 | 500,000 | 757,969 |
| United Insurance Co. of Pakistan Ltd. | 119,246 | 91,728 | 455,000 | 834,722 |

Textile Composite

| | | | | |
|----------------------------|---------|---------|-----------|-----------|
| Burewala Textile Limited | 1,400 | 1,400 | 35,338 | 56,000 |
| Gul Ahmed Textile Limited | 7,366 | 7,366 | 88,768 | 217,297 |
| Hussain Industries Limited | 15,820 | 15,820 | 192,017 | 213,570 |
| Towellers Limited | 315,790 | 315,790 | 6,000,010 | 2,210,530 |
| Usman Textile Limited | 300 | 300 | 3,888 | 5,700 |

Textile spinning

| | | | | |
|------------------------|-------|-------|--------|-------|
| Regent Textile Limited | 5,000 | 5,000 | 50,000 | 4,250 |
|------------------------|-------|-------|--------|-------|

Textile Weaving

| | | | | |
|-------------------------------|-----|-----|-------|-------|
| Nakshbandi Industries Limited | 331 | 331 | 2,445 | 4,469 |
|-------------------------------|-----|-----|-------|-------|



| Name of Company | Number of Shares / certificates | | Book value as on | Marker value as on |
|-----------------|------------------------------------|---------------------|---------------------|-----------------------|
| | 31 December 2000 | 31 December 1999 | 31 December 2000 | 31 December 2000 |

Synthetic and Rayon

| | | | | |
|--|--------|--------|---------|--------|
| Ravi Rayon Limited | 24,800 | 24,800 | 254,078 | 13,640 |
| Valika Art Fabrics Limited (Rs.4/- each) | 300 | 300 | 1,570 | 1,950 |

Jute

| | | | | |
|-----------------------|---------|---------|-----------|---------|
| Amin Fabrics | 45,738 | 45,738 | 150,000 | 205,821 |
| Crescent Jute Product | 157,314 | 157,314 | 1,250,055 | 165,180 |

Sugar and Allied

| | | | | |
|----------------------------------|---------|---------|-----------|-----------|
| Bawani Sugar Mills Limited | 55,174 | 55,174 | 99,500 | 383,459 |
| Crescent Sugar Mills Limited | 258,208 | 258,208 | 1,720,486 | 2,065,664 |
| Fecto Sugar Mills Limited | 1,182 | 1,182 | 8,109 | 7,979 |
| Kohinoor Sugar Mills Limited | 37,045 | 37,045 | 379,564 | 185,225 |
| Mirpur Khas Sugar Mills Limited | 7,216 | 7,216 | 19,900 | 56,285 |
| Noor Sugar Mills Limited | 26,021 | 26,021 | 100,000 | 611,494 |
| Pangrio Sugar Mills Limited | 100,000 | 100,000 | 1,337,000 | 200,000 |
| Shahtaj Sugar Mills Limited | 2,217 | 2,217 | 16,607 | 33,477 |
| Sind Abadgar Sugar Mills Limited | 98,500 | 98,500 | 1,276,150 | 738,750 |

Cement

| | | | | |
|-------------------------------------|--------|--------|-----------|---------|
| Dadex Etermit Limited | 533 | 533 | 995 | 12,259 |
| Gharibwal Cement Industries Limited | 53,337 | 53,337 | 109,891 | 189,346 |
| Jawedan Cement Limited | 14,666 | 14,666 | 133,330 | 54,998 |
| Mustehkam Cement Limited | 2,400 | 2,400 | 19,364 | 28,800 |
| Zeal Pak Cement Limited | 39,130 | 39,130 | 1,360,269 | 741,514 |

Tobacco

| | | | | |
|----------------------------------|--------|--------|---------|---------|
| Pakistan Tobacco Company Limited | 70,140 | 70,140 | 234,209 | 845,187 |
| Lakson Tobacco Company Limited | 12,273 | 8,182 | 36,893 | 724,107 |

Fuel and Energy

| | | | | |
|------------------------------------|-----------|-----------|------------|-------------|
| Haroon Oil Mills Limited | 5,000 | 5,000 | 49,750 | 300,000 |
| K.E.S.E. Limited | 1,623,450 | 1,623,450 | 3,635,647 | 13,474,635 |
| National Refinery Limited | 339,320 | 339,320 | 6,275,195 | 13,472,460 |
| Pakistan State Oil Company Limited | 58,312 | 58,312 | 27,640 | 9,451,533 |
| Sui Southern Gas Company Limited | 9,671,792 | 9,671,792 | 36,461,488 | 121,864,579 |
| Sui Northern Gas Pakistan Limited | 5,953,292 | 5,953,292 | 17,110,610 | 72,034,833 |



| Name of Company | Number of Shares / certificates | | Book value as on | Marker value as on |
|-----------------|------------------------------------|---------------------|---------------------|-----------------------|
| | 31 December 2000 | 31 December 1999 | 31 December 2000 | 31 December 2000 |

Engineering

| | | | | |
|----------------------|--------|--------|---------|---------|
| Metropolitan Steel | 3,492 | 3,492 | 32,369 | 17,460 |
| Pakistan Engineering | 43,776 | 43,776 | 364,738 | 131,328 |
| Huffaz Seamless | 55,800 | 55,800 | 558,000 | 125,550 |

Auto and Allied

| | | | | |
|----------------------------------|--------|--------|---------|---------|
| Pak Suzuki Motor Company Limited | 688 | 688 | 14,780 | 7,052 |
| National Motors Limited | 43,431 | 43,431 | 342,683 | 76,004 |
| Allied Motors Limited | 58,333 | 58,333 | 334,000 | 116,666 |

Transport

| | | | | |
|---|-----------|-----------|-----------|------------|
| Pakistan International Airlines Corp. "A" | 2,497,778 | 2,497,778 | 9,875,646 | 16,235,557 |
|---|-----------|-----------|-----------|------------|

Chemical

| | | | | |
|--|-----------|-----------|------------|------------|
| Imperial Chemical Industries Pakistan Ltd. | 7,857,060 | 7,857,060 | 78,570,600 | 85,249,101 |
| Sardar Chemical | 500 | 500 | 10,000 | 1,250 |
| Glaxo Welcome | 1,848 | 1,848 | 12,997 | 165,396 |

Paper and Board

| | | | | |
|-------------------------|---------|---------|-----------|------------|
| Crescent Board Limited | 98,747 | 98,747 | 926,675 | 439,424 |
| Packages Limited | 440,889 | 400,809 | 2,451,364 | 29,098,674 |
| Security Papers Limited | 490,615 | 392,492 | 279,000 | 19,624,600 |

Vanaspati and Allied

| | | | | |
|-----------------------------|--------|--------|---------|---------|
| Burma Oil Mills Limited | 861 | 861 | 6,470 | 7,749 |
| Kohinoor Oil Mills Limited | 8,800 | 8,800 | 95,748 | 62,040 |
| Universal Oil Mills Limited | 30,000 | 30,000 | 300,000 | 202,500 |

Food and Allied

| | | | | |
|---|-----|-----|-------|---------|
| Lever Brothers Pakistan Ltd. (Rs.50/- each) | 487 | 487 | 3,520 | 421,255 |
|---|-----|-----|-------|---------|

Miscellaneous

| | | | | |
|----------------------------|-------|-------|--------|--------|
| Hashmi Can Company Limited | 5,250 | 5,250 | 53,786 | 63,000 |
|----------------------------|-------|-------|--------|--------|

| | | |
|-------------|-------------|-------------|
| Rupees | 284,987,973 | 589,035,157 |
| 1999-Rupees | 284,987,973 | 567,983,891 |



12.2 Other Investments

Ordinary shares/certificate of Rs.10/- each unless started otherwise:

| Name of Company | Number of Shares / certificates | | Book value as on | |
|-----------------|------------------------------------|---------------------|---------------------|---------------------|
| | 31 December 2000 | 31 December 1999 | 31 December 2000 | 31 December 1999 |

Banks

| | | | | |
|---|---------|---------|-----------|-----------|
| Allied Bank of Pakistan (Break-up value is Rs.28.33 per share based on accounts for the year ended 31 December 1999) Chief Executive (Chairman): Mr. Rashid M. Chaudhry | 75,812 | 75,812 | 529,820 | 529,820 |
| Habib Bank Limited (Break-up value is Rs.10.29 per share based on accounts for the year ended 31 December 2000) Chief Executive (President): Mr. Zakir Mahmood | 131,050 | 131,050 | 1,266,136 | 1,266,136 |
| Industrial Development Bank of Pakistan (Break-up value is Rs. (3,102) per share based on accounts for the year ended 31 June 1998) Chairman: | 6,213 | 6,213 | 618,227 | 618,227 |
| National Bank of Pakistan (Break-up value is Rs. 116 per share based on accounts for the year ended December 31, 2000) Chairman and President Mr. S. Ali Raza | 729,300 | 729,300 | 6,595,817 | 6,595,817 |
| The State Bank of Pakistan (Break-up value is Rs. 61.54 per share based on accounts for the year ended June 30, 2001) Governor Dr. Ishrat Hussain | 4,900 | 4,900 | 517,616 | 517,616 |



| Name of Company | Number of Shares / certificates | | Book value as on | |
|--|------------------------------------|---------------------|---------------------|---------------------|
| | 31 December 2000 | 31 December 1999 | 31 December 2000 | 31 December 1999 |
| United Bank Limited (Break-up value is Rs.3.92 per share based on accounts for the years ended 31 December 2000) Chairman & President Mr. Aman Zaffar Khan | 2,550 | 2,550 | 25,888 | 25,888 |
| Development Financial Institutions | | | | |
| National Investment Trust Limited (Break-up value is Rs.181.96 per share based on accounts for the year ended June 30, 2000) Chief Executive Mr. Ishaqbal Mehdi | 26,400 | 24,000 | 100,000 | 100,000 |
| Investment Corporation of Pakistan (Break-up value is Rs.(241.72) per share based on accounts for the year ended 30 June 2000) Chief Executive: | 50,000 | 50,000 | 4,565,000 | 4,565,000 |
| | | | 14,218,504 | 14,218,504 |
| Insurance | | | | |
| Indus Insurance | 25,000 | 25,000 | 250,000 | 250,000 |
| Cotton and Textile | | | | |
| Asfar Textile | 1,000 | 1,000 | 9,950 | 9,950 |
| Kohinoor Cotton | 22,397 | 22,397 | 219,800 | 219,800 |
| Chemical | | | | |
| Synthetic Chemical | 20,000 | 20,000 | 200,000 | 200,000 |
| Vanaspati and Allied | | | | |
| Burma Soap | 64 | 64 | 640 | 640 |
| Miscellaneous | | | | |
| Arag Industries | 133,333 | 133,333 | 685,404 | 685,404 |
| | | | 1,365,794 | 1,365,794* |
| | | Rupees | 15,584,298 | 15,584,298 |

* Since the financial statements of the above entities are not available therefore, the break-up value and the name of the Chief Executive cannot be ascertained.



| | 2000 Rs.'000' | 1999 Rs.'000' |
|---|------------------|------------------|
| 12.3 NIT units | | |
| NIT units at cost | 645,091 | 645,091 |
| Less: Provision for diminution in value | | |
| Opening balance | 130,041 | 5,950 |
| Provision made during the year | — | 124,090 |
| Reversal of provision during the year | (12,812) | — |
| | 117,229 | 130,040 |
| | <u>527,862</u> | <u>515,051</u> |
| 12.4 Debentures | | |
| Debentures | 232 | 232 |
| Provision for doubtful debenture loans | 232 | 232 |
| | <u>—</u> | <u>—</u> |

13. LAND AND BUILDING

| | Book Value as at 01 January 2000 | Addition/ (Disposals) | Total as at 31 December 2000 | Depreciation for the year | Book value as at 31 December 2000 | Rate of Dep. % per annum |
|------------------------------------|---|--------------------------|---------------------------------------|---------------------------------|--|-----------------------------------|
| Rupees | | | | | | |
| Building on lease hold land | | | | | | |
| PIC building-Karachi | 166,493 | — | 166,493 | 8,325 | 158,168 | 5 |
| PIC house-Karachi | 2,983,292 | — | 2,983,292 | 149,165 | 2,834,127 | 5 |
| Lift | 146 | — | 146 | — | 146 | 20 |
| | <u>3,149,931</u> | <u>—</u> | <u>3,149,931</u> | <u>157,490</u> | <u>2,992,441</u> | |
| PIC Towers | | | | | | |
| Leasehold land | 796,028 | — | 796,028 | — | 796,028 | — |
| Building | 89,976,616 | 5,956,469 | 95,933,085 | 4,796,654 | 91,136,431 | 5 |
| Electrical Installation | 8,645,055 | 2,600 | 8,647,655 | 1,729,531 | 6,918,124 | 20 |
| Air conditioning plant | 12,199,238 | (11,380) | 12,187,858 | 2,437,572 | 9,750,286 | 20 |
| Lift | 9,635,332 | — | 9,635,332 | 1,927,066 | 7,708,266 | 20 |
| | <u>121,252,269</u> | <u>5,947,689</u> | <u>127,199,958</u> | <u>10,890,823</u> | <u>116,309,135</u> | |
| Rupees | <u>124,402,200</u> | <u>5,947,689</u> | <u>130,349,889</u> | <u>11,048,313</u> | <u>119,301,576</u> | |
| 1999 Rupees | <u>136,646,274</u> | <u>277,218</u> | <u>136,923,492</u> | <u>12,521,292</u> | <u>124,402,200</u> | |



| | 2000 Rs. '000' | 1999 Rs. '000' |
|--|-------------------|-------------------|
| 14. AMOUNT DUE FROM OTHER PERSONS AND BODIES CARRYING ON INSURANCE BUSINESS | | |
| Amount due from | 1,371,867 | 489,557 |
| Provision for bad and doubtful debts | (70,000) | (70,000) |
| | <u>1,301,867</u> | <u>419,557</u> |
| <p>This includes US\$ 15.57million due from M/s. Al-Futtaim Willis Faber. The same amount is due to M/s New Jubilee Insurance Company Limited. This would be equivalent to Pak Rupees 950 million approximately, which has been settled in the subsequent period. This also includes Rs.30.60 million (1999: Rs.35.99 million) receivable from certain ceding companies which are in various stages of litigation.</p> | | |
| 15. DEPOSITS HELD BY CEDING COMPANIES | | |
| Premium reserve withheld by ceding companies | 16,933 | 19,072 |
| Losses reserve withheld by ceding companies | 24,053 | 27,348 |
| Cash losses paid to ceding companies | 10,109 | 10,324 |
| | <u>51,095</u> | <u>56,744</u> |
| 16. CASH AND BANK BALANCES | | |
| Cash in hand | 43 | 190 |
| Cash at bank | | |
| — Current account | | |
| Foreign currency | 65,149 | 3,692 |
| Local currency | 4,295 | 4,128 |
| | <u>69,444</u> | <u>7,820</u> |
| — Deposit account | 91,303 | 66,858 |
| | <u>160,747</u> | <u>74,678</u> |
| | <u>160,790</u> | <u>74,868</u> |



17. FURNITURE, FIXTURE, OFFICE EQUIPMENT, VEHICLES, BOOKS AND COMPUTERS

| | Book Value as at 01 January 2000 | Addition/ (Disposals) | Total as at 31 December 2000 | Depreciation for the year | Book value as at 31 December 2000 | Rate of Dep. % per annum |
|------------------------------------|---|--------------------------|---------------------------------------|---------------------------------|--|-----------------------------------|
| | Rupees | | | | | |
| Building on lease hold land | | | | | | |
| Furniture, Fixture | 10,703,633 | 13,350 | 10,716,983 | 1,071,698 | 9,645,285 | 10 |
| Office Equipment | 1,107,398 | 54,735 | 1,162,133 | 174,321 | 987,812 | 15 |
| | 11,811,031 | 68,085 | 11,879,116 | 1,246,019 | 10,633,097 | |
| Vehicles | 764,037 | — | 764,037 | 152,803 | 611,234 | 20 |
| Books | 338,152 | 9,948 | 348,100 | 34,810 | 313,290 | 10 |
| Computers | 4,576,194 | — | 4,576,194 | 915,239 | 3,660,955 | 20 |
| | 5,678,383 | 9,948 | 5,688,331 | 1,102,852 | 4,585,479 | |
| Rupees | 17,489,414 | 78,033 | 17,567,447 | 2,348,871 | 15,218,576 | |
| 1999 Rupees | 19,617,509 | 629,249 | 20,246,758 | 2,757,344 | 17,489,414 | |

18. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)

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

| | 2000 Rs. '000' | 1999 Rs. '000' |
|--------------------------|-------------------|-------------------|
| Fixed assets | | |
| – Land and building | 8,608 | 8,608 |
| – Furniture and fixtures | 4 | 4 |
| | 8,612 | 8,612 |
| Investments | | |
| – Stock and shares | 7,112 | 7,112 |
| – Debentures | 250 | 250 |
| | 7,362 | 7,362 |
| | 15,974 | 15,974 |

18.1 The realisability of these assets is not determinable at the present time and no provision for the loss may arise, has been made.



19. AUDITORS' REMUNERATION

| 2000 | | | 1999 | | |
|-----------------------------------|----------------------------------|-------|-------------------------------|-----------------------------|-------|
| M. Yousuf Adil Saleem & Co. | Khalid Majid Husain Rahman | Total | Sidat Hyder Qamar & Co. | Rahman Sarfaraz & Co. | Total |
| Rs. "000" | | | | | |
| 96 | 61 | 157 | 61 | 61 | 122 |

20. GENERAL

20.1.1 Figures have been rounded off to the nearest thousand rupees.

20.2.1 Figures of previous year have been rearranged, wherever necessary, to facilitate comparison.

KAMAL AFSAR
Chief Executive

RASOOL BAKHSH BALOCH
Director



Shareholders' Statistics for the Year ended 31st December, 2000

| No of Shareholders | No of Share | | Total Shareheld |
|--------------------|-------------|-----------|-----------------|
| 330 | From 1 | To 100 | Share 8,999 |
| 74 | From 101 | To 500 | " 17,117 |
| 14 | From 501 | To 1000 | " 10,104 |
| 9 | From 1001 | To 5000 | " 23,366 |
| 3 | From 5001 | To 20000 | " 29,244 |
| 1 | From 20001 | To 50000 | " 24,260 |
| 1 | From 50001 | To 150000 | " 131,910 |
| 1 | From 150001 | To 255000 | " 255,000 |
| 433 | | | 500,000 |

| Catogaries | Number | Share held | Percentage |
|------------------------------|--------|------------|------------|
| Individuals | 408 | 56,517 | 11.30 |
| Investments Companies | 1 | 290 | 0.06 |
| Insurance Companies | 13 | 182,767 | 36.55 |
| Joint Stock Companies | 8 | 4,676 | 0.94 |
| Government of Pakistan | | | |
| Ministry of Commerce | 1 | 255,000 | 51.00 |
| Administrator Abandon | | | |
| Properties Organization | 1 | 250 | 0.05 |
| Other (Staff Provident Fund) | 1 | 500 | 0.10 |
| | 433 | 500,000 | 100.00 |

(Rs. '000)
BOOK VALUE

CLASSIFICATION OF INVESTMENT

1. Government Securities:

| | |
|--------------------------------|---------|
| a. Federal Investment Bonds | 72,730 |
| b. WAPDA Bonds | 20,000 |
| c. Regular Income Certificates | 301,900 |
| d. Defence Saving Certificates | 112,000 |
| e. Pakistan Investment Bonds | 220,110 |

726,740

2. TERM DEPOSITS

152,500

3. N.I.T. Units

645,091

4. STOCKS & SHARES:

| | |
|--------------------------------|--------|
| a. Bank/Financial Institutions | 25,915 |
| b. Mutual Fund | 90,993 |
| c. Insurance | 5,210 |
| d. Cotton & Textile | 6,602 |
| e. Synthetic & Rayon | 256 |
| f. Jute | 1,400 |
| g. Sugar & Allied | 4,957 |
| h. Cement | 1,624 |
| i. Tobacco | 271 |
| j. Fuel & Energy | 63,560 |
| k. Engineering | 955 |
| l. Auto & Allied | 691 |
| m. Transport | 9,876 |
| n. Chemical | 78,794 |
| o. Paper & Board | 3,657 |
| p. Vanaspati & Allied | 403 |
| q. Miscellaneous | 5,408 |

300,572

1,824,903

Debentures

233

TOTAL

1,825,136



PAKISTAN REINSURANCE COMPANY LIMITED

Financial Statements
For the Period ended 31 December, 2000

SIDAT HYDER QAMAR & CO
Chartered Accountants

Representing
Andersen Worldwide, SC in Pakistan

Auditors' Report to the Members



We have audited the annexed balance sheet of PAKISTAN REINSURANCE COMPANY LIMITED as at 31 December 2000 together with the notes forming part thereof, for the period ended and we state that we have obtained all the the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

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

- a). in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- b). in our opinion:
 - i). The balance sheet together with the notes thereon, have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - ii). the expenditure incurred during the period was for the purpose of the Company's business; and
 - iii). the business conducted, investments made and the expenditure incurred during the period were in accordance with the objects of the Company;
- c). in our opinion and to the best of our information and according to the explanations given to us, the balance sheet together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, gives the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2000; and
- d). in our opinion, no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Chartered Accountants

Karachi: 29 NOV 2001



Balance Sheet as at 31 December 2000

| | | Rupees |
|---|---|----------------------|
| DIFFERED COSTS | | |
| Preliminary expenses | 2 | 2,832,361 |
| CURRENT ASSET | | |
| Cash in hand | | 70 |
| | | <u>2,832,431</u> |
| CURRENT LIABILITY | | |
| Payable to associated undertaking | | 2,817,361 |
| Other liability | | 15,000 |
| | | <u>2,832,361</u> |
| | | <u>70</u> |
| REPRESENTED BY: | | |
| Authorised Capital | | |
| 100,000,000 Ordinary shares of Rs. 10/- each | | 1,000,000,000 |
| | | <u>1,000,000,000</u> |
| Issued, Subscribed and Paid-up Capital | | |
| 07 Ordinary shares of Rs. 10/- each Issued for cash | | 70 |
| | | <u>70</u> |
| Auditors' Report Annexed | | |

These financial statements should be read with the annexed notes.

Chief Executive

Director

Notes to the Financial Statements for the period ended 31 December 2000



1. THE COMPANY AND ITS OPERATIONS

- 1.1 Pakistan Reinsurance Company Limited (PRCL) was incorporated on 30 March 2000 under Companies Ordinance 1984. The object of the company is to take over the reinsurance business of Pakistan Insurance Corporation and to carry on reinsurance business. The Registered Office of the company is situated at Karachi.
- 1.2 Subsequent to the year end, PRCL has taken over all the properties, rights and liabilities of Pakistan Insurance Corporation (PIC) in terms of Ministry of Commerce, Government of Pakistan SRO No 3 (35) /2000-INS II dated 14 February 2001. Accordingly, from 15th February 2001 all properties, rights and liabilities of PIC vest in PRCL subject to certain terms and conditions contained in the aforesaid Order.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis for preparation of the financial statements

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards, as applicable in Pakistan.

2.2 Accounting Convention

These financial statements have been prepared under the historical cost 'convention'.

2.3 Differed Costs

Expenses incurred in connection with the incorporation of Company will be amortized over a period of five years, commencing from the year the Company commences its business.

3. DIFFERED COSTS

| | Rupees |
|--|------------------|
| Registration fees | 2,537,361 |
| Consultancy for incorporation of Company | 280,000 |
| Audit fee | 15,000 |
| | <u>2,832,431</u> |

4. No profit and loss account has been prepared for the period, since the Company did not commence its business operations.

Chief Executive

Director

Form of Proxy



I/We _____ of _____
being a shareholder of the Pakistan Reinsurance Company Limited holding Shares No. _____
_____ hereby appoint _____
of _____ of falling him _____
of _____ as my/ our proxy to vote for me /us and on my/
our behalf at a meeting of the shareholders of the company to be held at
_____ Karachi on the _____ and at any adjournment
there of.

Dated this _____ day of _____

Signature of Shareholder

Affix Rupees Five
Revenue Stamp

Important Notes:

1. No person shall be appointed a proxy who is not a shareholder of the company and qualified to vote, save that a company being member of the company may appoint as its proxy any officer of such company whether a member of the company or not.
2. The instrument appointing proxy and the power of attorney or other authority if any, under which it is signed shall be deposited with the company not less than 48 hours before the date of meeting.
3. In case of joint holders any one of the joint holders may sign the instrument of proxy.
4. The signature on the instrument of proxy must conform to the specimen signature filed with the company.

— Pakistan Reinsurance Company Limited —