

Annual Report 2003



**PAKISTAN REINSURANCE
COMPANY LIMITED**

(Formerly Pakistan Insurance Corporation)





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Vision Statement

Our vision is to be a leading provider of reinsurance and risk management services in the region.

Mission Statement

Our mission is to provide secure reinsurance capacity and outstanding risk management advice in a profitable manner, conduct our business in a dependable and professional manner with the highest standards of customer service.

In fulfilling this mission, we are committed to:

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



Board of Directors

BOARD OF DIRECTORS

MAJOR (R) MUHAMMAD FAZAL DURRANI	CHAIRMAN
MR. RASOOL BAKHSH BALOCH	DIRECTOR
MR. JAVED SYED	DIRECTOR
MR. FAZLUR REHMAN DITTU	DIRECTOR
SYED YAWAR ALI	DIRECTOR
MR. S. M. RAFIQUE AKHTAR	DIRECTOR
MR. SHAMIM AHMED KHAN	DIRECTOR
MR. IQBAL IBRAHIM	DIRECTOR

AUDIT COMMITTEE

SYED YAWAR ALI	CHAIRMAN
MR. S. M. RAFIQUE AKHTAR	MEMBER
MR. FAZLUR REHMAN DITTU	MEMBER

AUDITORS

KHALID MAJID RAHMAN SARFARAZ RAHIM IQBAL RAFIQ
Chartered Accountants

LEGAL ADVISOR

Aman Law Associates

HEAD OFFICE

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

ZONAL OFFICE

AL-Jannat,
Bank Square, Lahore

BANKERS

National Bank of Pakistan
Habib Bank Ltd
Muslim Commercial Bank Ltd

Senior Management



Ms. Naheed Hyder	Executive Director (Finance & Accounts)
Mr. Usman Hasan	Executive Director (Reinsurance)
Mr. Rahat Sadiq	Executive Director (BD & M)
Mr. S. S. Momin	Secretary
Mr. Mohammed Yakoob	Chief Manager (Finance & Accounts)
Mr. Sajid Ali Khan	Chief Manager (DPD)
Mrs. Ghazala Imran	Chief Manager (NZO), Lahore
Mr. Fida Hussain Samoo	Acting Chief Manager (Reinsurance)
Mr. Asghar Imam Khalid	Manager (Finance & Accounts)
Mr. Ayaz Hussain M. Gad	Manager (Accident, Fire, Engg.)
Mr. Shahzad Farooq Lodhi	Manager (Establishment & Administration)
Mr. Anzarul Hasan Hashmi	Manager (Aviation)
Mr. Rahmatullah Khilji	Manager (Internal Audit)



Notice of Annual General Meeting

Notice is hereby given that the 4th Annual General Meeting of **PAKISTAN REINSURANCE COMPANY LIMITED** will be held on 28th April, 2004 at 11.00 a.m. at PIC Towers, 32-A, Lalazar Drive, M.T.Khan Road, Karachi to transact the following business :-

ORDINARY BUSINESS :

1. To confirm the minutes of 3rd Annual General Meeting held on 28th June 2003.
2. To receive, consider and adopt the audited accounts of the Company for the year ended 31st December, 2003 and the report of auditors and directors thereon.
3. To declare dividend, as recommended by the Board of Directors for the year ended 31st December, 2003.
4. To appoint auditors of the Company (PRC) for the year ending 31st December, 2004 and fix their remuneration.
5. To consider any other business with the permission of the Chair.

By Order of the Board

Karachi, the March 28, 2004

S. S. Momin
(Company Secretary)

NOTES

- 1) The share transfer books of the company will remain closed from 21st April, 2004 to 28th April, 2004 (both days inclusive); no transfer will be accepted for registration during this period.
- 2) A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. A proxy must be deposited at the Company not less than 48 hours before the meeting and in case of default, form of proxy will not be treated as valid.



- 3) CDC Account Holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.
- A. For attending the meeting :
- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, will authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
 - ii) In case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee will be produced (unless it has been provided earlier) at the time of the meeting.
- B. For appointing proxies :
- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in a group and their registration details are uploaded as per the Regulations, will submit the proxy form as per the above requirement.
 - ii) The proxy form will be witnessed by two persons whose names, addresses and NIC numbers will be mentioned on the form.
 - iii) Attested copies of NIC or the passport of the beneficial owners and the proxy will be furnished with the proxy form.
 - iv) The proxy will produce his original NIC or original passport at the time of the meeting.
 - v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature will be submitted (unless it has been provided earlier) alongwith proxy form to the Company.
- 4) Shareholders are requested to communicate to the Company of any change in their addresses.



Directors' Report on the working of PRC for the year ended 31st December, 2003

The Shareholders,
Pakistan Reinsurance Co. Ltd.,

Gentlemen,

Your directors are pleased to present the 4th Annual Report of the company together with the audited financial statements and Auditors' Report thereon for the year ended 31st December, 2003.

Review of business activities

During the last four years, the government has introduced a number of structural reforms to create a healthy environment for financial sector by providing open and market based atmosphere allowing full private sector participation. Moreover, the macro-economic indicators of the country have improved in wake of increased co-operation and business activities in the Saarc region.

The domestic insurance market is steadily growing and general insurance market has crossed the Rs.13 billion mark and PRC has achieved its market share of 35% during the year 2003.

As a result of Government's untiring economic efforts, there was an appreciation in the foreign exchange reserves as well as in the value of rupee while there has been a drop in the bank rates as well as inflation.

To deal with reduced insurance and reinsurance capacities substantially limiting the available coverages, your company took adequate measures to ensure that the adverse repercussions are minimized to the possible extent. After slow recovery at the beginning of the year, the pace of economic activities gained ground and with strong economic fundamentals, persuasion of policy of privatization and availability of financing at lower mark-up, the year closed with better performance in line with growth of insurance industry. As a result, your company has been able to increase its volume of premium income by more than 30% over the year 2002.

The salient features of the business operations during the year, 2003 are as follows:-

	Dec. 31, 2003	Dec. 31, 2002
	(Rupees in million)	
Gross Premium	4,697	3,500
Retrocession	2,564	1,888
Net Premium	2,133	1,612
Net Premium after adjustment of unearned premium and prepaid reinsurance	1,447	1,588
Net Commission	219	556
Net Claims	1,011	848
Management expenses	140	108
Underwriting Profit/(Loss)	76	76
Investment Income	333	269
Other income	32	53
Gen. & Admn.exp.	16	15
Provisions [litigation/diminution in value of investment/doubtful debts]	(59)	(74)
Profit before tax	366	457
Profit after tax	297	333

The Gross Premium of the company was Rs.4697 million in the year 2003 as compared to Rs.3500 million in the year 2002. The increase in the Gross Premium is mainly attributable to the increase in Aviation and Engineering business.



The net premium of the company was Rs.2,133 million as compared to Rs.1612 million for the year of 2002 (before taking effect of unearned / prepaid premium) showing increase of Rs.521 million over last year however, after taking the effect of unearned/prepaid premium, the net premium stands reduced to Rs.1447 million as compared to Rs.1588 million.

The net claims (claims less retrocessions) for the year 2003 were Rs.1011 million as compared to Rs.848 million for the year of 2002 showing an increase of Rs.164 million under this head in the year 2003. Net claims as percentage of Net Premium was 69% in the year 2003.

The commission expense for the year was Rs.219 million. The commission as percentage of net premium was 15% in the year 2003 down by 20% from the last year mainly due to application of SECP(Insurance) Rules, 2002 - Accounting Regulation 12 for non-life insurance relating to Deferred Commission. The underwriting profit for the year was Rs.76 million. The volume of business increased from Rs.3500 million to Rs.4697 million i.e. by 34% which is mainly attributable to increase in Aviation and Engineering business. Your company has adopted new format of accounts as required by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 938 dated December 12, 2002.

The investment income in the year 2003 increased to Rs.333 million as compared to Rs.269 million in the year 2002. The break-up value of PRC's share as at 31st December, 2003 was Rs.31.78 per share of Rs.10/= each and the earning per share was Rs. 6.61.

The profit before tax was Rs.366 million. After making provision for taxation of Rs.69 million, the profit stood at Rs.297 million.

Department-wise results are as follows:-

Fire Department

The gross premium of Fire department was Rs.1,385 million which contributed about 30% to the company's revenue. The net premium of this department was Rs.893 million. The claim ratio was 30% and underwriting profit was Rs. 105 million .

Marine Department

The Gross Premium of Marine department was Rs.429 million which contributed about 9% to the company's revenue. The net premium of this department was Rs.286 million. The claim ratio was 9%. The underwriting profit was Rs.69 million .

Miscellaneous Department

The Gross Premium of Miscellaneous department was Rs.2,883 million which contributed about 61% to the company's revenue. The net premium of the department was Rs.954 million.. The claim ratio was 61% . The underwriting loss was Rs.(98) million.

Investment Plan

Investment Plan of PRC is being updated continually in line with the national policies/interest. The main objectives of this plan are to make the investment in most secured securities as well as ensure regular and maximum return on the investments. Accordingly, PRC has adopted the strategy of diversification, and the portfolio is being balanced between fixed income securities and equities.

Earlier, the plan envisaged return of 7.5% per annum on its investment mainly due to fall in interest rates and unstable stock market conditions. But with the diversification of investments and market stabilization, your company has been able to achieve average return of more than 12% during the year 2003, which is higher than the average market rate of return on investment during the year.



Investment

The investment as at the end of year 2003 has slightly decreased to Rs.1886 million as compared to Rs.1905 million in the year 2002 on lower of cost or market value basis.

Income from investments

The Investment income in the year 2003 has increased to Rs.333 million as compared to Rs.269 million in the year 2002.

Profit

The profit before tax of the company for the year ended 31st December, 2003 is as follows:-

	Rupees in '000'
Net profit before tax	366,296
Less: Provision for taxation	69,000
Profit after tax	297,296
Add: Unappropriated profit brought forward	137,852
	435,148
Less: Transfer to General Reserve	300,000
Less: Proposed dividend @ 25%	112,500
Unappropriated profit carried forward	22,648

Vision of the future

As part of Insurance Industry Reforms, the compulsory cession to the PRC will come down to zero from 1st January, 2005 in line with the phasing out of the compulsory cession. However, the Company is optimistic about its performance and it is expected that during the coming years, the company would be able to achieve a modest growth of 6% to 8% annually.

In order to achieve this target, PRC is in the process of planning a fresh treaty Reinsurance Programme for the year 2005. In addition to the compulsory and treaty cessions, vigorous efforts will be made to increase the facultative reinsurance from the insurance companies operating in Pakistan with reasonably good reputation of business. PRC will concentrate on quality treaty and facultative business and profitable treaty cession. To achieve this, the quality of services in all respects will be improved further.

Insurance Rules, 2002

The Insurance Rules, 2002 have been issued by the Federal Government in December, 2002. Moreover, SECP has also prescribed a new format for preparing financial statement by the insurance companies. The overall regulatory framework for the Insurance industry has become more stringent. Your company has ensured to be compliant company in line with its commitment to Good Governance.

Statement on Corporate and Financial Reporting Frame Work

- The financial statements, prepared by the Company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984.



- c) The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes where made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgement.
- d) Financial statements have been prepared by the company in accordance with the International Accounting Standards, as applicable in Pakistan.
- e) The system of internal control, presently in place, is being continually reviewed by the internal audit department. The process of review will continue to strengthen the system for its effective implementation
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) The Company has followed the best practices of corporate governance, as laid down in the listing regulations of the stock exchanges and there has been no material departure.

Board Meetings

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

S.No.	Name of Director	No. of meetings attended
1.	MR. KAMAL AFSAR	Three
2.	MAJ. (R) MUHAMMED FAZAL DURRANI	Five
3.	MR.M.S.I. GHOURI	Five
4.	MR. RASOOL BAKHSH BALOCH	One
5.	MR. TARIQ IQBAL PURI	Two
6.	MR. S.M. RAFIQUE AKHTAR	Four
7.	SYED YAWAR ALI	Seven
8.	MR.FAZLUR REHMAN DITTU	Seven
9.	MR. IQBAL IBRAHIM	One
10.	MR. SHAMIM AHMED KHAN	Seven

Compliance with the Code of Corporate Governance

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

Audit Committee

The Board, in compliance with the Code of Corporate Governance, has established an Audit Committee consists of the following members and has also approved its terms of reference.

Syed Yawar Ali	Chairman
Mr. S.M. Rafique Akhtar	Member
MR. Fazlur Rehman Dittu	Member

Dividend

Your directors are pleased to declare a dividend of 25% for the year 2003.

Earning per share

The earning per share of the Company was Rs.6.61.



Trading in Company Shares

Except as detailed below, no trading in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary, their spouses and minor children:-

<u>Name</u>	<u>No. of Shares</u>	
	<u>Purchased</u>	<u>Sold/CDC</u>
Mrs. Razia Sultana		3,900
Mrs. Razia & Faiza Akhtar		8,000
Mr. S.M. Rafiq Akhtar & Faiza Akhtar		160
Miss. Saira Akhtar & Faiza Akhtar		109,960
Mr. S.M. Rafiq Akhtar		17,400
Mr. S.M. Rafiq Akhtar & Saira Akhtar		650,110
Mr. S.M. Rafiq Akhtar		558,800
Mr. S. M. Rafiq Akhtar		80
		<u>1,348,410</u>

Appointment of Auditors

The present auditors M/s. Khalid Majid Rahman Sarfraz Rahim Iqbal Rafiq Chartered Accountants being eligible have offered themselves for reappointment. However, the Audit Committee has not recommended their name for reappointment due to their inability to meet certain audit deadlines.

The Audit Committee has recommended appointment of M/s. Taseer Hadi Khalid & Co., Chartered Accountants for conduct of audit for the year 2004, which the Board of Directors endorsed at the audit fee of Rs. 260,000/= and Rs. 100,000/= for half yearly review plus out of pocket expenses at actuals subject to maximum of 10% of total fee.

Pattern of shareholding

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

Acknowledgement

In the end, your directors would like 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.

Rasool Bakhsh Baloch
Director

S. M. Rafique Akhtar
Director

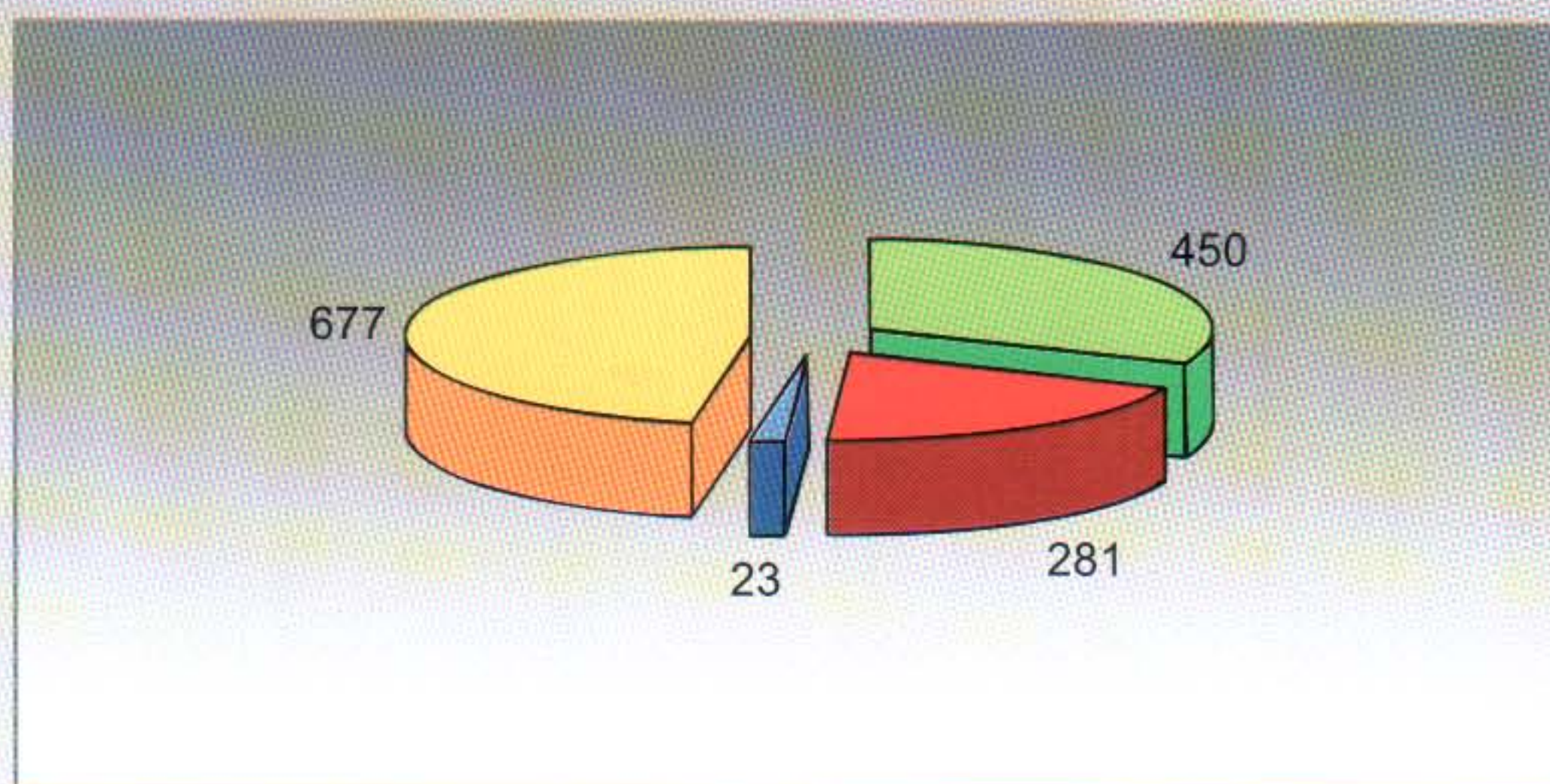
Maj. (R) Muhammed Fazal Durrani
Chief Executive



BREAK-UP VALUE OF COMPANY'S SHARE AS AT 31ST DECEMBER 2003

Rs. In million

Paid-up Capital	450
Reserve for Exceptional Losses	281
Profit & Loss Appropriation (balance)	23
General Reserve	677
Net worth (Owner's equity)	1,431



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

Rs. 31.78



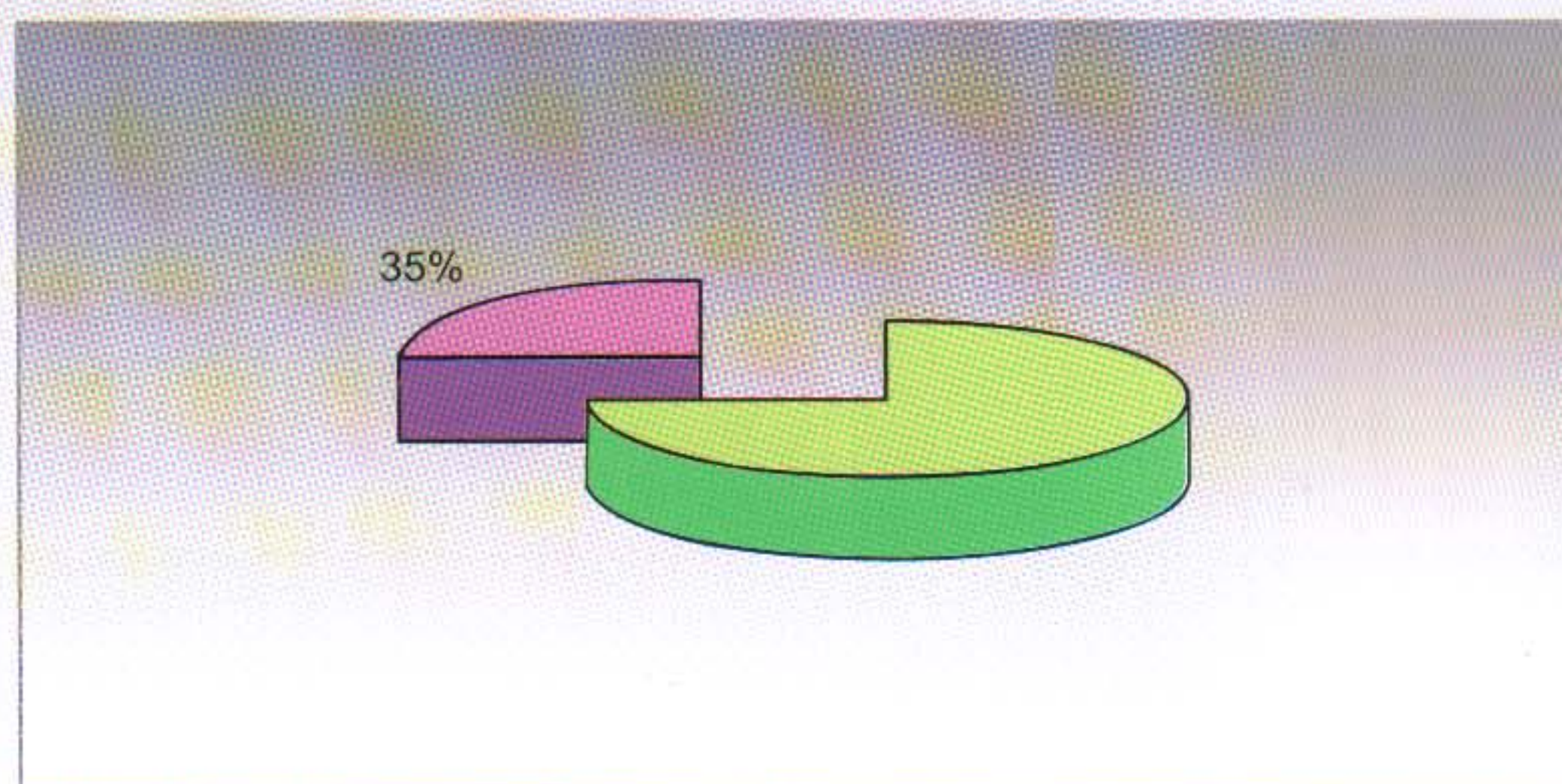
PAKISTAN INSURANCE MARKET AND COMPANY'S SHARE 2003

Rs. In million

1). Gross Premium

a) Insurance Market	13,500
b) Company	4,697

2). Company's Share of Market 35%

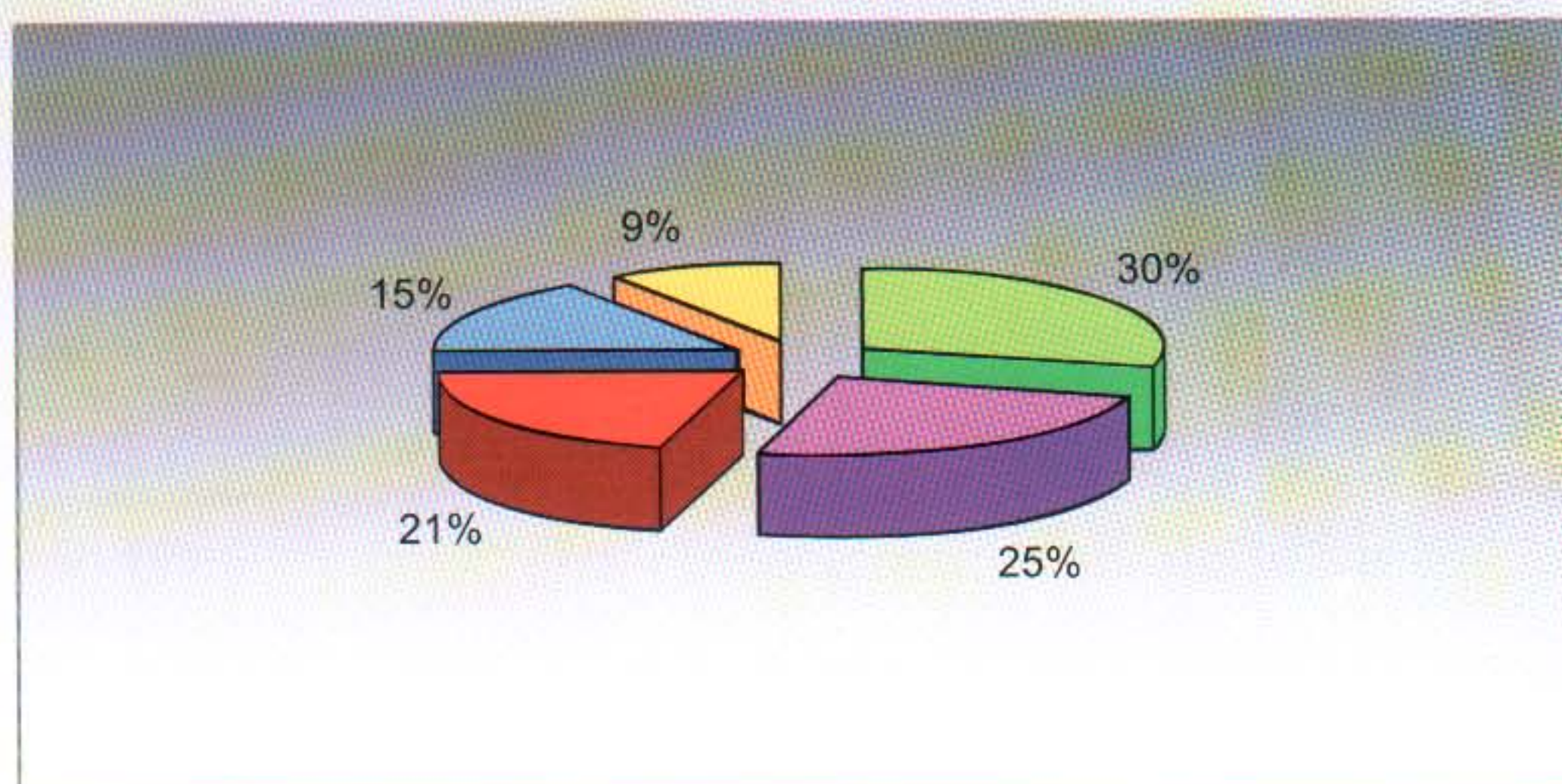




GROSS PREMIUM INCOME BY CLASS OF BUSINESS 2003

Rs. In million

Class of Business	Gross Premium	% of Total
(a) Fire	1,385	30
(b) Aviation	1,175	25
(c) Engineering	985	21
(d) Accident	723	15
(e) Marine	429	9
	4,697	100





RESERVES, PROVISIONS AND INVESTMENTS 2003

		Rs. In million	
1. RESERVES & PROVISIONS			
A. FINANCIAL RESERVES			
1)	Reserve for Exceptional Losses	281	
2)	General Reserve	677	
3)	Retained Earnings	<u>23</u>	981
B. UNDERWRITING PROVISIONS			
1)	Outstanding Claims	798	
2)	Unearned Premium	2833	
3)	Unearned Commission	<u>75</u>	
		3706	
	Less: Prepaid Reinsurance ceded	(1,487)	
	Prepaid Commission	<u>(494)</u>	1,725
			<u>2,706</u>
2. INVESTMENTS			
1)	NIT Units	645	
2)	Stocks & Shares	379	
3)	D.S.C. / R.I.C.	390	
4)	Pakistan Investment Bonds	461	
5)	Wapda Bonds	<u>20</u>	
		1,895	
	Less: Diminution in Stock & Shares	<u>(9)</u>	1,886

Auditors' Report to the Members



We have audited the annexed financial statements comprising of:

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

of Pakistan Reinsurance Company Limited as at December 31, 2003 together with the notes forming part thereof, for the year then ended.

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

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

1. The financial statements of the company reflects amount due to (Rs.700.913 million) and amount due from (Rs.1,308.048 million) other persons and bodies carrying on insurance business. These accounts have been adjusted during the year to the extent mentioned in detail in note 15 to the accounts. Further adjustments, if any required could not be quantified as the company has not provided us report of the Consultants appointed for the purpose of confirmation and reconciliation of balances with other companies. The report is said to be currently under consideration of the committees constituted by the Board of Directors for the purpose of finalizing adjustments, if any required. The company has however, made necessary adjustments in its accounts as per IAS-21 to record net exchange difference as at balance sheet date on foreign currency balances.
2. The financial statements of the company reflects amount of deposits retained or received from other companies of Rs.101.142 million (liability) and deposits held by other ceding companies of Rs.22.365 million (assets). *Adjustments, if any required in these accounts could not be quantified as the company has not provided us report of the Consultants appointed for the purpose of confirmation and reconciliation of the balances in these accounts with other companies. The report is said to be currently under consideration of the committees constituted by the Board of Directors for the purpose of finalizing adjustments, if any required. The balances in the deposits accounts have not been adjusted for the exchange difference recorded therein at the time of settlement as well as on the balance sheet date as per the requirement of IAS-21.*

The balances in these accounts are as such yet unconfirmed and the financial statements of the company have not been adjusted for difference that may arise as a result of the findings of the committees.



3. We have not been able to verify the correctness of the account of advance tax less provision appearing in the balance sheet at Rs.43.329 million for the reason hereinafter stated. Details and basis of adjustments of Rs.112.399 million made during the year in the account relating to the year 1998 to 2002 were not provided to us. The amount of advance tax and provision for taxation is not separately ascertainable for the purpose of verification of these accounts. Moreover, the tax effect of disallowances, not provided for, (refer note 19) made in past several years by the Tax Department has not been quantified.

During the year the company transferred an amount of Rs.56.996 million from advance tax account to "Other receivable" from Export Credit Guarantee Scheme being the amounts paid since the year 1984-85 to date (Refer to note 18.1). However, corresponding adjustment in the tax provision, if any made in earlier years has not been determined for the adjustments, if any required.

In our opinion -

- (a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- (c) except for the effects on the financial statements of the matters referred to in the paragraphs 1 to 3 above and in note no. 2.6.1 and 12 to the financial statements, the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2003 and of the profit, its cash flows and changes in equity for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (d) in our opinion, Zakat deductible at source under the Zakat & Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and has been deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to the matter referred to in note no. 1.2 to the financial statements. The going concern assumption used in the preparation of these financial statements is dependent on assertions made by management about its plans to transact reinsurance business in usual manner so as to balance the effect of cessation of compulsory cession by other insurance companies which shall become effective from January 01, 2005.

KHALID MAJID RAHMAN
SAREARAZ RAHIM IQBAL RAFIQ
CHARTERED ACCOUNTANTS

Karachi :
Dated: 17 March 2004

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2003



This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation NO.37 and No.XIII of listing regulations of the Karachi Stock Exchange(Guarantee) Ltd., and the Lahore Stock Exchange(Guarantee) Ltd., respectively for the purpose of establishing a framework of good governance by a listed company and additional frame work by a listed insurance company, whereby a listed company/listed insurance company is managed in compliance with the best practice of corporate governance.

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

1. The company encourages representation of independent non-executive Directors on its Board. At present, the Board include seven (out of eight) independent non-executive Directors. Out of seven non-executive directors, five are nominated by the major shareholders (i.e. GOP) and two are elected on 31.12.2001 for three years terms, effective from 31.12.2001.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. Two casual vacancies have occurred in the year 2003 in the Board after introduction of the Code. The same have been filled by the resolution of the Board.
5. The Company has prepared a 'Statement of Ethics and Business Practices'.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has started the process of orientation for its Directors to apprise them of their duties and responsibilities.
10. There was no new appointment of CFO, Company Secretary or head of Internal Audit during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.



14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises of Board members, all of whom are non-executive directors.
16. The meetings of the audit committee were held every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Company has an internal audit department headed by Manager(Internal Audit), who is a Chartered Accountant. The Internal Audit department is in the process of strengthening in light of External Audit observation.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations.
20. The Company has established the committees namely Underwriting Committee, Claim Settlement Committee and Reinsurance Committee & Co-insurance.
21. We confirm that all other material principles contained in the Code have been complied with.

Rasool Bakhsh Baloch
Director

S. M. Rafique Akhtar
Director

Maj. (R) Muhammed Fazal Durrani
Chief Executive

Review Report to the members on Statement of Compliance with best practices of Code of Corporate Governance



We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2003 prepared by the Board of Directors of Pakistan Reinsurance Company Limited, to comply with the listing Regulation No.37 (Chapter XI) of Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No. 40 (Chapter XIII) of Lahore Stock Exchange (Guarantee) Limited where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of the audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls. We report that

- (a) The functioning of the internal audit department of the company has not been found to be strictly in accordance with the requirement of the relevant clauses of the Code of Corporate Governance.

Based on our review, except for the matter stated in the paragraph (a) above, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December, 31, 2003.

Karachi
Dated: 19 March, 2004

Khalid Majid Rahman Sarfaraz
Rahim Iqbal Rafiq
Chartered Accountants



Balance Sheet as at

	Note	2003 Rupees	2002 Rupees
Share Capital and Reserves			
Authorized Share Capital 100,000,000 ordinary shares of Rs. 10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up share capital	3	450,000,720	450,000,720
Exceptional Losses Reserve	4	281,000,000	281,000,000
General Reserve		677,419,085	377,419,085
Retained earnings		22,647,840	137,852,321
		981,066,925	796,271,406
TOTAL EQUITY		1,431,067,645	1,246,272,126
Liabilities against assets subject to finance lease	5	3,278,023	—
Underwriting Provisions			
— Provision for outstanding claims	6	798,072,019	582,267,377
— Provision for unearned premium	7	2,833,894,174	1,373,762,924
— Provision for unearned commission	8	74,762,995	—
		3,706,729,188	1,956,030,301
Deferred Liability			
Staff retirement benefits	2.7	122,177,984	119,189,138
Creditors and Accruals			
Current Maturity of lease liability	9	1,879,083	—
Amount due to other persons and bodies carrying on insurance business		700,912,549	694,526,732
Deposits retained/received from other Companies	10	101,142,051	71,452,250
Advances and deposits	11	6,865,564	7,093,537
Sundry creditors		37,814,942	21,440,741
Retention money payable		6,375,953	6,479,441
		854,990,142	800,992,701
Other liabilities			
Dividend payable		788,460	655,654
Proposed dividend		112,500,180	67,500,108
Surplus profit payable		828,791	1,351,799
		114,117,431	69,507,561
TOTAL LIABILITIES		4,801,292,768	2,945,719,701
CONTINGENT AND COMMITMENTS	12	—	—
		6,232,360,413	4,191,991,827

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

Naheed Hyder
Executive Director (F&A)

Maj. (R) Muhammed Fazal Durrani
Chief Executive

Karachi, March 17, 2004



	Note	2003 Rupees	2002 Rupees
Cash and Bank deposits	13		
Cash and other equivalent		81,822	49,528
Current and other accounts		547,828,512	129,117,868
Deposits maturing within 12 months		1,700,000	1,700,000
		549,610,334	130,867,396
Loans (Considered good)			
to employees		31,405,599	29,864,637
to others		5,302,359	5,260,378
		36,707,958	35,125,015
Investments	14	1,885,976,104	1,905,189,745
Other Assets			
Amount due from persons and bodies carrying on insurance business	15	1,308,047,882	995,789,533
Deposits held by ceding companies	16	22,364,521	6,375,255
Profit, dividend and return accrued/outstanding	17	133,294,085	83,664,267
Other Receivable	18	168,639,889	113,863,220
Prepaid reinsurance ceded		1,486,829,396	712,046,362
Prepaid commission		494,333,310	—
Advance for taxation less provision	19	43,329,355	102,883,538
Stock of stationary		321,125	396,800
		3,657,159,563	2,015,018,975
Fixed Assets			
Tangible and Intangible Assets			
Land and building, furniture, fixture, office equipment, vehicles books and computers	20	35,063,431	104,001,278
Invetsment property	21	66,650,078	—
Intangible Assets	22	1,192,945	1,789,417
Assets related to Bangladesh	23	—	—
		6,232,360,413	4,191,991,827

Rasool Bakhsh Baloch
Director

S. M. Rafique Akhtar
Director

Profit and Loss Account for the year ended December 31, 2003



Note	Fire	Marine Cargo	Marine Hull	Rupees			December 31, 2003	December 31, 2002
				Accident	Aviation	Engineering		
Revenue Account								
	568,393,622	207,275,095	1,106,549	545,457,985	30,440,244	94,805,538	1,447,479,033	1,588,333,669
Net premium revenue								
Net claims	303,525,723	82,459,336	1,449,820	496,986,419	12,348,368	114,500,144	1,011,269,810	847,533,523
Management expenses	55,028,586	18,819,919	156,710	52,283,004	4,068,621	10,089,604	140,446,444	108,028,031
Net commission	104,800,351	36,185,754	(390,511)	79,308,366	(1,033,596)	601,989	219,472,353	555,999,791
Underwriting result								
	105,038,962	69,810,086	(109,470)	(83,119,804)	15,056,851	(30,386,199)	76,290,426	76,772,324
Investment income								
Exchange gain	2.16						332,810,882	268,772,470
Rental income	25						9,878,673	33,510,929
Other income	26						11,899,686	6,203,908
							11,019,489	13,658,444
General and administration expenses								
Provision for assets in Bangladesh	27						441,899,156	398,918,075
Provision for doubtful debts/Litigation							16,451,741	14,965,608
Provision / reversal of diminution in value of Investments							—	10,212,619
							49,976,338	—
							9,175,378	(83,635,000)
Profit before tax								
Provision for taxation - Current year							366,295,699	457,374,848
- Prior Year							69,000,000	124,000,000
							—	—
Profit after tax								
Profit and loss appropriation account -Opening balance							297,295,699	333,374,848
Reversal of diminution in value of Investments (Pre 2001)							137,852,321	54,747,866
Transfers (to)/from reserves							—	117,229,715
General reserve								
Proposed Dividend							(300,000,000)	(300,000,000)
							(112,500,180)	(67,500,108)
Profit and loss appropriation account - closing balance								
							22,647,840	137,852,321

The annexed notes form an integral part of these financial statements.
Auditors report to the members is annexed.

Naheed Ilyder
Executive Director (F&A)

Maj. (R) Muhammed Fazal Durrani
Chief Executive

Rasool Bakhsh Baloch
Director

S. M. Rafique Akhtar
Director

Karachi, March 17, 2004

Statement of Premiums for the year ended December 31, 2003



Class	Premium Written (A)	Unearned premium reserve		Prepaid Reinsurance			Net premium revenue	
		Opening (B)	Closing (C)	Premium earned (D=A+B-C)	Premium ceded		December 31, 2003 (I=D-II)	December 31, 2002
					Re-insurance Ceded (E)	Re-insurance expense (H=E+F-G)		
						Opening (F)	Closing (G)	
Rupees								
Fire	1,384,785,643	522,206,917	928,055,569	978,936,991	491,965,545	248,283,267	329,705,443	568,393,622
Marine Cargo	370,173,319	179,141,262	239,686,498	309,628,083	87,514,443	71,503,975	56,665,430	207,275,095
Marine Hull	58,803,563	17,079,184	49,924,066	25,958,681	55,946,707	16,404,028	47,498,603	1,328,463
Accident	722,636,920	317,067,394	419,580,358	620,123,956	(20,412,098)	83,226,314	(11,851,755)	545,457,985
Aviation	1,174,913,779	96,096,091	529,043,651	741,966,219	1,124,690,317	93,264,540	506,428,882	15,036,840
Engineering	985,434,836	242,172,076	667,604,032	560,002,880	824,215,897	199,364,238	558,382,793	117,169,485
Grand Total	4,696,748,060	1,373,762,924	2,833,894,174	3,236,616,810	2,563,920,811	712,046,362	1,486,829,396	1,447,479,033
								1,588,333,669

The annexed notes form an integral part of these financial statements.
Auditors report to the members is annexed.

Naheed Hyder
Executive Director (F&A)

Maj. (R) Muhammed Fazal Durrani
Chief Executive

Rasool Bakhsh Baloch
Director

S. M. Rafique Akhtar
Director

Karachi, March 17, 2004

Statement of Claims for the year ended December 31, 2003



Class	Reinsurance and other recoveries received				Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue (H=E+F-G)	Net claims expenses		
	Claims Paid (A)	Outstanding Claims		Claims Expense (D=A+B-C)	Opening (F)	Closing (G)		Dec. 31, 2003 (I=D-H)	Dec. 31, 2002	
		Opening (B)	Closing (C)							
Rupees										
Fire	353,866,445	513,867,501	470,375,001	310,373,945	140,407,912	354,465,908	220,906,218	6,848,222	303,525,723	247,162,404
Marine Cargo	265,286,744	187,229,218	302,725,917	380,783,443	129,455,514	51,537,601	220,406,194	298,324,107	82,459,336	106,122,649
Marine Hull	11,741,181	26,813,332	41,153,425	26,081,274	10,462,321	11,765,563	25,934,696	24,631,454	1,449,820	1,184,775
Accident	425,624,951	204,257,456	341,264,244	562,631,739	91,747,075	37,442,914	11,341,159	65,645,320	496,986,419	379,060,534
Aviation	25,154,300	279,286,366	430,352,052	176,219,986	20,912,276	267,995,236	410,954,578	163,871,618	12,348,368	(10,761,887)
Engineering	137,861,069	873,723,284	998,273,775	262,411,560	31,084,424	774,750,558	891,577,550	147,911,416	114,500,144	124,765,048
Grand Total	1,219,534,690	2,085,177,157	2,584,144,414	1,718,501,947	424,069,522	1,497,957,780	1,781,120,395	707,232,137	1,011,269,810	847,533,523

The annexed notes form an integral part of these financial statements.
Auditors report to the members is annexed.

Naheed Hyder
Executive Director (F&A)

Maj. (R) Muhammed Fazal Durrani
Chief Executive

Rasool Bakhsh Baloch
Director

S. M. Rafique Akhtar
Director

Karachi, March 17, 2004

Statement of Expenses for the year ended December 31, 2003



Class	Deferred Commission			Other			Net underwriting expense				
	Commission paid or payable (A)	Opening (B)	Closing (C)	Net commission expense (D=A+B-C)	management expenses (E)	Underwriting expense (F=D+E)	Commission from reinsurers (G)	Closing (H)	Net commission retrocession (I=G-H)	December 31, 2003 (J=F-I)	December 31, 2002
Rupees											
Fire	376,883,162		243,476,275	133,406,887	55,028,586	188,435,473	56,371,219	27,764,683	28,606,536	159,828,937	327,917,405
Marine Cargo	107,834,009		66,909,964	40,924,045	18,819,919	59,743,964	8,963,374	4,225,083	4,738,291	55,005,673	96,449,772
Marine Hull	1,865,014		1,576,397	288,617	156,710	445,327	3,065,425	2,386,297	679,128	(233,801)	(633,607)
Accident	217,065,801		132,110,392	84,955,409	52,283,004	137,238,413	11,428,963	5,781,920	5,647,043	131,591,370	222,551,124
Aviation	3,101,220		1,435,562	1,665,658	4,068,621	5,734,279	5,835,497	3,136,243	2,699,254	3,035,025	(77,762)
Engineering	76,437,565		48,824,720	27,612,845	10,089,604	37,702,449	58,479,625	31,468,769	27,010,856	10,691,593	17,820,890
Grand Total	783,186,771	-	494,333,310	288,853,461	140,446,444	429,299,905	144,144,103	74,762,995	69,381,108	359,918,797	664,027,822

The annexed notes form an integral part of these financial statements.
Auditors report to the members is annexed.

Naheed Hyder
Executive Director (F&A)

Maj. (R) Muhammed Fazal Durrani
Chief Executive

Rasool Bakhsh Baloch
Director

S. M. Rafique Akhtar
Director

Karachi, March 17, 2004



Statement of Investment Income for the year ended December 31, 2003

	December 31, 2003 Rupees	December 31, 2002 Rupees
Income from non-trading investment		
Held to maturity investments		
Return on government securities	133,209,601	108,949,458
Available for sale investments	—	8,134,286
Return on other fixed income securities and deposits	3,424,544	11,609,332
Dividend income	199,061,894	142,457,428
Gain on sale of available for sale investments	—	—
Gain on sale of non-trading investment	—	—
	<u>335,696,039</u>	<u>271,150,504</u>
Less: investment related expenses	(2,885,157)	(2,378,034)
Net investment income	<u><u>332,810,882</u></u>	<u><u>268,772,470</u></u>

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

Auditors report to the members is annexed.

Naheed Hyder
Executive Director (F&A)

Maj. (R) Muhammad Fazal Durrani
Chief Executive

Rasool Bakhsh Baloch
Director

S. M. Rafique Akhtar
Director

Karachi, March 17, 2004

Statement of Cash Flow for the year ended December 31, 2003



	December 31, 2003 Rupees	December 31, 2002 Rupees
Operating Cash Flows		
<u>Underwriting activities</u>		
Premium received	2,946,373,694	3,312,667,979
Reinsurance premium paid	(1,789,137,777)	(1,690,730,170)
Claims paid	(1,219,534,690)	(1,358,107,006)
Reinsurance and other recoveries received	424,069,522	513,116,734
Commission paid	(288,853,461)	(808,963,998)
Commission received	69,381,108	252,964,207
Due from person carrying on insurance business	(312,258,349)	(458,594,791)
Due to person carrying on insurance business	(6,385,817)	248,910,715
Deposits received from/paid to ceding companies	13,700,536	23,550,206
Expenses paid	(140,446,444)	(108,028,031)
Net cash flows from underwriting activities	(303,091,678)	(73,214,155)
<u>Other Operating Activities</u>		
Income tax paid	(9,428,926)	(76,526,872)
General management expenses paid	(16,451,741)	(5,623,041)
Interest/dividend/rental income receipts	306,457,014	216,813,901
Loans, advances, deposits and prepaid	1,582,943	50,401,273
Advance, deposits received/adjusted	(227,973)	5,715,909
Premium reserve net	685,348,216	24,116,626
Reserve for outstanding claims	(215,804,642)	2,543,251
Other receipts	21,531,289	4,338,103
Other payments	(4,782,665)	(32,284,027)
Net cash flows from other operating activities	768,223,515	189,495,123
Total cash flow from all operating activities	465,131,837	116,280,968
<u>Investment activities</u>		
Fixed Capital expenditure	2,287,770	(198,165)
Acquisition of investments	19,213,641	(43,467,684)
Total Cash Flow from investment activities	21,501,411	(43,665,849)
<u>Financing activities</u>		
Surplus paid	(523,008)	—
Dividend paid	(67,367,302)	(16,844,366)
Total cash flows from financing activities	(67,890,310)	(16,844,366)
Net cash flow from all activities	418,742,938	55,770,753
Cash and cash equivalents at beginning of the year	130,867,396	75,096,643
Cash and cash equivalents at end of the year	549,610,334	130,867,396



	December 31, 2003 Rupees	December 31, 2002 Rupees
<u>Reconciliation to profit and loss account</u>		
Operating cash flows	465,131,837	116,280,968
Depreciation expense	(8,968,482)	(8,746,095)
Exchange gain	9,878,673	33,510,929
Provision against assets of Bangladesh	—	(10,212,619)
Provision for doubtful debts/Litigation	(49,976,338)	—
Amortization of deferred costs	(596,472)	(596,472)
Reversal of liability of M & G	—	4,451,912
Rental income	11,899,686	6,203,908
Investment income	332,810,882	268,772,470
(Decrease)/Increase in operating assets other than cash	292,388,568	610,494,296
Decrease/(Increase) in operating liabilities	(380,824,564)	(436,155,870)
	671,743,790	584,003,427
<u>Other adjustments:</u>		
Decrease / (Increase) in provision for diminution in value of investments	(9,175,378)	83,635,000
Rental received	(9,984,700)	(6,019,701)
Investment income received	(295,716,939)	(280,770,750)
Income tax paid	9,428,926	76,526,872
	(305,448,091)	(126,628,579)
Profit or (loss) before taxation	366,295,699	457,374,848
Provision for taxation current	(69,000,000)	(124,000,000)
<u>Profit or (loss) after taxation</u>	297,295,699	333,374,848
<u>Cash and cash equivalents:</u>		
Cash and other equivalent	81,822	49,528
Current and other accounts	547,828,512	129,117,868
Deposit maturing within 12 months	1,700,000	1,700,000
	549,610,334	130,867,396

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

Naheed Hyder
Executive Director (F&A)

Maj. (R) Muhammad Fazal Durrani
Chief Executive

Rasool Bakhsh Baloch
Director

S. M. Rafique Akhtar
Director

Karachi, March 17, 2004

Statement of Changes in Equity for the year ended December 31, 2003



Particulars	Share Capital	Share Premium Account	Exceptional Losses reserve	General Reserve	Reserve for issue of bonus shares	Unappropriated profit	Total
							Rupees
Balance as at January 01, 2002	50,000,080	10,725	631,000,000	127,409,000	-	54,747,866	863,167,671
Net profit for the year ended 31/12/2002	-	-	-	-	-	333,374,848	333,374,848
Issue of bonus shares	-	(10,725)	(350,000,000)	(49,989,915)	400,000,640	-	-
Issue of bonus shares	400,000,640	-	-	-	(400,000,640)	-	-
Write back of investment fluctuation reserve	-	-	-	-	-	-	-
Transfer to reserve	-	-	-	300,000,000	-	(300,000,000)	-
Proposed dividend @ 15% (Rs. 1.5 per share)	-	-	-	-	-	(67,500,108)	(67,500,108)
Balance as at January 01, 2003	450,000,720	-	281,000,000	377,419,085	-	137,852,321	1,246,272,126
Net profit for the year ended 31-12-2003	-	-	-	-	-	297,295,699	297,295,699
Transfer to General reserve	-	-	-	300,000,000	-	(300,000,000)	-
Proposed dividend @ 25% (Rs. 2.5 per share)	-	-	-	-	-	(112,500,180)	(112,500,180)
Balance as at December 31, 2003	450,000,720	-	281,000,000	677,419,085	-	22,647,840	1,431,067,645

The annexed notes form an integral part of these financial statements

Nahced Ilyder
Executive Director (F&A)

Maj. (R) Muhammed Fazal Durrani
Chief Executive

Rasool Bakhsh Baloch
Director

S. M. Rafique Akhtar
Director

Karachi, March 17, 2004



Notes to the Financial Statements for the year ended December 31, 2003

1. The Company and its Operations

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 located at PIC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi. Its shares are quoted on Karachi and Lahore Stock Exchanges.

1.2 The Company is exposed to the risk form discontinuation of compulsory cession, which would be effective from January 01, 2005 as per the Ministry of Commerce Notification No. 4(134)/2003-Lit/PRCL dated 10th September, 2003 and as per the Insurance Ordinance, 2000. In order to mitigate the impact of discontinuation of compulsory cession, the company has started adopting necessary measures to be prepared for independently undertaking reinsurance business as per its strategy to continue to operate profitably in the year 2005 and bring to bear its past association as well as its expertise to make further strides.

In view of the above, the management do not foresee any problem arising as a result of the above factor. These accounts have accordingly been prepared on going concern basis.

2. Significant Accounting Policies

2.1 Basis of preparation

These financial statements have been prepared as per the format for financial statements issued by Securities and Exchange Commission of Pakistan (S.E.C.P) under Securities and Exchange Commission (Insurance) Rules, 2002 promulgated vide S.R.O 938(1) 2002 dated December 12, 2002.

2.2 Statement of Compliance

These financial statements have been prepared in accordance with the requirements of securities and Exchange Commission Rules (Insurance) 2002, the Insurance Ordinance, 2000, the requirements of Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Insurance Ordinance, 2000 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Insurance Ordinance, 2000, the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.3 Basis of measurement

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

2.4 Investments

2.4.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognized and classified into the following categories:

- Held to maturity.
- Available for sale

All 'regular way' purchases and sales of financial assets are accounted for at settlement date.



2.4.2 Measurement

(a) Held to maturity

Investments with fixed maturity and fixed income investments, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity.

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

(b) Available-for-sale - marketable securities

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale and are stated at cost or market value which ever is lower.

2.5 Investment Properties

Property not held for own use or for sale in the ordinary course of business is classified as investment property. The investment property of the company comprises of floor space in P.I.C Towers reserve for letting out on rental basis. This is valued using the cost model i.e. at cost less accumulated depreciation and impairment loss, if any.

Depreciation on building is charged to profit on diminishing balance method so as to write off the historical cost of building over its estimated useful. Full year depreciation is charged on addition and no depreciation is charged in the year of disposal.

The latest valuation of property of the company was carried by Jalal & Associates in 2001. Impairment loss of Rs. 13.499 million was then recognized in the financial statements of the company.

2.6 Underwriting provisions

2.6.1 Provision 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. The company did not receive information regarding IBNR claims separately from the ceding companies owing to the time constraint and as such its exposure in respect of IBNR claims could not be determined.

2.6.2 Provision for unearned premium

Provision for unearned / prepaid premium is made in the Revenue Accounts on the basis of 1/24 method as per regulation 8 applicable to Non-life Insurance in SECP (Insurance) Rules, 2002. The company considers the provision for unearned premium as adequate to met expected future liability after reinsurance form claims and other expenses and as such is not required to incorporate any liability in respect premium deficiency reserve. (2002: nil)

2.6.3 Provision for unearned commission income

Commission income receivable is taken to profit and loss account in accordance with the pattern of recognition of the reinsurance premium to which they relate.



2.7 Staff Retirement Benefits

2.7.1 Pension and Gratuity Funds

The Company operates defined benefit for its employees in respect of approved gratuity and pension funds for officers/employees who are entitled to /have opted for either of these funds. The actuarial valuation for the funds was carried out as at December 31, 2003. 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, 2003.

	Pension	Gratuity
Expected rate of salary increase	6%	6%
Expected return on investment	8%	8%
Discount rate	8%	8%

2.7.2 Post Retirement Medical Benefits

The Company also operates defined medical benefits, and recognizes liability for post retirement medical facilities to its eligible employees in accordance with 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, 2003.

Expected rate of salary increase	6%
Expected return on investment	8%
Discount rate	8%

2.7.3 Compensated absences

Officers

The company offers defined encashment of leaves upto maximum of 6 months in respect of leave preparatory to retirement (LPR) at the rate of 1.7 times 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 times of basic salary or on the basis of basic plus house rent allowance. The funds/schemes assets, liabilities, costs and actuarial gains/losses as determined by the actuaries are as follows:



2.7.4 The funds/schemes assets, liabilities, costs and actuarial gains/losses as determined by the actuary are as follows:

Particulars	Pension Officer	Employees	Gratuity	Medical	Earned Leaves
------(Rupees in million)-----					
Reconciliation of payable to /(receivable) from defined benefit plan					
Present value of defined benefit obligation	66.489	79.873	18.263	45.354	19.978
Fair value of any plan asset	(8.879)	(52.498)	(145.755)	—	—
Net actuarial gains/(loss) not recog.	9.651	(30.473)	63.814	(12.137)	—
	67.261	(3.098)	(63.678)	33.217	19.978
Charge/(prepaid) for the defined benefit plan					
Current service cost	1.562	2.682	0.604	0.529	—
Interest cost	3.682	3.223	0.834	1.895	—
Expected return on plan asset	(0.563)	(1.734)	(3.474)	—	—
Actuarial (gains)/losses not recog.	(2.735)	2.345	0.379	—	—
	1.946	6.516	(1.657)	2.424	5.050
Movement in net liability/(assets) recognized					
Opening net liability	71.806	(6.347)	(53.964)	32.455	14.928
Opening net liability (restated)					
Expenses recognized	1.946	6.516	(1.657)	2.424	5.050
Contributions to the fund/benefits paid during the year	(6.491)	(3.267)	(8.057)	(1.662)	—
Closing net liability	67.261	(3.098)	(63.678)	33.217	19.978
Actuarial Valuation Assumptions					
Valuation discount Rate	8.00%	8.00%	8.00%	8.00%	8.00%
Expected return in Plan assets	8.00%	8.00%	8.00%	—	—
Salary Increase rate	6.00%	6.00%	6.00%	—	6.00%
Indexation in Pension	2.50%	2.50%	—	—	—
Increase in Cost of Medical Benefits	—	—	—	5.00%	—
Actual return on plan assets					
Expected return on plan assets	{ 0.000 }	1.734	3.474	—	—
	{ 1.046 }				
Actuarial gain/(loss) on plan assets	{ 0.000 }	1.308	(2.072)	—	—
	—	—	—	—	—
Actual return on plan assets	1.046	3.042	1.402	—	—



2.7.5 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 rate of 10% of the basic salary.

	2003	2002
Contribution for the year	994,920	675,508

2.8 Taxation

2.8.1 Current:

Provision for taxation is based on taxable income or minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001, whichever is higher.

2.8.2 Deferred

The Company accounts for deferred tax on all temporary differences using the liability method. Deferred tax assets are recognized only if there is a reasonable expectation of realization in the foreseeable future.

2.9 Prepaid reinsurance ceded

The company records a portion of its retrocession premium payments relating to the unexpired period as prepaid.

2.10 Amount due to / from other persons and bodies carrying on insurance business

Amount due to / from other persons and bodies carrying on insurance business are carried at cost less provision if any which is the fair value of the consideration to be paid/received at the balance sheet date.

2.11 Fixed Assets (refer note 2.5 for Investment properties)

Owned 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 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 capitalized and assets so replaced, if any, are retired.

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

2.12 Leases

Leased assets in terms of which the company assumed substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of finance lease are stated at amount equal to the lower of its fair value and the present value of minimum lease payments at the inception of lease, less accumulated depreciation and impairment losses, if any.



The company account for lease obligation by recording the assets and the corresponding liability there against determined on the basis discounted value of minimum lease payments. Financial charges are recognized in the profit and loss account using the effective mark-up rate method.

Depreciation on assets subject to finance lease is recognized in the same manner as for own fixed assets.

2.13 Revenue Recognition

Revenue from premium is based on prescribed statutory returns submitted by the ceding companies. Premiums are taken to income, after (i) deducting reinsurance and other related expenses and (ii) adjusted for reserve for unexpired risk as described in note 2.6.2.

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

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

Profit / interest income from securities, bond, deposits and debentures are recognized on accrual basis.

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

2.14 Provision for bad and doubtful debts

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

2.15 Deferred Cost

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

2.16 Expense of Management

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

2.17 Foreign currency transaction

Transactions in foreign currencies are translated into reporting currency at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into reporting currency equivalents using year end spot foreign exchange rates. Non monetary assets and liabilities are translated using exchange rates prevalent on transaction date. Exchange differences on foreign currency translations are included in income currently.

2.18 Cash and cash equivalent

Cash and cash equivalent comprises (a) cash on deposit accounts with banks, (b) cash (and cheques) in hand, in transit and at banks on current accounts and (c) stamps in hand.

2.19 Financial instruments

All the financial assets and liabilities are recognized at the time when the company becomes a party to the contractual provisions of the instrument. Any gain or loss on the de-recognition of the financial assets and liabilities is included in the net profit and loss for the period in which it arises.

2.20 Off setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset the liability simultaneously.

2.21 Segment reporting

(a) Primary segments

The company's operating business are organized and managed separately according to the nature of services



provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The perils covered under insurance include damages by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and its impact.

Marine insurance provides coverage against cargo risk, war risk and damages occurring in inland transit.

Motor insurance provides indemnity against third party loss and other comprehensive car coverage.

Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit, personal accident and money.

(b) Secondary segments

Revenues are attributed to geographical segments based on the location of the assets producing the revenues.

The company generally accounts for inter segment transactions, if any, as if the transactions were made to third parties at current market prices.

	2003 Rupees	2002 Rupees
3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		
100,000,000 Ordinary Shares of Rs. 10/- each	1,000,000,000	1,000,000,000
8 Ordinary shares of Rs. 10/- each fully paid in cash	80	80
5,000,000 Ordinary shares of Rs. 10/- each issued for consideration other than cash	50,000,000	50,000,000
40,000,064 Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	400,000,640	400,000,640
	450,000,720	450,000,720

4. EXCEPTIONAL LOSS RESERVE

The reserve for exceptional losses represent amount set aside in prior years admissible previously under the Income Tax Act of 1922. After the introduction of repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the company has been setting aside amounts to exceptional loss reserve through profit and loss appropriation account. The balance held in this account is accordingly treated as revenue reserve by the company.



2003
Rupees

2002
Rupees

5. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

This represent Vehicles leased from First Gindlays Modaraba. Minimum lease payments have been discounted using interest rate 7.5% per annum.

Lease Payments are due as under

December 31, 2004	2,202,144	—
December 31, 2005	2,202,144	—
December 31, 2006	1,284,584	—
	5,688,872	—
Financial Charges not due	(531,766)	—
	5,157,106	
Current Maturity	(1,879,083)	—
	3,278,023	—

	Mark up	Principal	Total
Payable within one year (upto December 31, 2004.)	323,061	1,879,083	2,202,144
Payable within two year (upto July 27, 2006.)	208,705	3,278,023	3,486,728
Total	531,766	5,157,106	5,688,872

6. PROVISION FOR OUTSTANDING CLAIMS

Fire	247,086,783	157,019,593
Marine	96,068,452	149,269,386
Miscellaneous	454,916,784	275,978,398
	798,072,019	582,267,377

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" (Annual statement of estimated liability of outstanding losses). In case where no information is received from the ceding companies, the estimate of 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.

In the year 2002 an amount of Rs.4.952 million representing brought forward claims from previous years relating to Bangladesh (former East Pakistan) has been excluded from provision for outstanding and taken alongwith other liabilities of Rs.809,000/- to net off assets in Bangladesh of Rs.15,974,000/- (refer note 19).



	2003 Rupees	2002 Rupees
Fire Insurance	—	2,382,000
Marine Insurance	—	1,470,000
Miscellaneous Insurance	—	1,100,000
	<u>—</u>	<u>4,952,000</u>
7. PROVISION FOR UNEARNED PREMIUM		
Fire	928,055,569	522,206,917
Marine	289,610,564	196,220,446
Miscellaneous	1,616,228,041	655,335,561
	<u>2,833,894,174</u>	<u>1,373,762,924</u>
8. PROVISION FOR UNEARNED COMMISSION		
Fire	27,764,683	—
Marine	6,611,380	—
Miscellaneous	40,386,932	—
	<u>74,762,995</u>	<u>—</u>
9. CURRENT MATURITY		
Current maturity of liabilities against assets subject to finance lease	<u>1,879,083</u>	<u>—</u>
10. DEPOSITS RETAINED / RECEIVED FROM CEDING COMPANIES		
Premium reserve withheld	18,188,877	18,064,861
Losses reserve withheld	14,011,561	14,850,371
Cash losses received from retrocessionaire	68,941,613	38,537,018
	<u>101,142,051</u>	<u>71,452,250</u>

This represents company's retention of deposits arrived at by netting off the total amount withheld against the total amount refunded to the ceding companies.

In the year 2002, the company gave the assignment regarding the reconciliation and confirmation of the balances in the above account to a firm of Chartered Accountants. During the year, it formed four committees one of which is examining the report issued by the said firm relating to the above account. It shall incorporate necessary entries reconciliation on receipt of recommendation from the committee formed for the purpose.

11. ADVANCES AND DEPOSITS

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



12. CONTINGENCIES AND COMMITMENTS

Contingencies

- 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 the stage and as such no provision has been made in this respect in these financial statements.
- 12.3** The Company lodged a claim of Rs.105.9 million against National Construction Company Limited (NCC) in the past for the breach of contract for construction of PIC Towers. A counter claim amounting to Rs.133.6 million has been lodged by NCC against the company for financial loss and goodwill. As per legal opinion, NCC does not have a good case against PRC and as such the company has made no provision on this account.
- 12.4** 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 capitalized only Rs.191.92 million, as it disputes with the consultant and contractors over certification of final bills. No provision has been made in this respect as the company do not anticipate any liability on this account.
- 12.5** The order/decrees were awarded against the Company in three cases amounting to Rs. 35.02 million, pertaining to the export credit guarantees issued by ECGS. The management is of the view that the said matter relates to ECGS and the company has no responsibility for any liability in this respect. It further contends that no liability will arise for the ECGS from such cases.
- 12.6** In respect of various appeals contested by the company in the High Court of Sind and other Forum pertaining to disallowances and imposition of additional tax and penalties by the Income Tax Department relating to the assessment years from 1984-85 to 1998-99. The company has made no provision in this respect in the financial statements as per the advise of its legal counsel that most of the matters are likely to be decided on point of law in favour of the Company.
- 12.7** The company is contesting suit filed in High Court of Sind by SGS for refund of Rs.1.075 million, which is pending. In the opinion of the legal counsel, the company has responded well to the litigation and this matter would be favourably decided and has as such made no provision in this respect.
- 12.8** The company is defending a counter suit filed subsequent to the balance sheet date by Ajax Industries Ltd; against ICP led Consortium, which includes PRCL. The suit is for Rs.183 million (PRCL's approximate share is Rs.15 million) filed in the High Court of Sindh (Banking). The company is jointly contesting the suit and is seeking leave to defend. In the opinion of the legal advisor of the company, no liability in this respect is expected to arise out of the above proceedings and hence no provision has been made in these financial statements. However, as a matter of prudence an over all provision of Rs. 10 million has been made.

Commitments

Commitments under operating lease for Vehicles (Nine Number) an amount of Rs. 5,936,400 was payable (36 installments) which after payment of two installments are outstanding at Rs.5,157,106/= as at 31.12.2003. The further payments which will become due are as under:

	2003 Rupees	2002 Rupees
Upto 31st December, 2004	1,879,085	—
Upto 31st December, 2005	2,024,960	—
Upto 31st July, 2006	1,253,061	—
	<u>5,157,106</u>	<u>—</u>



		2003 Rupees	2002 Rupees
13. CASH AND BANK BALANCES			
Cash and other equivalent		81,822	49,528
Current and other accounts		547,828,512	129,117,868
Deposit maturity within 12 months		1,700,000	1,700,000
		<u>549,610,334</u>	<u>130,867,396</u>
14. INVESTMENTS			
Available for Sale (at fair value)			
Ordinary shares (quoted)	14.1	363,184,760	255,643,107
Ordinary shares (unquoted)	14.2	6,989,390	9,221,021
National Investment Trust Units		645,090,617	645,090,617
		<u>1,015,264,767</u>	<u>909,954,745</u>
Held to maturity			
Defence Saving Certificates		112,000,000	112,000,000
Pakistan Investment Bonds		460,911,337	560,435,000
Regular Income Certificates		277,800,000	302,800,000
WAPDA Bonds		20,000,000	20,000,000
		<u>870,711,337</u>	<u>995,235,000</u>
Total Investments		<u>1,885,976,104</u>	<u>1,905,189,745</u>
14.1 Investment in listed companies			
Cost of investment in listed companies		370,122,037	255,643,107
Less: Provision for diminution in value		6,937,277	10,521,561
Balanced transferred from Corporation		—	(10,521,561)
Provision made during the year		(6,937,277)	—
		<u>363,184,760</u>	<u>255,643,107</u>
Name of Company	Number of shares / Certificates 31-Dec-03	Book value as on December 31, 2003	Market value as December 31, 2003
Mutual Funds			
BSJS Balanced Fund	307,737	2,978,100	3,831,326
ICP State Enterprise Mutual Fund	13,500,000	202,500,000	646,650,000
		<u>205,478,100</u>	<u>650,481,326</u>



Name of Company	Number of shares / Certificates 31-Dec-03	Book value as on December 31, 2003	Market value as December 31, 2003
Banks			
Muslim Commercial Bank Limited	102,163	515,299	5,251,178
National Bank of Pakistan	2,044,310	6,595,818	110,801,602
Pakistan Industrial Credit and Investment Corporation	4,033,217	15,846,389	231,103,334
		22,957,506	347,156,114
Insurance			
Adamjee Insurance Co. Limited	249,613	10,000	16,898,800
Asia Insurance Co. Limited	25,000	250,000	500,000
Central Insurance Co. Limited	192,608	50,000	18,538,520
Crescent Star Insurance Co. Limited	399,995	2,933,155	2,999,963
Habib Insurance Co. Limited (Rs.5 each)	284,390	256,787	10,949,015
National Security Insurance Co. Limited	87,500	100,000	306,250
Pakistan Guarantee Insurance Co. Limited	22,029	173,000	132,174
Sterling Insurance Co. Limited	23,250	232,500	162,750
Union Insurance Co. of Pakistan Limited	55,125	500,000	826,875
United Insurance Co. of Pakistan Limited	125,208	455,000	939,060
		4,960,442	52,253,407
Textile Composite			
Burewala Textile Limited	1,400	35,338	126,000
Gul Ahmed Textile Limited	7,366	88,768	390,398
Hussain Industries Limited	15,820	192,017	585,340
Towellers Limited	315,790	6,000,010	6,000,010
Usman Textile Limited	300	3,888	1,440
		6,320,021	7,103,188
Textile spinning			
Regent Textile Limited	5,000	50,000	70,000
Textile Weaving			
Nakshbandi Industries Limited	331	2,445	4,468
Synthetic and Rayon			
Valika Art Fabrics Limited (Rs.4 each)	300	1,570	5,400
Jute			
Amin Fabrics	45,738	150,000	185,239
Crescent Jute Product	157,314	1,250,055	464,076
		1,400,055	649,315



Name of Company	Number of shares / Certificates 31-Dec-03	Book value as on December 31, 2003	Market value as December 31, 2003
Sugar and Allied			
Bawani Sugar Mills Limited	55,174	99,500	137,935
Crescent Sugar Mills Limited	258,208	1,720,486	3,679,464
Fecto Sugar Mills Limited	1,182	8,109	11,820
Kohinoor Sugar Mills Limited	37,045	379,563	477,881
Mirpur Khas Sugar Mills Limited	7,216	19,900	57,728
Noor Sugar Mills Limited	26,021	100,000	1,821,470
Pangrio Sugar Mills Limited	100,000	1,337,000	150,000
Shahtaj Sugar Mills Limited	2,217	16,607	165,277
Sind Abadgar Sugar Mills Limited	98,500	1,276,150	788,000
		4,957,315	7,289,575
Cement			
Dadex Eternit Limited	533	995	17,323
Gharibwal Cement Industries Limited	53,337	109,891	314,688
Jawedan Cement Limited	14,666	133,330	135,661
Mustehkam Cement Limited	2,400	19,364	20,820
Zeal Pak Cement Limited	39,130	1,360,268	234,780
		1,623,848	723,272
Tobacco			
Pakistan Tobacco Company Limited	70,140	234,209	1,893,780
Lakson Tobacco Company Limited	17,672	36,893	2,279,688
		271,102	4,173,468
Fuel and Energy			
Haroon Oil Mills Limited	5,000	49,750	289,000
Karachi Electric Supply Corporation Limited	1,623,450	3,635,646	10,958,288
National Refinery Limited	339,320	6,275,195	50,389,020
Pakistan State Oil Company Limited	69,974	27,640	20,190,998
Sui Southern Gas Company Limited	9,671,792	36,461,489	276,129,662
Sui Northern Gas Pakistan Limited	6,846,285	17,110,611	282,066,942
Hubpower Company Limited	400,000	5,361,380	15,380,000
		68,921,711	655,403,910
Engineering			
Metropolitan Steel Limited	3,492	32,369	62,856
Pakistan Engineering	43,776	364,738	628,185
Huffaz Seamless	55,800	558,000	655,650
		955,107	1,346,691



Name of Company	Number of shares / Certificates 31-Dec-03	Book value as on December 31, 2003	Market value as December 31, 2003
Auto and Allied			
Pak Suzuki Motor Company Limited	688	14,780	99,794
Ghandhra Industries (National Motors)	43,431	342,684	451,682
Allied Motors Limited	58,333	334,000	437,497
		691,464	988,973
Transport and Communication			
Pakistan International Airlines Corporation "A"	2,497,778	9,875,646	51,329,338
Pakistan Telecommunication Company Limited	400,000	5,308,675	14,600,000
		15,184,321	65,929,338
Chemical & Pharma			
ICI Pakistan Limited	864,276	8,642,760	73,463,460
Sardar Chemical Limited	500	10,000	2,375
Glaxo Welcome Limited	2,660	12,997	508,193
PTA Pakistan Limited	2,357,118	23,571,180	31,467,525
		32,236,937	105,441,553
Paper and Board			
Crescent Board Limited	98,747	926,675	454,236
Packages Limited	462,933	2,451,364	77,726,451
Security Papers Limited	490,615	279,000	51,514,575
		3,657,039	129,695,262
Vanaspati and Allied			
Kohinoor Oil Mills Limited (NT)	8,800	95,748	95,748
Universal Oil Mills Limited	30,000	300,000	202,500
		395,748	298,248
Food and Allied			
Unilever Pakistan (Lever Brothers)	487	3,520	705,176
Miscellaneous			
Hashmi Can Company Limited	5,250	53,786	28,875
		370,122,037	2,029,673,091



14.2 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

2003
Rupees

2002
Rupees

9,227,490

9,221,021

2,238,100

1,613,793

—

(1,613,793)

(2,238,100)

—

6,989,390

9,221,021

14.2.1 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 as on December 31, 2003	Book value as on December 31, 2003
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.Khalid A. Sherwani	75,812	529,820
Habib Bank Limited (Break-up value is Rs.13.77 per share based on accounts for the year ended December 31, 2003) Chief Executive & President: Mr. Zakir Mahmood	131,050	1,266,136
Industrial Development Bank of Pakistan (Break-up value is Rs.14629.29 per share based on accounts for the year ended June 30, 2003) Chairman/Managing Director: Mr. Naeem Iqbal	6,213	618,227
The State Bank of Pakistan (Break-up value is Rs. 18340.43 per share based on accounts for the year ended June 30, 2003) Governor: Dr. Ishrat Hussain	4,900	517,615
United Bank Limited (Break-up value is Rs.19.45 per share based on accounts for the year ended December 31, 2003) Chairman & President: Mr. Amar Zaffar Khan	435	4,350
		2,936,148



Name of Company	Number of Shares / Certificates as on December 31, 2003	Book value as on December 31, 2003
Development Financial Institutions		
National Investment Trust Limited (Break-up value is Rs.1102.43 per share based on accounts for the year ended June 30, 2003) Managing Director & Chairman: Mr. Tariq Iqbal Khan	26,400	100,000
Investment Corporation of Pakistan (Break-up value is Rs. 426.12 per share based on accounts for the year ended June 30, 2003) Managing Director: Mr. Abul Latif Uqaili	50,000	4,565,000
		4,665,000
Insurance		
Indus Insurance	25,000	250,000
Cotton and Textile		
Asfar Textile	1,000	9,950
Kohinoor Cotton	22,397	219,800
SYNTHETIC & RAYON		
Ravi Rayon Ltd.	24,800	254,079 *
Chemical		
Synthetic Chemical	20,000	200,000
Vanaspati and Allied		
Burma Soap	64	640
Burma Oils Mills Limited	861	6,470
Miscellaneous		
Arag Industries	133,333	685,403
		1,626,342
	Rupees	9,227,490

* 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.

	2003 Rupees	2002 Rupees
14.3 Debentures		
Debentures	232,717	232,717
Less: Provision for doubtful debenture loans	232,717	232,717
	<u>—</u>	<u>—</u>



	2003 Rupees	2002 Rupees
15. AMOUNTS DUE FROM OTHER PERSONS AND BODIES CARRYING ON INSURANCE BUSINESS		
Amount due from	1,413,047,882	1,065,789,533
Provision for bad and doubtful debts	(105,000,000)	(70,000,000)
	<u>1,308,047,882</u>	<u>995,789,533</u>
15.1	In the year 2002, the company appointed a firm of Chartered Accountants for the purpose of reconciliation of balances with other persons and bodies carrying on insurance business. The firm has submitted its report to the company which is being examined by the committees appointed by the Board. On the basis of initial assessment the company has made additional provision of Rs. 35 million for doubtful debts to increase the total provision against the above account to the Rs. 105 million. The company shall make necessary adjustments in the above account on receipt of recommendation of the committees appointed for the purpose.	
15.2	Included in the above amount is Rs. 132.05 million due from NICL, which has been confirmed as at December 31, 2003 after necessary reconciliation of entries in the respective accounts and confirmation given by the respective company to each other.	
16. DEPOSITS HELD BY CEDING COMPANIES		
Premium reserve withheld by ceding companies	26,232,142	2,326,203
Losses reserve withheld by ceding companies	(3,867,621)	4,049,052
Cash losses paid to ceding companies	—	—
	<u>22,364,521</u>	<u>6,375,255</u>
This represents the retention of deposits by the ceding companies arrived at by netting off the total amount withheld against the total amount refunded by them to the company.		
In the year 2002, the company gave the assignment regarding the reconciliation and confirmation of the balances in the above account to a firm of Chartered Accountants. During the year, it formed four committees one of which is examining the report issued by the said firm relating to the above account. It shall incorporate necessary entries reconciliation on receipt of recommendation from the committee formed for the purpose.		
17. PROFIT, DIVIDEND AND RETURN ACCRUED/ OUTSTANDING		
Dividend receivable	34,624,817	16,995,937
Interest accrued	96,567,500	66,481,548
Accrued rental income	2,101,768	186,782
	<u>133,294,085</u>	<u>83,664,267</u>



		2003 Rupees	2002 Rupees
18. OTHER RECEIVABLES			
Employees Gratuity Fund		54,894,667	53,964,237
Employees Pension Fund		7,353,241	6,347,395
National Insurance Company Limited		48,859	48,859
Export Credit Guarantee Schemes	18.1	56,995,835	31,400
N.C.S. Cell		5,837,101	5,616,102
W.R.I. Karachi		13,294,320	12,626,521
W.R.I. Lahore		8,614,565	8,116,907
ECO Centre		2,724	12,373
P.I.C. (W.R.I.) Karachi		511,243	511,243
ECO Reinsurance Pool		24,044,240	24,844,421
Unclaimed dividend		31,901	—
Others		1,974,211	1,743,762
Misc debtors		13,320	—
		<u>173,616,227</u>	<u>113,863,220</u>
Provision for bad debts		<u>(4,976,338)</u>	<u>—</u>
		<u><u>168,639,889</u></u>	<u><u>113,863,220</u></u>

18.1 This represent the total amount of income tax deposit by the company since the year 1984-85 to the year 2001-02 in respect of Export Credit Gurantee Scheme managed by the company on behalf of the Government The income of the respective years under the scheme was transfered to the government. The income tax department, however, taxed ECGS income by clubbing it with the company's income. Company's appeal in this respect is currently pending for regular hearing in the High Court of Sindh, Karachi. This amount was previously classified as advance tax has now been transfferred as amount recievable from the ministry of finance, Government of pakistan. During the year, the Company has accordingly approched the concerned ministry for payment of the said amount, which is under active consideration.

19. TAXATION

A provision for current year of Rs. 69 million (2002: Rs. 124 million) has been made on the basis of taxable income under the Income Tax Ordinance, 2001, at the rates specified in the said Ordinance. Income tax assessments of the Company (formerly Pakistan Insurance Corporation) have been finalized upto and including assessment year 2001-2002 (Income year ended December 31, 2000).

The department had made assessment relating to the assessment year from 1984-85 to 2001-02 making add backs on account of clubbing of ECGS income in company's income. Furthermore, in respect of assessment years from 1995-96 to 2001-02 the difference in rate of unexpired risk has been added back, while disallowances on account of excess perquisites on salaries were made in completing assessments for assessment year 1997-98 to 2001-02. The company preferred to file appeals in the above matters with CIT(Appeals) which have all been decided against the company and second and third appeals on these issues are now pending with ITAT or at the High Court level respectively.



The Income Tax Appellate Tribunal had decided the appeal in ECGS cases for assessment years 1984-85 to 1994-95 against the company. Reference filed against the respective appellate orders have been admitted for regular hearing by the Honourable Sindh High Court. However for the assessment year 1995-96 to 2001-2002 company's appeal in respect of ECGS income against the order of CIT (Appeals) are pending with the Appellate Authority. Moreover, company's appeals against the add-backs on account unexpired risk in the assessment year from 1995-96 to 2001-2002 are also pending with the appellate. Similarly company's appeals against the disallowances on account of excess perquisites are also pending in respect of assessment year 1997-98 to 2001-2002 with the Appellate Authority. Company's appeals in respect of assessment year 1995-96 and 1996-97 in which capital gains of Rs.4.62 million and Rs.15.353 million were taxed are also pending before Appellate Tribunal.

The Company has also been subjected to tax u/s. 24(b) in respect of four assessment year 1998-99 to 2001-2002. The Income Tax Appellate Tribunal has passed orders that tax should not be charged u/s. 24(b) and remanded back the matter to CIT(Appeals). The matter is pending with CIT (Appeals) for necessary action on the letter written by company's counsel in this respect.

Besides the above, property taxes paid amounting to Rs.16,909,000/-were disallowed by the assessing officer in the assessment year 1998-99. Company's appeal in this matter was heard at appellate level and remanded back. The matter is pending for necessary rectifications/assessment with the DCIT.

The Company has made no provision in its account for the above tax for the reason that in respect of ECGS income it considers itself as not liable to tax. In respect of remaining issues, it has so far not made any provision as it legal counsel expects that the final outcome in these matters would be in favour of the company. It is however, in the process of making a complete review of all matters to make provision if any required on prudent basis in the ensuing year.

19.1 Relationship between tax expenses and accounting profit

Profit before tax	366,295,699
Tax at the applicable rate of 35%	128,203,495
Tax effect of dividend income taxed at lower rate	(59,718,568)
Charge for the current year	68,484,927



20. FIXED ASSETS

Particulars	C O S T				D E P R E C I A T I O N						
	As at 01.01.03	Addition/ Transfer	Disposal	As at 31.12.03	As at 01.01.03	Transfer	For the Year	Disposal	As at 31.12.03	Book Value	Rate %
OWNED											
PIC Building - Karachi	150,302	-	-	150,302	7,515	-	7,139	-	14,654	135,648	5
PIC House - Karachi	2,693,186	-	-	2,693,186	134,659	-	127,926	-	262,585	2,430,601	5
Lift	146	-	-	146	-	-	-	-	-	146	20
Sub - Total	2,843,634	-	-	2,843,634	142,174	-	135,066	-	277,240	2,566,394	
PIC Towers											
Leaschold land	796,028	(572,406)	-	223,622	-	-	-	-	-	223,622	
Building	123,980,173	(89,151,323)	-	34,828,850	40,533,576	(29,161,154)	1,181,296	-	12,525,730	22,303,120	5
Electrical installation	26,415,893	(18,995,068)	-	7,420,825	21,944,730	(15,779,956)	251,210	-	6,415,984	1,004,841	20
Air conditioning plant	36,931,818	(26,556,830)	-	10,374,988	30,566,626	(21,979,766)	357,626	-	8,944,486	1,430,501	20
Lift	29,323,449	(21,085,825)	-	8,237,624	24,363,497	(17,519,237)	278,673	-	7,122,933	1,114,690	20
Sub - Total	217,447,361	(156,361,452)	-	61,085,909	117,408,429	(84,440,113)	2,068,805	-	35,009,133	26,076,776	
Furniture and fixture	8,514,401	427,384	-	8,941,785	8,317,121	-	62,466	-	8,379,587	562,198	10
Office equipment	418,221	147,830	-	566,051	62,733	-	75,498	-	138,231	427,820	15
Sub - Total	8,932,622	575,214	-	9,507,836	8,379,854	-	137,964	-	8,517,818	990,018	
Vehicles	2,840,012	-	-	2,840,012	2,446,708	-	78,661	-	2,525,369	314,643	20
Books	9,705	9,242	(736)	18,211	971	-	1,724	(74)	2,621	15,590	10
Computers	500,200	132,531	-	632,731	194,120	-	87,722	-	281,842	350,889	20
Sub - Total	3,349,917	141,773	(736)	3,490,954	2,641,799	-	168,107	(74)	2,809,832	681,122	
LEASED											
Vehicles	-	5,936,400	-	5,936,400	-	-	1,187,280	-	1,187,280	4,749,120	20
Grand Total - 2003	232,573,534	(149,708,065)	(736)	82,864,733	128,572,256	-	3,697,221	(74)	47,801,303	35,063,431	
Grand Total - 2002	232,375,369	198,165	-	232,573,534	119,826,161	-	8,746,095	-	128,572,256	104,001,278	

21. Investment Property

Particulars	C O S T				D E P R E C I A T I O N					
	As at 01-01-03	Addition	Disposal	As at 31-12-03	As at 01-01-03	For the Year	Disposal	As at 31-12-03	Book Value	Rate %
Leased hold land	572,406	-	-	572,406	-	-	-	-	572,406	-
Building	89,151,323	-	-	89,151,323	29,161,154	2,999,508	-	32,160,663	56,990,660	5
Electrical installation	18,995,068	-	-	18,995,068	15,779,956	643,022	-	16,422,979	2,572,089	20
Air conditioning	26,556,830	-	-	26,556,830	21,979,766	915,413	-	22,895,179	3,661,652	20
Lift	21,085,825	-	-	21,085,825	17,519,237	713,318	-	18,232,554	2,853,271	20
Grand Total - 2003	156,361,452	-	-	156,361,452	84,440,113	5,271,261	-	89,711,374	66,650,078	
Grand Total - 2002	-	-	-	-	-	-	-	-	-	



	2003 Rupees	2002 Rupees
22. INTANGIBLE ASSETS (DEFERRED COSTS)		
Opening balance	1,789,417	2,385,889
Add: Additions during the year	-	-
Less: Amortized during the year	(596,472)	(596,472)
22.1	1,192,945	1,789,417

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

23. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)

Assets relating to Bangladesh comprises of the following fixed assets and investments.

Fixed Assets		
- Land and building	8,608,000	8,608,000
- Furniture and fixtures	4,000	4,000
	8,612,000	8,612,000
Investments		
- Stock and shares	7,112,000	7,112,000
- Debentures	250,000	250,000
	7,362,000	7,362,000
	15,974,000	15,974,000
Less: Liabilities for outstanding claims (refer note 6)	4,952,000	4,952,000
Other liabilities	809,000	809,000
	5,761,000	5,761,000
	10,213,000	10,213,000
Less: Provision for loss on net assets in Bangladesh	10,213,000	10,213,000
	-	-

23.1 The realisability of these assets is not presently determinable and hence provision for the loss that may arise has been made in these financial statements after netting of liability for outstanding claims mentioned in Note No. 6.



	2003 Rupees	2002 Rupees
24. MANAGEMENT EXPENSES		
Salaries wages and benefits	92,489,760	80,152,040
Traveling and conveyance	3,617,725	2,195,819
Entertainment expenses	1,646,825	1,544,070
Subscription and membership	445,910	1,716,187
Legal and professional	2,496,638	4,045,333
Auditor remuneration	350,000	371,200
Telephone and electricity	13,963,182	10,685,420
Printing and stationery	2,898,102	2,099,381
Repairs and renewal	1,335,035	352,965
Others	29,073,567	11,215,478
Less: Expenses allocated to rental income	(4,985,143)	(3,971,828)
Expenses allocated to investment income	(2,885,157)	(2,378,034)
	<u>140,446,444</u>	<u>108,028,031</u>
24.1 Auditor's remuneration		
Khalid Majid Rahman Sarfaraz		
Rahim Iqbal Rafiq - Audit fee	250,000	250,000
- Other certifications	100,000	121,200
	<u>350,000</u>	<u>371,200</u>
25. RENTAL INCOME - Net		
Rental income	16,884,829	10,175,736
Less: Staff salaries and other expenses in respect of building project department	(4,985,143)	(3,971,828)
	<u>11,899,686</u>	<u>6,203,908</u>
The rental income represents income from letting out of PIC Towers.		
26. OTHER INCOME		
Profit on deposits	1,819,670	2,704,273
Management fee	9,199,819	6,502,259
Reversal of liability - M&G	-	4,451,912
	<u>11,019,489</u>	<u>13,658,444</u>
27. GENERAL AND ADMINISTRATION EXPENSES		
Depreciation	8,968,482	8,746,095
Preliminary Expenses Amortized	596,472	596,472
Directors fee	995,978	278,979
Auditors fee	350,000	371,200
Advertisement and publicity	510,115	384,196
Training and Research	143,164	106,124
Others	4,887,530	4,482,542
	<u>16,451,741</u>	<u>14,965,608</u>



	2003 Rupees	2002 Rupees
28. EARNINGS PER SHARE - Basic and diluted		
Profit after tax for the year	297,295,699	333,374,848
Number of shares of Rs. 10 each as at the year end	45,000,072	45,000,072
Basic earnings per share of Rs. 10 each in rupees	6.61	7.41

29. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(Rupees in million)

	Interest / Markup bearing			Not-interest/Markup bearing			TOTAL	
	Maturity upto One year	Maturity after One year	Sub Total	Maturity upto One year	Maturity after One year	Sub Total	2003	2002
FINANCIAL ASSETS								
Investment	-	870.711	870.711	-	1,015.265	1,015.265	1,885.976	1,905.189
Amount due from other persons and bodies carry on Insurance business	-	-	-	1,308.048	-	1,308.048	1,308.048	995.789
Deposits held by ceding companies	22.365	-	22.365	-	-	-	22.365	6.375
Prepaid reinsurance ceded	-	-	-	1,486.829	-	1,486.829	1,486.829	712.046
Prepaid Commission	-	-	-	494.333	-	494.333	494.333	-
Loans to employees and others	-	-	-	14.709	21.999	36.708	36.708	35.125
Cash and bank balances	549.610	-	549.610	-	-	-	549.610	130.867
Interest, return and dividend accrued/ outstanding	-	-	-	133.294	-	133.294	133.294	83.664
Other receivable	-	-	-	168.640	-	168.640	168.640	113.863
	571.975	870.711	1,442.686	3,605.853	1,037.264	4,643.117	6,085.803	3,982.918
FINANCIAL LIABILITIES								
Liabilities against asset subject to finance lease	1.879	1.045	2.924	-	-	-	2.924	-
Provision for outstanding claims - Net	-	-	-	801.736	-	801.736	798.072	582.267
Provision for unearned premium	-	-	-	2,286.592	-	2,286.592	2,833.894	1,373.763
Provision for unearned Commission	-	-	-	74.763	-	74.763	74.763	-
Amount due to other persons and bodies carry on insurance business	-	-	-	683.720	-	683.720	700.913	694.527
Deposits retained/received from other companies	101.142	-	101.142	-	-	-	101.142	71.452
Staff retirement benefit	-	-	-	-	132.391	132.391	122.178	119.189
Other liabilities	-	-	-	1.617	-	1.617	1.617	2.007
	103.021	1.045	104.066	3,848.428	132.391	3,980.819	4,635.503	2,843.205

The effective interest rates for financial assets and liabilities are as follows:

	2003	2002
Lease liability	7.50%	-
Investments	6% to 19%	6% to 19%
Deposits	3%	3%
Bank balance	3%	3%
Deposits retained/received from other companies	3.5%	3.5%



30. SEGMENT REPORTING

a) Segment by class of business

(Rs. in '000)

	Fire	Marine Cargo	Marine Hull	Accident	Aviation	Engineering	Total
Net premium	568,394	207,275	1,107	545,458	30,440	94,806	1,447,479
Net claims	303,526	82,459	1,450	496,986	12,348	114,500	1,011,270
Expenses	55,029	18,820	157	52,283	4,069	10,090	140,446
Net Commission	104,800	36,186	(391)	79,308	(1,034)	602	219,472
Underwriting Result	105,039	69,810	(109)	(83,120)	15,057	(30,386)	76,290
Segment Assets	573,182	123,575	49,075	120,259	507,864	607,208	1,981,163
Unallocated assets							4,251,197
							6,232,360
Segment Liabilities (Prem. Res.)	955,820	243,912	52,310	425,362	532,180	699,073	2,908,657
Segment Liabilities (O/S Claims)	249,469	82,320	15,219	329,923	19,397	106,696	803,024
Less: related to Bangladesh	(2,382)	(1,470)	—	(1,100)	—	—	(4,952)
	1,202,907	324,762	67,529	754,185	551,577	805,769	3,706,729
Un-allocated liabilities							1,094,564
							4,801,293

b) Geographical segment

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

Locations:-

Northern Zonal Office (NZO), Lahore

		In Rupees	
		2003	2002
Premium	Rs.	157,218,122	212,004,688
Outstanding Liabilities	Rs.	73,785,788	16,330,751
Assets	Rs.	41,381	149,035



31. RISK MANAGEMENT

Reinsurance Risk

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

The company further evaluate the financial condition of ceding companies as well as it monitors its exposures through reinsures to minimize to significant losses from reinsurance insolvencies.

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

The company has not recorded IBNR in its outstanding claims as relevant information in this respect has not been received in the returns from ceding companies. Such claims on the basis of its past experience are not expected to be material and hence no provision in this respect has been made.

Credit risk and concentration of credit risk exposure

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 6,086 million, the financial assets which are subject to credit risk amounted to Rs. 2,817 million. The company considers itself as not being exposed to major concentration of credit risk.

The company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the company's exposure to credit risk through monitoring of client's credit exposure, review and conservative estimates of provisions for doubtful assets, if any, and through the prudent use of collateral policy. Subject to the effect of note 15.1 & 16.1 the management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

Foreign exchange risk

While the company has no effective arrangement to mitigate the effect from fluctuation in foreign currency and it considers itself as not exposed to such risk due to relative stability of Pak rupees against foreign currencies and as it holds matching foreign currency balances amount in the amount due to other companies.

Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for investments which are stated at cost and in respect of amount due from persons carrying on insurance business subject to the effect of note 15.1.

	2003 Rupees	2002 Rupees
Carrying value of available for sale investments	1,015,264,767	909,954,745
Market value of quoted investments	51,329,338	1,961,982,344

Market risk

The company has invested its funds in government securities, debentures, ordinary shares, term finance certificates, modaraba certificates, National Investment Trust Units and Investment Corporation of Pakistan – Mutual Funds,



resulting in exposure due to the fluctuation in the rate of interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

The company minimize such risk by maintaining a diversified investments portfolio. In addition, the company actively monitors the trend of the stock market.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as the arise.

32. GENERAL

32.1 Remuneration of Chief Executive, Directors and Executives

Particulars	2003				2002			
	Chief Executive	Executive Directors	Other Executives	Total	Chief Executive	Executive Directors	Other Executives	Total
	----- RUPEES -----				----- RUPEES -----			
Managerial Remuneration	361,789	1,073,000	7,998,202	9,432,991	360,530	490,950	6,899,524	7,751,004
Allowances & Perquisites	289,388	990,438	7,921,894	9,201,720	165,480	580,148	5,487,580	6,233,208
Total	651,177	2,063,438	15,920,096	18,634,711	526,010	1,071,098	12,387,104	13,984,212
Number of Persons	01	03	83	87	01	02	59	62

Company maintained cars have been provided to Chief Executive, Executive Directors and Secretary of the Company.

32.2 Number of employees as at December 31, 2003 were 355 (2002: 361).

32.3 These financial statements have been authorized for issue on March 17, 2004 by the Board of Directors of the company.

32.4 All figures have been rounded off to the nearest thousand of rupees.

Naheed Hyder
Executive Director (F&A)

Maj. (R) Muhammad Fazal Durrani
Chief Executive

Rasool Bakhsh Baloch
Director

S. M. Rafique Akhtar
Director

Karachi, March 17, 2004



Pattern of Holding of the Share held by the Shareholders as at 31st December, 2003

No. of Shareholders	No. of Share				Total Share held
92	From	1	To	100	7,052
164	From	101	To	500	70,050
162	From	501	To	1000	153,140
267	From	1001	To	5000	777,370
149	From	5001	To	20000	1,738,840
46	From	20001	To	50000	1,387,650
22	From	50001	To	150000	1,709,290
4	From	150001	To	300000	1,257,550
2	From	300001	To	400000	718,500
2	From	1000001	To	3000000	2,364,730
1	From	3000001	To	15000000	11,865,900
1	From	15000001	To	22950000	22,950,000
912					45,000,072

Categories of Shareholders	Number	Share held	Percentage
Directors, Chief Executive and their Family	16	151,332	0.34
Financial Institution	9	586,100	1.30
Investment & Modarba Companies	2	44,000	0.10
Leasing Companies	4	95,000	0.21
Insurance Companies (General)	12	3,493,130	7.76
Insurance Companies (Life)	1	11,865,900	26.37 *
Joint Stock Companies	47	656,580	1.46
Government of Pakistan			
Ministry of Commerce	1	22,950,000	51.00 **
Administrative Abandoned Properties Organisation	1	22,500	0.05
Staff Provident Fund			
Adamjee Industries	1	45,000	0.10
Others	2	111,500	0.25
General Public(Individuals)	816	4,979,030	11.06
Total	912	45,000,072	100.00

Shareholders having more than 15% Holdings (Name-Wise Detail)

* State Life Insurance Corporation of Pakistan	11,865,900	26.37
** Government of Pakistan	22,950,000	51.00

Additional Information regarding PRC Shares as at 31st December 2003



SHARE HOLDER CATEGORY

S.NO.	NAME	NO. OF SHARES RS, 10/- EACH
1	M/S. ALPHA INSURANCE	225,000
2	M/S. ADAMJEE INSURANCE	319,860
3	M/S. CENTRAL INSURANCE	1,131,030
4	M/S. CRESENT STAR INSURANCE	8,800
5	M/S. E.F.U. GENERAL INSURANCE	128,790
6	M/S. EAST WEST INSURANCE CO.	19,800
7	M/S. HABIB INSURANCE CO. LTD.	21,960
8	M/S. NEW JUBILEE INSURANCE CO.	269,090
9	M/S. PREMIER INSURANCE CO LTD.	1,233,700
10	M/S. RELIANCE INSURANCE CO LTD.	18,000
11	M/S. STATE LIFE INSURANCE CORP OF PAK.	11,865,900
12	M/S. UNITED INSURANCE CO.	100
13	M/S. COOPERATIVE INSURANCE CO.	117,000

OTHERS

1	M/S. STAFF PROVIDENT FUNDS ADAMJEE INDS	45,000
2	M/S. ABANDONED PROPERTIES ORG. G.O.P.	22,500

INVESTMENT & MODARABA COMPANIES

1	M/S. MOLASSES EXPORT COMPANY (PVT) LIMITED	22,000
2	M/S. GUARDIAN MODARBA	22,000

LEASING COMPANIES

1	M/S. TRUST LEASING CORPORATION LTD. (LAHORE)	10,000
2	M/S. CRESCENT LEASING CORPORATION LTD.	70,500
3	M/S. DAWOOD LEASING COMPANY LTD.	10,000
4	M/S. TRUST LEASING CORPORATION LTD. (LAHORE)	4,500

DIRECTORS

1	SHAIKH MUHAMMAD RAFIQ AKHTAR	9
2	SHAIKH MUHAMMAD RAFIQ AKHTAR (KARACHI)	10
3	MISS SAIRA AKHTAR	53,420
4	MR. RAFIQ AKHTAR (SELF) & FAIZA AKHTAR (DAUGHTER)	20
5	MR. S.M. RAFIQ AKHTAR	200
6	MRS. RAZIA SULTANA	150
7	MRS. RAZIA SULTANA & FAIZA AKHTER	1,000
8	MR. MUHAMMAD RAFIQ AKHTER	93,960
9	SAIRA, FAIZA & RAFIQ AKHTER	2,500

GOVERNMENT OF PAKISTAN'S DIRECTORS

1	MAJ. (R) MUHAMMAD FAZAL DURRANI	9
2	MR. RASOOL BAKHSH BALOCH	9
3	MR. JAVED SYED	9
4	MR. FAZAL-UR-REHMAN DITTU	9
5	SYED YAWAR ALI	9
6	MR. SHAMIM AHMAD KHAN	9
7	MR. IQBAL IBRAHIM	9

MINISTRY OF COMMERCE

1	MINISTRY OF COMMERCE	22,950,000
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Form of Proxy



I/ We _____ of _____
being a member of Pakistan Reinsurance Company Limited hereby appoint
Mr. _____ of _____
or failing him _____ of _____
as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 4th Annual
General Meeting of the Company to be held on Wednesday April 28, 2004 at 11:00 a.m. and at any adjournment
thereof.

Signed this _____ day of April, 2004

Affix Rupees Five
Revenue Stamp

Signature of Member(s)

Shareholder's Folio No. _____
and / or CDC

Participant I.D. No. _____

and Sub Account No. _____

WITNESSES:

1. Signature : _____
Name : _____
Address: _____
NIC or
Passport No. _____

2. Signature : _____
Name : _____
Address: _____
NIC or
Passport No. _____

IMPORTANT:

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