

# Annual Report 2001



**PAKISTAN REINSURANCE COMPANY LIMITED**  
(FORMERLY PAKISTAN INSURANCE CORPORATION)







## ***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.*





# Contents



Board of Directors .....	2
Senior Management .....	3
Notice .....	4
Director's Report to the Shareholders .....	5-6
Charts and Graphs .....	7-10
Auditor's Report to the Members .....	11-12
Consolidated Revenue Account .....	13-14
Revenue Account - Fire .....	15-16
Revenue Account - Marine .....	17-18
Revenue Account Miscellaneous .....	19-20
Profit and Loss Account and Profit and Loss Appropriation Account .....	21-22
Balance Sheet .....	23-24
Cash Flow Statement for the year ended December 31, 2001 .....	25
Statement of Changes in Equity for the year ended December 31, 2001 .....	26
Notes to the Accounts .....	27-43
Shareholder's Statistics for the year ended December 31, 2001 .....	44
PIC Financial Statement for the period ended 14th February, 2001 and report thereon..	45-92





## Board of Director

MR. KAMAL AFSAR	CHAIRMAN
MR. M. SHARIF IJAZ GHOURI	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

SIDAT HYDER QAMAR & CO.  
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  
*Legal Advisor*  
Aman Law Associates



## Senior Management



Ms. Naheed Hyder	Executive Director (Finance & Accounts)
Mr. Usman Hasan	Executive Director (Reinsurance)
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. Abbas Raza Rizvi	Acting Chief Manager (Reinsurance)
Mr. Asghar Imam Khalid	Manager (Internal Audit)
Mr. Ayaz Hussain M. Gad	Manager (Administration)
Mr. Fida Hussain Samoo	Manager (Reinsurance)
Mr. Shahzad Farooq Lodhi	Manager (Establishment)





## Notice of Annual General Meeting

Notice is hereby given that the 2nd Annual General Meeting of PAKISTAN REINSURANCE COMPANY LIMITED will be held on 28th September, 2002 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, 2001 of the company and also of the former Pakistan Insurance Corporation as at February 14, 2001 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, 2001.
3. To appoint auditors of the Company for the year ending December 31, 2002 and fix their remuneration.
4. To accord ex-post-facto approval of the appointment of auditors of PIC, M/s Sidat Hyder Qamar & Company and M/s. M. Yousuf Adil Saleem and Company, Chartered Accountants for the period from 01-01-2001 to 14-02-2001 at the remuneration of Rs. 60,000/- each.
5. Ex-post-facto approval for payment of 30% surplus profit for the year, 2000.
6. To consider any other business with the permission of the Chair.

### SPECIAL BUSINESS:

7. To fix and approve director's fee for attending the meeting of Board of Directors and following resolution is proposed to be passed as ordinary resolution:-

Resolved that the director's fee for attending the Board Meeting may be paid as Rs. 5000/-

### STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984 REGARDING THE SPECIAL BUSINESS

That the present fee for attending Board's meeting was fixed by the Board on 17th March, 1998. Keeping in view of the overall increase of price index over the last three years, it is needed to be revised.

By order of the Board

(S. S. Momin)  
(Company Secretary)

Dated: August 30, 2002, Karachi.

### NOTES:

- i. The share transfer books of the company shall remain closed from 21st September, 2002 to 28th September, 2002 (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 address.



# Report of the Board of Directors on the working of PRC for the year ended 31st December, 2001



The Shareholders,  
Pakistan Reinsurance Co. Ltd.,

Gentlemen,

Your directors feel pleasure in presenting the Annual Report on the accounts of the PRC for the period ended 31st December, 2001.

## 2. Company and its Operations

The economic activities during the year 2001 have reduced worldwide in wake of September, 11 incident and Pakistan was no exception to that. The world insurance scenario after the incident has been greatly effected with the result that the insurance and reinsurance capacities have been substantially reduced so also the coverages. To cope up with the situation, your company is taking measures so that the adverse repercussions are minimized to the maximum possible extent.

3. As a result, your company has been able to maintain the premium income as well as claims expenses more or less at the previous year's level except for a proportionate reduction in revenue in compulsory cession from 20% to 15% w.e.f. 1-1-2001.

4. The salient features of the business operations during the year 2001 are as follows:-

### i. GROSS PREMIUM:

The gross premium of the company was Rs. 2278 million for 10½ months' period. However, if gross premium for PIC's period is added, the total for the year 2001 comes to Rs. 2841 million as compared to Rs. 3045 million for the year 2000. The reduction in Gross Premium is mainly attributable to the reduction in compulsory cession from 20% to 15%.

### ii. NET PREMIUM

The net premium of the company was Rs. 1231 million for 10½ months' period. However, if net premium for PIC's period is added, the total for the year 2001 comes to Rs. 1553 million as compared to Rs. 1644 million for the year 2000. The reduction in net premium is mainly attributable to the reduction in compulsory cession from 20% to 15%.

### iii. CLAIMS

The net claims (claims less retrocessions) of the company were Rs. 709 million and for the full year of 2001 including PIC's period were Rs. 900 million as compared to Rs. 961 million in the year 2000. Thus, there was a decrease of Rs. 61 million under this head in the year 2001. Net claims as percentage of Net Premium have remained at the level of 58% in the year 2001.

### iv. COMMISSIONS

The commission expenses of the company were Rs. 462 million and for the full year including PIC's period were Rs. 586 million. The commission as percentage of Net Premium were 38% in the year 2001.

5. The department wise performance was as follows:-

#### Fire Department

The gross premium of Fire Dept. was Rs. 878 million which contributed about 38% to the company's revenue. The Net premium of the dept. was Rs. 482 million. The claim ratio was 49% and the underwriting profit of the dept. was Rs. 19 million.





### Marine Department

The Gross Premium of Marine dept. was Rs. 324 million which contributed about 14% to the company's revenue. The Net premium of the dept. was Rs. 182 million. The claim ratio was 39% and the underwriting profit was Rs. 24 million.

### Miscellaneous Department

The Gross Premium of Miscellaneous dept. was Rs. 1076 million which contributed about 48% to the company's revenue. The Net premium of the dept. was Rs. 567 million. The claim ratio was 71%. The underwriting loss of the dept. was Rs. 0.4 million.

### 6. Profit

The profit before tax of the company for the year ended 31st December, 2001 is as follows:-

	Rupees
Net profit before tax	108,524,520
Add: Unappropriated profit brought forward	723,350
	109,247,870
Less: Provision for taxation	42,000,000
	67,247,870
Less: Proposed dividend @ 25%	12,500,020
Unappropriated profit carried forward	54,747,850

### 7. Investment Income

Due to diversification of investment portfolio and increased investment into fixed income securities, the investment and other income in the year 2001 has increased to Rs. 220 million as compared to Rs. 168 million in the year 2000. The break-up value of PRC's share as at 31st December 2001 was Rs. 172/= per share of Rs. 10/= each and the earning per share was Rs. 13.30.

### 8. Appointment of Auditors

The retiring auditors M/s. Sidat Hyder Qamar & Co., and M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants who conducted audit at a fee of Rs. 125,000/= each offered themselves for re-appointment as joint auditors for the year 2002 at a fee of Rs. 300,000/= each.

However, M/s. M. Yousuf Adil Saleem & Co., become ineligible to be considered for reappointment as auditors for the year 2002 in terms of SECP's Circular No. 13/SEC/CSM/2001 dated 10.5.2002.

The Board Audit Committee suggested the appointment of sole auditor instead of joint auditors for the year ending 31st December, 2002. However, keeping in view the provision of code of corporate governance with regard to the appointment of external auditors which stipulates continued appointment of external auditor for three years, the audit committee recommended the appointment of M/s. Sidat Hyder Qamar & Co. at a fee to be decided by the Board.

The Board decided to offer a fee of Rs. 250,000/= to M/s. Sidat Hyder Qamar & Co. In case they do not agree to accept the appointment at the proposed fee of Rs. 250,000/= as sole auditor, M/s. Khalid Majid, Rahman Sarfraz, Rahim Iqbal Rafiq & Co. are recommended to be appointed at a fee of Rs. 250,000/= as sole auditor for the year ending 31st December, 2002.

### 9. Dividend

The Directors are pleased to declare a dividend of 25% for the year 2001 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.

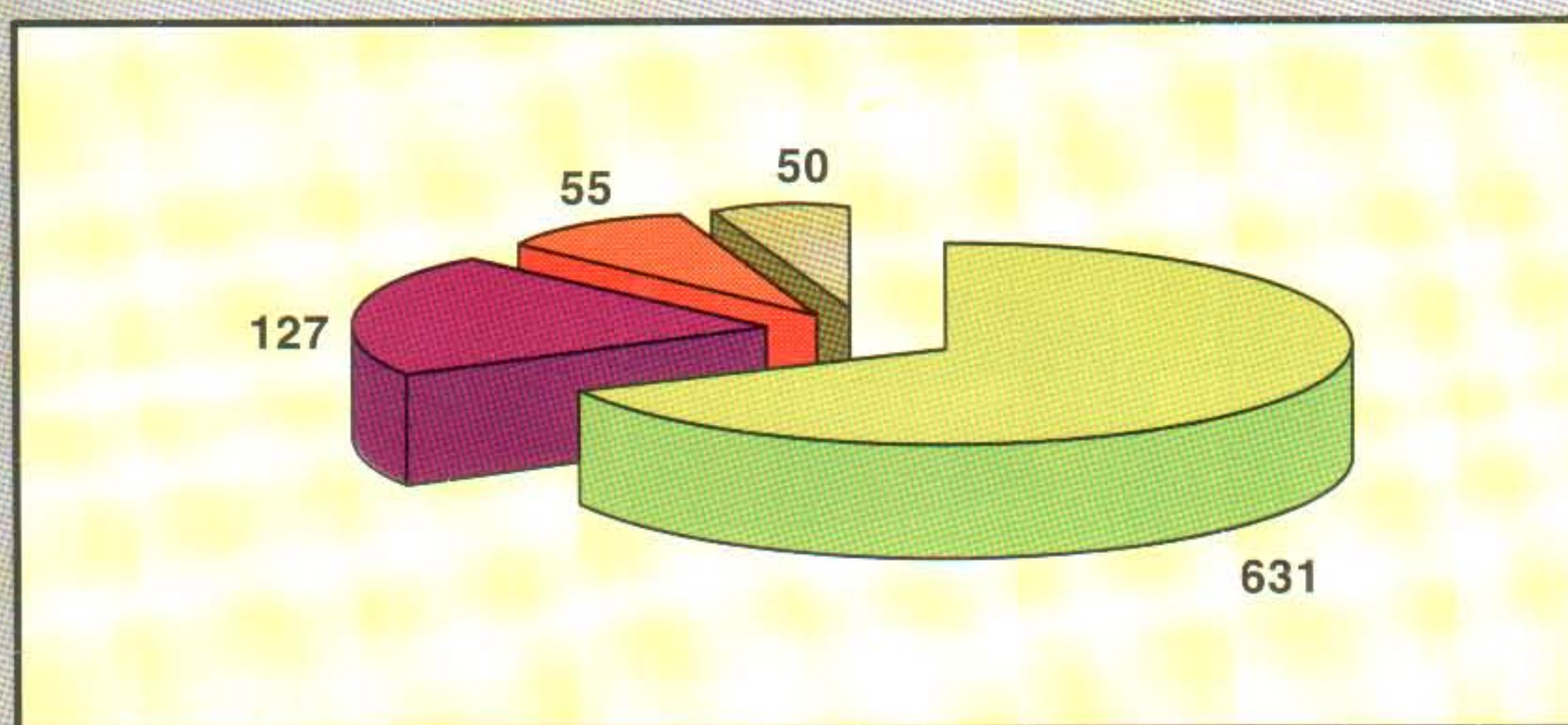




**BREAK-UP VALUE OF COMPANY'S  
SHARE AS AT 31ST DECEMBER  
2001**

Rs. in million

Paid-up Capital	50
Reserve for Exceptional Losses	631
General Reserve	127
Profit & Loss Appropriation (balance)	55
Net worth (Owner's equity)	863



Break-up value per share  
of Rs. 10/- each

Rs. 172/-

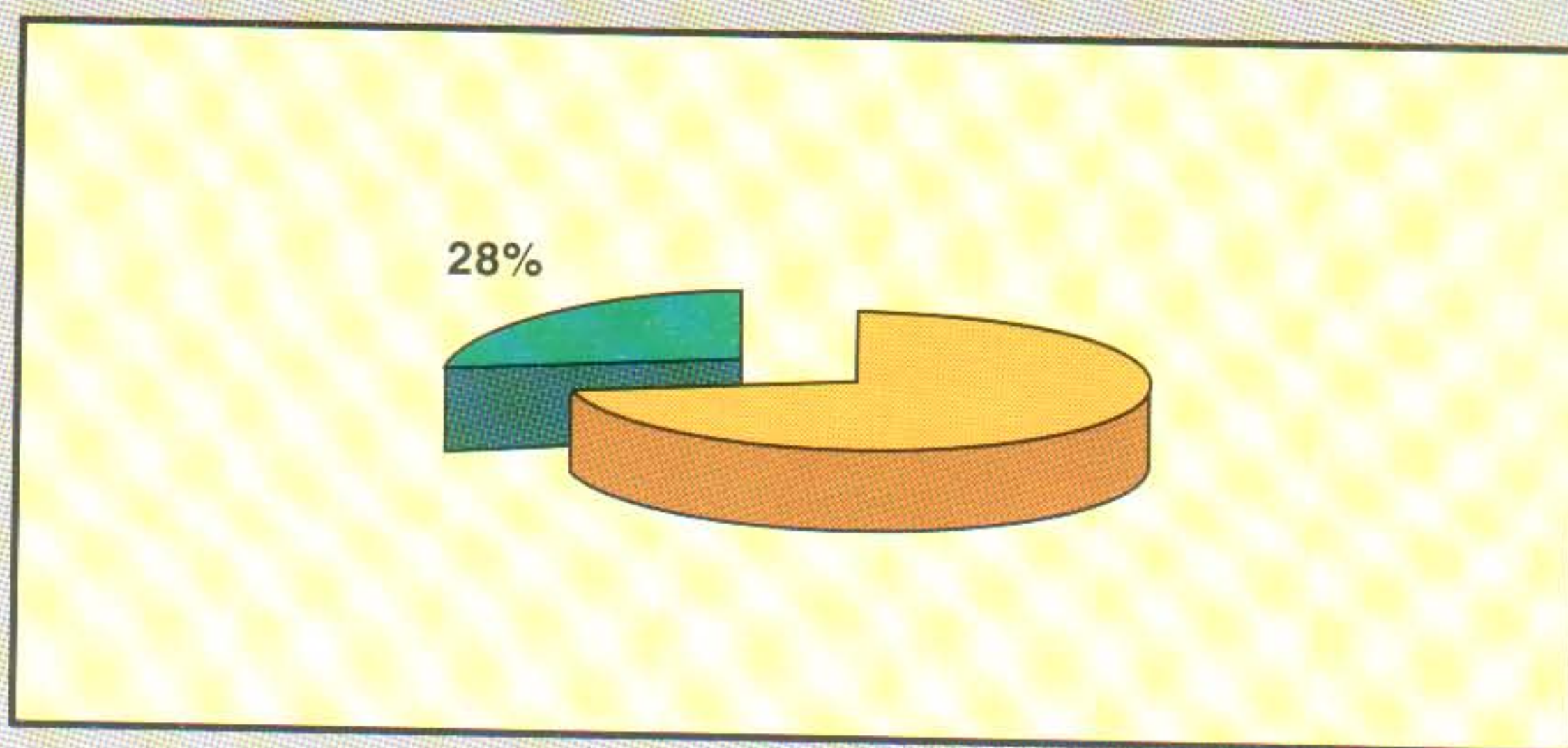




## PAKISTAN INSURANCE MARKET AND COMPANY'S SHARE 2001

Rs. in million

1).	Gross Premium	
	(a) Insurance Market	10,200
	(b) Company	2,841 *
2.	Company's Share of Market	28%



\* The total gross premium for the year 2001 including 1½ month of PIC Premium of Rs. 563 million which has been included for arriving at the share of market for the year 2001.

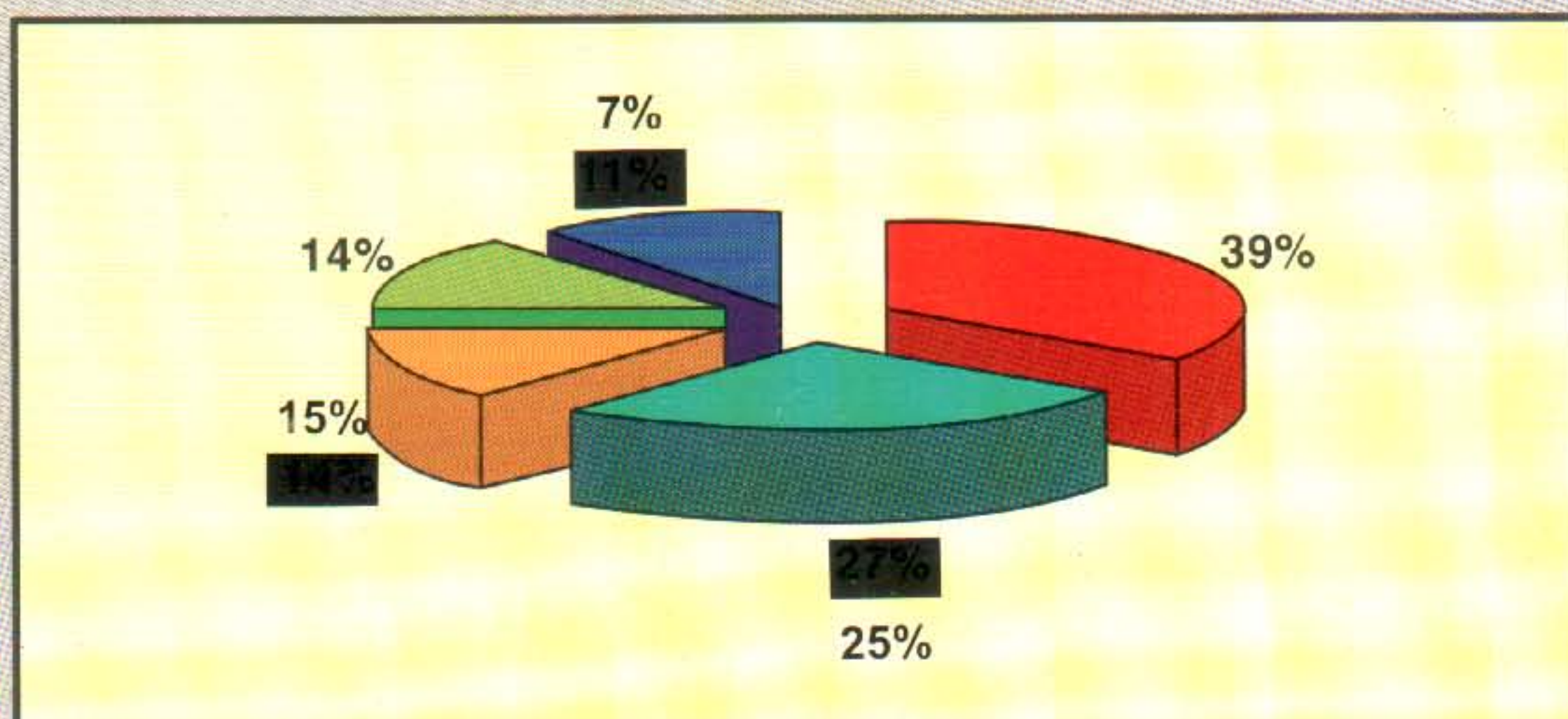




## GROSS PREMIUM INCOME BY CLASS OF BUSINESS 2001

Rs. in million

Class of Business	Gross Premium	% of Total
(a) Fire	878	39
(b) Accident	570	25
(c) Aviation	350	15
(d) Marine	324	14
(e) Engineering	156	7
	2,278	100







## RESERVES & INVESTMENTS 2001

Rs. in million

### 1. RESERVES

#### A. FINANCIAL RESERVES:

1) Reserves for Exceptional Losses	631	
2) General Reserves	127	
3) Investment Fluctuation Reserve	201	
4) Provision for the Doubtful Debts	70	1,029

#### B. TECHNICAL RESERVES:

1) Outstanding Claims	584	
2) Premium Reserves	638	1,222
		<u>2,251</u>

### 2. INVESTMENTS

1) NIT Unites	645	
2) Stocks & Shares	265	
3) D.S.C / R.I.C.	414	
4) Pakistan Investment Bonds	294	
5) Treasury Bills	48	
6) NIDA A/c.	196	1,862
Less: Investment Fluctuation Reserve		<u>201</u>
		<u>1,661</u>





## Auditors' Report to the Member

We have audited the annexed balance sheet of **PAKISTAN REINSURANCE COMPANY LIMITED** (the Company) as at December 31, 2001 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 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 Insurance Ordinance, 2000. Our responsibility is to express an opinion on these statements based on our audit.

Except for the matters stated in paragraphs '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. The Company records premium, commission and losses as per the statutory returns received from the ceding companies. Our examination revealed significant weaknesses in the internal control system relating to the amounts due to and due from persons or bodies carrying on insurance business. Our confirmation requests to such entities remained largely unresponded and some responses received contained differences. Consequently, we could not verify Rs. 479 million shown in the financial statements as amounts due to persons or bodies carrying on insurance business and Rs. 537 million shown as amounts due from persons or bodies carrying on insurance business. Further, the amounts due to/from persons and bodies carrying on insurance business also include exchange differences taken to this account at the time of settlement instead of being taken to the profit and loss account of the respective years as required by the International Accounting Standard (IAS) – 21.





- b. Estimated liabilities in respect of outstanding claims (net) reflected in the financial statements at Rs. 585 million includes an amount of Rs. 80 million that has been estimated by management without any objective basis. The remaining amount of the liability is recognized on the basis of returns submitted by ceding insurance companies. The Company does not have the practice on regular basis to carry out any analysis in order to determine the accuracy of such estimated liability. Further, there are no effective controls to ensure the completeness and accuracy of the liability incurred but not reported.
- c. We were unable to verify the correctness and realizability of the deposits retained from ceding companies (liability) and deposits held by ceding companies (asset) reflected in the financial statements at Rs. 64 million and Rs. 22 million respectively as we were not provided appropriate details of such balances during the course of our audit. Further, the deposits retained/held includes exchange differences taken to this account at the time of settlement instead of being taken to the profit and loss account as required by the IAS – 21 of the respective years.
- d. We were unable to satisfy ourselves regarding recoverability of Rs. 150 million appearing in the financial statements as advance tax, as management could not provide us the relevant supporting documents.
- e. The Company's net assets relating to Bangladesh (referred to in notes 6.2, 10 and 18 of the financial statements) amounted to Rs.10.213 million. As the Company has no control over such assets and liabilities, they are unlikely to be realized or discharged. No provision has been made for any loss that may arise.
- f. As described in note 2.2 to the financial statements, the Company has not complied with the requirements of IAS-14 (Segment Reporting) and IAS-32 (Financial Instruments: Disclosure and Presentation), as such information could not be extracted from the existing accounting system of the Company.
- g. Except for the matters described in paragraph 'a' to 'f' above, in our opinion, proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984.





- h.* Except for the matters described in paragraphs 'a' to 'f' above, in our opinion:
- i.* the annexed balance sheet, Fire, Marine and Miscellaneous Insurance revenue accounts, profit and loss account, profit and loss appropriation account, cash flow statement and statement of changes in equity, together with the notes thereon have been drawn up in conformity with the provision of the Insurance Ordinance, 2000 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 year was for the purpose of the Company's business; and
  - iii.* the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- i.* Except for the effects of such adjustments, if any, that might have been determined to be necessary in view of the matters described in paragraphs 'a' to 'f' above, in our opinion and to the best of our information and according to the explanations given to us the annexed balance sheet, Fire, Marine and Miscellaneous revenue accounts, profit and loss account, profit and loss appropriation account, cash flow statement and statement of changes in equity together with notes forming part thereof conform with approved accounting standards as applicable in Pakistan and, give the information required by the Insurance Ordinance, 2000, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2001 and of the profit, its cash flows and changes in equity for the year then ended;
- j.* In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

**M. YOUSUF ADIL SALEEM & CO**  
Chartered Accountants

**SIDAT HYDER QAMAR & CO**  
Chartered Accountants

Karachi,





## Revenue Account for the Consolidated for all

	Note	2001 Rupees	2000 Rupees
<b>PARTICULARS</b>			
Commission (less: Retrocessions)		461,966,878	-
Claims (less: Retrocessions) paid during the year		726,807,625	-
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated (net of estimated claims from retrocessionaries)	6	584,676,126	-
		1,311,483,751	-
Less: Outstanding claims transferred from Pakistan Insurance Corporation		(602,285,857)	-
		709,197,894	-
Management Expenses		97,903,370	-
Premium Reserve for the year carried forward	7	637,599,938	-
Profit transferred to Profit and Loss Account		42,696,684	-
		<u>1,949,364,764</u>	<u>-</u>

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

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR



# Year ended 31st December, 2001

## Classes of Business



	Note	2001 Rupees	2000 Rupees
<b>PARTICULARS</b>			
Premium Reserve transferred from Pakistan Insurance Corporation		718,272,146	-
Premium		2,278,201,673	-
Less: Retrocessions		(1,047,109,055)	-
		1,231,092,618	-
		<u>1,949,364,764</u>	<u>-</u>

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR





## Revenue Account for the Fire

PARTICULARS	Note	2001 Rupees	2000 Rupees
Commission (less: Retrocessions)		211,618,213	-
Claims (less: Retrocessions) paid during the year		232,062,334	-
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated (net of estimated claims from retrocessionaries)	6	165,322,224	-
		397,384,558	-
Less: Outstanding claim transferred from Pakistan Insurance Corporation		(162,221,317)	-
		235,163,241	-
Management Expenses		38,328,989	-
Premium Reserve for the year carried forward	7	248,719,149	-
Profit transferred to Profit and Loss Account		19,409,966	-
		753,239,558	-

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

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR



Year ended 31st December, 2001  
Business



	Note	2001 Rupees	2000 Rupees
<b>PARTICULARS</b>			
Premium Reserve transferred from Pakistan Insurance Corporation		271,269,062	-
Premium		877,748,281	-
Less: Retrocessions		(395,777,785)	-
		481,970,496	
		<u>753,239,558</u>	<u>-</u>

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Reinsurance Company Limited





## Revenue Account for the Marine

	Note	2001 Rupees	2000 Rupees
<b>PARTICULARS</b>			
Commission (less: Retrocessions)		76,706,458	-
Claims (less: Retrocessions) paid during the year		67,749,952	-
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated (net of estimated claims from retrocessionaries)	6	134,170,646	-
		201,920,598	-
Less: Outstanding claims transferred from Pakistan Insurance Corporation		(131,221,931)	-
		70,698,667	-
Management Expenses		14,470,860	-
Premium Reserve for the year carried forward	7	96,967,668	-
Profit transferred to Profit and Loss Account		23,658,005	-
		<u>282,501,658</u>	<u>-</u>

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

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR



Year ended 31st December, 2001  
Business



	Note	2001 Rupees	2000 Rupees
<b>PARTICULARS</b>			
Premium Reserve transferred from Pakistan Insurance Corporation		100,536,846	-
Premium		324,244,543	-
Less: Retrocessions		(142,279,731)	-
		181,964,812	-
		<u>282,501,658</u>	<u>-</u>

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Reinsurance Company Limited





## Revenue Account for the Miscellaneous

PARTICULARS	Note	2001 Rupees	2000 Rupees
Commission (less: Retrocessions)		173,642,208	-
Claims (less: Retrocessions) paid during the year		426,995,340	-
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated (net of estimated claims from retrocessionaries)	6	285,183,256	-
		712,178,596	-
Less: Outstanding claims transferred from Pakistan Insurance Corporation		(308,842,609)	-
		403,335,987	-
Management Expenses		45,103,521	-
Premium Reserve for the year carried forward	7	291,913,121	-
		913,994,837	-

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

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR



# Year ended 31st December, 2001 Business



	Note	2001 Rupees	2000 Rupees
PARTICULARS			
Premium Reserve transferred from Pakistan Insurance Corporation		346,466,238	-
Premium		1,076,208,849	-
Less: Retrocessions		(509,051,539)	-
		567,157,310	-
Loss transferred to Profit and Loss Account		371,289	-
		<u>913,994,837</u>	<u>-</u>

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR





## Profit and Loss Account for the year

	Note	2001 Rupees	2000 Rupees
<b>PARTICULARS</b>			
<b>EXPENSES OF MANAGEMENT (NOT APPLICABLE TO ANY PARTICULAR REVENUE ACCOUNT)</b>			
Directors' fee and travelling		249,135	-
Auditors' remuneration	20	250,000	-
Advertisement and publicity		233,187	-
Training and research		23,210	-
Profit paid on deposits retained from other companies		231,175	-
Building maintenance		4,497,654	-
Depreciation	14	9,076,756	-
Impairment loss on fixed assets	14	15,044	-
Amortization of deferred cost	19	596,472	-
Zakat deducted at source		1,250	-
		<u>15,173,883</u>	-
Provision for diminution in value of investments		139,266,123	-
Provision for taxation - current		42,000,000	-
Provision for bonus - prior years		5,413	-
		<u>196,445,419</u>	-
Net profit for the year carried down		66,524,520	-
		<u>262,969,939</u>	-

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

## Profit and Loss Appropriation Account

Proposed dividend @ 25% (Rs. 2.5 per share)	12,500,020	-
Unappropriate profit transferred to balance sheet	54,747,866	-
	<u>67,247,886</u>	-

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

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Reinsurance Company Limited



ended 31st December, 2001



	Note	2001 Rupees	2000 Rupees
<b>PARTICULARS</b>			
<b>Investment Income</b>			
Interest and dividends - Net	3	195,977,849	-
<b>Other receipts</b>			
Rental income - Net	4	785,092	-
Profit received on deposits retained by other companies		2,567,299	-
Profit on short-term deposits		5,045,704	-
Exchange gain		11,041,375	-
Miscellaneous income		4,854,907	-
		24,294,377	-
Reversal of excess provision on debentures		1,031	-
Profit / (loss) transferred from Revenue Accounts			
Fire		19,409,966	-
Marine		23,658,005	-
Miscellaneous		(371,289)	-
		42,696,682	-
		262,969,939	-

for the year ended 31st December, 2001

Transferred from PIC	723,366	-
Net profit for the year brought down	66,524,520	-
	67,247,886	-

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Reinsurance Company Limited





## Balance Sheet as at

	Note	2001 Rupees	2000 Rupees
<b>CAPITAL AND LIABILITIES</b>			
<b>AUTHORISED CAPITAL</b>			
100,000,000 ordinary shares of Rs.10 each		1,000,000,000	100,000,000
Issued, subscribed and paid-up capital	5	50,000,080	70
Reserves:			
Exceptional loss reserve		631,000,000	-
Share premium account		10,725	
General reserve		127,409,000	
Unappropriated profit		54,747,866	
		813,167,591	-
Premium reserve - Net	7	637,599,938	-
Reserve for outstanding claims - Net	6	584,676,126	-
Amount due to other persons and bodies carrying on insurance business	15.1	479,126,946	
Deposits retained / received from ceding companies	8	63,639,125	
Advances and deposits	9	1,377,628	
Payable to associated undertaking		-	2,817,361
Other liabilities	10	147,066,785	15,000
Retention money payable		7,576,436	
Provision for taxation	11	42,000,000	
Dividend payable		5,000,000	
Proposed dividend		12,500,020	-
Surplus profit payable		15,000,000	
		773,286,940	2,832,361
Contingent Liabilities	12	-	-
		<u>2,858,730,675</u>	<u>2,832,431</u>

Auditors' Report Annexed

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

These financial statements were authorised for issue in the Board of Directors meeting held on August 29, 2002.

**KAMAL AFSAR**  
CHIEF EXECUTIVE

**S.M. RAFIQUE AKHTAR**  
DIRECTOR



ended 31st December, 2001



	Note	2001 Rupees	2000 Rupees
<b>PROPERTIES AND ASSETS</b>			
Investments	13	1,660,857,373	-
Fixed Assets - Tangible	14	112,534,320	-
Amount due from other persons and bodies carrying on insurance business	15	537,194,742	-
Deposits held by ceding companies	16 & 8.1	22,112,336	-
Cash and bank balances	17	75,096,643	70
Interest, return and dividend accrued / outstanding		95,478,346	-
Other receivables - considered good		106,432,628	-
Advances including taxation, loans, deposits and prepaid expenses		230,409,826	-
Stock of stationery etc. - at cost		254,572	-
		230,664,398	-
Assets relating to Bangladesh (former East Pakistan)	18	15,974,000	-
Deferred costs	19	2,385,889	2,832,361
		<u>2,858,730,675</u>	<u>2,832,431</u>

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Reinsurance Company Limited





## Cash Flow Statement for the Year ended 31st December, 2001

	Note	2001 Rupees	2000 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		94,126,576	-
<b>ADJUSTMENTS FOR NON CASH CHARGES:</b>		9,076,756	-
Impairment loss on fixed assets		15,044	
Amortization of deferred costs		596,472	
Loss on investments		46,356,660	-
Provision for diminution in value of investments		92,909,463	-
		148,954,395	-
		243,080,971	-
<b>(INCREASE)/DECREASE IN OPERATING ASSETS</b>			
Amounts due from other persons or bodies carrying		(537,194,742)	-
Deposits held by ceding companies		(22,112,336)	-
Interest, return and dividend accrued/outstanding		(95,478,346)	-
Other receivables		(106,432,628)	-
Advances, loans, deposits and prepaid expenses		(217,061,947)	-
Stock of stationery		(254,572)	-
Transfer of assets relating to Bangladesh		(15,974,000)	-
Deferred costs		(150,000)	(2,832,361)
		(994,658,571)	(2,832,361)
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>			
Reserve for outstanding claims - net		584,676,126	-
Premium reserve - net		637,599,938	-
Amount due to other persons or bodies carrying		479,126,946	-
on insurance business		63,639,125	-
Deposits retained/received from ceding companies		1,377,628	-
Advances and deposits		(2,817,361)	2,817,361
Payable to associated undertaking		7,576,437	-
Retention money payable		147,051,785	15,000
Other liabilities		5,000,000	-
Dividend payable		1,923,230,624	2,832,361
Net cash inflow from operating activities before income tax		1,171,653,024	-
Income tax transferred and paid		(12,747,863)	-
Net cash inflow from operating activities		1,158,905,161	-
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
Acquisitions of investments		(2,203,112,638)	-
Sales proceeds of investments		402,989,142	-
Acquisitions of fixed assets		(121,626,120)	-
Net cash outflow from investing activities		(1,921,749,616)	-
		(762,844,455)	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Transfer of reserves		787,941,018	-
Transfer of share capital		50,000,000	-
Issue of share capital		10	70
Net increase/(decrease) in cash and cash equivalents		837,941,028	70
		75,096,573	70
		70	-
Cash and cash equivalents at the beginning of the year		75,096,643	70
Cash and cash equivalents at the end of the year			

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

**KAMAL AFSAR**  
CHIEF EXECUTIVE

**S.M. RAFIQUE AKHTAR**  
DIRECTOR



# Statement of Changes in Equity for the Year ended 31st December, 2001



Particulars	Share Capital	Share Premium account	Exceptional loss reserve	General reserve	Unappropri- ated profit	Total
	..... Rupees .....					
Balance as at January 01, 2001	70	-	-	-	-	70
Transfer in from the Corporation	50,000,000	10,725	631,000,000	127,409,000	723,366	809,143,091
Proposed Dividend @ 25% (Rs. 2.5 per share)	-	-	-	-	(12,500,020)	(12,500,020)
Profit for the year	-	-	-	-	66,524,520	66,524,520
Issue of shares	10	-	-	-	-	10
Balance as at December 31, 2001	50,000,080	10,725	631,000,000	127,409,000	54,747,866	863,167,671

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

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Reinsurance Company Limited





## Notes to the Account for the Year ended 31st December, 2001

### 1. STATUS AND ACTIVITIES

- 1.1 Pakistan Reinsurance Company Limited (the Company) was incorporated on March 30, 2000 under the Companies Ordinance 1984. The object of the Company is the development of insurance and reinsurance business in Pakistan and to carry on reinsurance business. The registered office of the company is situated at Karachi. Its shares are quoted on Karachi and Lahore Stock Exchanges.
- 1.2 During the year, the Company has taken over the business of Pakistan Insurance Corporation (the Corporation) 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. Accordingly, the Corporation stands dissolved with effect from February 15, 2001, on which date all the assets, liabilities, rights and employees of the Corporation stand transferred to the Company. Further, in these financial statements operations have also been reflected effectively from February 15, 2001 and accordingly it is the first year of business operations of the Company.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Accounting Convention

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

#### 2.2 Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with the requirements of the Insurance Ordinance, 2000 and approved International Accounting Standards (IASs) as applicable in Pakistan, except for IAS-14 (Segment Reporting), IAS-21 (The Effects of Changes in Foreign Exchange Rates) and IAS-32 (Financial Instruments: Disclosure and Presentation) which have not been complied with while preparing the financial statements. However, in the absence of a specified format under the above referred Ordinance, these financial statements have been prepared on the format as prescribed under regulation 50 and 51 of Pakistan Insurance Corporation (General) Regulations, 1953.

#### 2.3 Employee Benefits

##### 2.3.1 Pension and Gratuity Funds

The Company operates defined benefit approved gratuity and pension funds for employees who are entitled/opted for either of the above funds. Contributions are made annually on the basis of actuarial recommendations. Consequential to the adoption of the IAS 19 (revised) the actuarial valuation for the funds were carried out as at December 31, 2001.

The projected unit credit method based on the following significant assumptions has been used for valuation of the above funds carried out as on December 31, 2001:

	Pension	Gratuity
Expected rate of salary increase	9%	9%
Expected return on investment	10%	10%
Discount rate	10%	10%

##### 2.3.2 Post Retirement Medical Benefits

The Company also operates defined medical benefits, and has decided to recognize the





liability for post retirement medical facilities to its eligible employees to comply with the requirements of IAS - 19 (Revised).

The projected unit credit method based on the following significant assumptions has been used for valuation of post retirement medical benefits scheme carried out as on December 31, 2001:

Expected rate of salary increase	9%
Expected return on investment	10%
Discount rate	10%

### 2.3.3 Earned Leaves

#### Officers

The Company offers defined benefit encashment of leaves upto the maximum of 6 months in respect of Leave Preparatory to Retirement (LPR) at the rate of 1.7 of basic salary or on the basis of basic plus house rent allowance.

#### Staff

Staff have the option to encash absences of 30 days each year based on basic salary. The staff also have the option of one year's absences on full pay in respect of LPR. In case staff wish to encash his/her LPR such encashment of leaves upto the maximum of 6 months will be allowed, at the rate of 1.8 of basic salary or on the basis of basic plus house rent allowance.

### 2.3.4 The funds / schemes assets, liabilities, costs and actuarial gains / losses as determined by the actuaries are as follows:

Particular	Pension		Gratuity	Medical	Earned Leaves
	Officer	Employees			
----- (Rupees in million) -----					
Present value of obligation	78.010	27.679	12.803	29.730	18.667
Fair value of plan asset	(5.859)	(29.308)	(59.912)	-	-
	72.151	(1.629)	(47.109)	29.730	18.667
Unrecognise acturial gain/(loss)	(6.023)	5.557	(2.399)	0.562	-
Unrecognise part of transitional liability	-	-	-	-	-
Liability/(asset) recognised in balance sheet	66.128	(7.186)	(49.508)	30.292	18.667
<b>Reversal /Expense recognised</b>					
Current service cost	1.980	1.103	0.454	0.511	1.968
Interest cost	6.069	2.163	0.964	2.423	-
Expected return on plan asset	(0.896)	(2.684)	(4.819)	-	-
Transitional liability/(asset) to be recognised	-	-	-	-	-
(Reversal) / Expense recognised	7.152	0.582	(3.402)	2.934	1.968
<b>Provision as at February 14, 2001</b>	59.876	(6.088)	(44.661)	27.991	16.699
(Reversal ) / Expense as above	7.152	0.582	(3.402)	2.934	1.968
Contribution paid	(0.900)	(1.680)	(1.446)	(0.633)	-
Liability as at December 31, 2001	66.128	(7.186)	(49.508)	30.292	18.667
<b>Actual return on plan assets</b>					
Expected return on plan assets	(0.896)	(2.684)	(4.819)	-	-
Actuarial gain/(loss) on plan assets	(5.280)	(4.871)	(2.103)	-	-
Actual return on plan assets	(6.176)	(7.555)	(6.923)	-	-





### 2.3.5 Provident Fund

The Company operates defined contributory approved general and contributory provident funds (the funds) for all its eligible employees. The funds are administered by the trustees. Equal monthly contributions are made both by the Company and the employees to the contributory provident fund at the rate of 8.33% of the basic salary. In case of general provident fund the contribution is made by the employees at the minimum rate of 10% of the basic salary.

### 2.4 Taxation

#### *Current:*

Provision for taxation is based on taxable income or minimum tax on turnover under section 80D of the Income Tax Ordinance, 1979, whichever is higher.

#### *Deferred:*

The Company accounts for deferred taxation on all material timing differences using the liability method. Deferred tax assets are recognised only if there is a reasonable expectation of realisation in the foreseeable future. Management is of the view that there are no material temporary differences which may result in deferred taxation.

### 2.5 Fixed Assets

Fixed assets except leasehold lands (other than land of PIC House and PIC Building, which has not been bifurcated) are stated at cost less accumulated depreciation calculated on written down values and accumulated impairment loss 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 14 to the accounts. Full years depreciation is charged on additions 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

2.6.1 Listed and unlisted companies shares are stated at cost. However, provision for diminution in the value of investment is recognised based on lower of cost and market value in case of listed companies and lower of cost and break-up value for unlisted companies, calculated on individual portfolio basis.

2.6.2 NIT units are valued at the lower of cost and repurchase price. The amount of decrease / increase in value of NIT units is recorded in the provision for diminution in the value of investment.

2.6.3 Securities issued by the Federal, Provisional and Foreign governments are stated at cost.





2.6.4 Debentures are stated at cost less provision for doubtful debentures, if any.

2.6.5 Investments in SNDs and Market Treasury Bills are stated at cost.

2.6.6 Term Deposits are stated at cost.

## 2.7 *Revenue Recognition*

2.7.1 Revenue from premium is based on prescribed statutory returns submitted by the ceding companies. Premiums are taken to income, after (i) deducting reinsurances and other related expenses and (ii) adjusted for reserve for unexpired risk as described in note 2.8.

2.7.2 Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

2.7.3 Profit / loss on sale of shares is taken to the profit and loss account in the year of sale.

2.7.4 Profit / interest income from securities, bond and debentures are recognised on accrual basis.

2.7.5 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 the outstanding claims.

## 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 *Deferred costs*

These are amortised over a period of five years commencing from the year in which these are incurred.





## 2.12 Expenses of management

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

## 2.13 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.

	2001 Rupees	2000 Rupees
<b>3. INTEREST AND DIVIDENDS - Net</b>		
Interest and dividend income	198,389,844	-
Less: Staff salaries and other expenses in respect of investment department	2,411,995	-
	<u>195,977,849</u>	-
<b>4. RENTAL INCOME - Net</b>		
Rental income	2,413,400	-
Less: Staff salaries and other expenses in respect of building project department	1,628,308	-
	<u>785,092</u>	-
<b>4.1</b> The rental income represents income from letting out of PIC Towers.		

## 5. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2001 Number of shares	2000 Number of shares		2001 Rupees	2000 Rupees
8	7	Ordinary shares of Rs. 10 each fully paid in cash	80	70
5,000,000	-	Ordinary shares of rs. 10 each issued for consideration other than cash	50,000,000	
<u>5,000,008</u>	<u>7</u>		<u>50,000,080</u>	<u>70</u>





5.1 The nominal value of the share capital of the Company is Rs. 10 per share whereas the nominal value of the share capital of the Corporation was Rs. 100 per share.

5.2 In consideration of the vesting in the Company of the property of the Corporation, the Company shall issue fully paid ordinary shares, to each shareholder in such numbers as shall result in each shareholder having the same proportionate voting rights in the Company as he enjoyed in the Corporation immediately before February 15, 2001.

6. RESERVE FOR OUTSTANDING CLAIMS - Net

	2001 Rupees	2000 Rupees
Fire	165,322,224	-
Marine	134,170,646	-
Miscellaneous	285,183,256	-
6.2	584,676,126	-

6.1 Represents estimated liabilities in respect of outstanding claims intimated by the ceding companies to the Company at the end of the year. Out of the same, estimated recoveries are deducted to arrive at the net amount of such liabilities which would fall on the Company (net account). The Company, generally computes such liabilities 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 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.

6.2 This includes an amount of 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:

	2001 Rupees
Fire insurance	2,382,000
Marine insurance	1,470,000
Miscellaneous insurance	4,952,000

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

7. PREMIUM RESERVE CARRIED FORWARD (net)

	2001 Rupees	2000 Rupees
Fire	248,719,149	-
Marine	96,967,668	-
Miscellaneous	291,913,121	-
	637,599,938	-





	2001 Rupees	2000 Rupees
8. <b>DEPOSITS RETAINED / RECEIVED FROM CEDING COMPANIES</b>		
Premium reserve withheld	10,881,432	-
Losses reserve withheld	13,597,986	-
Cash losses received from retrocessionaries	39,159,707	-
	<u>63,639,125</u>	<u>-</u>

8.1 Due to the internal control weaknesses and to address the matters highlighted by the auditors, the Company had already appointed a Firm of Chartered Accountants (one of the statutory auditors) to assist in the reconciliation of deposits retained from / held by ceding companies.

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

#### 10. OTHER LIABILITIES

It includes an amount of Rs.809,000 relating to Bangladesh creditors.

#### 11. PROVISION FOR TAXATION

11.1 The income tax assessments of the Company (formerly Pakistan Insurance Corporation) have been finalised upto and including assessment year 2001-2002 (Income year ended December 31, 2000). However, the income tax assessments for the assesment years 1999-2000 to 2001-2002 were finalized subsequent to the balance sheet date. The Company has filed appeals relating to the assesment years 1988-89 to 1995-96 which are pending before the Honorable High Court of Sindh. Further, appeals for the assessment year 1997-98 are pending before the Income Tax Appealate Tribunal, and for the assessment years 1999-2000 to 2001-2002 before the Commissioner of Income Tax (Appeals). All such appeals were broadly made on the issues of disallowances made in respect of the part of reserve for unexpired risk and other expenses, including excess perquisites and other incomes and considering the income of the Export Credit Guarentees Scheme (ECGS) as the income of the company.

11.2 In view of the assessments made by the Income Tax Authorities an aggregate additional liability of Rs. 140 million has been determined by the Authorities. As the related appeals are pending at various forums, the management based on the opinion of Company's tax consultants, is confident that the outcome of such appeals will be in Company's favour. Accordingly, no provision for such additional liability has been made in these financial statements.

11.3 The provision for current year had been made on the basis of taxable income under the Income Tax Ordinance, 1979, at the rates specified in First Schedule of the aforesaid Ordinance.





## 12. CONTINGENT LIABILITIES

- 12.1 Contingent liabilities in respect of claims lodged but not acknowledged by the Company amounted to Rs. 33.69 million (2000: Rs. 35.64 million). However, these include a claim of Rs. 6.36 million against which the Company had also made a counter claim of Rs. 20.72 million.
- 12.2 Various ex-employees of the Company had lodged claims against the Company and / or Ex-Chairman for their reinstatements or for certain damages etc. In certain cases the Company and / or Ex-Chairman had also made counter claims against ex-employees for damages. However, the liabilities that may arise in these cases can not be determined at this stage.
- 12.3 M/s. Mercantile and General Reinsurance Company plc., London (M&G) filed a winding-up petition under Insolvency Act, 1986 against the Company on December 15, 1997 in the High Court of Justice, Chancery Division, London. The said petition was initiated by M&G for alleged non-payment of Rs.50.63 million (US \$ 871,509) by the Company. The Company appeal against the petition filed by M&G in the Honourable High Court of Sindh.
- 12.3.1 The High Court of Sindh 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 Company. The proceedings of the arbitration have started in the month of February, 2002, however, subsequently a meeting is being arranged (without prejudice) for a negotiated settlement.
- 12.3.2 In September 1998, the Company had filed a suit for damages of Rs.3,333 million against M&G in the Honourable High Court of Sindh. The hearing for this case was 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 and suit is still pending before such court.
- 12.4 The Company 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.
- 12.5 Construction of PIC Towers includes civil construction, installation of lifts, air-conditioning, furniture, fixtures and electrical installations. Total work as certified by Company's consultant amounts to Rs.200.76 million against the total contract price of Rs.208.94 million. However, the Company capitalised only Rs.191.92 million, as it disputes with the consultant and contractors over certification of final bills.
- 12.6 The decrees of three cases were awarded against the Company, amounting to Rs. 35.02 million, pertaining to the guarantees issued by ECGS. Management contends that no liability will arise for the ECGS from such cases.





	Note	2001 Rupees	2000 Rupees
<b>13. INVESTMENTS</b>			
Investment in listed companies	13.1	238,779,707	-
Investment in unlisted companies	13.2	14,218,504	-
National Investment Trust (NIT) Units	13.3	456,113,384	-
WAPDA Bonds		20,000,000	-
Regular Income Certificates		302,800,000	-
Defence Saving Certificates		112,000,000	-
Pakistan Investment Bonds		275,122,500	-
Treasury Bills		47,510,000	-
National Income Daily Account issued by NBP		194,313,278	-
Debentures	13.4	-	-

1,660,857,373 -

#### 13.1 Investment in listed companies

Cost of investment in listed companies	249,301,368	-
Less: Provision for diminution in value		
Balance transferred from Corporation	7,297,431	-
Provision made during the year	3,224,230	-
	10,521,661	-
	238,779,707	-

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

Name of Company	Number of Shares / Certificates December 31, 2001	Book value as on December 31, 2001	Market value as on December 31, 2001
-----------------	---	--	--

#### Mutual Funds

Confidence Mutual Fund	99,270	992,700	883,503
ICP State Enterprise Mutual Fund	9,000,000	90,000,000	91,800,000
		90,992,700	92,683,503

#### Banks

Muslim Commercial Bank Limited	80,762	515,299	1,518,326
Pakistan Industrial Credit and Investment Corporation	2,573,580	15,846,389	37,188,231
		16,361,688	38,706,557

#### Insurance

Adamjee Insurance Co. Limited	217,055	10,000	6,348,859
Asia Insurance Co. Limited	25,000	250,000	620,000
Central Insurance Co. Limited	160,507	50,000	9,309,406
Crescent Star Insurance Co. Limited	399,995	2,933,156	3,499,956
Habib Insurance Co. Limited (Rs.5 each)	213,293	256,787	2,772,809
National Security Insurance Co. Limited	87,500	100,000	288,750
Pakistan Guarantee Insurance Co. Limited	22,029	173,000	110,145
Sterling Insurance Co. Limited	23,250	232,500	162,750
Union Insurance Co. of Pakistan Limited	55,125	500,000	882,000
United Insurance Co. of Pakistan Limited	125,208	455,000	833,885

4,960,443 24,828,560





Name of Company	Number of Shares / Certificates December 31, 2001	Book value as on December 31, 2001	Market value as on December 31, 2001
<b>Textile Composite</b>			
Burewala Textile Limited	1,400	35,338	61,600
Gul Ahmed Textile Limited	7,366	88,768	228,346
Hussain Industries Limited	15,820	192,017	205,660
Towellers Limited	315,790	6,000,010	2,684,215
Usman Textile Limited	300	3,888	5,100
		6,320,021	3,184,921
<b>Textile spinning</b>			
Regent Textile Limited	5,000	50,000	11,500
<b>Textile Weaving</b>			
Nakshbandi Industries Limited	331	2,445	3,972
<b>Synthetic and Rayon</b>			
Ravi Rayon Limited	24,800	254,078	19,840
Valika Art Fabrics Limited (Rs.4 each)	300	1,570	1,800
		255,648	21,640
<b>Jute</b>			
Amin Fabrics	45,738	150,000	205,821
Crescent Jute Product	157,314	1,250,055	314,628
		1,400,055	520,449
<b>Sugar and Allied</b>			
Bawani Sugar Mills Limited	55,174	99,500	331,044
Crescent Sugar Mills Limited	258,208	1,720,486	1,613,800
Fecto Sugar Mills Limited	1,182	8,109	7,979
Kohinoor Sugar Mills Limited	37,045	379,564	168,555
Mirpur Khas Sugar Mills Limited	7,216	19,900	57,006
Noor Sugar Mills Limited	26,021	100,000	725,986
Pangrio Sugar Mills Limited	100,000	1,337,000	40,000
Shahtaj Sugar Mills Limited	2,217	16,607	33,809
Sind Abadgar Sugar Mills Limited	98,500	1,276,150	462,950
		4,957,316	3,441,129
<b>Cement</b>			
Dadex Etermit Limited	533	995	11,726
Gharibwal Cement Industries Limited	53,337	109,891	197,347
Jawedan Cement Limited	14,666	133,330	58,664
Mustehkam Cement Limited	2,400	19,364	31,200
Zeal Pak Cement Limited	39,130	1,360,269	512,603
		1,623,849	811,540
<b>Tobacco</b>			
Pakistan Tobacco Company Limited	70,140	234,209	736,470
Lakson Tobacco Company Limited	12,273	36,893	748,653
		271,102	1,485,123





Name of Company	Number of Shares / Certificates December 31, 2001	Book value as on December 31, 2001	Market value as on December 31, 2001
<b>Fuel and Energy</b>			
Haroon Oil Mills Limited	5,000	49,750	275,000
Karachi Electric Supply Corporation Limited	1,623,450	3,635,647	5,682,075
National Refinery Limited	339,320	6,275,195	12,724,500
Pakistan State Oil Company Limited	58,312	27,640	5,388,029
Sui Southern Gas Company Limited	9,671,792	36,461,488	84,628,180
Sui Northern Gas Pakistan Limited	6,846,285	17,110,610	58,193,423
Hubpower Company Limited	400,000	5,361,380	6,200,000
		68,921,710	173,091,206
<b>Engineering</b>			
Metropolitan Steel Limited	3,492	32,369	7,333
Pakistan Engineering	43,776	364,738	131,328
Huffaz Seamless	55,800	558,000	108,810
		955,107	247,471
<b>Auto and Allied</b>			
Pak Suzuki Motor Company Limited	688	14,780	6,536
National Motors Limited	43,431	342,683	76,004
Allied Motors Limited	58,333	334,000	166,249
		691,463	248,789
<b>Transport and Communication</b>			
Pakistan International Airlines Corporation "A"	2,497,778	9,875,646	7,118,667
Pakistan Telecommunication Company Limited	400,000	5,308,675	5,440,000
		15,184,321	12,558,667
<b>Chemical</b>			
ICI Pakistan Limited	13.5 864,276	8,642,760	30,508,943
Sardar Chemical Limited	500	10,000	750
Glaxo Welcome Limited	1,848	12,997	138,600
PTA Pakistan Limited	13.5 2,357,118	23,571,180	7,307,066
		32,236,937	37,955,359
<b>Paper and Board</b>			
Crescent Board Limited	98,747	926,675	296,241
Packages Limited	462,933	2,451,364	27,775,980
Security Papers Limited	490,615	279,000	17,907,448
		3,657,039	45,979,669
<b>Vanaspati and Allied</b>			
Burma Oil Mills Limited	851	6,470	5,166
Kohinoor Oil Mills Limited	8,800	95,748	62,040
Universal Oil Mills Limited	30,000	300,000	202,500
		402,218	269,706
<b>Food and Allied</b>			
Lever Brothers Pakistan Limited (Rs.50 each)	487	3,520	370,120





Name of Company	Number of Shares / Certificates December 31, 2001	Book value as on December 31, 2001	Market value as on December 31, 2001
-----------------	--	--	--

Hashmi Can Company Limited	5,250	53,786	31,500
	<b>Rupees</b>	<b>249,301,368</b>	<b>436,451,381</b>

**13.2 Investment in unlisted companies**

Cost of investment in unlisted companies  
Less: Provision for diminution in value  
Balance transferred from Corporation  
Provision made during the year

	15,584,298	-
13.2.1	1,365,794	-
	-	-
	1,365,794	-
	14,218,504	-

**13.2.1** The above provision is made against the investment in the securities of unlisted companies which are under winding up process

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

Name of Company	Number of Shares / Certificates December 31, 2001	Book value as on December 31, 2001
-----------------	--	--

**Banks**

Allied Bank of Pakistan  
(Break-up value is Rs.28.33  
per share based on accounts  
for the year ended December 31, 1999)  
Chief Executive (Chairman):  
Mr. Rashid M. Chaudhry

75,812 529,820

Habib Bank Limited  
(Break-up value is Rs. Nil  
per share based on accounts  
for the year ended December 31, 2001)  
Chief Executive & President:  
Mr. Zakir Mahmood

131,050 1,266,136

Industrial Development Bank of Pakistan  
(Break-up value is Rs. Nil  
per share based on accounts  
for the year ended June 30, 2001)  
Chairman/Managing Director:  
Mr. Badruddin

6,213 618,227

National Bank of Pakistan  
(Break-up value is Rs. 47.28  
per share based on accounts for the  
year ended December 31, 2001)  
Chairman and President:  
Mr. S. Ali Raza

1,858,464 6,595,817

The State Bank of Pakistan  
(Break-up value is Rs. 19,800  
per share based on accounts for the  
year ended June 30, 2001)  
Governor:  
Dr. Ishrat Hussain

4,900 517,616





Name of Company	Number of Shares / Certificates December 31, 2001	Book value as on December 31, 2001
United Bank Limited (Break-up value is Rs. Nil per share based on accounts for the year ended December 31, 2001) Chairman & President: Mr. Amar Zaffar Khan	2,550	25,888
<b>Development Financial Institutions</b>		9,553,504
National Investment Trust Limited (Break-up value is Rs. 620 per share based on accounts for the year ended June 30, 2001) Managing Director & Chairman: Mr. Istaqbal Mehdi	26,400	100,000
Investment Corporation of Pakistan (Break-up value is Rs. Nil per share based on accounts for the year ended June 30, 2001) Managing Director: Mr. Tariq Iqbal Khan	50,000	4,565,000
<b>Insurance</b>		4,665,000
* Indus Insurance	25,000	250,000
<b>Cotton and Textile</b>		
* Asfar Textile	1,000	9,950
* Kohinoor Cotton	22,397	219,800
<b>Chemical</b>		
* Synthetic Chemical	20,000	200,000
<b>Vanaspati and Allied</b>		
* Burma Soap	64	640
<b>Miscellaneous</b>		
* Arag Industries	133,333	685,404
	13.2.1	1,365,794
		15,584,298
	<b>Rupees</b>	

\* 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.





	2001 Rupees	2000 Rupees
<b>13.3 NIT units</b>		
Cost of NIT units	645,090,617	-
Less: Provision for diminution in value		
Balance transferred from Corporation	99,292,000	-
Provision made during the year	89,685,233	-
	188,977,233	-
	456,113,384	-
<b>13.4 Debentures</b>		
Debentures	232,717	-
Less: Provision for doubtful debenture loans	232,717	-
	-	-
<b>13.5</b>	Upto April 16, 2002 the Company held shares in ICI Pakistan Limited (ICI). On this date as per a scheme of arrangement sanctioned by the Sindh High Court, the ICI has been demerged by transferring its PTA business to Pakistan PTA Limited (PTA). As against total shareholding of 7,857,060 shares in ICI, the Company received 864,276 shares in ICI and 2,357,118 shares in PTA.	

#### 14. FIXED ASSETS - TANGIBLE

	Book Value as at January 1, 2001	Transfers from the Corporation at book values	Addition/ (Disposals)	Total as at December 31, 2001	Depreciation for the year	Book value as at December 31, 2001	Impairment (loss) / Reversal for the year December 31, 2001	Book value / Carrying amount after Impairment loss/reversal as at annum	Rate of Dep. % per
	Rupees								
PIC building-Karachi	-	157,193	-	157,193	6,891	150,302	-	150,302	5
PIC house-Karachi	-	2,816,656	-	2,816,656	123,470	2,693,186	-	2,693,186	5
Lift	-	146	-	146	-	146	-	146	20
	-	2,973,995	-	2,973,995	130,361	2,843,635	-	2,843,635	
PIC Towers									
Leasehold land	-	796,028	-	796,028	-	796,028	-	796,028	-
Building	-	90,574,631	1,757,188	92,331,819	4,507,575	87,824,244	-	87,824,244	5
Electrical Installation	-	6,747,540	30,680	6,778,220	1,189,266	5,588,954	-	5,588,954	20
Air conditioning plant	-	9,648,235	-	9,648,235	1,691,745	7,956,490	-	7,956,490	20
Lift	-	7,518,199	-	7,518,199	1,318,260	6,199,940	-	6,199,940	20
	-	115,284,633	1,787,868	117,072,501	8,706,846	108,365,655	-	108,365,655	
Furniture and Fixture	-	221,200	5,200	226,400	19,913	206,487	14,713	221,200	10
Office Equipment	-	357,199	68,850	426,049	57,302	368,748	(21,548)	347,200	15
	-	578,399	74,050	652,449	77,214	575,234	(6,835)	568,399	
Vehicles	-	596,162	-	596,162	104,533	491,630	-	491,630	20
Books	-	-	10,027	10,027	1,003	9,024	(9,024)	-	10
Computers	-	300,000	20,985	320,985	56,800	264,185	815	265,000	20
	-	896,162	31,012	927,174	162,335	764,839	(8,209)	756,630	
2001-Rupees	-	119,733,190	1892,930	121,626,120	9,076,756	112,549,364	(15,044)	112,534,320	
2000-Rupees	-	-	-	-	-	-	-	-	





	2001 Rupees	2000 Rupees
<b>15. AMOUNTS DUE FROM OTHER PERSONS AND BODIES CARRYING ON INSURANCE BUSINESS</b>		
Amount due from		
Provision for bad and doubtful debts	607,194,742	-
	(70,000,000)	-
	<u>537,194,742</u>	<u>-</u>
<b>15.1</b> Due to the internal control weaknesses and to address the matters highlighted by the auditors, the Company had already appointed a Firm of Chartered Accountants (one of the statutory auditors) to assist in the reconciliation of amounts due from / due to other persons and bodies carrying on insurance business.		
<b>16. DEPOSITS HELD BY CEDING COMPANIES</b>		
Premium reserve withheld by ceding companies	6,555,137	-
Losses reserve withheld by ceding companies	11,863,449	-
Cash losses paid to ceding companies	3,693,750	-
	<u>22,112,336</u>	<u>-</u>
	2001 Rupees	2000 Rupees
<b>17. CASH AND BANK BALANCES</b>		
Cash in hand	19,776	70
Cash at bank		
- Current account		
- Foreign currency	15,099,901	-
- Local currency	10,603,660	-
	<u>25,703,561</u>	<u>-</u>
- Deposit account	49,373,306	-
	<u>75,076,867</u>	<u>-</u>
	<u>75,096,643</u>	<u>70</u>
<b>18. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)</b>		
Assets relating to Bangladesh comprise of fixed assets and investments as follows :		
<b>Fixed assets</b>		
- Land and building	8,608,000	-
- Furniture and fixtures	4,000	-
	<u>8,612,000</u>	<u>-</u>
<b>Investments</b>		
- Stock and shares	7,112,000	-
- Debentures	250,000	-
	<u>7,362,000</u>	<u>-</u>
	<u>15,974,000</u>	<u>-</u>





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

#### 19. DEFERRED COSTS

Opening balance	2,832,361	-
Add: Additions during the year	150,000	2,832,361
Less: Amortized during the year	596,472	-
19.1	<u>2,385,889</u>	<u>2,832,361</u>

#### 19.1 DEFERRED COSTS

Deferred cost represents the registration fees, consultancy fees and other costs incurred for the incorporation of the Company.

#### 20. AUDITORS' REMUNERATION

	2000		2000
	M. Yousuf Adil Saleem & Co.	Sidat Hyder Qamar & Co.	Sidat Hyder Qamar & Co.
	Rupees		Rupees

Audit fee	125,000	125,000	250,000	15,000
-----------	---------	---------	---------	--------

21.	NUMBER OF EMPLOYEES	371	-
-----	---------------------	-----	---

#### 22. EARNINGS PER SHARES

	2001 Rupees	2000 Rupees
Profit after tax for the year	66,524,520	-
Number of shares of Rs. 10 each as at the year end	5,000,008	-
Basic earnings per share of Rs. 10 each in rupees	13.30	-

- 22.1 Basic earnings per share is calculated by dividing the net profit for the year by the number of shares as at the year end.

- 22.2 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.





## 23. GENERAL

### 23.1 Remuneration of Chief Executive, Directors and Executives

DECEMBER 31, 2001

Particulars	Chief Executive	Executive Directors	Other Executives	Total
	(Rs.)			
Managerial Remuneration	178,520	255,326	6,427,309	6,861,155
Allowances & Perquisites	173,261	334,268	5,092,410	5,599,939
Total	<b>351,781</b>	<b>589,594</b>	<b>11,519,719</b>	<b>12,461,094</b>
Number of Persons	01	02	64	67

Company maintained car has been provided to Chief Executive, Executive Directors and Secretary of the Company.

### 23.2 Comparative figures

While the figures for the year ended December 31, 2001 represent the financial position after incorporating the assets and liabilities of the Corporation as per the Federal Government Order described in note 1.2 above, the comparative figures represent the financial position of the Company only.





## Sahreholder' Statistics for the Year ended 31st December, 2001

No. of Shareholders	No. of Share				Total Shareheld
315	From	1	To	100	Shares 8,620
71	From	101	To	500	Shares 16,385
14	From	501	To	1000	Shares 10,176
9	From	1001	To	5000	Shares 24,436
3	From	5001	To	20000	Shares 29,251
1	From	20001	To	50000	Shares 24,230
1	From	50001	To	150000	Shares 131,910
1	From	150001	To	255000	Shares 255,000
415					500,008

Categories	Number	Shareheld	Percentage
Individuals	390	56,545	11.30
Investment Companies	1	300	0.06
Insurance Companies	13	182,727	36.55
Joint Stock companies	8	4,686	0.94
(Government of Pakistan Ministry of Commerce)	1	255,000	51.00
(Administrator Abandon Properties Organisation)	1	250	0.05
Other (Staff Provident Fund)	1	500	0.10
	415	500,089	100.00

(Rs. '000)  
BOOK VALUE

### CLASSIFICATION OF INVESTMENT

1. Government Securities:		
a. WAPDA Bond	20,000	
b. Regular Income Certificate	302,800	
c. Defence Saving Certificates	112,000	
d. Pakistan Investment Bonds	275,122	
e. Treasury Bills	47,510	757,432
2. N.I.D.A. (NBP)		194,313
3. N.I.T. UNITS		645,091
4. STOCK & 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	68,922	
k. Engineering	955	
l. Auto & Allied	691	
m. Transport & Comm.	15,184	
n. Chemical	32,437	
o. Paper & Board	3,657	
p. Vanaspati & Allied	403	
q. Miscellaneous	5,408	264,885
		1,861,721
Debentures		233
TOTAL		1,861,954





# PAKISTAN INSURANCE CORPORATION

**Financial Statements  
For the Period ended 14th Feb. 2001**





# Contents



Director's Report to the Shareholders .....	47
Charts and Graphs .....	48-58
49 Years at a Glance .....	59-60
Auditor's Report to the Members .....	61-62
Consolidated Revenue Account .....	63-64
Revenue Account - Fire .....	65-66
Revenue Account - Marine .....	67-68
Revenue Account Miscellaneous .....	69-70
Profit and Loss Account and Profit and Loss Appropriation Account .....	71-72
Balance Sheet .....	73-74
Cash Flow Statement for the period ended 14 February, 2001 .....	75
Statement of Changes in Equity for the period ended 14th February, 2001 .....	76
Notes to the Accounts .....	77-92



## Report of the Board of Directors on the working of Pakistan Insurance Corporation for the period ended 14th February, 2001



The Shareholders,

Gentlemen,

Your directors feel pleasure in presenting a Report on the accounts of the PIC for the period ended 14th February, 2001.

2. The Gross premium for the 1½ months period ended 14.2.2001 was Rs. 563 million and the Net Premium for the same period was Rs. 232 million.
3. The net claims for 1½ months period ended 14.2.2001 was Rs. 191 million which were about 58% at the level of previous year.
4. The underwriting result before providing premium reserve and management expenses was in positive to the extent of Rs. 7 million. However, the provision and management expenses mainly for arrears of employees benefits resulted in negative balance.
5. The management expneses for the period were Rs. 56 million which includes the provision which were made in respect of Employees Retirement Benefit to the extent of Rs. 46 million as required by International Accounting Standard-19.
6. 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 EGINEERING Business.
7. The investment as at the end of year 2001 (whole year) has increased to Rs. 1843 million as compared to Rs. 1825 million in the year 2000.

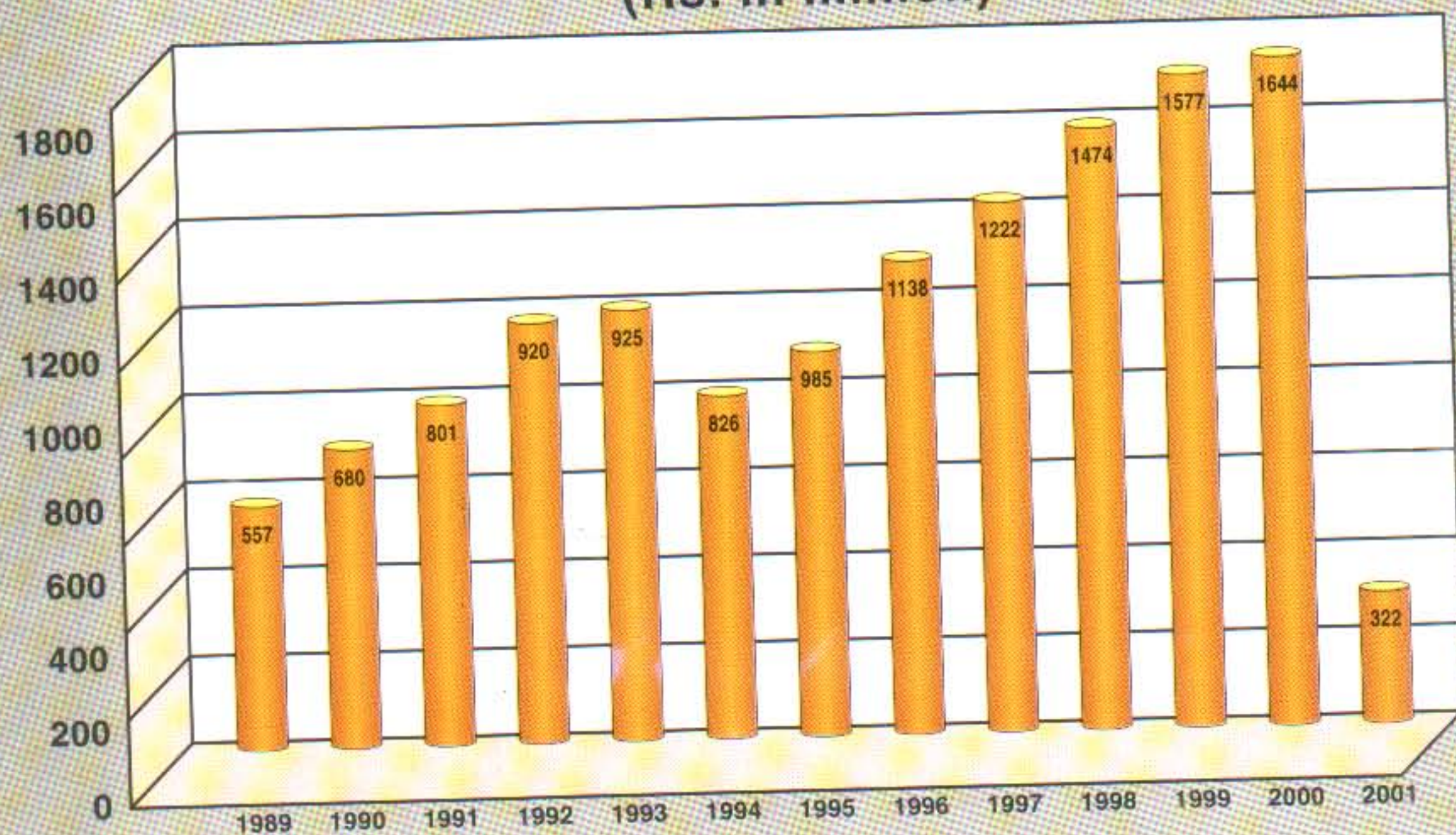




## NET PREMIUM INCOME 1989 - 2001 (14-2-2001)

Year	Gross Premium	Retrocession	Rs. in million Net Premium
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
14-2-2001	563	241	322

## GROWTH IN NET PREMIUM (Rs. in million)






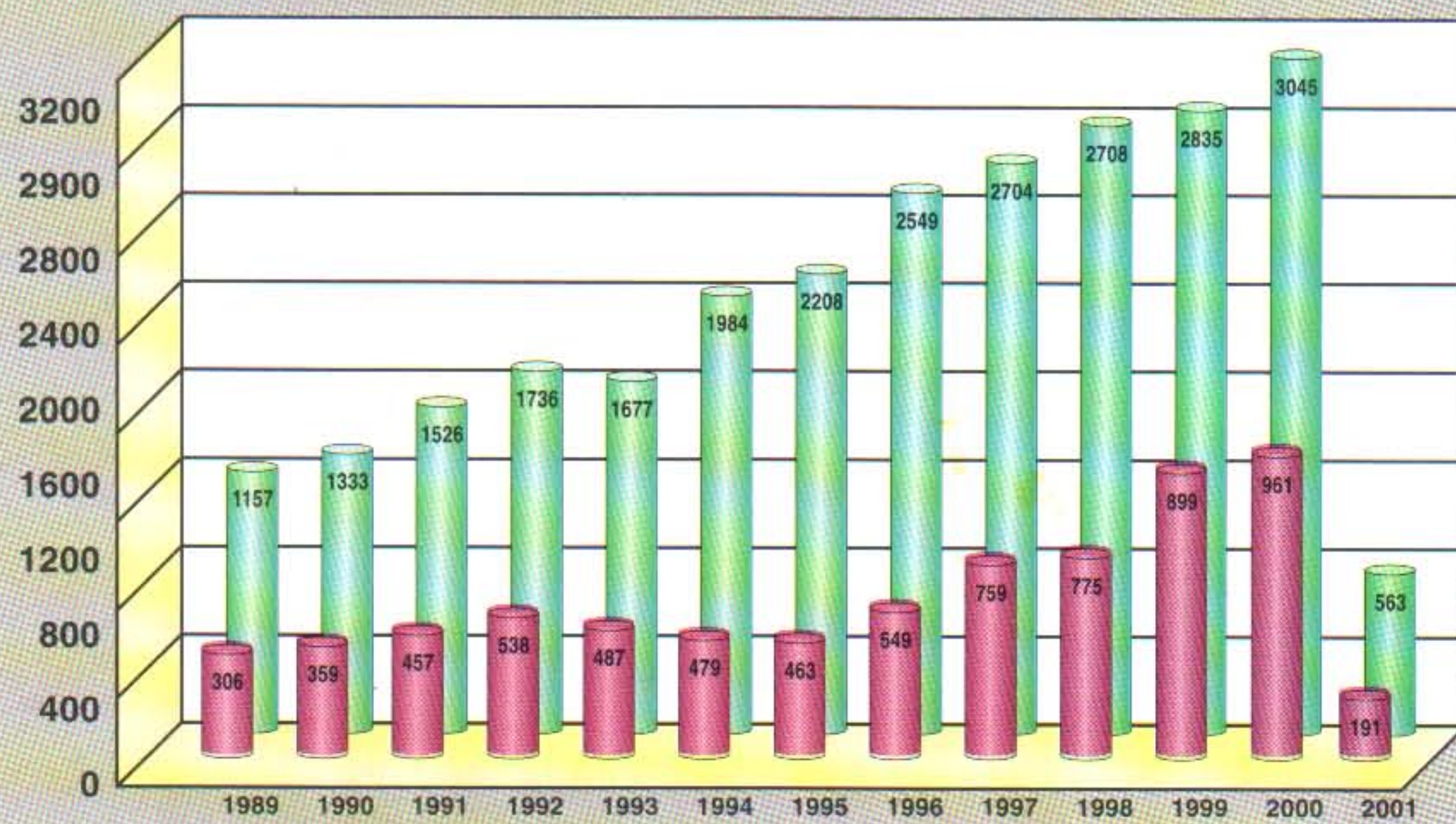


## PREMIUM & CLAIMS 1989 – 2001 (14-2-2001)

 Premium

(Rs. in million)

 Claims

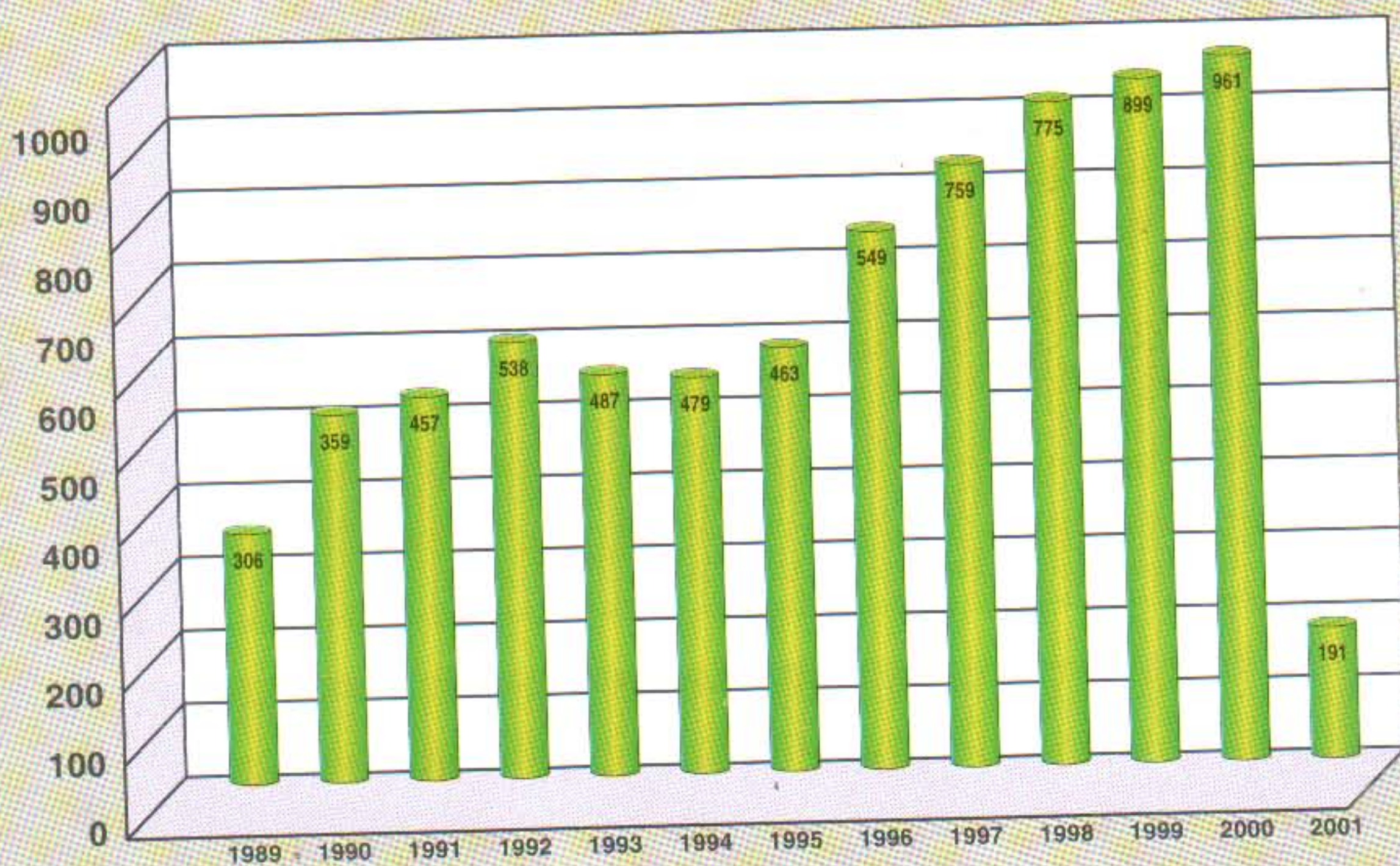






## NET CLAIMS 1989 - 2001 (14-2-2001)

(Rs. in million)

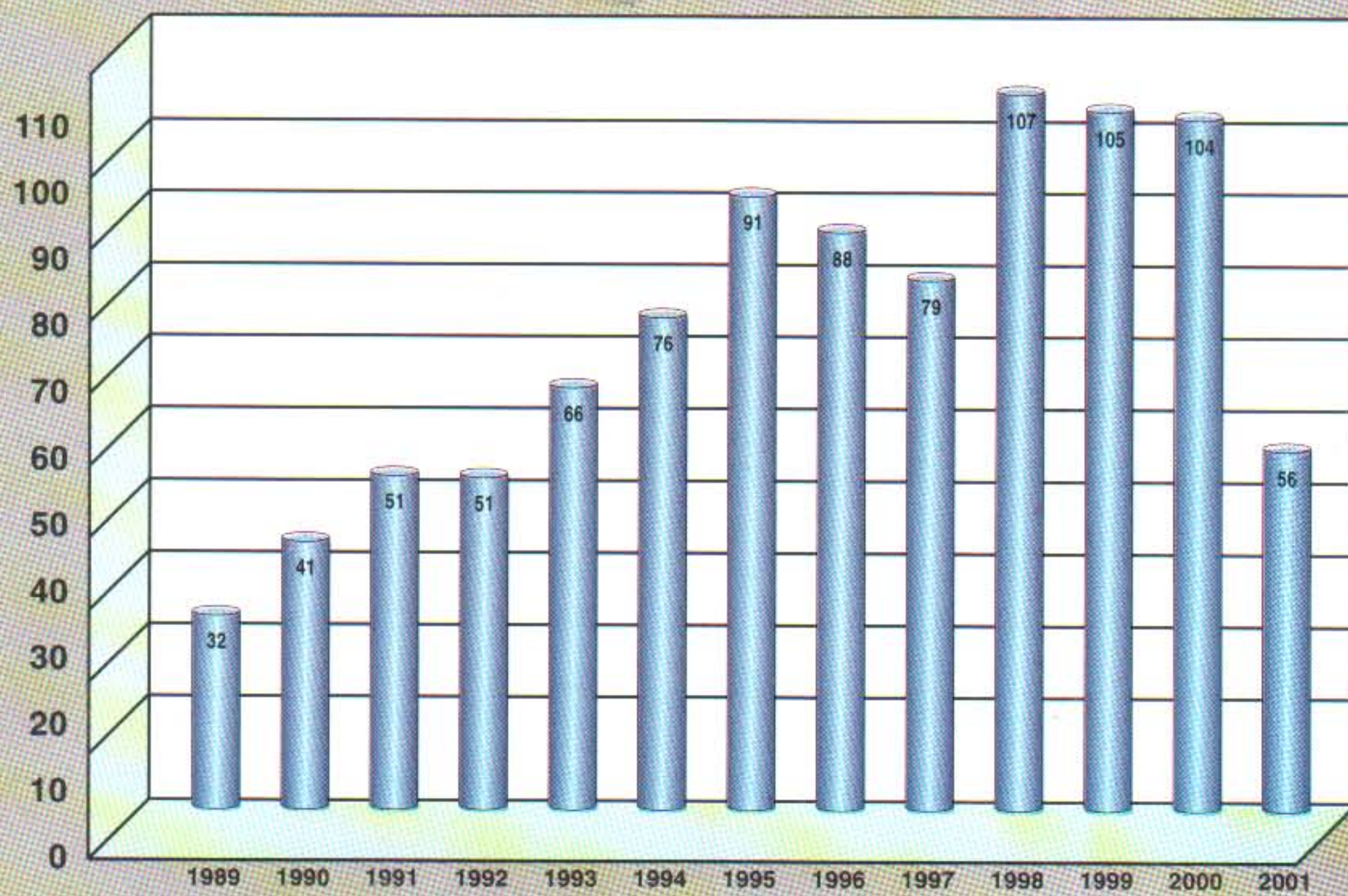






## MANAGEMENT EXPENSES 1989 - 2001 (14-2-2001)

(Rs. in million)







## **NET PREMIUM AND PROFIT** **1989 - 2001 (14-2-2001)**

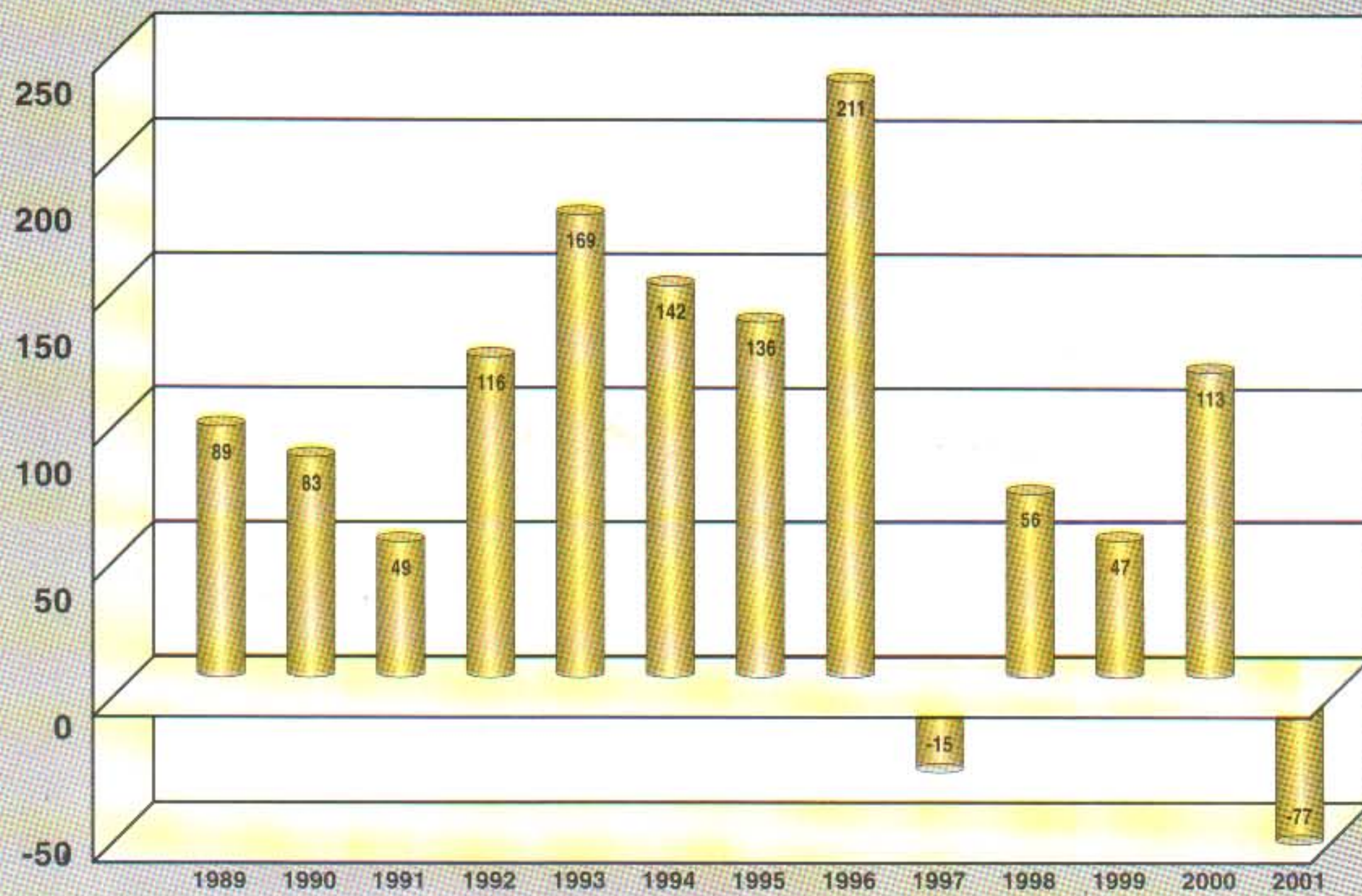
<b>Year</b>	<b>Net Premium</b>	<b>(Rs. in million) Net Profit / Loss</b>
1989	557	89
1990	680	83
1991	801	49
1992	920	116
1993	925	169
1994	826	142
1995	985	136
1996	1,138	211
1997	1,222	(15)
1998	1,474	56
1999	1,577	47
2000	1,644	113
2001	322	(77)





## NET PROFIT / LOSS 1989 – 2001 (14-2-2001)

(Rs. in million)







## RESERVES & PROVISIONS 1989 - 2001 (14-2-2001)

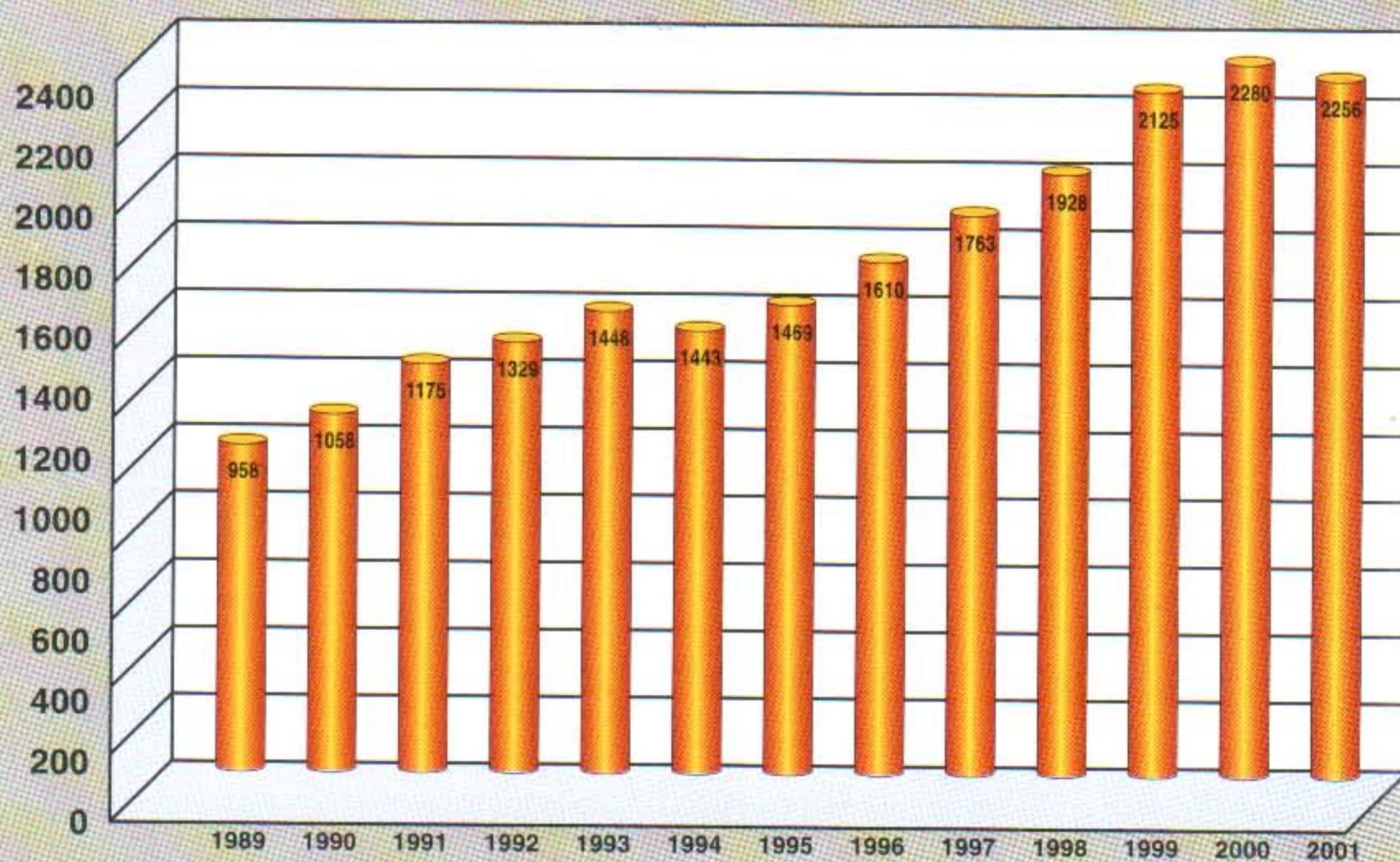
Year	Financial Reserves	Technical Reserves	(Rs. in million) Total
1989	502	456	958
1990	563	495	1,058
1991	596	579	1,175
1992	686	643	1,329
1993	791	657	1,448
1994	791	652	1,443
1995	796	673	1,469
1996	932	678	1,610
1997	940	823	1,763
1998	960	968	1,928
1999	970	1,155	2,125
2000	1,007	1,273	2,280
2001	936	1,320	2,256





## RESERVES & PROVISIONS 1989 - 2001 (14-2-2001)

(Rs. in million)

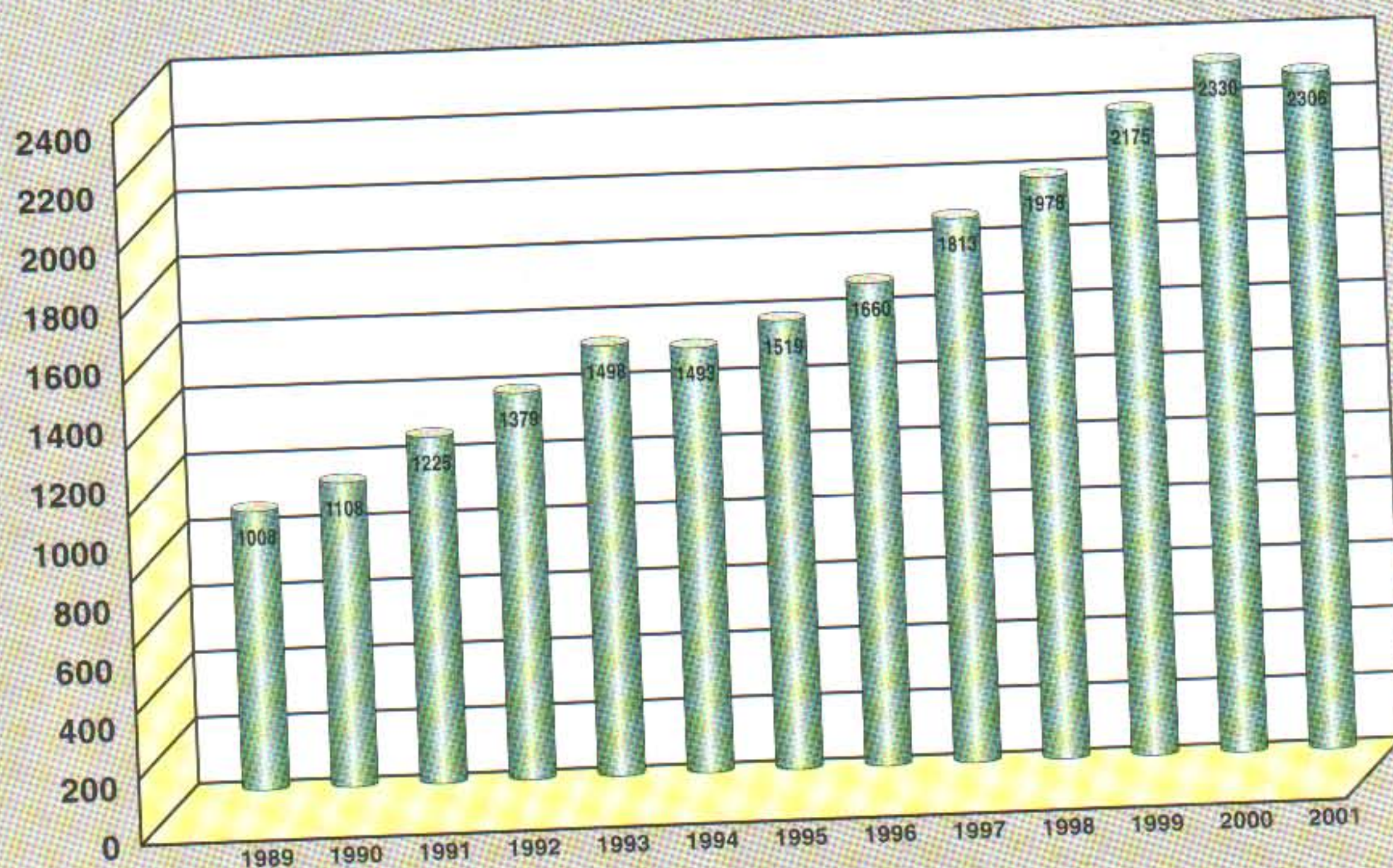






## RESERVES & PAIDUP CAPITAL 1989 - 2001 (14-2-2001)

(Rs. in million)

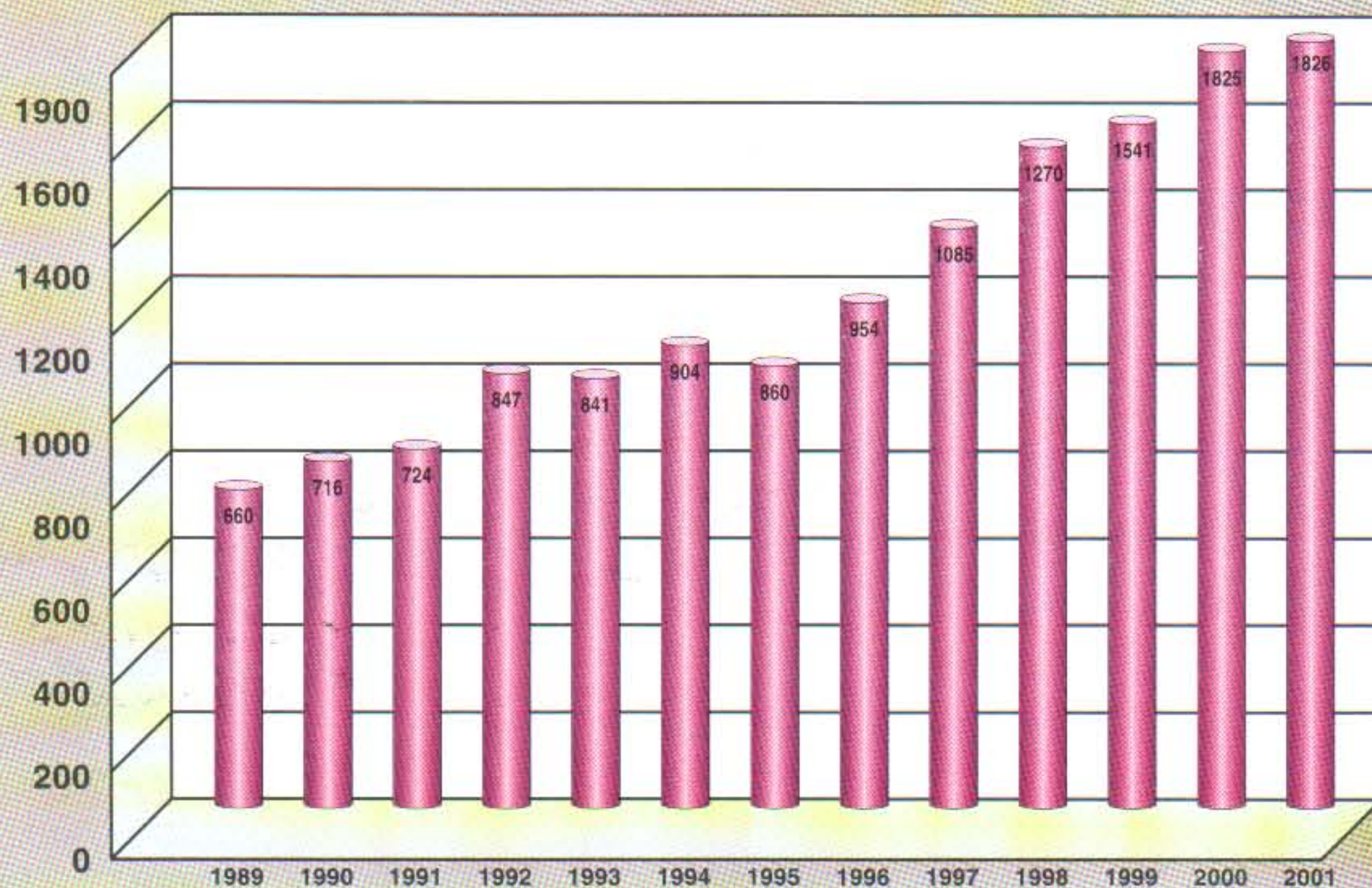






## INVESTMENT PORTFOLIO 1989 - 2001 (14-2-2001)

Year	Rs. in million Investments
1989	660
1990	716
1991	724
1992	847
1993	841
1994	904
1995	860
1996	954
1997	1085
1998	1271
1999	1541
2000	1825
2001	1826







## RESERVES & INVESTMENTS (14-2-2001)

Rs. in million

### 1. RESERVES

#### A. FINANCIAL RESERVES:

1) Reserves for Exceptional Losses	631	
2) General Reserves	127	
3) Investment Fluctuation Reserve	108	
4) Provision for the Doubtful Debts	70	936

#### B. TECHNICAL RESERVES:

1) Outstanding Claims	602	
2) Premium Reserves	718	1,320
		<u>2,256</u>

### 2. INVESTMENTS

1) NIT Unites	645	
2) Stocks & Shares	301	
3) D.S.C / R.I.C.	415	
4) Pakistan Investment Bonds	220	
5) FIB / Wapda Bonds	93	
6) Term Deposits	152	1,826
Less: Investment Fluctuation Reserve		<u>108</u>
		<u>1,718</u>



# **49 Years at a Glance**





## 49 Years

(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	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	33.298	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	3044.845	1644.025	68.945
14-2-2001	50.000	-	562.610	321.860	(39.780)



## 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	52.242
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
56.321	(96.101)	(75.841)	2306.000	946.000	1944.000





## Auditors' Report

We have audited the annexed balance sheet of **PAKISTAN INSURANCE CORPORATION** (the Company) as at February 14, 2001 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 period from January 01 to February 14, 2001 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 requirements of the regulations 50 and 51 of the Pakistan Insurance Corporation (General) Regulation, 1953 (the Regulations). Our responsibility is to express an opinion on these statements based on our audit.

Except for the matters stated in paragraphs '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. The Company records premium, commission and losses as per the statutory returns received from the ceding companies. Our examination revealed significant weaknesses in the internal control system relating to the amounts due to and due from persons or bodies carrying on insurance business. Our confirmation requests to such entities remained unresponded. Consequently, we could not verify Rs. 285 million out of Rs. 1,246 million, shown in the financial statements as amounts due to persons or bodies carrying on insurance business and Rs. 688 million out of Rs. 1,630 shown as amounts due from persons or bodies carrying on insurance business. Further, the amounts due to/from persons and bodies carrying on insurance business also include exchange differences taken to this account at the time of settlement instead of being taken to the profit and loss account of the respective years as required by the International Accounting Standard (IAS) – 21.
- b. The Corporation has reflected the same amount of Rs. 602 million of estimated liabilities in respect of outstanding claims (net) reflected in note 5 to the financial statements, as was reflected in the financial statement for the year ended December 31, 2000. Management considers that due to an unusual cut-off date, it was not practicable to have such estimates from ceding companies and is of the view that on an overall basis such estimate would not be materially different from liability reported as on December 31, 2000. In the absence of any reliable basis for such estimation, we were unable to satisfy ourselves regarding the adequacy of estimated liabilities.
- c. We were unable to verify the correctness and realizability of the deposits retained from ceding companies (liability) and deposits held by ceding companies (asset) reflected in the financial statements at Rs. 98 million and Rs. 39 million respectively as we were not provided appropriate details of such balances during the course of our audit. Further, the deposits retained/held includes exchange differences taken to this account at the time of settlement instead of being taken to the profit and loss account as required by the IAS – 21 of the respective years.
- d. We were unable to satisfy ourselves regarding recoverability of Rs. 149 million appearing in the financial statements as advance tax, as management could not provide us the relevant supporting documents.
- e. The Company's net assets relating to Bangladesh (referred to in notes 5.2, 10 and 18 of the financial





statements) amounted to Rs.10.213 million. As the Company has no control over such assets and liabilities, they are unlikely to be realized or discharged. No provision has been made for any loss that may arise.

- f. As described in note 2.2 to the financial statements, the Company has not complied with the requirements of IAS-14 (Segment Reporting) and IAS-32 (Financial Instruments: Disclosure and Presentation), as such information could not be extracted from the existing accounting system of the Corporation.
- g. Except for the matters described in paragraph 'a' to 'f' above, in our opinion, proper books of account have been kept by the Corporation as required by the regulations 50 and 51 of the Regulations.
- h. Except for the matters described in paragraphs 'a' to 'f' above, in our opinion:
  - i. the annexed balance sheet, Fire, Marine and Miscellaneous Insurance revenue accounts, profit and loss account, profit and loss appropriation account, cash flow statement and statement of changes in equity, together with the notes thereon have been drawn up in conformity with the provision of the Pakistan Insurance Corporation Act, 1952 (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;
  - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Corporation.
- i. Except for the effects of such adjustments, if any, that might have been determined to be necessary in view of the matters described in paragraphs 'a' to 'f' above, in our opinion and to the best of our information and according to the explanations given to us the annexed balance sheet, Fire, Marine and Miscellaneous revenue accounts, profit and loss account, profit and loss appropriation account, cash flow statement and statement of changes in equity together with notes forming part thereof conform with approved accounting standards as applicable in Pakistan and, give the information required by the Act in the manner so required and respectively give a true and fair view of the state of the Corporation's affairs as at February 14, 2001 and of the loss, its cash flows and changes in equity for the year then ended;
- j. In our opinion, zakat deductible at source under the Zakat and ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Corporation and has been deposited subsequent to the balance sheet date in the Central Zakat Fund established under Section 7 of that Ordinance.

Without further qualifying our opinion, we draw attention to note 1.2 to the financial statements, which describes that effective from February 15, 2001 all the assets and liabilities of the Corporation at their book values have been transferred to the Pakistan Reinsurance Company Limited, as per the Order of the Federal Government.

**M. YOUSUF ADIL SALEEM & CO**  
Chartered Accountants

**SIDAT HYDER QAMAR & CO**  
Chartered Accountants

Karachi,





## Revenue Account for the Consolidated for all

	Note	For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000'
<b>PARTICULARS</b>			
Commission (less: Retrocessions)		123,877	589,672
Claims (less: Retrocessions) paid during the period		190,978	866,962
Add: Total estimated liability in respect of outstanding claims at the end of the period whether due or intimated (net of estimated claims from retrocessionaries)		602,286	602,286
		793,264	1,469,248
Less: Outstanding at the end of the previous year		(602,286)	(508,605)
		190,978	960,643
Management Expenses		56,321	104,378
Reversal of provision for bonus - prior year		-	(22,676)
Premium Reserve carried forward	6	718,272	671,487
		<u>1,089,448</u>	<u>2,303,504</u>

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

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR



# Period ended February 14, 2001 Classes of Business



	Note	For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000'
<b>PARTICULARS</b>			
Premium Reserve brought forward		671,487	646,731
Premium		562,610	3,044,845
Less: Retrocessions		(240,750)	(1,400,820)
		321,860	1,644,025
Loss transferred to Profit and loss Account		96,101	12,748
		<u>1,089,448</u>	<u>2,303,504</u>

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Insurance Corporation





## Revenue Account for the Fire

	Note	For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000''
<b>PARTICULARS</b>			
Commission (less: Retrocessions)		64,161	271,485
Claims (less: Retrocessions) paid during the period		66,194	349,580
Add: Total estimated liability in respect of outstanding claims at the end of the period whether due or intimated (net of estimated claims from retrocessionaries)		162,221	162,221
Less: Outstanding at the end of the previous year		228,415	511,801
		(162,221)	(165,770)
		66,194	346,031
Management Expenses		23,954	39,063
Reversal of provision for bonus - prior year		-	(7,818)
Premium Reserve carried forward	6	271,269	247,276
		<u>425,578</u>	<u>896,037</u>

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

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR



# Period ended February 14, 2001 Business



	Note	For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000'
<b>PARTICULARS</b>			
Premium Reserve brought forward		247,276	224,589
Premium		193,354	1,075,102
Less: Retrocessions		(56,464)	(459,850)
		136,890	615,252
Loss transferred to Profit and Loss Account		41,412	56,196
		<u>425,578</u>	<u>896,037</u>

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Insurance Corporation





## Revenue Account for the Marine

	Note	For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000'
<b>PARTICULARS</b>			
Commission (less: Retrocessions)		16,443	78,417
Claims (less: Retrocessions) paid during the period		14,031	95,011
Add: Total estimated liability in respect of outstanding claims at the end of the period whether due or intimated (net of estimated claims from retrocessionaries)		131,222 145,253	131,222 226,233
Less: Outstanding at the end of the previous year		(131,222) 14,031	(123,037) 103,196
Management Expenses		6,576	13,680
Reversal of provision for bonus - prior year		-	(3,606)
Premium Reserve carried forward	6	100,537	96,076
Profit transferred to Profit and Loss Account		-	35,123
		<u>137,587</u>	<u>322,886</u>

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

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Insurance Corporation



Period ended February 14, 2001  
Business



	Note	For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000'
<b>PARTICULARS</b>			
Premium Reserve brought forward		96,076	107,412
Premium		62,892	412,166
Less: Retrocessions		(25,310) 37,582	(196,692) 215,474
Loss transferred to Profit and Loss Account		3,929	-
		<u>137,587</u>	<u>322,886</u>

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Insurance Corporation





## Revenue Account for the Miscellaneous

	Note	For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000'
<b>PARTICULARS</b>			
Commission (less: Retrocessions)		43,273	239,770
Claims (less: Retrocessions) paid during the period		110,752	422,371
Add: Total estimated liability in respect of outstanding claims at the end of the period whether due or intimated (net of estimated claims from retrocessionaries)		308,843	308,843
		419,595	731,214
Less: Outstanding at the end of the previous year		(308,843)	(219,798)
		110,752	511,416
Management Expenses		25,791	51,635
Reversal of provision for bonus - prior year		-	(11,252)
Premium Reserve carried forward	6	346,466	328,135
Profit transferred to Profit and Loss Account		-	8,325
		526,282	1,128,029

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

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

**Pakistan Insurance Corporation**



# Period ended February 14, 2001 Business



	Note	For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000'
<b>PARTICULARS</b>			
Premium Reserve brought forward		328,135	314,730
Premium		306,364	1,557,577
Less: Retrocessions		(158,976)	(744,278)
		147,388	813,299
Loss transferred to Profit and Loss Account		50,759	
		<u>526,282</u>	<u>1,128,029</u>

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Insurance Corporation





## Profit and Loss Account for the

		For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000'
PARTICULARS	Note		
Expenses of management (not applicable to any particular revenue account)			
Directors' fee and travelling		69	291
Auditors' remuneration	19	120	157
Advertisement and publicity		5	310
Training and research		-	100
Profit paid on deposits retained from other companies		85	391
Building maintenance		247	3,443
Depreciation	13 & 17	1,831	13,397
Impairment loss on fixed assets	17	13,499	-
Zakat deducted at source		-	12,812
Exchange loss		-	27,884
		15,855	58,785
Reversal of provision on investment		(9,274)	(12,812)
Provision for taxation		2,900	39,000
Reversal of provision for rent - prior years		-	(2,369)
		9,482	82,604
Net (loss)/profit for the year carried down		(75,841)	86,470
		(66,359)	169,074

## Profit and Loss Appropriation Account

Transferred to general reserve	-	50,000
Proposed Dividend	-	5,000
Surplus profit as approved by Federal Government	55,000	-
Unappropriated (loss)/profit transferred to balance sheet	723	70,564
	55,723	125,564

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

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Insurance Corporation



# Period ended February 14, 2001



		For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000'
<b>PARTICULARS</b>	<b>Note</b>		
<b>Investment Income</b>			
Interest and dividends - Net	3	14,325	154,015
Management fee		9,084	4,266
<b>Other Receipts</b>			
Rental income - Net	4	629	3,843
Profit received on deposits retained by other companies		1,588	3,783
Profit on short-term deposits		2,623	13,751
Exchange gain		1,378	-
Miscellaneous income		114	2,164
		6,332	23,541
(Loss) transferred from Revenue Accounts			
Fire		(41,412)	(56,196)
Marine		(3,929)	35,123
Miscellaneous		(50,759)	8,325
		(96,100)	(12,748)
		<b>(66,359)</b>	<b>169,074</b>

## for the Period ended February 14, 2001

Balance brought forward from last year	70,564	39,094
Transfer from general reserve	61,000	-
Net (loss)/profit for the year brought down	(75,841)	86,470
	<b>55,723</b>	<b>125,564</b>

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Insurance Corporation





## Balance Sheet for

	Note	For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000'
<b>CAPITAL AND LIABILITIES</b>			
<b>AUTHORISED CAPITAL</b>			
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 fully paid in cash		5,000	5,000
450,000 ordinary shares of Rs.100 each issued as fully paid bonus shares		45,000	45,000
<b>Reserves</b>		50,000	50,000
Exceptional loss reserve		631,000	631,000
Share premium account		11	11
General reserve		127,409	188,409
Unappropriated (loss)/ profit		723	70,564
		759,143	889,984
Reserve for outstanding claims - Net	5	602,286	602,286
<b>Premium reserve - Net</b>	6	718,272	671,487
Amounts due to other persons and bodies carrying on insurance business	14.1 & 14.2	1,245,743	1,313,342
Deposits retained / received from ceding companies	7	97,533	95,075
Advances and deposits	8	2,009	2,825
Other liabilities	9	138,453	54,383
Retention money payable		7,868	7,867
Provision for taxation	10	2,900	39,000
Claims payable	1.2.2	316,274	-
Surplus profit payable		55,000	-
Dividend payable		5,000	-
Proposed dividend		-	5,000
		1,870,780	1,517,492
Contingent liabilities	11	-	-
		<b>4,000,481</b>	<b>3,731,249</b>

Auditors' Report Annexed

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

These financial statements were authorised for issue in the Board of Directors meeting held on August 29, 2002.

**KAMAL AFSAR**  
CHIEF EXECUTIVE

**S.M. RAFIQUE AKHTAR**  
DIRECTOR



the Period ended February 14, 2001



	Note	For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000'
<b>PROPERTIES AND ASSETS</b>			
Investments	12	1,717,848	1,707,674
Land and building	13	118,259	119,302
Amounts due from other persons and bodies carrying on insurance business	14	1,629,851	1,301,867
Deposits held by ceding companies	15 & 7.1	38,991	51,095
Cash and bank balances	16	110,253	160,790
Interest, return and dividend accrued / outstanding		38,230	46,605
Other receivables		105,896	49,963
<b>Other assets</b>			
Advances including taxation, loans, deposits and prepaid expenses		223,589	262,382
Furniture, fixtures, office equipment, vehicles, books and computers	17	1,475	15,219
Stock of stationery etc. - at cost		116	378
		225,180	277,979
Assets relating to Bangladesh (former East Pakistan)	18	15,974	15,974
		<u>4,000,481</u>	<u>3,731,249</u>

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR





## Cash Flow Statement for the Period ended February 14, 2001

Note	For 45 days ended on February 14, 2001 Rs '000'	For 12 months ended on December 31, 2000 Rs '000'
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/profit before taxation	(72,941)	112,658
<b>ADJUSTMENTS FOR NON CASH CHARGES :</b>		
Depreciation on fixed assets	1,831	13,397
Reversal of provision on investment	(9,274)	-
Impairment loss on fixed assets	13,499	-
Increase in reserve for outstanding claims - net	-	93,681
Increase in premium reserve - net	46,785	24,756
	52,841	131,834
	(20,100)	244,492
<b>(INCREASE)/DECREASE IN OPERATING ASSETS</b>		
Amounts due from other persons or bodies carrying on insurance business	(327,984)	(882,310)
Deposits held by ceding companies	12,104	5,649
Interest, return and dividend accrued/outstanding	8,375	(12,106)
Other receivables	(55,933)	(12,504)
Advances including loans, deposits and prepaid expenses	1,611	(5,390)
Stock of stationery	262	120
	(361,565)	(906,541)
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>		
Amounts due to other persons or bodies carrying on insurance business	(67,599)	1,005,921
Deposits retained/received from ceding companies	4,467	62,640
Advances and deposits	(2,825)	-
Other liabilities	84,070	(28,965)
Retention money payable	1	40
Claims payable	316,274	-
	334,388	1,039,636
Net cash (outflow)/inflow from operating activities before income tax	(47,277)	377,587
Income tax paid	(1,817)	-
Net cash (outflow)/inflow from operating activities	(49,094)	377,587
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
Acquisition of investments	(900)	(312,260)
Sale proceeds of investments	-	29,100
Acquisition of fixed assets	(543)	(3,515)
Net cash (outflow)/inflow from investing activities	(1,443)	(286,675)
	(50,537)	90,912
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payment of dividend	-	(4,990)
Net (decrease)/increase in cash and cash equivalents	(50,537)	85,922
Cash and cash equivalents at the beginning of the period	160,790	74,868
Cash and cash equivalents at the end of the period	110,253	160,790

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

**KAMAL AFSAR**  
CHIEF EXECUTIVE

**S.M. RAFIQUE AKHTAR**  
DIRECTOR



# Statement of Changes in Equity for the Period ended February 14, 2001



Particulars	Share Capital	Share Premium account	Exceptional loss reserve	General reserve	Unappropri- ated profit	Total
.....Rupees "000" .....						
Balance as at January 1, 2000	50,000	11	631,000	138,409	39,094	858,514
Profit after tax during the year	-	-	-	-	86,470	86,470
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
Transfer from general reserve	-	-	-	(61,000)	61,000	-
Surplus profit to Federal Government	-	-	-	-	(55,000)	(55,000)
Loss for the period	-	-	-	-	(75,841)	(75,841)
Balance as at February 14, 2001	50,000	11	631,000	127,409	723	809,143

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

KAMAL AFSAR  
CHIEF EXECUTIVE

S.M. RAFIQUE AKHTAR  
DIRECTOR

Pakistan Insurance Corporation





## Notes to the Account for the Period ended February 14, 2001

### 1. STATUS AND ACTIVITIES

1.1 Pakistan Insurance Corporation (the Corporation) was established under the Pakistan Insurance Corporation Act XXXVIII 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 *Liquidation of Corporation*

1.2.1 As per an order No. 3(35)/2000-Ins.II issued by the Federal Government dated February 14, 2001 in terms of Section 3 of the Pakistan Insurance Corporation (Re-organization) Ordinance, 2000, the business, properties, rights, liabilities and employees of the Corporation have been taken over by Pakistan Reinsurance Company Limited (the Company) effective from February 15, 2001 and on such effective date the Corporation stands dissolved. The assets and liabilities of the Corporation have been taken over by the Company at their respective book values. Accordingly, these financial statements have been prepared to reflect the financial position and the results of its operations respectively as on February 14, 2001 and for the period from January 01 to February 14, 2001.

1.2.2 For the purpose of determining the Corporation's financial position immediately prior to the date of its dissolution and the results of its operations for the period ended upto that date, the premium and commission have been allocated between the Corporation and the Company based on the returns received from persons and bodies carrying on the insurance business while the claims/losses have been allocated based on the ratio of net premium reported in the two periods as per the recommendation of actuaries of the Corporation.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 *Accounting convention*

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

#### 2.2 *Format of Accounts and Statement of Compliance*

The formats of the balance sheet, Fire, Marine and Miscellaneous revenue accounts, profit and loss account are as prescribed under regulation 50 and 51 of Pakistan Insurance Corporation (General) Regulations, 1953. These financial statements have been prepared in accordance with the requirements of the approved International Accounting Standards (IASs) as applicable in Pakistan, except for IAS-14 (Segment Reporting), IAS-21 (The Effects of Changes in Foreign Exchange Rates) and IAS-32 (Financial Instruments: Disclosure and Presentation) which have not been complied with while preparing the financial statements.

#### 2.3 *Employee Benefits*

##### 2.3.1 *Pension and Gratuity*

The Corporation operates defined benefit approved gratuity and pension funds for employees who are entitled/opted for either of the above funds. Upto 31 December 2000, contributions to the funds were being made on an adhoc basis. During the year, the Corporation has adopted IAS-19 revised (employee benefits) and accordingly contributions are made based on actuarial recommendations.





The projected unit credit method based on the following significant assumptions has been used for valuation of above funds:

	Pension	Gratuity
Salary increase	9%	9%
Return on investment	10%	10%
Discount rate	10%	10%

Actuarial valuations have been carried out as at December 31, 2000 and transitional gains / losses as of the valuation date has been completely recognised as management expenses in the Revenue Accounts. Current service cost, interest cost and return on planned assets upto the balance sheet date have been accounted for in accordance with the advice of the Corporation's actuary.

### 2.3.2 Post Retirement Medical Benefits

From the current period the Corporation has decided to recognise the liability for post retirement medical facilities to its eligible employees to comply with the requirements of IAS-19 (Revised). Upto December 31, 2000 expenses were recorded as and when incurred.

The projected unit credit method based on the following significant assumptions has been used for valuation of post retirement medical benefits scheme:

Salary increase	9%
Return on investment	10%
Discount rate	10%

Actuarial valuation has been carried out as at December 31, 2000 and transitional loss as of the valuation date has been completely recognised as management expenses in the Revenue Accounts. Current service cost and interest cost upto the balance sheet date have been accounted for in accordance with the advice of the Corporation's actuary.

### 2.3.3 Earned Leaves

#### Officers

The Corporation offers defined benefit encashment of leaves upto the maximum of 6 months in respect of Leave Preparatory to Retirement (LPR) at the rate of 1.7 of basic salary or on the basis of basic plus house rent allowance.

#### Staff

Staff have the option to encash absences of 30 days each year based on basic salary. The staff also have the option of one year's absences on full pay in respect of LPR. In case staff wish to encash his/her LPR such encashment of leaves upto the maximum of 6 months will be allowed, at the rate of 1.8 of basic salary or on the basis of basic plus house rent allowance. Actuarial valuation of earned leave has been carried out as of December 31, 2001. As of such date, the actuary has determined a total liability of Rs. 18.667 million. Out of the said liability an amount of Rs. 16.422 million related to the period upto December 31, 2000, current liability amounting to Rs. 2.245 million has been apportioned and an amount of Rs. 0.277 million has been recognised upto February 14, 2001.





Particular	Pension		Gratuity	Medical	Earned Leaves
	Officer	Employees			
----- (Rupees in million) -----					
Present value of obligation	70.222	24.896	11.003	27.991	16.699
Fair value of plan asset	(10.346)	(30.984)	(55.664)	-	-
	59.876	(6.088)	(44.661)	27.991	16.699
Unrecognise Acturial gain/(loss)	-	-	-	-	-
Unrecognized part of transitional liability	-	-	-	-	-
Liability/(Asset) recognised in balance sheet	59.876	(6.088)	(44.661)	27.991	16.699
<b>Reversal /Expense recognised</b>					
Current service cost	0.278	0.155	0.064	0.072	0.277
Interest cost	0.853	0.304	0.135	0.341	-
Expected return on plan asset	(0.126)	(0.377)	(0.678)	-	-
Transitional liability/(asset) to be recognised	62.227	(7.449)	(53.867)	27.667	16.42
(Reversal) / Expense recognised	63.233	(7.367)	(54.345)	28.080	16.699
<b>Provision as at December 31, 2000</b>	(3.230)	1.515	9.888	-	-
(Reversal ) / Expense as above	63.233	(7.367)	(54.345)	28.080	16.699
Contribution paid	(0.127)	(0.236)	(0.203)	(0.089)	-
Liability as at February 14, 2001	59.876	(6.088)	(44.661)	27.991	16.699
<b>Actual return on plan assets</b>					
Expected return on plan assets	(0.126)	(0.377)	(0.678)	-	-
Actuarial gain/(loss)on plan assets	(0.74)	(0.685)	(0.296)	-	-
Actual return on plan assets	(0.869)	(1.062)	(0.973)	-	-

#### 2.3.4 Provident Fund

The Corporation operates defined contributory approved general and contributory provident funds (the Funds) for all its eligible employees. The schemes are administered by the trustees. Equal monthly contributions are made both by the Corporation and the employees to the contributory provident fund at the rate of 8.33% of the basic salary. In case of general provident fund the contribution is made by the employees at the minimum rate of 10% of the basic salary.

#### 2.4 Taxation

##### Current

Provision for taxation is based on taxable income or minimum tax on turnover under section 80D of the Income Tax Ordinance, 1979, whichever is higher.





### *Deferred*

The Corporation accounts for deferred taxation on all material timing differences using the liability method. Deferred tax assets are recognised only if there is a reasonable expectation of realisation in the foreseeable future. Management is of the view that there are no material temporary differences which may result in deferred taxation.

### *2.5 Fixed Assets*

Depreciation is charged to income applying the reducing balance method. The rates of depreciation are stated in notes 13 & 17 to the accounts. Full years depreciation is charged on additions during the year whereas no depreciation is charged on assets disposed off during the year. However, in view of the dissolution of the Corporation only 45 days depreciation has been charged in the financial statements.

During the period, Management has decided for earlier adoption of IAS-36 (Impairment of Assets) which is applicable on the financial years beginning on and after 01 July 2001 (as per SECP notification), which requires that an enterprise should assess at each balance sheet date whether there is any indication that an assets may be impaired. If any such indication exist, the enterprise should estimate the recoverable amount of the asset. An impairment loss should be recognised when the carrying amount of an asset exceed its recoverable amount (i.e higher of net selling price or value in use). In view of the adoption of IAS, an impairment loss of Rs. 13.499 million has been recognized in the financial statements.

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*

2.6.1 Listed and unlisted companies shares are stated at cost. However, provision for diminution in the value of investment is recognised based on lower of cost and market value for listed and lower of cost and break-up value for unlisted companies, calculated on individual portfolio basis.

2.6.2 NIT units are valued at the lower of cost and repurchase price. The amount of decrease / increase in value of NIT units is recorded in the provision for diminution in the value of investment.

2.6.3 Securities issued by the Federal, Provisional and Foreign governments are stated at cost.

2.6.4 Debentures are stated at cost less provision for doubtful debentures, if any.

2.6.5 Investments in SNDs and Market Treasury Bills are stated at cost.

2.6.6 Term Deposits are stated at cost.

### *2.7 Revenue Recognition*

2.7.1 Revenue from premium is based on prescribed statutory returns submitted by the ceding companies. Premiums are taken to income, after (i) deducting reinsurances and other related expenses and (ii) adjusted for reserve for unexpired risk as described in note 2.8.





2.7.2 Dividend income and entitlement of bonus shares are recognised when right to receive such dividend and bonus shares is established.

2.7.3 Profit / loss on sale of shares is taken to the profit and loss account in the year of sale.

2.7.4 Profit / interest income from securities, bond and debentures are recognised on accrual basis.

2.7.5 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.





	February 14, 2001 Rs '000'	December 31, 2000 Rs '000'
<b>3. INTEREST AND DIVIDENDS - NET</b>		
Interest and dividend income	14,664	156,300
Less: Staff salaries and other expenses in respect of investment department	339	2,285
	<u>14,325</u>	<u>154,015</u>
<b>4. RENTAL INCOME - Net</b>		
Rental income	857	9,101
Less: Staff salaries and maintenance in respect of building project department	228	5,258
	<u>629</u>	<u>3,843</u>
The rental income represents income from letting out of PIC Towers.		
<b>5. RESERVE FOR OUTSTANDING CLAIMS - Net</b>		
Fire	162,221	162,221
Marine	131,222	131,222
Miscellaneous	308,843	308,843
	<u>602,286</u>	<u>602,286</u>

**5.1** As stated in note 2.8 above, reserve for outstanding claims are intimated by the ceding companies at year-end. However, in the financial statements for the period ended February 14, 2001, the Corporation has reflected the same amount of liability for estimated claims as was reflected in the financial statements for the year ended December 31, 2000. Management considers that due to an unusual cut-off date of February 14, 2001, which is at variance from the quarterly/annual reporting system adopted by the insurance companies, it is not practicable to make such estimates and management also considers that on an overall basis, such estimate would not be materially different from liability reported as on December 31, 2000.

**5.2** This includes an amount of Rs.4.952 million (2000: 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:

	February 14, 2001 Rs '000'	December 31, 2000 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 CARRIED FORWARD (net)

	Note	Fire	Marine	Miscellaneous	(Rupees '000) Total
Out of opening balance (proportionate)		216,790	84,231	287,680	588,701
Out of net premium for the period		54,479	16,306	58,786	129,571
	6.1	271,269	100,537	346,466	718,272
2000 - Rupees		247,276	96,076	328,135	671,487

6.1 In view of the Corporation being dissolved on February 14, 2001 in accordance with the Federal Government Order the opening balance of the premium reserve has been apportioned only for 45 days i.e., the period during which the Corporation was in operation.

	2001 Rupees	2000 Rupees
7. DEPOSITS RETAINED / RECEIVED FROM CEDING COMPANIES		
Premium reserve withheld	10,408	11,353
Losses reserve withheld	11,716	11,727
Cash losses received from retrocessionaries	75,409	71,995
	97,533	95,075

7.1 Due to the internal control weaknesses and to address the matters highlighted by the auditors, the Company has already appointed a Firm of Chartered Accountants (one of the statutory auditors) to assist in the reconciliation of deposits retained from / held by ceding companies.

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 (2000: Rs.0.809 million) relating to Bangladesh creditors.

## PROVISION FOR TAXATION

10.1 The income tax assessments of the Corporation have been finalised upto and including assessment year 2001-2002 (Income year ended December 31, 2000). However, the income tax assessments for the assesment years 1999-2000 to 2001-2002 were finalized subsequent to the balance sheet date. The Corporation has filed appeals relating to the assesment years 1988-89 to 1995-96 which are pending before the Honorable High Court of Sindh. Further, appeals for the assessment year 1997-98 are pending before the Income Tax Appealate Tribunal, and for the assessment years 1999-2000 to 2001-2002 before the Commissioner of Income Tax (Appeals). All such appeals were broadly made on the issues of disallowances made in respect of the part of reserve for unexpired risk and other expenses, including excess perquisites and other incomes and considering the income of the Export Credit Guarentees Scheme (ECGS) as the income of the Corporation.





- 10.2 In view of the assessments made by the Income Tax Authorities an aggregate additional liability of Rs. 140 million has been determined by the Authorities. As the related appeals are pending at various forums, the management based on the opinion of the Corporation's tax consultants, is confident that the outcome of such appeals will be in Corporation's favour. Accordingly, no provision for such additional liability has been made in these financial statements.
- 10.3 The provision for current period in the financial statements had been made on the basis of minimum tax liability under Section 80D of the Income Tax Ordinance 1979.

## 11. CONTINGENT LIABILITIES

- 11.1 Contingent liabilities in respect of claims lodged but not acknowledged by the Corporation amounted to Rs. 33.69 million (2000: Rs. 35.64 million). However, these include a claim of Rs. 6.36 million against which the Corporation had also made a counter claim of Rs. 20.72 million.
- 11.2 Various ex-Employees of the Corporation had lodged claims against the Corporation and / or ex-Chairman for their reinstatements or for certain damages etc. In certain cases the Corporation and / or ex-Chairman had also made counter claims against ex-Employees for damages. However, the liabilities that may arise in these cases can not be determined at this stage.
- 11.3 Mercantile and General Reinsurance Company plc., London (M&G) filed a winding-up petition under Insolvency Act, 1986 against the Corporation on December 15, 1997 in the High Court of Justice, Chancery Division, London. The said petition was initiated by M&G for alleged non-payment of Rs.50.630 million (US \$ 871,509) by the Corporation. The Corporation had filed appeal against the petition filed by M&G in the Honourable High Court of Sindh.
- 11.3.1 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 started in the month of February, 2002. However, subsequently a meeting is being arranged (without prejudice) for a negotiated settlement.
- 11.3.2 In September 1998, the Corporation had filed a suit for damages of Rs.3,333 million against M&G in the Honourable High Court of Sindh. The hearing for this case was 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 exparte against defendant as service has been effected on the defendant and suit is still pending before such court.
- 11.4 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.





11.5 Construction of PIC Towers includes civil construction, installation of lifts, air-conditioning, furniture, fixtures and electrical installations. Total work as certified by Corporation's consultant amounts to Rs.200.76 million against the total contract price of Rs.208.94 million. However, the Corporation capitalised only Rs.191.92 million, as it disputes with the consultant and contractors over certification of final bills.

11.6 The decrees of three cases were awarded against the Corporation amounting to Rs. 35.02 million, pertaining to the guarantees issued by ECGS. Management contends that no liability will arise for the ECGS from such cases.

		February 14, 2001 Rs '000'	December 31, 2000 Rs '000'
<b>12. INVESTMENTS - at cost less diminution in value</b>			
Investment in listed companies	12.1	277,691	284,988
Investment in unlisted companies	12.2	14,219	15,584
Term deposits		152,500	152,500
NIT Units	12.3	545,799	527,862
WAPDA Bonds		20,000	20,000
Federal Investment Bonds		72,730	72,730
Regular Income Certificates		302,800	301,900
Defence Saving Certificates		112,000	112,000
Pakistan Investment Bonds		220,110	220,110
Debentures	12.4	-	-
		<u>1,717,848</u>	<u>1,707,674</u>
<b>12.1 Investment in listed companies</b>			
Investment in listed companies		284,988	284,988
Less: Provision for diminution in value		7,297	-
		<u>277,691</u>	<u>284,988</u>
<b>12.1.1 Investment in listed companies</b>			

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

Name of Company	Number of Shares/certificates		Book value as	Market value as
	February 14, 2001	December 31, 2000	February 14, 2001	February 14, 2001
<b>Mutual Funds</b>				
Confidence Mutual Fund	99,270	99,270	992,700	943,065
ICP State Enterprise Mutual fund	9,000,000	9,000,000	90,000,000	124,200,000
			90,992,700	125,143,065
<b>Banks</b>				
Muslim Commercial Bank Limited	73,420	60,679	515,299	2,375,137
Pakistan Industrial Credit and Investment Corporation	2,573,580	2,237,896	15,846,389	35,258,046
			16,361,688	37,633,183





Name of Company	Number of Shares/certificates		Book value as	Market value as
	February 14, 2001	December 31, 2000	February 14, 2001	February 14, 2001
<b>Insurance</b>				
Adamjee Insurance Co. Limited	188,744	171,586	10,000	14,533,288
Asia Insurance Co. Limited	25,000	25,000	250,000	620,000
Central Insurance Co. Limited	120,384	100,320	50,000	6,741,504
Crescent Star Insurance Co. Limited	399,995	399,995	2,933,156	3,599,955
Habib Insurance Co. Ltd. (Rs.5 each)	213,293	170,635	256,787	3,402,023
National Security Insurance Co. Limited	87,500	87,500	100,000	288,750
Pakistan Guarantee Insurance Co. Limited	22,029	22,029	173,000	418,551
Sterling Insurance Co. Limited	23,250	23,250	232,500	162,750
Union Insurance Co. of Pakistan Limited	55,125	55,125	500,000	759,623
United Insurance Co. of Pakistan Limited	119,246	91,728	455,000	834,722
			4,960,443	31,361,166
<b>Textile Composite</b>				
Burewala Textile Limited	1,400	1,400	35,338	63,350
Gul Ahmed Textile Limited	7,366	7,366	88,768	239,395
Hussain Industries Limited	15,820	15,820	192,017	193,795
Towellers Limited	315,790	315,790	6,000,010	2,210,530
Usman Textile Limited	300	300	3,888	4,800
			6,320,021	2,711,870
<b>Textile spinning</b>				
Regent Textile Limited	5,000	5,000	50,000	4,250
<b>Textile Weaving</b>				
Nakshbandi Industries Limited	331	331	2,445	4,469
<b>Synthetic and Rayon</b>				
Ravi Rayon Limited	24,800	24,800	254,078	13,640
Valika Art Fabrics Limited (Rs.4/- each)	300	300	1,570	1,950
			255,648	15,590
<b>Jute</b>				
Amin Fabrics	45,738	45,738	150,000	205,821
Crescent Jute Product	157,314	157,314	1,250,055	235,971
			1,400,055	441,792
<b>Sugar and Allied</b>				
Bawany Sugar Mills Limited	55,174	55,174	99,500	386,218
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	59,532
Noor Sugar Mills Limited	26,021	26,021	100,000	779,329
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	758,450
			4,957,316	4,475,873
<b>Cement</b>				
Dadex Eternit Limited	533	533	995	12,259
Gharibwal Cement Industries Limited	53,337	53,337	109,891	186,680
Jawedan Cement Limited	14,666	14,666	133,330	58,664
Mustehkam Cement Limited	2,400	2,400	19,364	21,600
Zeal Pak Cement Limited	39,130	39,130	1,360,269	694,558
			1,623,849	973,760
<b>Tobacco</b>				
Pakistan Tobacco Company Limited	70,140	70,140	234,209	725,949
Lakson Tobacco Company Limited	12,273	8,182	36,893	785,472
			271,102	1,511,421





Name of Company	Number of Shares/certificates		Book value as	Market value as
	February 14, 2001	December 31, 2000	February 14, 2001	February 14, 2001
<b>Fuel and Energy</b>				
Haroon Oil Mills Limited	5,000	5,000	49,750	296,250
K.E.S.C. Limited	1,623,450	1,623,450	3,635,647	10,958,288
National Refinery Limited	339,320	339,320	6,275,195	13,572,800
Pakistan State Oil Company Limited	58,312	58,312	27,640	9,233,705
Sui Southern Gas Company Limited	9,671,792	9,671,792	36,461,488	107,840,481
Sui Northern Gas Pakistan Limited	5,953,292	5,953,292	17,110,610	66,974,535
			63,560,330	208,876,059
<b>Engineering</b>				
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	111,600
			955,107	260,388
<b>Auto and Allied</b>				
Pak Suzuki Motor Company Limited	688	688	14,780	6,880
National Motors Limited	43,431	43,431	342,683	76,004
Allied Motors Limited	58,333	58,333	334,000	116,666
			691,463	199,550
<b>Transport</b>				
Pakistan International Airlines Corp. "A"	2,497,778	2,497,778	9,875,646	15,236,446
<b>Chemical</b>				
ICI Pakistan Ltd.	7,857,060	7,857,060	78,570,600	78,570,600
Sardar Chemical	500	500	10,000	1,250
Glaxo Welcome	1,848	1,848	12,997	197,736
			78,593,597	78,769,586
<b>Paper and Board</b>				
Crescent Board Limited	98,747	98,747	926,675	320,928
Packages Limited	440,889	400,809	2,451,364	28,437,341
Security Papers Limited	490,615	392,492	279,000	18,398,063
			3,657,039	47,156,331
<b>Vanaspati and Allied</b>				
Burma Oil Mills Limited	861	861	6,470	8,610
Kohinoor Oil Mills Limited	8,800	8,800	95,748	62,040
Universal Oil Mills Limited	30,000	30,000	300,000	202,500
			402,218	273,150
<b>Food and Allied</b>				
Lever Brothers Pakistan Ltd. (Rs.50/- each)	487	487	3,520	399,340
<b>Miscellaneous</b>				
Hashmi Can Company Limited	5,250	5,250	53,786	63,000
			<b>Rupees</b>	<b>284,987,973</b>
			<b>2000 - Rupees</b>	<b>342,953,500</b>
				<b>567,983,891</b>





		February 14, 2001 Rs '000'	December 31, 2000 Rs '000'
12.2 <i>Other Investments</i>			
Investment in unlisted companies		15,584	15,584
Less: Provision	12.2.1	<u>1,366</u>	<u>-</u>
		<u>14,219</u>	<u>15,584</u>

12.2.11 The above provision is made against the investment in the securities of unlisted companies which are under winding up process.

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

Name of Company	Number of Shares/certificates		Book value as on	
	February 14, 2001	December 31, 2000	February 14, 2001	December 31, 2000
<b>Banks</b>				
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. Nil per share based on accounts for the year ended 31 December 2001) 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. Nil per share based on accounts for the year ended June 30, 2000) Chairman: Mr. Badruddin	6,213	6,213	618,227	618,227
National Bank of Pakistan (Break-up value is Rs. 47.28 per share based on accounts for the year ended December 31, 2001) 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. 19,800 per share based on accounts for the year ended June 30, 2001) Governor Dr. Ishrat Hussain	4,900	4,900	517,616	517,616
United Bank Limited (Break-up value is Rs.Nil per share based on accounts for the year ended 31 December 2001) Chairman & President Mr. Amar Zaffar Khan	2,550	2,550	25,888	25,888
			9,553,504	9,553,504
<b>Development Financial Institutions</b>				
National Investment Trust Limited (Break-up value is Rs. 620 per share based on accounts for the year ended June 30, 2001) Chief Executive Mr. Ishaqbal Mehdi	26,400	24,000	100,000	100,000





Name of Company	Number of Shares/certificates		Book value as on	
	February 14, 2001	December 31, 2000	February 14, 2001	December 31, 2000
Investment Corporation of Pakistan (Break-up value is Rs.Nil per share based on accounts for the year ended 30 June 2001) Managing Director: Mr. Tariq Iqbal Khan	50,000	50,000	4,565,000 4,665,000	4,565,000 4,665,000
<b>Insurance</b>				
Indus Insurance	25,000	25,000	250,000	250,000
<b>Cotton and Textile</b>				
Asfar Textile	1,000	1,000	9,950	9,950
Kohinoor Cotton	22,397	22,397	219,800	219,800
<b>Chemical</b>				
Synthetic Chemical	20,000	20,000	200,000	200,000
<b>Vanaspati and Allied</b>				
Burma Soap	64	64	640	640
<b>Miscellaneous</b>				
Arag Industries	133,333	133,333	685,404 12.2.1 1,365,794	685,404 1,365,794
<b>Rupees</b>			<u>15,584,298</u>	<u>15,584,298</u>

\* 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.

	February 14, 2001 Rs '000'	December 31, 2000 Rs '000'
<b>12.3 NIT units</b>		
NIT units at cost	645,091	645,091
Less: Provision for diminution in value		
Opening balance	117,229	130,041
Provision made during the year	-	-
Reversal of provision during the year	(17,937)	(12,812)
	<u>99,292</u>	<u>117,229</u>
12.3.1	<u>545,799</u>	<u>527,862</u>
12.3.151,248,705 units @ Rs. 10.65 per unit.		
<b>12.4 Debentures</b>	232	232
Less Provision for doubtful debenture loans	232	232
	<u>-</u>	<u>-</u>





### 13. LAND AND BUILDING

	Book Value as at January 1, 2001	Addition/ (Disposals)	Total as at February 14, 2001	Depreciation for the year	Book value as at February 14, 2001	Rate of Dep. % per annum
	..... Rupees .....					
Building on lease hold land						
PIC building-Karachi	158,168	-	158,168	975	157,193	5
PIC house-Karachi	2,834,127	-	2,834,127	17,471	2,816,656	5
Lift	146	-	146	-	146	20
	2,992,441	-	2,992,441	18,446	2,973,995	
PIC Towers						
Leasehold land	796,028	-	796,028	-	796,028	-
Building	91,136,431	-	91,136,431	561,800	90,574,631	5
Electrical Installation	6,918,124	-	6,918,124	170,584	6,747,540	20
Air conditioning plant	9,750,286	541,170	10,291,456	643,221	9,648,235	20
Lift	7,708,266	-	7,708,266	190,067	7,518,199	20
	116,309,135	541,170	116,850,305	1,565,672	115,284,633	
	119,301,576	541,170	119,842,746	1,584,117	118,258,629	
	124,402,200	5,947,689	130,349,889	11,048,313	119,301,576	

### 14. AMOUNTS DUE FROM OTHER PERSONS AND BODIES CARRYING ON INSURANCE BUSINESS

Amount due from	14.2	1,699,851	1,371,867
Provision for bad and doubtful debts		(70,000)	(70,000)
		<u>1,629,851</u>	<u>1,301,867</u>

- 14.1** Due to the internal control weaknesses and to address the matters highlighted by the auditors, the Corporation has already appointed a firm of chartered accountants (one of the statutory auditors) to assist in the reconciliation of amounts due from / due to other persons and bodies carrying on insurance business.





- 14.2 This includes Rs. 942 million due from M/s. Al-Futtaim Willis Faber in settlement of certain claims. The aforesaid amount including share of PIC aggregating Rs. 961 million approximately is due to M/s New Jubilee Insurance Company Limited, which has been settled subsequent to the balance sheet date.

	February 14, 2001 Rs '000'	December 31, 2000 Rs '000'
<b>15. DEPOSITS HELD BY CEDING COMPANIES</b>		
Premium reserve withheld by ceding companies	12,702	16,933
Losses reserve withheld by ceding companies	16,180	24,053
Cash losses paid to ceding companies	10,109	10,109
	<u>38,991</u>	<u>51,095</u>
<b>16. CASH AND BANK BALANCES</b>		
Cash in hand	53	43
Cash at bank		
- Current account	26,288	65,149
- Foreign currency	10,980	4,295
- Local currency	37,268	69,444
	<u>72,932</u>	<u>91,303</u>
- Deposit account	110,200	160,747
	<u>110,253</u>	<u>160,790</u>

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

	Book Value as at January 1, 2001	Additional (Disposals)	Total as at February 14, 2001	Depreciation for the period	Book Value Carrying amount as at February 14, 2001	Impairment (loss)/ Reversal for the period February 14, 2001	Book value/ carrying amount after Impairment for reversal of February 14, 2001	Rate of Dep % per annum
	Rupees .....							
Furniture and Fixture	9,645,285	-	9,645,285	118,914	9,526,371	(9,305,171)	221,200	10
Office Equipment	987,812	750	988,562	18,282	970,280	(613,081)	357,199	15
	10,633,097	750	10,633,847	137,196	10,496,651	(9,918,252)	578,399	
Vehicles	611,234	-	611,234	15,072	596,162	-	596,162	20
Books	313,290	600	313,890	3,870	310,020	(310,020)	-	10
Computers	3,660,955	-	3,660,955	90,270	3,570,685	(3,270,685)	300,000	20
	4,585,479	600	4,586,079	109,212	4,476,867	(3,580,705)	896,162	
<b>Rupees</b>	<b>15,218,576</b>	<b>1,350</b>	<b>15,219,926</b>	<b>246,408</b>	<b>14,973,518</b>	<b>(13,498,957)</b>	<b>1,474,561</b>	
<b>2000 Rupees</b>	<b>17,489,414</b>	<b>78,033</b>	<b>17,567,447</b>	<b>2,348,871</b>	<b>15,218,576</b>	<b>-</b>	<b>15,218,576</b>	





17.1 During the period, valuation of the properties of the Corporation have been carried out by Jalal & Associates. The valuer has considered the present market value as recoverable amount of the properties for the purpose of valuation. Arising out of valuation, impairment loss of Rs. 13.499 million have been recognised in the financial statements.

## 18. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)

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

	February 14, 2001 Rs '000'	December 31, 2000 Rs '000'
<b>Fixed assets</b>		
- Land and building	8,608	8,608
- Furniture and fixtures	4	4
	8,612	8,612
<b>Investments</b>		
- 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

February 14, 2001			2000		
M. Yousuf Adil Saleem & Co.	Sidat Hyder Qamar & Co.	Total	M. Yousuf Adil Saleem & Co.	Khalid Majid Husain Rahman	Total

..... Rs. '000' .....

Audit fee	60	60	120	96	61	157
-----------	----	----	-----	----	----	-----

## 20. GENERAL

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

20.2 Figures of previous year have been disclosed for the full year.



# 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.