



Pakistan Reinsurance Company Limited

ANNUAL REPORT 2021

COMMITMENT TO
EXCELLENCE

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Vision

*To be a leading provider of reinsurance and
risk management services in the region*



Mission

*To provide secure reinsurance capacity and
outstanding risk management advice
in a profitable manner and to conduct business
in a dependable and professional way with the highest
standards of customer service.*



Strategy

To remain the best provider of reinsurance and risk management services to the insurance industry, to have good business relationship with local insurers, reinsurance brokers and foreign reinsurers.



Objectives

- ❖ *To provide the best reinsurance services to the local insurance industry in order to check outflow of foreign exchange, to the maximum possible extent.*
- ❖ *To develop good business relations with foreign reinsurers.*
- ❖ *To train staff in pace with the fast changing business requirements as well as to provide them with conducive working environment.*
- ❖ *To assist in the development of national insurance industry.*
- ❖ *To enhance domestic retention capacity in the country in order to save valuable foreign exchange.*

Corporate Information

BOARD OF DIRECTORS OF PRCL

	<u>Members</u>	<u>Types</u>
Mr. Mumtaz Ali Rajper	Chairman Board / Director	Non-Executive
Dr. Kausar Ali Zaidi	Director	Non-Executive
Dr. Musleh-ud-Din	Director	Non-Executive
Mr. Muhammad Rashid	Director	Non-Executive
Mrs. Zara Shaheen Awan	Director	Independent
Mr. Farmanullah Zarkoon	Chief Executive Officer	Executive

COMPANY SECRETARY / COMPLIANCE OFFICER

Mr. Sumeet Kumar

BOARD COMMITTEES

AUDIT COMMITTEE

Dr. Musleh-ud-Din	Chairman
Dr. Kausar Ali Zaidi	Member
Mr. Muhammad Rashid	Member
Mr. Tameez-ud-Din (CIA)	Secretary

ETHICS, HUMAN RESOURCE & REMUNERATION COMMITTEE

Mr. Mumtaz Ali Rajper	Chairman
Dr. Kausar Ali Zaidi	Member
Dr. Musleh-Ud-Din	Member
Mrs. Zara Shaheen Awan	Member
Chief Executive Officer	Member
Head of Administration	Secretary

INVESTMENT COMMITTEE

Mr. Muhammad Rashid	Chairman
Mr. Mumtaz Ali Rajper	Member
Mr. Musleh-Ud-Din	Member
Chief Executive Officer	Member
Chief Financial Officer	Secretary

PROCUREMENT COMMITTEE

Dr. Kausar Ali Zaidi	Chairman
Mr. Mumtaz Ali Rajper	Member
Mrs. Zara Shaheen Awan	Member
Chief Financial Officer	Member
Head of Administration	Secretary

MANAGEMENT COMMITTEES

RISK MANAGEMENT AND COMPLIANCE COMMITTEE

Mr. Muhammad Rashid	Chairman
Dr. Kausar Ali Zaidi	Member
Mrs. Zara Shaheen Awan	Member
Chief Executive Officer	Member
Head of Risk Management Officer	In Mandatory Attendance
Company Secretary / Compliance Officer	Secretary

UNDERWRITING / REINSURANCE COMMITTEE

Dr. Kausar Ali Zaidi	Chairman
Chief Executive Officer	Member
Executive Director (Underwriting)	Secretary

CLAIMS SETTLEMENT COMMITTEE

Mr. Mumtaz Ali Rajper	Chairman
Chief Executive Officer	Member
Head of Claims Department	Secretary

SENIOR MANAGEMENT

Mr. Farmanullah Zarkoon	Chief Executive Officer
Mr. Muhammad Junaid Moti,	Head of Underwriting/ Reinsurance
Mr. Muhammad Naveed Iqbal	Acting CFO / Head of Investment
Mr. Tameez-ud-Din	Chief Internal Auditor
Mr. Sumeet Kumar	Company Secretary/ Compliance Officer
Mr. Arham Rahim	Head of Administration & HR
Mr. Zohaib Hasan	Head of Information Technology Deptt.
Ms. Erum Nadeem	Head of Legal Department
Ms. Hina Gul	Head of Northern Zonal Office
Mr. Zaffar Iqbal	Head of Retrocession
Ms. Rana Munir Ahmed	Head of Claims
Mr. Engineer Prince Danish Maqsood	Head of Risk Management
Mr. Muhammad Ahmed	Head of Re-takaful

AUDITORS

GRANT THORNTON ANJUM
RAHMAN
Chartered Accountants
1st & 3rd Floor, Modern Motors House,
Beaumont Road
Karachi. – 75530

BANKERS

National Bank of Pakistan
Bank Al-Habib Limited
Sindh Bank Limited

SHARE REGISTRAR

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

REGISTERED OFFICE

PRC Towers, 32-A, Lalazar Drive
M. T. Khan Road, P.O. Box: 4777
Karachi-74000, Pakistan.
Tele: (92-21) 99202908-15
Telefax: (92-21) 99202921-22
Email: prcl@pakre.org.pk
Website: www.pakre.org.pk

ZONAL OFFICE

1st Floor, 15-A, Davis Road
State Life Building, Lahore.
Tele: (92-42) 36360242-45
Telefax: (92-42) 36360246



Mr. Mumtaz Ali Rajper holds a Master's Degree in Economics.

He has more than 33 Years of experience with Pakistan International Airlines, Sindh TV, and Mehran TV.

He was on PAKRE Board as a Nominee Director of Government of Pakistan since April 2010 and now he has been elected as Director effective December 2013. He also serves on the Board of Matrix (Pvt) Limited. He is also a certified Board Director from the Institute of Chartered Accountants of Pakistan.



Dr. Musleh ud Din holds Ph.D. in Economics from Johns Hopkins University. He has more than 30 years of experience in teaching and policy-oriented research. He has published widely in national and international journals in the areas of macroeconomics, financial sector development, and trade policy. He has served as a member of various high-level committees and is currently a member of the Economic Advisory Council. He also serves as executive editor of the Pakistan Development Review. Dr. Musleh ud Din has conducted a number of research projects under the aegis of the World Bank, Asian Development Bank, and United Nations. He is also a certified Board Director from the Institute of Chartered Accountants of Pakistan.



Mrs. Zara S. Awan is a barrister of Lincoln's Inn and an advocate of the High Courts of Pakistan.

She is a practitioner and an academician. Zara received her education at the Inns of Courts School of Law (UK) and the University of Kent at Canterbury (UK), Karachi Grammar School & the Convent of Jesus & Mary Karachi. Zara is associated with both practice and academia and advises and represents parties on a Pro Bono basis as well. She has experience in civil, commercial and arbitration laws and is also a Director of the University of London International Law Programs at an affiliated institution In Karachi.



Mr. Kausar Ali Zaidi is a civil servant who has financial and administrative expertise with 22 years of practical experience as DG, Trade Dispute, Joint Secretary Special Initiative, Executive Director, Joint Secretary Admin, and Insurance, Director General Admin, and Director Admin at various Ministries and Divisions. He has also served as a Member of the Policy Board, Security, and Exchange Commission of Pakistan (SECP) as a representative of the Ministry of Commerce. He completed his Master's in International Law and Economics (MILE) in 2005 from the World Trade Institute, University of Bern, Switzerland, and also a Fellowship, in International Trade Law in 2006 from IDLO, Sydney, Australia.



Mr. Muhammad Rashid is currently working as Chief Financial Officer at State Life Insurance Corporation of Pakistan. He is F.C.MA, C.I.A (U.S.A), and F.L.M.I (U.S.A) and has vast experience of around 31 years in Finance and Accounts. He participated in many finances as well as administration-related programs, seminars, and pieces of training from time to time. He remained on the Board of Directors of Alpha Insurance Company Limited as well as Pakistan Cables Limited.

PRCL is a Public Sector Company attached to the Ministry of Commerce. The Company is supervised by a Board of Directors, which is assisted by the Management comprising a strong team of professionals who effectively manage the business affairs of the Company. The Seven Member Board comprises four Government Nominee Directors, two Elected Directors, one Nominee of State Life Insurance Corporation.

PRCL's prime objective is the provision of reinsurance services in Pakistan. The company is the only national reinsurer. It provides reinsurance protection to the local insurance industry by way of treaty and facultative businesses.

Company History

PRCL was established in 1952 as Pakistan Insurance Corporation under the PIC Act, 1952, with the objective of supporting the local insurance industry. In the year 2000, Pakistan Insurance Corporation was converted and incorporated as a public limited company namely Pakistan Reinsurance Company Limited vide Ministry of Commerce SRO No.98(1)/2000 was issued under the Presidential Ordinance No. XXXVI of 2000 dated 14th February 2001.

Types of Businesses undertaken by Company

- ✓ Fire – Building, Stock, Plant, Machinery, Crop;
- ✓ Marine – Hull, Cargo, (Primary, War liabilities);
- ✓ Aviation – (Aircraft, Cargo, Crew, Passengers, Third Party Liability);
- ✓ Accident – Motor, Fidelity Guarantee, Personal Lines;
- ✓ Liability – Employers Liability, Professional Indemnity, Workman Compensation;
- ✓ Engineering – Property Damage, Business Interruption, Plant, Machinery Breakdown, TPL, Erection All Risks, Contractor All Risks, etc.
- ✓ Public Sector Risks: Oil Refineries, Power Projects, Oil and Gas Exploration, Fields / Operations, Hydel Power, and Nuclear Power Projects.

Business Operations

The reinsurance operation of the Company consists of the following departments:

- ✓ **Underwriting Department** deals with scrutiny and acceptance of risk offered by local insurers, both under the Facultative and Treaty arrangements.
- ✓ **Retrocession Department** undertakes to tender of risks ceded by National Insurance Company Limited including their placement with foreign insurers.
- ✓ **Claims Department** deals with claims notified by cedants under both the Facultative and Treaty arrangements and approval of claims.

Chairman's Review Report

Dear stakeholders,

I am pleased to present to you the Chairman's review of Pakistan Reinsurance Company Limited (PRCL), for the year 2021, on the overall performance of the Company and the role of the Board of Directors in successfully achieving the Company objectives.

Notably, we are proud of how the Company has endured and thrived during the time of ambiguity due to the third wave of Covid-19. The pandemic has continued to cause rough economic conditions in Pakistan and in the rest of the world as well. Despite these economic setbacks, your Company has maintained its reputation as a trustworthy reinsurer in the Insurance Industry and has progressed in its business operations, especially in the underwriting department where the gross premiums increased from Rs. 16,896 Million to Rs. 20,994 Million. Whereas, the claims for the year ended amounted to Rs. 3,778 Million. Not only this, but the Company has also posted a profit of Rs. 982 Million on its investment portfolio. The operation of the Retakaful window went smooth with the promise of robust growth in the coming years. Furthermore, the completion of CPEC projects envisages a rise in the overall business activity and is expected to reflect positively on the insurance and reinsurance sector in the coming years.

Your Board carries out its fiduciary duties comprehensively and is assisted in its governance by four Board Committees and three Management Committees. An all-inclusive system of controls, governance, and risk management is in place to ensure that the Company's assets and the interests of the shareholders are always protected. The Company not only ensures strict adherence to the laws of the country but goes beyond by inculcating values that require its employees to operate and deliver with integrity. Channels have been established and made available for anyone working in or with the Company to raise their concerns in confidence and without fear of reprisal.

I would like to extend my gratitude to our employees and business partners for their professionalism and hard work. I also thank the shareholders and board members for their commitment and confidence in the Company.

Mumtaz Ali Rajper
Chairman

C.E. O's Message

For the year 2021, the post-Covid economic recovery remained slow owing to the resurgence and dogged persistence of COVID-19 with a new and more contagious variant. Comparably, the growth of the insurance sector maintained a steady pace, with the overall environment being uncertain. Despite the odd situations, we successfully managed the Company to adopt new methods to ensure the sustenance of our clients and business partners. Resultantly, our primary business, underwriting, grew with gross premiums amounting to Rs. 20,994 Million, especially engineering business where the gross premiums for the year amounted Rs. 8,264 Million. The Company maintained its reputation of trustworthiness and reliability by paying out claims amount of Rs. 3,778 Million in different business sections. The operations of the RetakafulWindow went smooth with the promise of robust growth in the coming years.

To ensure sustainability and growth, we have prioritized workforce development to bring-in fresh energy and novel perspectives to the workplace. The Management Trainee program has been deployed for the first time in the history of PRCL. Also, an internship program is started to develop a pool of quickly available potential employees for the same reason. Not only this, but the middle and upper-level managers are also being inducted to strengthen the organizational structure and framework. As a matter of fact, training and development of the employees remain a priority, for which PRCL collaborated with some of the most renowned institutes in the country, such as IBA-Karachi, ICAP, and ICMA.

The role of IT is quintessential in controlling the risks throughout the operations of any organization. Similarly, PRCL strongly believes that the function of Information Technology is indispensable for the progress of its business and for attaining state-of-the-art IT infrastructure. Therefore, PRCL has worked on the up-gradation and modernization of its IT infrastructure and successfully deployed an Enterprise Resource Planning (ERP) system to better manage day-to-day activities, and along with that, the physical network has also been upgraded with the latest hardware to reduce discrepancies in the workflow. Hopefully, these measures will bring the technological infrastructure of the Company in synchronization with its current and future requirements, enabling it to better manage business processes and strengthen the risk management systems.

The mitigation of risk within the operations of the Company is one of the most important priorities of the Management. For this purpose, PRCL has established an enterprise risk management (ERM) framework which integrates the Management against all the risks associated with the strategic objectives of the Company. A plan has been enforced to eradicate the negative effects of all the risks on the services and operations of the business. To further mitigate the risk of data loss and to better accommodate the data requirements of the Company, a Datacenter and a PR setup have been created. Furthermore, to obliterate the risks of money laundering and terrorist financing or any non-compliance, an AML/CFT manual is being drafted and would be enforced by the compliance function of the Company.

Additionally, M/s. JCR-VIS undertook the credit rating of the Company for the year. The Company's credit rating of AA was re-affirmed with a positive outlook. As per the standard rating scale and definition, the "AA" rating denotes a very low expectation of credit risk. For certain, it shows a robust capacity for timely payment of financial commitments with no significant vulnerability to foreseeable events.

Farman Zarkoon
Chief Executive Officer

Directors' Report

To the Shareholders

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Report of the Company along with the audited financial statements and Auditors' report for the year ended December 31, 2021.

Economic Review:

During the year 2021, Pakistan's economy witnessed a strong comeback post COVID 19 peak amid strong supportive measures taken up by SBP and Government of Pakistan and posted a GDP growth rate of 5.7 (after rebasing) for FY21.. The agriculture sector grew by 2.8% as against 3.3% the previous year Industrial sector grew by 3.6% as against -3.8% previous year and Services Sector grew by 4.4% as against -0.6% previous year.

CPI inflation during Jul-Dec recorded at 9.8 percent against 8.6 percent during the same period last year. Month on Month (MoM) basis, CPI recorded a decline of 0.02 percent in December 2021 against an increase of 3.0 in November 2021. The overall spike in CPI is due to increase in the prices of imported items. As the country of net importer of essential items especially crude oil, wheat, sugar, pulses and edible oil which ultimately transmitted into the domestic prices.

The Rupee remained under pressure and witnessed depreciation of ~20% since may 2021. Furthermore, SBP also initiated monetary tightening and cumulatively increase policy rate by 275 basis points in the last quarter of 2021.

Though economic recovery is underway, the economy is also confronting new inflation and external sector pressure. The recent invasion of Russia on Ukraine and the subsequent war has mounted geo-political tensions in the region with certain economic consequences. The oil prices have witnesses a sharp increase and pose a major threat to Balance of Payment. High international commodity prices, together with the strong expansion of domestic economic activity has kept the value of imports elevated. Furthermore, sharp increase in almost all commodities will continue to pose to be threat in near future in current global scenario.

Company Performance Highlights:

2021 has been a good year for Pakistan Reinsurance Company Limited. The comparative financial highlights for the year 2021 and 2020 are presented as follows:

Rupees in million
(Except as otherwise stated)

	<u>2021</u>	<u>2020</u>	<u>%</u>
Gross Premium Written	20,994	16,896	24%
Net Premium	7,226	6,709	8%
Net Claims	-3,778	-3,924	-4%
Underwriting Profit	1742	766	127%
Investment Income	982	1,043	-6%
Rental Income	104	83	25%
Other Income	142	74	92%
Profit after tax	2,584	1,392	86%
Earnings per share – Rs.	8.61	4.64	86%

During the year under review, gross premiums increased to Rs. 20,993 million from Rs. 16,896 million in 2020, increase of Rs. 4,097 million i.e. 24%. Net premium increased to Rs. 7,226 million from Rs. 6,709 in 2020, increase of Rs. 517 million i.e. 7.7%. Net claims decreased to Rs. 3,777 million as compared to Rs. 3,924 million in 2020, decrease of Rs. 147 million, i.e. 3.74%. The Underwriting result an increased by 127% to Rs. 1,742 million as compared to Rs. 766 million in 2020.

Treaty Business:

Proportional Treaty:

Treaty business constitutes 19.12% (2020: 16.36%) of the Companies' total business portfolio. Gross Premium underwritten during the year was Rs. 4,013 million as compared to Rs. 3,434 million in 2020, increase of Rs. 579 million i.e. 16.86%. Net premium stood at Rs. 3,863 million as against Rs. 3,148 million in 2020. Net claim to net premium ratio for the year under review was 61.68% (2020: 65%) resulting in an underwriting profit of Rs. 1,152 million as against underwriting loss Rs.416 million in 2020, increase of 1,568 million i.e.377%.

Non-proportional Treaty:

Treaty business constitutes 5.5% (2020 : 5.03%) of the Companies' total business portfolio. Gross Premium underwritten during the year was Rs. 1,161 million as compared to Rs. 850 million in 2020 increase of Rs. 311 million i.e. 36.62%. Net premium stood at Rs. 256 million as against Rs. 603 million in 2020. Net claim to net premium ratio for the year under review was 188.45% (2020: 58.23%) resulting in an underwriting loss of Rs. 1328 million as against underwriting profit Rs.149 million in 2020, decrease of 1476 million i.e.991%.

Facultative Business:

Fire:

Fire facultative business constitutes 9.83% (2020: 11.56%) of the total premium portfolio. Gross premium underwritten during the year was Rs. 2,066 million as compared to Rs. 1,954 million in 2020, an increase of Rs. 112 million i.e. 5.7%. Net premium stood at Rs. 1,666 million as against Rs. 1,417 million in 2020. The net claim to net premium ratio for the year under review was 26.96% (2020: 79.23%) resulting in an underwriting profit of Rs. 815 million as against loss of Rs. 134 million in 2020.

Marine Cargo & Hull:

Facultative business in this class constitutes 1.4% (2020: 2.4%) of the total premium portfolio. Gross premium underwritten during the year was Rs. 306 million as compared to Rs. 407 million in 2020, decrease of Rs. 101 million i.e. 25%. Net premium stood at Rs. 190 million as against Rs. 187 million in 2020. The net claim to net premium ratio for the year under review was 61.92% (2020: 19.18%) resulting in an underwriting profit of Rs. 44 million as against Rs. 115 million in 2020, decrease of Rs. 71 million.

Aviation:

Facultative business in this class constitutes 23.85% (2020: 2.07%) of the total premium portfolio. Gross premium underwritten during the year was Rs. 5,002 million as compared to Rs. 350 million in 2020, increase of Rs. 4,652 million. Net premium stood at Rs. 351 million as against Rs. 358 million in 2020. The net claim to net premium ratio for the year under review was 5.93% (2020: 65.4%) resulting in an underwriting profit of Rs. 316 million as against profit of Rs. 170 million in 2020, an increase of Rs. 146 million.

Accident:

Facultative business in this class constitutes 0.87% (2020: 1.33%) of the total premium portfolio. Gross premium underwritten during the year was Rs. 185 million as compared to Rs. 225 million in 2020, decrease of Rs. 40 million i.e. 17.77%. Net premium increased to Rs. 182 million as against Rs. 230 million in 2020, decrease of Rs. 48 million. The net claim to net premium ratio for the year under review was 8.01% (2020: 18.10%) resulting in an underwriting profit of Rs.132 million as against an underwriting profit of Rs.130 million in 2020, an increase of Rs. 2 million i.e. 1.53%.

Engineering:

Facultative business in this class constitutes 39.34% (2020: 57.27%) of the total premium portfolio. Gross premium underwritten during the year was Rs. 8,261 million as compared to Rs. 9,677 million in 2020, **an** decrease of Rs. 1,416 million i.e. 14.63%. Net premium decrease to Rs. 718 million as against Rs. 765 million in 2020, decrease of Rs. 47 million i.e. 6.14%. The net claim to net premium ration for the year under review was 40.94% (2020: 12.02%) resulting in an underwriting profit of Rs. 612 million as against an underwriting profit of Rs. 751 million in 2020, **an** decrease of Rs. 139 million i.e. 18.50%.

Investment Income:

During the year under review, Investment and Rental Income contributed Rs. 1,085 million as compared to Rs. 1,126 million in 2020.

Valuation gain on Investment Property:

The company conducted revaluation of land and building from one of the most reputable surveyor and valuers M/S Iqbal Nanji & Co.

The company has booked a fair value revaluation gain of Rs 698 million on its investment property. After revaluation, the value of the land and building increased by Rs.2,869 million from Rs. 82.6 million in 2020 to Rs. 2,952 million in 2021. The total assets of the company increased by 31% from Rs. 35.7 Billion to Rs. 46.8 billion and net equity increased from PKR 10.2 Billion and PKR 13.07 Billion (an increase of 27%)

Claims Settlement:

Timely settlement of claims and customers satisfaction is the company's highest priority as it helps build the trust of its valued clients and earns their goodwill. The overall net claim to net premium ratio during the year was 52.28% as against 58.50% in 2020.

Cost Control Measures:

The Management expenses during the year under review were Rs. 728 million as against Rs. 666 million during the previous year, registering increase Rs 62 million i.e. 9.3%. The management expenses as percentage of Net Premium was 10.07% in CY20 as compared to 9.92% in 2020. Going forward, the management will continue to strive to further reduce costs as a percentage of net premiums.

Auditors' Remarks

- 1) As fully disclosed in note 15 to the financial statements, an amount of Rs. 2,573.89 million (2020: Rs. 2,573.89 million) is receivable from Sindh Revenue Board (SRB) which was recovered by SRB against the sales tax liability on reinsurance services. The Company has recorded this amount as an asset, however the Company could not substantiate any control over the underlying asset and the flow of economic benefits is improbable due to ongoing Court case. Had the Company not recorded this asset, total assets, accumulated profit, shareholders' equity and solvency would have been reduced by the same amount accordingly.

Management Comments:

Based on the legal opinion, the company is expecting a favourable decision from Honorable Sindh High Court and the amount recovered by SRB shall be refunded to the company. Accordingly, the company has recorded the amount recovered by SRB as receivable.

- 2) As disclosed in 16, 17, 18, 21, 24, 30, 34, 36, 37, 38, and 52 to the financial statements, certain account balances and class of transactions have been recorded against treaty proportional business. We were not provided the details and supporting of the premium/claims of the ceding insurance

companies except statutory quarterly returns and bordereaux. The Company does not have any system and controls to verify such premium/claims. Consequently, we were unable to verify and determine whether any adjustments to these amounts were necessary.

Management Comments:

As prescribed under section 43 of Insurance ordinance 2000, the company record the transaction relating to premium, claims and commission on accounts of treaty business on the basis of returns received from ceding insurance companies and requires supporting documents from them when ever deemed necessary. However, as pointed out by the auditor, further supporting documents are being obtained from ceding companies.

- 3) Amount due from other insurer companies includes gross and net amount of Rs. 8.89 billion and Rs 7.767 billion respectively (refer note 16) and due to other insurance companies includes and amount of Rs. 75 million (refer note 30). These balances remain unreconciled. The Company is in the process to reconcile these balances. Due to pending confirmations/reconciliation relating to above balances, resulted adjustment and consequential impact thereon, (if any) on these financial statements remain unascertained.

Management Comments:

The difference between PRCL and ceding companies is due to unilateral adjustment of facultative claims by the ceding companies. PRCL has already taken the matters with SECP and SECP has directed all audit firms through letter No. SD/offsite-I/INS/2022/42 dated 31st March 2022 to qualify accounts of all ceding companies. Whose Accounts are not reconciled.

Public Sector Business:

The Company acts as the re-insurer of National Insurance Company Limited. This includes some of the prestigious accounts such as PIA, PARCO, PSO, OGDCL, PPL, PNSC, KSEW, Public Sector Power Projects etc. During the year under review, the company's Gross revenues from Public Sector business grew from Rs. 10,350 Million to Rs.13,487 Million – an increase of 31%

Reinsurance Arrangements:

PRCL has excess of loss re-insurance arrangements & relationship with some of top global reinsurers such as Hannover Re (rated AA- by S&P), XL Re (rated AA- by S&P), Partner Re (A+ by S&P) and Lloyd's Syndicate (rated A+ by S&P) etc. The Company follows a policy of optimizing risk retention through a carefully designed program of re-insurance. The reinsurance coverage of the company is based on Company's exposures, accumulation & concentration of risk at the location.

E.C.O. Reinsurance Company:

The Articles of Agreement (AoA) of ECO Reinsurance Company were signed on February 10, 2010 by the representatives of three Member States, Islamic Republic of Pakistan, the Islamic Republic of Iran and the Republic of Turkey, at Islamabad (Pakistan). The AoA were further ratified by Member States and the last ratification was made by Republic of Turkey on November 22, 2017. The objective of the Company shall be to supplement the existing Reinsurance services, promote the growth of the underwriting & retention capacities and support the economic development in the region.

The authorized capital of the Company shall be thirty million USD, divided into three thousand shares with par value of ten thousand US Dollars each, to be equally subscribed by the entities of three countries. Any investment by PRCL in ECO Reinsurance Company shall be subject to approval of Board of Directors, Shareholders / AGM and Compliance of Section 199 of Companies Act-2017.

Credit Rating:

The credit rating of the Company for the year 2021-22 was undertaken by M/s. JCR-VIS. The Company's credit rating of AA with positive outlook. As per standard rating scale & definition, "AA" rating denotes a very low expectation of credit risk. It indicates a very strong capacity for timely payment of financial commitments, no significant vulnerability to foreseeable events.

Profit after Tax:

The profit after tax of the Company is Rs.2,589 million as compared to Rs. 1,391 million of last year, showing increase of Rs.1198 million i.e 86.12%.

<u>Appropriations:</u>	(Rs. in millions)	
	2021	2020
Profit before tax	3,614	1,972
Less: Tax	(1,025)	(581)
Profit after tax	2,589	1,391
 Add: Unappropriated profit brought forward	 2,350	 3,117
Add: Comprehensive Income	(167)	(167)
Less: Final cash dividend 2020 @ 25%	(750)	(600)
Unappropriated profit carried forward	1,433	2,350

Proposed Dividend:

In view of the recommendation of the SECP and decision of Board of Directors to strengthen the Financial Position thereby enabling the Company to improve its retention / capacity, the Board of Directors has proposed the dividend for 2021 Rs. ----- for AGM as against Rs. 2.5 per share approved last year.

Window Retakaful:

This was the third year of operations of Retakaful window. The comparative financial highlights for the year 2021 and 2020 are presented as follows:

Revenue account

	2021 (Rupees)	2020 (Rupees)	%
Participants' Retakaful fund			
Net Contribution Revenue	690,414,885	490,063,340	40.88%
Wakala fee expense	- 156,471,404	- 128,122,229	22.13%
Net claims-IBNR	- 311,243,050	- 420,624,751	-26.00%
	222,700,431	- 19,101,777	
Deficit before investment income	231,661,854	- 77,694,714	-398.17%
Other income	10,080,104	1,856,259	443.03%
Investment income	4,560,461	5,661,669	-19.45%
Modarib's shares	- 3,660,141	- 1,879,482	94.74%
	10,980,424	- 1,259,981	-971.48%
Ceded money received	-	-	
Deficit before taxation	245,492,293	- 78,954,398	-410.93%
Taxation	- 2,027,758	- 1,348,372	
Deficit transfered to Accumulatd deficit	243,464,535	- 80,302,770	-403.18%

Revenue Account**Operator's fund**

Wakala fee income	156,471,404	128,122,229	22.13%
Commission expense	- 145,151,427	- 102,032,546	42.26%
General , administartive and management exp	- 7,937,109	- 6,947,533	14.24%
Ceded money paid to participant's Retakaful fund	-	-	
	3,382,868	19,142,150	-82.33%

Modarib's share of participants' Retakaful fund inve	3,660,141	1,879,482	94.74%
Investment income	920,194	1,202,072	-23.45%
Other income	14,518,979	20,664,577	-29.74%
Profit before taxation	19,099,314	23,746,131	-19.57%
Profit before taxation	22,482,182	42,888,261	-47.58%
Taxation	- 6,519,833	- 12,437,596	-47.58%
Profit after Taxation	15,962,349	30,450,665	-47.58%

During the year under review, gross contribution increased to Rs. 933 million from Rs. 604 million in 2020, increase of Rs. 329 i.e. 54.47%. Net contribution increased to Rs. 690 million from Rs. 490 million in 2020, increase of Rs. 200 million i.e. 40.81%. Net claims increased to Rs. 311 million as compared to Rs. 421 million in 2020, decrease of Rs. 110 million, i.e. -26.12%. The Underwriting surplus increased by 198% to Rs. 232 million as compared to Rs. 98 million in 2020.

Treaty Business:

Proportional Treaty:

Treaty business constitutes 79% (2020 : 77%) of the total business portfolio. Gross Contribution underwritten during the year was Rs. 736 million as compared to Rs. 467 million in 2020, increase of Rs. 269 million i.e. 58%. Net contribution stood at Rs. 623 million as against Rs. 400 million in 2020, increase of Rs. 223 million i.e. 55.75%. Net claim to net contribution ratio for the year under review was 48% (2020: 142%) resulting in an underwriting surplus of Rs. 196 million as against underwriting surplus Rs. 18 million in 2020, increase of 178 million i.e. 988%.

Non Proportional Treaty:

Treaty business constitutes 10.56% (2020 : 12.82%) of the total business portfolio. Gross Contribution underwritten during the year was Rs. 99 million as compared to Rs. 77 million in 2020, increase of Rs. 22 million i.e. 29%. Net contribution stood at Rs. 70 million as against Rs. 96 million in 2020, decrease of Rs. 26 million i.e. -27%. Net claim to net contribution ratio for the year under review was 144% (2020: 284%) resulting in an underwriting deficit of Rs. 61 million as against underwriting loss Rs. 63 million in 2020, decrease of 02 million i.e. 3.17%.

Facultative Business:

Fire:

Fire facultative business constitutes 9.04% (2020: 53.4%) of the total business portfolio. Gross Contribution underwritten during the year was Rs. 84 million as compared to Rs. 46 million in 2020, increase of Rs. 38 million i.e. 83%. Net contribution stood at Rs. 73 million as against Rs. 47 million in 2020, increase of Rs. 26 million i.e. 55.31%. Net claim to net contribution ratio for the year under review was 6.89% (2020: 147%) resulting in an underwriting surplus of Rs. 53 million as against underwriting deficit Rs. 42 million in 2020, increase of 11 million i.e. 26.19%.

Marine Cargo & Hull:

Facultative business in this class constitutes 0.50% (2020: 0.17%) of the total business portfolio. Gross Contribution underwritten during the year was Rs. 4.6 million as compared to Rs. 1 million in 2020, increase of Rs. 3.6 million i.e. 3.6%. Net contribution stood at Rs. 5 million as against Rs. 1 million in 2020, increase of Rs. 4 million i.e. 4%. Net claim to net contribution ratio for the year under review was 42.77% (2020: 185%)

resulting in an underwriting surplus of Rs. 6 million as against underwriting deficit Rs. 1.3 million in 2020, increase of 4.7 million i.e. 361%.

Accident:

Facultative business in this class constitutes 1.03% (2020: 2.3%) of the total business portfolio. Gross Contribution underwritten during the year was Rs. 9.6 million as compared to Rs. 14 million in 2020, decrease of Rs. 4.4 million i.e. 31%. Net contribution stood at Rs. 11.7 million as against Rs. 12 million in 2020, decrease of Rs. 0.3 million i.e. 2.5%. Underwriting surplus was of Rs. 5 million as against 9.7 million in 2020, increase of 4.7 million i.e. 48.45%.

Employees' Welfare:

The Company has in place a fund to provide welfare facilities to its employees whereby six employees are sent for Hajj every year. Besides, the Company grants (a) cash awards to the Employees' Children who are Hafiz-e-Quran and secure A+ grade in Secondary and Higher Education, (b) pension to the retiring employees having long association with company, and (c) burial & compensation packages for family of employees who die during service.

Board Structure and Committees:

The Board structure is in accordance with the Listed Companies (Code of Corporate Governance), Regulations 2019, Public Sector Companies (Code of Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016, issued by the Securities and Exchange Commission of Pakistan.

In order to ensure effective implementation of sound internal control systems and compliance with the Code of Corporate Governance, the Board has constituted various Committees which are seven (07) in number. This includes, four Board Committees and three Management Committees. The composition of all Committees is separately shown in the report under the section of Corporate Information.

Future Outlook:

Despite the challenging Business environment, our strategy for 2022 is designed to deliver sustainable, profitable growth in a changing and competitive business environment in order to maintain our position in Pakistan.

Skilled human resource is a major challenge facing the insurance industry. Therefore, the Company intends to continue investing in people and making Pakistan Reinsurance Company the best place to build career and developing the competencies and skills of their employees.

The way to continuous success will be the persistent execution of our strategic plan to build a more competitive and successful business and improved results and maintain the lead position in Pakistan and strive to set footprint in global reinsurance arena. The key performance indicators devised for achieving the management objective remains to be improvement in underwriting results, control and maintain overhead costs at reasonable levels, increasing shareholders' wealth.

Re-takaful operations has started to provide dividend and expected to add further to the income stream of the Company. In view of contractionary monetary policy outlook, the fixed income portfolio of the Company shall bring higher returns while we remain cautiously optimistic about the performance of our equity portfolio. Overall the company maintains an optimistic outlook on its business performance going forward.

Internal Controls:

The internal control framework has been effectively implemented through an in-house Internal Audit function established by the Board which is independent of the External Audit Function. The Internal Audit function has carried out its duties under the charter defined by the Audit Committee. The Audit Committee has reviewed Internal Audit reports taking appropriate action where necessary. Coordination between the External and Internal Auditors was facilitated to ensure efficiency and contribution to the Company's objectives, including a reliable financial reporting system and compliance with the laws and regulations.

Risk Management Policy:

The company has appropriate framework of methods, system and process to manage risks and seize opportunities related to the achievement of business objectives. The Company's Risk Management approach comprises of quantitative & qualitative evaluation of risk and minimizing its hazards. An elaborate risk management policy has been approved by the Board which is subject to its review from time to time. Risk mitigation process and measures have been formulated and clearly spelled out in the said guidelines.

Code of Conduct:

The Company has designed code of conduct to ensure ethical conduct & integrity by all employees. All the operations of the company are undertaken in a fair and transparent manner strictly following the code of conduct.

Directors' Training Program:

All the directors of the company are certified directors under the Directors Training program.

Directors' Remuneration Policy:

The remuneration of directors is approved by the Annual General meeting of Shareholders on the recommendation of Board of Directors.

Performance Evaluation of Board of Directors:

Pursuant to Rule 8 (1) of the Public Sector Corporate Governance, Rules 2013 & the policy approved by the Board, the Performance Evaluation for the current year of CEO & the rest of Directors of the Board has been undertaken independently by the Chairman of the Board. The evaluation framework comprises of qualitative assessment of individual Board members.

Related Party Transactions:

At each board meeting, the Board of Directors approves the Company's transactions with Associated Companies / Related Parties. All the transactions executed with related parties are on arm's length basis.

Ownership:

As of December 31, 2021, there were 2,378 shareholders on the record of the Company.

Pattern of Shareholding:

The pattern of shareholding of the company as at December 31, 2021, along with the necessary information is available at the end of this report.

Statement on Corporate and Financial Reporting Framework:

PRCL being a Listed Company adheres to the Listed Companies (Code of Corporate Governance), 2020 and all other listing regulations. The Company is also public sector enterprise and operates under the framework of Public Sector Companies (Code of Corporate Governance Rules), 2013 and Code of Corporate Governance for Insurers, 2016. The Directors confirm compliance with all reporting and disclosure requirements as envisaged in the Companies Act, 2017, Insurance Ordinance 2000, and Rules, made there under. The Directors confirm compliance with the corporate and Financial Reporting Framework of the SECP Code of Corporate Governance for the following: -

- a) The financial statements, prepared by the management of the company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity;
- b) The Company has maintained proper books of accounts;
- c) The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes have been adequately disclosed and accounting estimates are made 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, requirements of Companies Act, 2017, Insurance Ordinance, 2000, and the Securities and Exchange Commission (Insurance) Rules, 2017;
- e) The system of internal control is in place and internal audit department is in complete function;
- f) There are no doubts upon the Company's ability to continue as a going concern;
- g) There is no material departure from the best practices of Listed Companies (Code of Corporate Governance), 2020, as laid down in the listing regulations and Public Sector Companies (Code of Corporate Governance) Rules, 2013, and Code of Corporate Governance for Insurers, 2016;
- h) The directors are qualified under directors Training Programme;
- i) Presentation was given to newly appointed Directors to acquaint them with the relevant laws and their responsibilities;
- j) The Company has 8.34% shareholding of National Investment Trust Limited (NITL) and as such has its representation on the Board of NITL by one of its Directors. Currently the CEO of PRCL is representing the Company on NITL Board.
- k) The appointment of the Chairman and other members of the Board and the terms of their appointment along with the remuneration policy are adopted in the best interests of the Company as well as in line with the best practices;
- l) The Non-executive Directors do not have fixed remuneration and are being paid a fixed fee for each meeting attended. Disclosure on remuneration of Chief Executives, Directors and Executives as applicable is separately shown in the report;
- m) Summarised key operating and financial data of the last 6 years is separately shown in the report;
- n) The statement of pattern of shareholding is separately shown in the report;
- o) The value of investment in pension, gratuity and provident fund is also disclosed as under:

	2021	2020
	(Rs. in millions)	
Pension and Gratuity Fund	1029	983
General Provident Fund / Provident Fund	149	149

Board Meetings and Attendance:

In the year 2021, the Board formed various Committees, the detail of the meetings held and the attendance of each director is given hereunder:-

Sl.	Name Of Directors	No. of Meetings							
		Board of Directors	Audit Committee	Ethics, HR & Remuneration / Committee	Underwriting / Reinsurance Committee	Claim Settlement Committee	Risk Management & Compliance Committee	Investment Committee	Procurement Committee
		11	8	6	3	4	3	3	4
1	Mr. Mumtaz Ali Rajper, Chairman	11	2	6	---	4	3	3	2
2	Mr. Faiz Illahi Memon	6	4	1	---	1	---	2	---
3	Mr. Manzoor Ali Shaikh, CEO	3	---	1	1	1	---	---	---
4	Mr. Riaz Ahmed Memon	2	---	---	---	---	---	---	---
5	Mr. Farmanullah Zarkoon, CEO	4	---	2	2	2	1	1	2
6	Mr. Muhammad Rashid	5	2	1	---	---	1	1	---
7	Ms. Zara Shaheen Awan	4	---	1	---	---	1	---	1
8	Mr. Musleh-ud-Din	11	8	6	---	---	---	3	---
9	Dr. Kausar Ali Zaidi	11	8	6	3	---	1	---	4

Leave of absence was granted by Board to the Directors who could not attend some of the meetings after intimating the Board in advance.

Change in the Board of Directors:

The Board welcomed every Non-executive / Nominee / Ex-officio Directors, who joined it and it also recorded appreciation of the services and contribution of all those Directors who were transferred / separated during the period under review.

Contribution to National Exchequer:

During the year, your Company contributed an amount of Rs. 272 million (2020: Rs. 297 million) into the government treasury on account of Taxes, Levies and other duties.

Compliance with the Code of Corporate Governance:

The requirements of the Code of Corporate Governance set out by the regulatory authorities have been duly complied with.

Audit Committee of the Board:

The Board, in compliance with the Code of Corporate Governance, has constituted an Audit Committee and its terms of reference have been approved by the Board. The names of the members of Committee are given in the section of Corporate Information.

Performance of the Company during the last six years

(Rs. in millions)

	<u>2021</u>	<u>2021</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Gross Premium	20,994	16,896	17,655	10,734	8,036	8,807
Net Premium	7,226	6,709	6,905	5,464	5,006	5,802
Net Commission	968	925	(1,243)	(1,047)	(1,148)	(1,264)
Net Claims	3,778	3,924	(4,259)	(2,990)	(3,740)	(3,336)
Management Expenses	729	(666)	(775)	(844)	(796)	(657)
Underwriting Profit/(Loss)	1,742	765	628	583	(677)	545
Investment Income	982	1,043	868	691	3,326	961
Profit before Tax	3,614	1,941	2,189	1,730	2,876	1,427
Profit after Tax	2,589	1,392	1,484	1,228	2,226	974

Trading in the Company Shares:

Trading in the shares of Company was recorded by the only Director, Ms. Zara Shaheen Awan, had been recorded and its compliance to represent it in the Board and to inform shareholders through PUCARS had been done in due course of time while there was no any trade recorded by the Key Officers.

Appointment of Auditors:

Financial Statements for the year 2020 have been audited by M.s Grant Thornton Anjum Rahman Chartered Accountants. The present auditors, namely, .s Grant Thornton Anjum Rahman Chartered Accountants, have completed its three (3) years tenure in 2020 as per their engagement contract. The Board of Directors on the recommendation of the Audit Committee has proposed the appointment of Messrs BDO Chartered Accountants as statutory auditors for the next term for the year 2022.

Acknowledgement:

The Company would like to thank its shareholders for the confidence they have shown in us. We express our sincere thanks to the all insurance companies, strategic partners, vendors and Securities and Exchange and Commission of Pakistan and the State Bank of Pakistan for their support and guidance. We also acknowledge the hard work and dedication of the officers and staff of the Company.

For and on behalf
of the Board of Directors

Chief Executive Officer

Chairman / Director



Pakistan Reinsurance Company Limited

NOTICE OF THE 22nd ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held at **Jasmine Hall, Ground Floor, Beach Luxury Hotel, Karachi**, and virtually through the video-conference facility on **Friday, April 29, 2022**, at 11:00 am, to transact the following business:

ORDINARY BUSINESS:

- To confirm the Minutes of 21st Annual General Meeting of the Company held on May 24, 2021.
- To consider, adopt, and approve the audited Annual Accounts of the Company for the year ended 31st December 2021 and the reports of Directors and Auditors thereon.
- To consider and approve the payment of final cash dividend @ 20% i.e. Rs.2 per ordinary share of Rupees Ten (10.00) and by way of issue of fully paid bonus shares @ 200% in the proportion of 200 share for every 100 shares of Rs.10 each held by the members as recommended by the Board of Directors.
- To appoint External Auditors and fix their remuneration for the year ending December 31, 2022.

SPECIAL BUSINESS:

5. Issuance of Fully Paid Bonus Shares

To Consider, subject to the declaration of the final dividend as above, to capitalize a sum of Rs. 6,000,000,000 By way of issue of 600,000,000 fully paid bonus share of Rs.10 each if thought fit to pass an ordinary resolution in the matter.

6. Alteration in the Memorandum and Articles of Association of the Company

To consider and, if thought fit, with or without modification pass the special resolution to make suitable alteration in the Memorandum and Articles of Association of the Company in order to align the same as per new Companies Act 2017. (A statement of Material Facts under Section 134(3) of the Companies Act 2017, relating to the aforesaid Special Business to be transacted at the said Annual General Meeting is attached with this Notice).

OTHER BUSINESS:

- To consider any other business with the permission of the Chair.

By Order of the Board
(Summet Kumar)
Company Secretary

Place: Karachi,
Dated: April 08, 2022.

NOTES:

Pursuant to circular 6 of 2021 dated March 3, 2021, and further issued "Clarification on circulars issued on corona virus contingency planning for general meetings of listed companies" dated December 15, 2021, of Securities and Exchange Commission of Pakistan, the board has decided to hold the 22nd AGM physically at Jasmine Hall, Ground Floor, Beach Luxury Hotel, Karachi and in addition provide members with the option to attend the meeting through the video-conference facility. Keeping in mind the health and safety of our members, physical attendance at the venue will be restricted to the limited members. Therefore, members are encouraged to attend the meeting through the video-conference facility arranged by the Company.

- To attend the AGM through video-link, the members are requested to register themselves by providing the following information through email: attholder@pakre.org.pk at least 48 hours before the AGM.

Name of Shareholder	CNIC Number	Folio Number / CDC Account No.	Cell Number	Email Address

The registered Members, after necessary verification (as per the above requirement) will be provided a video link by the Company via email.

The login facility will remain open 10 minutes before the meeting time to enable the participants to join the meeting.

Members can also share their suggestions/comments on the agenda on WhatsApp number 0310-3496465 one hour before the meeting schedule.

Please note that only those shareholders, who have registered themselves by sending a request to the aforementioned email address, will be able to participate in the Meeting through the video link.

- The share transfer books of the Company shall remain closed for eight days i.e. from **April 22, 2022, to April 29, 2022**; (both days inclusive) no transfer will be accepted for registration during the period.
- 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, a form of proxy will not be treated as valid.
- CDC Account holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

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

B. For appointing proxies:

- In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in a group and their registration details are uploaded as per the CDC Regulation, shall submit the proxy form (provided at Company's website) as per the above requirement.
- The proxy form shall be witnessed by two persons whose names, addresses, and CNIC numbers shall be mentioned on the form.
- Attested copies of the CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.
- In the case of a corporate entity, the Board of Directors' Resolution/Power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

- Shareholders are requested to communicate to Company's Share Registrar, M/s. CDC Pakistan Limited, CDC House, 99-B, Block-B, SMCHS, Main Shahrah-e-Faisal, Karachi, in case of any change in their address immediately along with contact details.

6. PAYMENT OF CASH DIVIDENDS ELECTRONICALLY-COMPULSORY

Members of the Company are hereby requested to comply with the provisions of Section 242 of the Companies Act, 2017 and provide the particulars of their bank accounts through E-Dividend Form (annexed at the end of the annual report as well as available at the Company's website: www.pakre.org.pk) as dividends payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders instead of, through the issuance of Dividend Warrants. In the absence of bank account details or in case of incomplete details, the Company will be constrained to withhold the payment of cash dividend to those shareholders who have not provided the same.

7. PAYMENT DEDUCTION OF INCOME TAX FROM DIVIDEND

- The rates of deduction of income tax from dividend payments under Section 150 of the Income Tax Ordinance, 2001 have been revised as follows:

- Persons appearing on the Active Taxpayers List (ATL) 15%.
- Persons not appearing in the Active Taxpayers List (ATL) 30%.

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30%, shareholders whose names are not entered into the Active Taxpayers List (ATL) provided on the website of FBR, despite the fact that they are, are advised to make sure that their names are entered in ATL before the first day of book closure, otherwise, tax on their cash dividend will be deducted @ 30% instead of 15%.

- Withholding Tax exemption from the dividend income shall only be allowed if the copy of a valid tax exemption certificate or stay order from a competent court of law is made available to Central Depository Company of Pakistan Limited, by the first day of Book Closure.

- Further, according to clarification received from the Federal Board of Revenue (FBR), withholding tax will be determined separately on the "Non-Filer" status of Principal shareholder as well as joint holder(s) based on their shareholding proportions, in case of joint accounts.

In this regard, all shareholders who hold shares jointly are requested to provide shareholding Proportions of Principal shareholders and Joint holder(s) in respect of shares held by them (only if not already provided) to our Shares Registrar, in writing as follows:

Company Name	Folio/CDS Account #	Principal Shareholder		Joint Shareholder	
		Name and CNIC Number	Shareholding Proportion (No of Shares)	Name and CNIC number	Shareholding Proportion (No of Shares)

The required information must reach our Shares Registrar within 10 days of this notice; otherwise, it will be assumed that the shares are equally held by the principal shareholder and joint holders(s).

- For any query/problem/information, the investors may contact the Corporate Secretariat Department at phone: 0310-3496465 and email address: attholder@pakre.org.pk

- Corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or CDC Pakistan Limited. Shareholders while sending NTN or NTN certificates, as the case may be, must quote the Company name and their respective folio numbers. Without the NTN Company would not be in a position to check filer status on the ATL, and hence higher tax of 30% may be applied in such cases.

- Members who desire to stop the deduction of Zakat from their dividends may submit a declaration on non-judicial stamp paper duly signed as required under the law (if not submitted earlier).

6. AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON THE COMPANY'S WEBSITE

The audited financial statements of the Company for the year ended December 31, 2021, have been placed at the Company's website www.pakre.org.pk

STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO SECTION 134 OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the Special Business to be transacted at the Annual General Meeting of the Company to be held on April 29, 2022.

Item No.5 of the Agenda - Issuance of Fully Paid Bonus Shares

The Board of Directors in their 166th meeting held on April 8, 2022 have recommended issue of bonus shares in proportion of 200 Ordinary Shares for every 100 Ordinary Shares held by the Members (i.e. 200%).

"RESOLVED THAT:

A sum of Rs. 6,000,000,000 (Rupees Six Billion) out of the free reserves of the Company be capitalized and applied towards issue of 600,000,000 Ordinary Shares of Rs. 10 each as bonus shares in the proportion of 200 Ordinary Shares for every 100 Ordinary Shares (i.e., @200%) held by every Member whose name appears on the Members' Register at the close of business on April 21, 2022.

These bonus shares shall rank pari passu in all respects with the existing shares but shall not be eligible for the final cash dividend declared for the year ended December 31, 2021.

Members entitled to fractions of shares shall be given the sale proceeds of their fractional entitlements for which purpose the fractions shall be consolidated into whole shares and sold on the Pakistan Stock Exchange Limited.

The Chief Executive Officer or any Director or Company Secretary be and is hereby authorized singly to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares, sale of fractions and payment of the sale proceeds of the fractional shares."

Item No.6 of the Agenda - Alteration in the Memorandum and Articles of Association of the Company

The Board of Directors of the Company has decided vide its 166th meeting dated April 8, 2022 to make suitable alteration in the Memorandum and Articles of Association of the Company. Subject to sections 38 and 41 of the Companies Act 2017, the Company hereby notifies the shareholders that the Memorandum and Articles of Association of the Company is being altered as per the prescribed format mentioned therein.

The alterations in the Memorandum and Articles of Association of the Company are being proposed to bring in line with the requirements of various S.R.O's/Regulations/Directions issued by the SECP and enactment of the Companies Act, 2017 to replace the Companies Ordinance, 1984.

"RESOLVED THAT:

The approval of shareholders be and is hereby accorded for making suitable alteration in the Memorandum and Articles of Association of Pakistan Reinsurance Company Limited in order to align the same as per the new Companies Act 2017.

Chief Executive Officer, Chief Financial Officer, and Company Secretary be and is hereby authorized to do all acts, deeds, and things, take any or all necessary actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolutions, as well as carry out any other acts or steps which may be ancillary and/or incidental to do the above and necessary to fully achieve the objectives of the aforesaid resolutions.

Director's Interest:

The Directors are interested in this business only to the extent of their entitlement of dividend and bonus shares as ordinary shareholders.

Pakistan Reinsurance Company Limited

PRC Towers, 32-A, Lalazar Drive, M.T. Khan Road, P.O. Box No. 4777 Karachi, Pakistan,
Telephone: 021-96202908-14 Fax: 021-96202921-22,
Email: prcl@pakre.org.pk Website: www.pakre.org.pk

PID (K) No. 2975/21

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013, Listed Companies (Code of Corporate Governance) Regulations, 2019, and Code of Corporate Governance for Insurers, 2016.

Name of company
Name of the Line Ministry
For the year ended

PAKISTAN REINSURANCE COMPANY LIMITED
COMMERCE (GoP)
DECEMBER 31, 2021

- i. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called “the Rules”) issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- ii. The company has complied with the provisions of the Rules in the following manner:

Sr. No.	Provision of the Rules	Rule No.	Y	N															
			Tick the relevant box																
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	Y																
2.	The Board has at least one-third of its total members as in dependent directors. At present the Board includes: <table border="1"><thead><tr><th>Category</th><th>Name</th><th>Date of Appointment</th></tr></thead><tbody><tr><td>Independent Directors</td><td>MsZara Shaheen Awan</td><td>29.10.2021</td></tr><tr><td rowspan="4">Non-Executive Directors</td><td>Mr. Mumtaz Ali Rajper</td><td>31-12-2019</td></tr><tr><td>Mr. Musleh-ud-Din</td><td>16-03-2017</td></tr><tr><td>Mr. Muhammad Rashid</td><td>20.09.2021</td></tr><tr><td>Dr. Kausar Ali Zaidi</td><td>04.09.2020</td></tr></tbody></table>	Category	Name	Date of Appointment	Independent Directors	MsZara Shaheen Awan	29.10.2021	Non-Executive Directors	Mr. Mumtaz Ali Rajper	31-12-2019	Mr. Musleh-ud-Din	16-03-2017	Mr. Muhammad Rashid	20.09.2021	Dr. Kausar Ali Zaidi	04.09.2020	3(2)		N
Category	Name	Date of Appointment																	
Independent Directors	MsZara Shaheen Awan	29.10.2021																	
Non-Executive Directors	Mr. Mumtaz Ali Rajper	31-12-2019																	
	Mr. Musleh-ud-Din	16-03-2017																	
	Mr. Muhammad Rashid	20.09.2021																	
	Dr. Kausar Ali Zaidi	04.09.2020																	
3	The directors have confirmed that none of them is serving as a director on more than five public sector / Listed companies and listed companies simultaneously, except their subsidiaries.	3(5)	Y																
4	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board Members under the provisions of the Act.	3(7)	Y																
5	The Chairman of the Board is working separately from the Chief Executive of the Company.	4(1)	Y																
6	The Chairman has been elected by the Board of directors except where Chairman of the Board has been appointed by the Government	4(4)	Y																
7	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the chief executive has been nominated by the Government)	5(2)	Y																
8	(a) The Board has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.	5(4)	Y																

	<p>(b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website (www.pakre.org.pk)</p> <p>(c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.</p>	5(4)	Y	
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	Y	
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b) (ii)	Y	
11	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)	Y	
12	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c) (ii)	Y	
13	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5 (5) (c) (iii)	Y	
14	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	Y	
15	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(7)	Y	
16	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	Not applicable	
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	Y	
18	<p>(a) The Board has met at least four times during the year.</p> <p>(b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.</p> <p>(c) The minutes of the meetings of the Board of Directors were appropriately recorded and circulated.</p>	<p>6(1)</p> <p>6(2)</p> <p>6(3)</p>	<p>Y</p> <p>Y</p>	N
19	The Board has monitored and assessed the performance of senior management on annual basis. And held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)	Y	
20	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	Y	

21	(a) The Board has approved the profit and loss account for, and balance sheet as at the end of the first, second and third quarter of the year as well as the financial year end.	10	Y																																
	(b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.	10	Y																																
	(c) The Board has placed the annual financial statements on the company's website.	10	Y																																
22	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	Y																																
23	(a) The Board has formed the requisite committees, as specified in the Rules.	12	Y																																
	(b)All the committees were provided with written terms of reference defining their duties, authority and composition.	12	Y																																
	(c) The minutes of the meetings of the committees were circulated to all the board members.	12	Y																																
	(d) The committees were chaired by the following non-executive directors:																																		
	<table><tr><th>Sr.No</th><th>Committees</th><th>No. of Directors</th><th>Name of Chair</th></tr><tr><td>1</td><td>Audit Committee</td><td>Three</td><td>Mr. Musleh-ud-Din</td></tr><tr><td>2</td><td>Investment Committee</td><td>Three</td><td>Mr. Muhammad Rashid</td></tr><tr><td>3</td><td>* Ethics, Human Resource & Remuneration Committee</td><td>Four</td><td>Mr. Mumtaz Ali Rajper</td></tr><tr><td>4</td><td>Underwriting / Reinsurance Committee</td><td>One</td><td>Dr. Kausar Ali Zaidi</td></tr><tr><td>5</td><td>Claim Settlement Committee</td><td>One</td><td>Mr. Mumtaz Ali Rajper</td></tr><tr><td>6</td><td>Risk Management and Compliance Committee</td><td>Three</td><td>Mr. Muhammad Rashid</td></tr><tr><td>7</td><td>Procurement Committee</td><td>Three</td><td>Dr. Kausar Ali Zaidi</td></tr></table> <p><i>*The Board has assigned the responsibility and functions of Nomination Committee to the Ethics, HR & Remuneration Committee as per guidelines provided in COCG for Insurers, 2016.</i></p>	Sr.No	Committees	No. of Directors	Name of Chair	1	Audit Committee	Three	Mr. Musleh-ud-Din	2	Investment Committee	Three	Mr. Muhammad Rashid	3	* Ethics, Human Resource & Remuneration Committee	Four	Mr. Mumtaz Ali Rajper	4	Underwriting / Reinsurance Committee	One	Dr. Kausar Ali Zaidi	5	Claim Settlement Committee	One	Mr. Mumtaz Ali Rajper	6	Risk Management and Compliance Committee	Three	Mr. Muhammad Rashid	7	Procurement Committee	Three	Dr. Kausar Ali Zaidi	12	Y
Sr.No	Committees	No. of Directors	Name of Chair																																
1	Audit Committee	Three	Mr. Musleh-ud-Din																																
2	Investment Committee	Three	Mr. Muhammad Rashid																																
3	* Ethics, Human Resource & Remuneration Committee	Four	Mr. Mumtaz Ali Rajper																																
4	Underwriting / Reinsurance Committee	One	Dr. Kausar Ali Zaidi																																
5	Claim Settlement Committee	One	Mr. Mumtaz Ali Rajper																																
6	Risk Management and Compliance Committee	Three	Mr. Muhammad Rashid																																
7	Procurement Committee	Three	Dr. Kausar Ali Zaidi																																
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	Y																																
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	Y																																
26	The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of Section 225 of the Act.	16	Y																																
27	The Directors' Report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient features required to be disclosed.	17	Y																																
28	The Directors, CEO and Executives or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	Y																																

29	(a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. (b) The annual report of the company contains criteria and details of remuneration of each director.	19	Y																					
30	The financial statements of Company were duly endorsed by the Chief Executive and Chief Financial Officer, before consideration and approval of the audit committee and the Board.	20	Y																					
31	<p>The board has formed an audit committee, with defined and written terms of reference and having the following members with the Chairman as an Independent Director:</p> <table><tr><th>S.No.</th><th>Name of Member</th><th>Category</th><th>Professional Background</th></tr><tr><td>1</td><td>Mr. Musleh-ud-Din</td><td>Non-executive</td><td>Ph.D (Economics)</td></tr><tr><td>2</td><td>Dr. Kausar Ali Zaidi</td><td>Non-executive</td><td>MBBS</td></tr><tr><td>3</td><td>Mr. Muhammad Rashid</td><td>Non-executive</td><td>CIA&FCMA</td></tr><tr><td>4</td><td>Mr. Tameez-ud-Din, Chief Internal Auditor</td><td>Secretary of the Committee</td><td>FCCA, M.A (Eco.), CII</td></tr></table> <p>The Chief Executive and Chairman of the Board are not Members of the Audit Committee.</p>	S.No.	Name of Member	Category	Professional Background	1	Mr. Musleh-ud-Din	Non-executive	Ph.D (Economics)	2	Dr. Kausar Ali Zaidi	Non-executive	MBBS	3	Mr. Muhammad Rashid	Non-executive	CIA&FCMA	4	Mr. Tameez-ud-Din, Chief Internal Auditor	Secretary of the Committee	FCCA, M.A (Eco.), CII	21(1) and 21(2)	Y	N
S.No.	Name of Member	Category	Professional Background																					
1	Mr. Musleh-ud-Din	Non-executive	Ph.D (Economics)																					
2	Dr. Kausar Ali Zaidi	Non-executive	MBBS																					
3	Mr. Muhammad Rashid	Non-executive	CIA&FCMA																					
4	Mr. Tameez-ud-Din, Chief Internal Auditor	Secretary of the Committee	FCCA, M.A (Eco.), CII																					
32	(a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. (b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives. (c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditor.	21(3) 21(3) 21(3)	Y Y Y																					
33	(a) The board has set up an effective internal audit function which has an audit charter, duly approved by the audit committee, (b) The chief internal auditor has requisite qualification and experience prescribed in the rules. (c)The internal audit reports have been provided to the external auditors for their review.	22 22 22	Y Y Y																					
34	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) Guidelines on Code of Ethics as applicable in Pakistan.	23(4)	Y																					
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	Y																					

Certain additional disclosures, required under the Listed Companies (Code of Corporate Governance) Regulations, 2019:

- 36 The total number of directors are Five (5) as per the following:
- Male: Four
 - Female: One

- 37 All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
- 38 The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
- 39 The Board has arranged Directors' Training program for all its members.
- 40 The frequency of meetings (quarterly / half yearly / yearly) of the committee were as per following:

S.No.	Committees	Meeting Date
1	Audit Committee	February 22, 2021
		March 12, 2021
		April 6, 2021
		April 16, 2021
		April 29, 2021
		August 24, 2021
		October 28, 2021
		December 17, 2021
2	Ethics, HR & Remuneration Committee	February 22, 2021
		May 25, 2021
		August 23, 2021
		September 27, 2021
		October 28, 2021
3	Investment Committee	December 6, 2021
		June 4, 2021
		August 24, 2021
4	Risk Management and Compliance	December 20, 2021
		March 31, 2021
		June 24, 2021
5	Claims Settlement	December 17, 2021
		February 23, 2021
		April 29, 2021
		October 16, 2021
6	Underwriting / Reinsurance Committee	December 20, 2021
		March 12, 2021
		October 2, 2021
7	Procurement Committee	December 17, 2021
		January 22, 2021
		July 3, 2021
		October 15, 2021
		December 25, 2021

*Chairman of Ethics, HR & Remuneration Committee is not an Independent Director

- 41 We confirm that all other requirements of the Regulations 3, 6, 7, 8, 32, 33 and 36 of the Regulations have been complied with; and
- 42 Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 32, 33 and 36 are below (if applicable):

Further disclosures, required under Code of Corporate Governance for Insurers, 2016:

43. 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 Developing Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI) or being a member of stock exchange, has been declared as a defaulter by that stock exchange.
44. A casual vacancy occurred on the Board for nominee Director on 1st October 2020, was filled up by the BOD on 29th October 2021.
45. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.
46. The Board has formed the following Management Committees:

Underwriting / Reinsurance Committee

Name of the Member	Category
Dr. Kausar Ali Zaidi	Chairman
Chief Executive Officer	Member
Executive Director (Underwriting)	Secretary

Claim Settlement Committee

Name of the Member	Category
Mumtaz Ali Rajper	Chairman
Chief Executive Officer	Member
Head of Claims Department	Secretary

Risk Management & Compliance Committee

Name of the Member	Category
Mr. Muhammad Rashid	Chairman
Dr. Kausar Ali Zaidi	Member
Ms. Zara Shaheen Awan	Member
Chief Executive Officer	Member
Head of Risk Management Officer	In Mandatory Attendance
Company Secretary / Compliance Officer	Secretary

47. The Board has formed the following Board Committees:

Audit Committee

Name of the Member	Category
Mr. Musleh-ud-Din	Non-executive
Dr. Kausar Ali Zaidi	Non-executive
Mr. Muhammad Rashid	Non-executive
Mr. Tameez-ud-Din / Chief Internal Auditor	Secretary of the Committee

Ethics, Human Resource & Remuneration Committee

Name of the Member	Category
Mr. Mumtaz Ali Rajper	Chairman
Dr. Kausar Ali Zaidi	Member

Mr. Musleh-Ud-Din	Member
Ms. Zara Shaheen Awan	Member
Chief Executive Officer	Member
Head of Department	Secretary

Investment Committee

Name of the Member	Category
Mr. Muhammad Rashid	Chairman
Mr. Mumtaz Ali Rajper	Member
Mr. Musleh-Ud-Din	Member
Chief Executive Officer	Member
Chief Financial Officer	Secretary

Procurement Committee

Name of the Member	Category
Dr. Kausar Ali Zaidi	Chairman
Mr. Mumtaz Ali Rajper	Member
Ms. Zara Shaheen Awan	Member
Chief Executive Officer	Member
Head of Administration	Secretary

- 48 The Committees Meeting of Audit were held in every quarter but the Meetings of Investment Committee, Underwriting / Reinsurance Committee and Risk Management & Compliance Committee were not held in 1st, 2nd and 3rd quarters respectively while 3rd quarter Meeting of Claims Settlement and Underwriting / Reinsurance were held in the 4th quarter. Prior to approval of interim and final results of the insurer and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.
- 49 The Chief Financial Officer and the Head of Internal Audit possess such qualifications and experience as is required under the Code of Corporate Governance for Insurers, 2016. Moreover, the following persons heading the underwriting, claim, reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under Section 12 of the Insurance Ordinance, 2000 (Ordinance No.XXXIX of 2000).

Key Officers in Management

Name of the Person	Designation
1. Mr. Farmanullah Zarkoon	Chief Executive Officer
2. Mr. Muhammad Junaid Moti,	Head of Underwriting/ Reinsurance
3. Mr. Muhammad Naveed Iqbal	Acting CFO / Head of Investment
4. Mr. Tameez-ud-Din	Chief Internal Auditor
5. Mr. Sumeet Kumar	Company Secretary/ Compliance Officer
6. Mr. Arham Raheem	Head of Administration& HR
7. Mr. Zohaib Hasan	Head of Information Technology Deptt.
8. Ms. Erum Nadeem	Head of Legal Department
9. Ms. Hina Gul	Head of Northern Zonal Office
10. Mr. Zaffar Iqbal	Head of Retrocession
11. Ms. Rana Munir Ahmed	Head of Claims
12. Mr. Prince Danish Maqsood	Head of Risk Management
13. Mr. Muhammad Ahmed	Head of Re-takaful

- 50 The Board ensures that the investment policy of the insurer has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
- 51 The Board ensures that the risk management system of the insurer is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016.
- 52 The Company has set up a risk management function / department, which carries out its tasks as covered under the Code of Corporate Governance for Insurers, 2016.
- 53 The Board ensures that as part of the risk management system, the insurer gets itself rated from JCR-VIS(credit rating agency) which is being used by its risk management function / department and the respective Committee as a risk monitoring tool/ The rating assigned by the said rating agency on December 28, 2021 is AA (rating) with Positive outlook.
- 54 The Board has set up a grievance department/function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.
- 55 We confirm that all other material principles contained in the Code of Corporate Governance for Insurer, 2016 have been complied with.

CHIEF EXECUTIVE OFFICER

CHAIRMAN

**Review report to the members on the statement of compliance with the
Public Sector Companies (Corporate Governance) Rules, 2013,
Listed Companies (Code of Corporate Governance) Regulations, 2019
And Code of Corporate Governance for Insurers, 2016 ("the Codes")**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013, Code of Corporate Governance for Insurers, 2016 and Listed Companies (Code of Corporate Governance) Regulations, 2019 (referred to as 'the Codes') prepared by the Board of Directors of Pakistan Reinsurance Company Limited for the year ended December 31, 2021 to comply with the Codes.

The responsibility for compliance with the Codes 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 Rules and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Codes.

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

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

Following instances of non-compliance with the requirements of the Codes were observed which are not stated in the Statement of Compliance:

Public Sector Companies (Corporate Governance) Rules, 2013

S.No	Reference	Description
1	21(9)	The minutes of Audit Committee meeting # 94, 95, 97 & 98 were not circulated within fourteen days of meeting.

Based on our review, except for the above instances of non-compliance, 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 Codes as applicable to the Company for the year ended December 31, 2021.

Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in the 2nd, 18th, 31st, 40th & 48th paragraph where these are stated in the Statement of Compliance:

Public Sector Companies (Corporate Governance) Rules, 2013

S.No	Reference	Description
1	3(2)	The Board does not have one third of its total members as Independent Directors.
2	6(3)	The minutes of the meeting of Board of Directors were not circulated within 14 days.
3	21(1)	The chairman of audit committee is not an independent director.

Listed Companies (Code Of Corporate Governance) Regulations, 2019

S.No	Reference	Description
1	28(2)	The chairman of HR & Remuneration Committee is not an independent director.

Code of Corporate Governance for Insurers, 2016

S.No	Reference	Description
1	XLIII	All committees (whether management committees or the Board committees) did not meet at least once in every quarter.

Date:
Karachi:

Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement partner

Explanation for Non-Compliance with Code of Corporate Governance

We confirm that all other material requirements envisaged in the Rules have been complied with, except for the following, toward which reasonable progress is being made by the Company to seek compliance by the end of next accounting year:

Code of Corporate Governance for Insurers, 2016			
Sr. No.	Rule/Sub-rule No.	Reason for noncompliance	Future Course of Action
1	XLIII	Majority of the Committees did meet once in every quarter. While others could not as they did not have sizeable agenda to conduct the Meeting.	The Management is determined to hold these Committees' Meetings quarterly, in the year 2022 and onward.
Listed Companies (Code of Corporate Governance) Regulations, 2019			
2	28(2)	The Company was short of required number of independent Directors to rotate simultaneously in different Committees, keeping in view different codal requirements.	The matter has been communicated to the Government to nominate such Directors who fit in the criteria given for independence. Once the required number of Independent Directors is completed, the composition of the committees would be restructured accordingly.
Public Sector Companies (Corporate Governance) Rules, 2013			
3	21(9)	The compliance with the requirement, while circulating the minutes of Board Audit Committee meetings held in the year 2021, was overlooked due to resignation of senior positions and shortage of human resource in Internal Audit Department.	The Management is determined to timely circulate the Minutes of Meetings within stipulated time in the year 2022 and onward. Moreover, the required strength of Human Resource is also being recruited for the Department to curb such type of non-compliances in future.
4	3(2)	The Board has currently one Independent Director. Meanwhile, the Company has fulfilled its fiduciary responsibility by reminding the Government to nominate Directors who fit in the criteria given for independence.	The Management is expected to receive the nomination from the Ministry for the Directors who fit in the criteria of independence in the year 2022.
5	6(3)	Total eleven meetings of the Board were held during the year out of which the minutes of ten were circulated on time. Only one Meeting's minutes were	The Company has taken sufficient measures to reduce even the minor operational discrepancies and is determined to timely circulate the

		circulated with the delay of 4 days which is very non-significant, considering the compliance of overall year.	Minutes of Meetings within stipulated time in the year 2022 and onward.
6	21(1)	The Company was short of required number of independent Directors to rotate simultaneously in different Committees, keeping in view different codal requirements.	The matter has been communicated to the Government to nominate such Directors who fit in the criteria given for independence. Once the required number of Independent Directors is completed, the composition of the committees would be restructured accordingly.

CHIEF EXECUTIVE OFFICER

CHAIRMAN

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PAKISTAN REINSURANCE
COMPANY LIMITED
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

Qualified Opinion

We have audited the annexed financial statements of **Pakistan Reinsurance Company Limited** (the "Company") which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, expect for the possible effects of the matters discussed in the Basis for Qualified Opinion section of our report, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2021 and of the profit and other comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Qualified Opinion

- 1) As fully disclosed in note 15 to the financial statements, an amount of Rs. 2,573.89 million (2020: Rs. 2,573.89 million) is receivable from Sindh Revenue Board (SRB) which was recovered by SRB against the sales tax liability on reinsurance services. The Company has recorded this amount as an asset, however the Company could not substantiate any control over the underlying asset and the flow of economic benefits is improbable due to ongoing Court case. Had the Company not recorded this asset, total assets, accumulated profit, shareholders' equity and solvency would have been reduced by the same amount accordingly.
- 2) As disclosed in 16, 17, 18, 21, 24, 30, 34, 36, 37, 38, and 52 to the financial statements, certain account balances and class of transactions have been recorded against treaty proportional business. We were not provided the details and supporting of the premium/claims of the ceding insurance companies except statutory quarterly returns and bordereaux. The Company does not have any system and controls to verify such premium/claims. Consequently, we were unable to verify and determine whether any adjustments to these amounts were necessary.

- 3) Amount due from other insurer companies includes gross and net amount of Rs. 8.89 billion and Rs 7.767 billion respectively (refer note 16) and due to other insurance companies includes and amount of Rs. 75 million (refer note 30). These balances remain unreconciled. The Company is in the process to reconcile these balances. Due to pending confirmations/reconciliation relating to above balances, resulted adjustment and consequential impact thereon, (if any) on these financial statements remain unascertained.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of Matter

- We draw attention to note 35.2 to the financial statements which provides details regarding contingency in respect of which decision is pending. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicate in our report:

S No.	Key audit matters	How the matter was addressed in our audit
1.	<p>Valuation of facultative outstanding claims including Incurred But Not Reported (IBNR)</p> <p>Refer note 5.6 and 24 to the financial statements for accounting policy and details in respect of facultative claim liabilities. The Company's facultative claim liabilities represent 18% of the Company's total liabilities. Valuation of these liabilities involves significant management judgment because it requires a number of assumptions to be made with high estimation uncertainty such as loss ratios, estimates of the frequency and severity of claims. Facultative claim liabilities are</p>	<p>Our audit procedures to address this matter included the following:</p> <ul style="list-style-type: none"> • Assessed the appropriateness of the Company's accounting policy for recording of facultative claims in line with the requirements of applicable accounting and reporting standards; • Obtained an understanding of the design of Company's policies and procedures over the capturing, processing and recording of information related to claims. In addition, our procedures included

	<p>recognized on intimation of the insured event based on management judgment and estimate. The Company also maintains provision for IBNR claims based on the advice of an independent actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions.</p> <p>We have considered this as a key audit matter due to significant estimate and judgement involved. Any change in the estimate and judgment could have significant financial impact.</p>	<p>testing and evaluating the appropriateness of established controls and procedures;</p> <ul style="list-style-type: none"> • Examined the report of an external independent actuary to evaluate the actuarial assumptions used by actuary by appointing an expert (actuary) in determining provision for IBNR so that these are in line with industry practices; • Re-performance of reconciliations between the facultative claims data recorded in the policy administration systems and the data used in the actuarial reserving calculations to ensure the integrity, completeness and accuracy of the data used in the actuarial reserving process; • We also tested facultative claims transaction on sample basis with appropriate documentation to evaluate that whether the claims reported during the year are recorded in accordance with the requirements of Company's policies and insurance regulations; and • Considered the adequacy of Company's disclosures in compliance with accounting and reporting standards about estimates used and the sensitivity to key assumptions.
2.	<p>Classification, Valuation and Impairment of Investments</p> <p>Refer note 5.2, 12 and 13 to the financial statements relating to classification and valuation of investments. The Company's total investment portfolio which represents 27% of the Company's total assets. These investments comprise of equity and debt instruments.</p>	<p>Our audit procedures in respect of valuation of investments included the following:</p> <ul style="list-style-type: none"> • Obtained understanding, evaluated the design and implementation of key controls designed for the classification, valuation and impairment of investments;

	<p>We identified the valuation and impairment of investments as key audit matter because of the significance of investments and management's judgment involved in valuation and impairment.</p>	<ul style="list-style-type: none"> Assessing pricing model methodologies and assumptions against accounting policies, industry practices and valuation guidelines; Tested investments buying and selling trades made during the year and tested classification of investments with underlying documentation; Ensured completeness and existence assertion of investment portfolio with IPS statements and Central Depository Company's report; Re-performing our own valuation assessment of the investment portfolio to identify any potential impairment and review management's assessment in relation to impairment of investments; and We also assessed whether the Company's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements and appropriately present the sensitivities in the valuations based on alternative outcomes.
3.	<p>Revenue Recognition Risk of Investment income and Facultative premium</p> <p>Refer notes 5.12, 36, 40 and 52 to the financial statements for accounting policies and details in respect of revenue recognition risk.</p> <p>The Company receives its revenue primarily from two main sources namely; premiums and investments income. Premiums from facultative insurance policies and investment income comprise of 57 % of the total revenue.</p>	<p>Our audit procedures in respect of premiums from facultative insurance policies and investment income included the following:</p> <ul style="list-style-type: none"> Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of facultative premiums income; Assessed the appropriateness of the Company's accounting policy for recording of facultative

	<p>We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<p>premiums and investment income in line with requirements of applicable accounting and reporting standards;</p> <ul style="list-style-type: none"> • For a risk-based sample of policies of which facultative premium was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; • Tested the facultative premium recorded on sample basis to test the accuracy from the underlying policies issued to insurance contract holders; • Recalculated the unearned portion of facultative premium income and ensured that appropriate amount has been recorded as unearned premium reserve; • For a sample of investment income transactions, tested that investment income is recorded based on the effective interest method or where right to receive the dividend is established; and • Tested the investment income transaction on sample basis and subsequent to year end, and evaluated that these were recorded in the appropriate period.
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<p>5.</p>	<p>Adoption of fair value model for land and building included in property and equipment, right of use assets and investment property.</p> <p>Refer note 7.2, 8.5 and 11.1 to these financial statements, company has changed its measurement policy of property, plant and equipment and investment properties from cost model to fair value model.</p> <p>The highly judgmental and subjective nature of valuation coupled with the significance to the financial statements results in property and equipment and investment property being an area of audit focus.</p> <p>Management engaged an independent valuer approved by the Pakistan Bankers Association (PBA) to determine the fair value of these assets.</p> <p>We identified the fair valuation of as a key audit matter as the determination of fair value is highly dependent on a range of estimates that require significant degree of management's judgment.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Ensured that requirements of IAS-8 as has been appropriately applied with respect to change in accounting policy. • We assessed the competence and objectivity of the qualified valuer engaged by the Company to determine the fair value of land and building under IAS 16 "Property, plant and equipment" and IAS 40 "Investment property". • We assessed the appropriateness of the methodology and assumptions used to determine the fair value of land and building. • We tested the data provided by the Company to valuer for the purpose of valuation and check its accuracy and completeness, and • Evaluate the appropriateness and adequacy of disclosures in the financial statements.
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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements

of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable,

related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, except for the effects of the matters discussed in Basis for Qualified Opinion paragraph, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

We have also issued a separate audit report dated [REDACTED] giving disclaimer of opinion on the financial statements of Pakistan Reinsurance Company Limited - Window Retakaful Operations for the year ended December 31, 2021.

The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb**.

Grant Thornton Anjum Rahman
Chartered Accountants

Karachi

Dated

UDIN:

PAKISTAN REINSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

		2021	2020
	Note	(Rupees)	
ASSETS			
Property and equipment	7	429,090,184	35,266,460
Right of use asset	8	1,801,531,334	21,961,909
Intangible assets	9	8,474,168	8,474,168
Assets in Bangladesh - net	10	-	-
Investment property	11	722,274,603	25,496,671
Investments			
- Equity securities	12	3,388,832,943	3,763,247,842
- Debt securities	13	9,174,069,234	8,271,505,868
		12,562,902,177	12,034,753,710
Loans and other receivables	14	285,844,726	305,253,273
Receivable from Sindh Revenue Board	15	2,573,888,727	2,573,888,727
Insurance / reinsurance receivables	16	13,686,203,094	8,141,085,867
Reinsurance recoveries against outstanding claims including IBNR	17	4,608,127,235	5,603,808,031
Deferred commission expense	18	806,214,206	708,870,616
Taxation - payments less provision	28	-	181,407,606
Prepayments	19	7,723,545,836	4,144,875,197
Cash and cash equivalent	20	1,140,841,359	1,570,505,178
		46,348,937,649	35,355,647,413
Total assets from window retakaful operations - Operator's retakaful fund	21	456,613,640	409,366,837
Total Assets		46,805,551,289	35,765,014,250
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Share capital	22	3,000,000,000	3,000,000,000
Revaluation surplus - net of tax		1,545,282,086	-
Reserves	23	8,526,912,530	7,241,544,195
Total Equity		13,072,194,616	10,241,544,195
Liabilities			
Underwriting provisions			
- Outstanding claims including IBNR	24	9,401,437,187	10,475,734,890
- Unearned premium reserves	25	10,732,384,652	6,513,672,434
- Unearned reinsurance commission	26	523,294,102	338,532,613
- Premium deficiency reserve		58,873,368	-
		20,715,989,309	17,327,939,937
Retirement benefit obligations	27	3,206,839,590	3,188,627,998
Taxation liabilities - provision less payments	28	366,732,044	-
Deferred taxation	29	810,480,910	116,933,390
Insurance / reinsurance payables	30	8,208,198,213	4,550,351,722
Lease liabilities	31	29,238,876	26,778,855
Unclaimed dividends	32	205,956,627	155,208,129
Other creditors and accruals	33	89,257,122	88,202,370
		12,916,703,382	8,126,102,464
Total liabilities from window retakaful operations - Operator's retakaful fund	34	100,663,982	69,427,654
Total Liabilities		33,733,356,673	25,523,470,055
Total Equity and Liabilities		46,805,551,289	35,765,014,250

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 61 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE
OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL
OFFICER

PAKISTAN REINSURANCE COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2021

		2021	2020
	Note	(Rupees)	
Net insurance premium	36	7,225,623,532	6,708,834,772
Net insurance claims	37	(3,777,804,999)	(3,924,588,676)
Net commission and other acquisition costs	38	(968,356,238)	(925,195,332)
Premium deficiency reserve expense		(58,873,368)	-
		(4,805,034,605)	(4,849,784,008)
Management expenses	39	(728,999,260)	(666,777,957)
Provision for doubtful debts-net	14 & 16	(8,781,891)	(426,553,066)
Underwriting results		1,682,807,776	765,719,741
Investment income - net	40	981,709,956	1,043,379,592
Rental income - net	41	104,379,330	83,419,433
Finance cost	42	(2,548,867)	(2,750,485)
Fair value gain on investment property	11	698,055,394	-
Other income	43	142,247,594	74,353,871
Other expenses	44	(8,195,243)	(22,587,261)
		1,915,648,165	1,175,815,150
Total revenue from operations		3,598,455,941	1,941,534,891
Profit from window retakaful operations - Operator's retakaful fund	45	15,962,349	30,450,665
Profit before tax		3,614,418,290	1,971,985,556
Income tax expense	46	(1,024,831,827)	(580,546,325)
Profit after tax		2,589,586,463	1,391,439,231
Earnings per share - basic and diluted	47	8.63	4.64

The annexed notes from 1 to 61 form an integral part of these financial statements. *QSM*

CHAIRMAN

CHIEF EXECUTIVE
OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL
OFFICER

PAKISTAN REINSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021	2020
	(Rupees)	
Profit after tax	2,589,586,463	1,391,439,231
Other comprehensive income		
Items that may be subsequently reclassified to Statement of profit or loss		
Unrealized loss on available for sale investments	(560,047,005)	(177,022,021)
Unrealized gain/(loss) on available for sale investments - window Retakaful operations - net of tax	48,126	(23,483)
Transfer to statement of profit or loss on disposal of available for sale investments	31,756,267	(28,915,788)
Deferred tax on available for sale investments	142,264,484	(5,848,419)
Revaluation surplus on right of asset use - net of tax	1,264,741,728	-
Revaluation surplus on property, plant and equipment - net of tax	280,540,358	-
	1,159,303,958	(211,809,711)
Items that will not be subsequently reclassified to Statement of profit or loss		
Actuarial loss on defined benefit obligation	27.1.3 (168,240,000)	(166,883,000)
Other comprehensive income/(loss) for the year	991,063,958	(378,692,711)
Total comprehensive income for the year	3,580,650,421	1,012,746,520

The annexed notes from 1 to 61 form an integral part of these financial statements. 

CHAIRMAN

CHIEF EXECUTIVE
OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL
OFFICER

PAKISTAN REINSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

FOR THE YEAR ENDING 31 DECEMBER 2020

	Share capital	Reserves					Total reserves	Total equity
		Capital		Other	Revenue			
		Reserve for exceptional losses	Unrealized gain on available for sale investment	Revaluation surplus	General reserve	Retained earnings		

The annexed notes from 1 to 61 form an integral part of these financial statements.

CHAIRMAN

**CHIEF EXECUTIVE
OFFICER**

DIRECTOR

DIRECTOR

**CHIEF FINANCIAL
OFFICER**

PAKISTAN REINSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

		2021	2020
	Note	(Rupees)	
Reconciliation to profit or loss account		155,439,967	1,435,998,830
Operating cash flows			
Depreciation expense	7.1	(6,952,796)	(7,671,723)
- Property and equipment	11	(1,277,463)	(1,352,922)
- Investment property	43 & 44	66,669,413	(15,299,960)
Exchange gain/ (loss)		105,656,793	84,772,355
Rental income - net	11	698,055,394	-
Fair value gain on investment property		(995,680,796)	1,669,443,310
Reinsurance recoveries against outstanding claims		1,074,297,703	(2,464,087,981)
Provision for outstanding claims		(4,218,712,218)	1,937,986,415
Decrease / (increase) in provision for unearned premium		3,578,698,959	(1,309,342,041)
(Decrease) / increase prepaid reinsurance		150,028,408	(23,550,902)
Provision for employee benefits	40	224,524,616	131,951,889
Dividend income		(40,293,233)	51,028,512
Other investment related expenses		787,392,999	857,425,818
Interest income	40	18,188,606	26,679,246
Amortization of Pakistan Investment Bonds	40	51,084,393	39,160,452
Realized gain on investments		5,529,056,792	(1,657,336,183)
(Decrease) / increase in operating assets other than cash		(3,849,773,324)	888,514,750
Decrease / (increase) in operating liabilities		3,326,404,213	1,644,319,866
Other adjustments:		272,051,728	297,215,024
Income tax paid	28	3,598,455,941	1,941,534,891
Profit before taxation	46	(1,024,831,827)	(580,546,325)
Provision for taxation		2,573,624,114	1,360,988,566
Profit after taxation from conventional reinsurance operations	45	15,962,349	30,450,665
Profit from Window Retakaful Operations - Operator's retakaful funds		2,589,586,463	1,391,439,231
Profit after tax			

The annexed notes from 1 to 61 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE
OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL
OFFICER

PAKISTAN REINSURANCE COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 ----- (Rupees) -----	2020
Operating cash flows			
Underwriting activities:			
Insurance premium received		15,439,506,827	18,106,756,395
Reinsurance premium paid		(9,403,407,489)	(11,792,533,325)
Claims paid	37	(5,511,516,252)	(8,924,707,349)
Reinsurance and other recoveries received	37	1,655,094,346	5,794,763,344
Commission paid	38	(1,822,272,449)	(1,688,588,859)
Commission received	38	941,334,110	859,579,639
Management expenses paid		(722,046,464)	(659,106,234)
Net cash generated from underwriting activities		576,692,629	1,696,163,611
Other operating activities:			
Income tax paid	28	(272,051,728)	(297,215,024)
Other operating payments		(8,195,243)	(7,546,453)
Loan repayments received		5,226,221	12,151,868
Other operating receipts		(146,231,912)	32,444,828
Net cash used in other operating activities		(421,252,662)	(260,164,781)
Total cash generated from all operating activities		155,439,967	1,435,998,830
Investment activities:			
Property and equipment expenditure	7	(3,892,302)	(1,019,042)
Intangible assets	9	-	(5,084,501)
Payment for investments		(17,209,901,257)	(10,193,546,808)
Proceeds from investments		16,152,265,082	8,988,453,439
Rental received		100,770,578	53,434,843
Dividend received		225,330,416	131,146,089
Profit / return received		190,752,525	178,294,744
Investment income received - net of expenses		658,822,674	719,214,174
Total cash generated from/(used in) investing activities		114,147,716	(129,107,062)
Financing activities:			
Dividend paid -net		(699,251,502)	(552,065,337)
Total cash used in financing activities		(699,251,502)	(552,065,337)
Net cash (used in)/ generated from all activities		(429,663,819)	754,826,431
Cash and cash equivalents at beginning of the year		1,570,505,178	815,678,747
Cash and cash equivalents at end of the year	20	1,140,841,359	1,570,505,178

PAKISTAN REINSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Reinsurance Company Limited (the Company) was incorporated in Pakistan as a public limited company on March 30, 2000 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The Company is engaged in providing reinsurance and other insurance business being forum of risk transfer. The shares of the Company are quoted on Pakistan Stock Exchange Limited.

With effect from February 15, 2001, the Company took over all the assets and liabilities of former Pakistan Insurance Corporation (PIC) vide SRO No.98(1)/2000 dated February 14, 2001 of the Ministry of Commerce issued in terms of Pakistan Insurance Corporation (Re-organization) Ordinance, 2000 to provide for conversion of Pakistan Insurance Corporation into Pakistan Reinsurance Company Limited which was established in 1952 as Pakistan Insurance Corporation (PIC) under PIC Act 1952. Accordingly, PIC has been dissolved and ceased to exist and the operations and undertakings of PIC are being carried out by the Company.

The Company was granted authorization on September 26, 2018 under Rule 6 of the Takaful Rules, 2012 to undertake Window Retakaful Operations in respect of general retakaful products by the Securities and Exchange Commission of Pakistan (SECP).

The Company is under administrative control of Ministry of Commerce (Government of Pakistan). The Ministry of Commerce holds 44.88% shares of the Company. The Cabinet Committee on Privatization (CCoP) on August 21, 2020 approved divestment of government stakes in the Company through public offerings.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at PRC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi. The zonal office of the Company is located at 1st Floor, 15-A, Davis Road, State Life Building, Lahore, Pakistan.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements are prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017 ; and
- Provisions of and directives issued under the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, General Takaful Accounting Regulations, 2019, Takaful Rules, 2012 and Companies Act, 2017.

In case requirements differ, the provisions or directives of the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, General Takaful Accounting Regulations, 2019, Takaful Rules, 2012 and Companies Act, 2017 shall prevail.

Total assets, total liabilities and profit of the Window Retakaful Operations of the Company referred to as the Operator's retakaful fund have been presented in these financial statement in accordance with the requirements of Circular 25 of 2015 dated July 09, 2015. A separate set of financial statements of the Window Retakaful Operations has been reported which is annexed to these financial statements as per the requirements of the SECP Takaful Rules, 2012 and General Takaful Accounting Regulations, 2019.

PAKISTAN REINSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

3.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except certain investments which have been measured at fair value and the Company's liability under retirement benefit obligations which is determined based on present value of defined benefit obligation less fair value of plan assets. No adjustment for the effect of inflation has been accounted for in the financial statements. All transactions reflected in these financial statements are on accrual basis except for those reflected in Statement of Cash Flows.

3.3 Functional and presentation currency

These financial statements have been prepared and presented in Pakistani Rupees (PKR), which is the Company's functional and presentation currency.

4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

4.1 Standards, amendments and interpretations to the published standards that are relevant to the Company and adopted in the current year

During 2019, the SECP vide its S.R.O. 1416 (I) / 2019 dated November 20, 2019 had issued the General Takaful Accounting Regulations, 2019 (Regulations). These Regulations prescribe the format for the regulatory returns and published financial statements of the Window Takaful Operations applicable from January 1, 2020. The impact of these Regulations has been detailed in the financial statements of the Window Takaful Operations for the year ended December 31, 2020.

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

New or Revised Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 3 - Definition of a Business - (Amendments)	January 1, 2020
IAS 1 and IAS 8 - Definition of Material - (Amendments)	January 1, 2020
IAS 39 and IFRS 7 Investment rate benchmark Reform (Amendments)	January 1, 2020
IFRS 16 - COVID-19 Rent Related Concessions (Amendment)	April 1, 2021
Annual improvements to accounting standards (2015-2017 cycle)	January 1, 2020

Adoption of the above standards have no effect on the amounts for the year ended December 31, 2020.

IFRS 9 'Financial Instruments' and amendment (effective for period ending on or after June 30, 2019) replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It has also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39.

PAKISTAN REINSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2022.

For the companies adopting the temporary exemption, the IFRS 4 requires certain disclosures which have been disclosed as follows:

Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below:

Fair value of financial assets as at December 31, 2021 and changes during the year

	As at December 31, 2021	As at December 31, 2020	Changes during the year
Financial assets with contractual cash flows that meet the SPPI criteria, excluding those held for trading			
Pakistan Investment Bonds - HTM	<u>8,813,219,837</u>	<u>7,641,957,966</u>	<u>1,171,261,871</u>
Pakistan Investment Bonds - available-for-sale	<u>360,849,397</u>	<u>629,547,902</u>	<u>(268,698,505)</u>
Financial assets that do not meet the SPPI criteria			
Listed securities - available-for-sale	<u>1,872,955,022</u>	<u>2,154,486,027</u>	<u>(281,531,005)</u>

4.2 Standards, amendments and interpretations to the published standards that may be relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2 (Amendments)	January 1, 2021
IFRS 17 - Insurance Contracts	January 1, 2022
IFRS 3 - Reference to the Conceptual Framework (Amendments)	January 1, 2022
IAS 16 - Proceeds before Intended Use (Amendments)	January 1, 2022
IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	January 1, 2022

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Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 1, IFRS 9, IFRS 16 and IAS 41 - Annual Improvements to accounting standards (2018-2020 cycle)	January 1, 2022
IAS 1 - Classification of Liabilities as Current or Non-current (Amendments)	January 1, 2023
Revised Conceptual Framework for Financial Reporting	April 1, 2020

Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;
- reinstating prudence as a component of neutrality;
- defining a reporting entity, which may be a legal entity, or a portion of an entity;
- revising the definitions of an asset and a liability;
- removing the probability threshold for recognition and adding guidance on derecognition;
- adding guidance on different measurement basis; and
- stating that profit or loss is the primary performance indicator and that in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from effective date. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

4.3 Standards, amendments and interpretations to the published standards that are not yet notified by the SECP

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the SECP:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 17 - Insurance Contracts	January 1, 2023
IFRS 9 - ECL model on financial assets due from government	July 1, 2021
IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023
'IAS 8 - 'Definition of Accounting Estimates	January 1, 2023

5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below and are consistent with those of the previous financial years.

5.1 Insurance contracts

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

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

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

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

5.1.1 Premiums

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

Treaty is being carried out under the regulations 1978 as the data received is on prescribed forms (returns) therein. Due to the regulations being outdated (enacted decades before insurance ordinance 2000 and insurance rules 2017), and the company not carrying out the right of inspection, due to which PRCL is completely relied on returns.

Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned portion of premium income is recognized as a liability. For treaty business the liability is calculated by applying 1/8 method and for facultative business over the period of insurance from the date of issuance of the policy to which it relates to its expiry.

5.1.2 Reinsurance contracts

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

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

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

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

5.1.3 Receivables and payables related to insurance contracts

Receivables including premium due but unpaid, relating to insurance contracts are recognized when due. The claim payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment losses, if any. Premium received in advance is recognized as liability till the time of issuance of insurance contract there against.

5.1.4 Reinsurance recoveries against outstanding claims

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

5.1.5 Commission

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

a) Commission income

The revenue recognition policy for commission from reinsurer is given under note 5.12.2.

b) Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with pattern of recognition of premium revenue.

Other acquisition are charged to Profit or Loss at the time policies are accepted.

5.1.6 Premium deficiency reserve

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

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

5.2 Investments

5.2.1 Recognition

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

- Held-for-trading;
- Held-to-maturity; and
- Available-for-sale.

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5.2.2 Measurement

(a) Held for trading

Investments which are designated as held for trading upon initial recognition.

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

(b) Held-to-maturity

Investments with fixed maturity and fixed income investments, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity. After initial recognition, these are carried at amortized cost less provision for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition using effective yield method.

(c) Available-for-sale

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

5.2.3 Quoted securities - subsequent measurement

Subsequent to initial recognition, quoted investments are stated market value for available for sale investments and fixed income investments redeemable at a given date and where the cost is different from the redemption value, require such difference to be amortized uniformly between the date of acquisition and the date of maturity. The Company uses stock exchange quotations at the reporting date to determine the market value.

5.2.4 Unquoted securities

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

5.2.5 Impairment

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

5.2.6 Date of recognition

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

5.3 Investment property

Investment properties are accounted for under the fair value model in accordance with the International Accounting Standard (IAS) 40 "Investment Property" and Insurance Rules, 2017 issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

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

- Leasehold land is stated at cost.

- Building on leasehold land is depreciated to its estimated salvage value on reducing balance method over its useful life.

- Installations forming a part of building on leasehold land but having separate useful lives are depreciated at the rate of 20 percent under the reducing balance method.

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

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

5.4 Liability adequacy test

At the end of each reporting year, the Company assesses whether its recognized insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognized in the statement of profit or loss.

5.5 Commission expense, other acquisition costs and commission income

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

5.6 Provision for outstanding claims including IBNR

A liability is recognized for outstanding claims incurred up to the reporting date and is considered to be incurred at the time of incident giving rise to the claim. Unpaid reported claims are based on prescribed statutory returns submitted by the ceding companies. Outstanding claims reserve and claims incurred but not reported (IBNR) to the Company up to the reporting date are recorded on the basis of actuarial valuation, results of which have been recognized in the financial statements. The above liability is measured at undiscounted value and includes expected settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates and provision for those claims which are incurred and not reported as at reporting date are made on the basis of specified guidelines issued by the Securities and Exchange Commission of Pakistan, according to which the Company should record those claims which are incurred but not reported on the basis of collection of data of IBNR claims reserves from the ceding companies (non-life insurers) in accordance with the share of Company on the account of facultative and treaty business.

5.7 Prepaid reinsurance ceded

Reinsurance premium is recognized as an expense evenly over the period of the underlying policies. The portion of reinsurance premium not yet recognized as expense is recognized as prepayment.

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5.8 Staff retirement benefits

5.8.1 Gratuity

The Company operates approved gratuity and pension scheme for all its permanent employees who are entitled to the scheme. The Company makes contributions or record liability in respect of defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries and in line with the provisions of the Income Tax Ordinance, 2001. The latest actuarial valuations were carried out as of December 31, 2021 using the Projected Unit Credit Method based on the significant assumptions stated in relevant note for valuation of the funds.

5.8.2 Pension fund

The Company operates a defined benefit plan, a funded pension scheme for its employees and officers eligible for the pension scheme and payments are made annually to the extent allowed under the Income Tax Rules, 2002 to meet the obligations there-under on the basis of actuarial valuation. Liability for the fund is based on the advice of appointed actuary.

5.8.3 Provident fund

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

5.8.4 Compensated absences

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

The Company makes periodic provisions in the financial statements for its liability towards defined encashment of leaves up to maximum of 365 days in respect of leave preparatory to retirement (LPR) on the basis of basic pay. The liability is estimated on the basis of actuarial advice under the Projected Unit Credit method carried out by a qualified actuary.

5.8.5 Post retirement medical benefits

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

5.9 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

5.9.1 Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Provision for taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

5.9.2 Deferred

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the periods when the asset is utilized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the statement of profit or loss except in the case of items credited or charged to equity in which case it is included in equity.

5.10 Property and equipment

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

Depreciation is charged to income applying the reducing balance method. The rates of depreciation are stated in note 7.1 to the financial statements.

Depreciation on additions during the financial year is charged from the month in which asset is available for use whereas no depreciation is charged from the month in which the asset is disposed off. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The assets residual value and useful life are continuously reviewed by the Company and adjusted if impairment or depreciated is significant

Maintenance and normal repairs are charged to Statement of profit or loss as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any are retired.

Gains and losses on disposal of fixed assets, if any, are included in other income.

In case of ROU assets, depreciation is charged over lower of useful lives and lease term. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates

5.11 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss. All expenditure including borrowing costs connected with specific assets incurred during installation and construction period are carried under capital work in progress. These are transferred to operating assets as and when these are available for use.

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5.12 Revenue recognition

5.12.1 Premium

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

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

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

5.12.2 Commission income

Commission income is being taken to statement of profit or loss on a time proportion basis in accordance with the pattern of recognition of reinsurance premium.

5.12.3 Investment income

- Gain / loss on sale of investments is taken to the statement of profit or loss in the year of sale.
- Profit / interest income on investments securities are recognized on effective interest method.
- Gains or losses on investments on remeasurement of these investments held for trading or available for sale are recognized in statement of profit or loss or statement of other comprehensive income respectively
- Gains or losses on investments on remeasurement of these investments held for trading are recognized in statement of profit or loss.
- Dividend income is recognized when the right to receive such dividend is established.

5.12.4 Rental income

Rentals from investment properties are recognized over the term of the lease.

5.12.5 Wakala fee

Wakala fee is recognized in the Statement of profit or loss. Wakala Fee is taken 20% of Contribution earned from all business categories. This is recognized as a expense of Participant retakaful fund and income of Operator retakaful fund.

5.12.6 Mudarib's fee

Wakala fee is recognized in the Statement of profit or loss. Wakala Fee is taken 25% of Contribution earned from all business categories. This is recognized as a expense of Participant retakaful fund and income of Operator retakaful fund.

5.12.7 Other

Profit on bank deposits is recognized on a time proportion basis taking into account the effective yield.

5.13 Management expenses

Management expenses allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated on the basis of net premium revenue under individual business.

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5.14 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to statement of profit or loss.

5.15 Foreign currency translations

Transactions in foreign currencies are translated into Pakistani Rupees at the rates of exchange prevailing on the date of transactions. Significant exchange rates applied during the year are provided in relevant note. Non-monetary assets and liabilities are translated into Pakistani Rupees using exchange rates prevalent on transaction date. Exchange differences on foreign currency translations are included in statement of profit or loss currently.

5.16 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

If a decline in fair value is significant or prolonged, then there is objective evidence of impairment, regardless of how long management intends to hold the investment.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Non-financial assets

The carrying amounts of Company's non-financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of asset exceeds its recoverable amount. Impairment losses are recognized in statement of profit or loss. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement profit or loss.

5.17 Cash and cash equivalents

Cash and cash equivalents are carried at amortized cost. They comprise (a) cash in deposit accounts with banks (b) cash (and cheques) in hand, in transit and at banks in current accounts (c) stamps in hand and (d) term deposits maturing within 12 months.

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5.18 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 statement of financial position if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.19 Segment reporting

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

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

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

5.20 Provision for doubtful debts

Receivables under insurance contracts are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any, provision for impairment of premium receivables is established when the chances of recovery are less. Receivables are also analyzed as per their ageing and accordingly provision is maintained on a systematic basis. The provision is made while taking into consideration of expected recoveries, if any.

5.21 Financial instruments

Financial instruments carried on the statement of financial position include cash and bank deposits, loans, investments, amounts due from / to other insurers / reinsurers, premium and claim reserves retained from / by retrocessionaires / cedants, accrued investment income, sundry receivables, provision for outstanding claims, long term deposits, other creditors and accruals, retention money payable, dividend payable and surplus profit payable.

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets, and in the case of financial liabilities, when the obligation specified in the contract is discharged, cancelled or expired. At the time of initial recognition, all financial assets and financial liabilities are measured at cost, which is the fair value of the consideration given or received for it. Any gain or loss on derecognition of financial assets and financial liabilities is taken to income directly.

5.22 Dividend and other appropriations

Dividend and appropriation to reserves are recognized as liability in the Company's financial statements in the year in which these are approved.

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5.23 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. However, there were no dilutive potential ordinary shares in issue at December 31, 2021.

5.24 Leases

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly lease properties for its operations and recognizes a right-of use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of the right-of-use asset or end of lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of the Company. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has elected not to recognize right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognized as an expense on a straight line basis over the lease term.

5.25 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment, if any. Amortization is calculated on a straight-line basis over the estimated useful life of the asset.

6 USE OF ESTIMATES AND JUDGMENTS

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

6.1 Classification of investments

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

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

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale. Subsequent to the initial recognition at cost, quoted investments are stated at market value. Unquoted investments are stated at cost less impairment losses, if any.

6.2 Income tax

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

6.3 Property and equipment / ROUA

In making estimates of the depreciation method, the management uses method which reflects pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

6.4 Impairment of available for sale investments

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

6.5 Premium deficiency reserve

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

6.6 Outstanding claims including incurred but not reported (IBNR)

The Company estimates the liability for claims, which include amounts relating to unpaid, reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates and provision for those claims which are incurred and not reported as at balance sheet date are made on the basis of specified guidelines issued by the Securities and Exchange Commission of Pakistan through letter no.

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ID/PRDD/IBNR/2017/9695 dated May 30, 2017, which states that Company should record those claims which are incurred but not reported on the basis of collection of data of IBNR claims reserves from the ceding companies (non-life insurers) in accordance with the share of Company on the account of facultative and treaty business.

6.7 Reinsurance

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

6.8 Provisions

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

6.9 Unearned premium reserve

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

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7 PROPERTY AND EQUIPMENT

7.1 Operating fixed assets

2021	OWNED									LEASED		Total
	Building	Furniture and fixtures, office equipment, books and computer equipment				Electrical installation, air-conditioning and lifts			Motor vehicles	Leasehold land		
		PRC Tower	Furniture and fixtures	Office equipment	Books	Computer equipment	Electrical installation	Air-conditioning		Lifts	PRC House*	
Rupees												
As at January 01, 2021												
Cost	38,344,491	11,948,192	7,264,197	665,706	41,490,341	12,559,913	23,032,657	11,405,548	10,826,400	807,956	223,622	158,569,023
Accumulated depreciation	(26,955,692)	(10,603,607)	(5,064,260)	(413,411)	(28,115,657)	(11,831,322)	(21,092,314)	(10,793,994)	(7,929,533)	(502,774)	-	(123,302,563)
Net book value	11,388,799	1,344,585	2,199,937	252,295	13,374,684	728,591	1,940,343	611,554	2,896,867	305,182	223,622	35,266,460
December 31, 2021												
Opening net book value	11,388,799	1,344,585	2,199,937	252,295	13,374,684	728,591	1,940,343	611,554	2,896,867	305,182	223,622	35,266,460
Additions	-	364,020	1,413,952	-	1,464,159	-	-	-	-	650,171	-	3,892,302
Revaluation	187,856,738	-	-	-	-	-	-	-	-	207,270,527	-	395,127,265
Depreciation charge for the year	(569,440)	(145,322)	(424,410)	(25,230)	(2,770,089)	(145,718)	(388,069)	(122,311)	(579,374)	(25,880)	-	(5,195,843)
Net book value	198,676,097	1,563,283	3,189,479	227,065	12,068,754	582,873	1,552,274	489,243	2,317,493	208,200,000	223,622	429,090,184
As at December 31, 2021												
Cost/revalued amount	226,201,229	12,312,212	8,678,149	665,706	42,954,500	12,559,913	23,032,657	11,405,548	10,826,400	208,728,654	223,622	557,588,590
Accumulated depreciation	(27,525,132)	(10,748,929)	(5,488,670)	(438,641)	(30,885,746)	(11,977,040)	(21,480,383)	(10,916,305)	(8,508,907)	(528,654)	-	(128,498,406)
Net book value	198,676,097	1,563,283	3,189,479	227,065	12,068,754	582,873	1,552,274	489,243	2,317,493	208,200,000	223,622	429,090,184
Depreciation rate - percentage	5%	10%	15%	10%	20%	20%	20%	20%	20%	5%	-	

*This represents lease hold land of 1,388 Square Yards located at House No. 30-B, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

**This represents lease hold land of 7,918 Square Yards located at Plot No. 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

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2020	OWNED									LEASED		Total
	Building	Furniture and fixtures, office equipment, books and computer equipment				Electrical installation, air-conditioning and lifts			Motor vehicles	Lease land		
	PRC Tower	Furniture and fixtures	Office equipment	Books	Computer equipment	Electrical installation	Air-conditioning	Lifts		PRC House*	PRC Towers**	
	-----Rupees-----											
As at January 01, 2020												
Cost	38,344,491	11,816,912	7,104,187	665,706	40,762,589	12,559,913	23,032,657	11,405,548	10,826,400	807,956	223,622	157,549,981
Accumulated depreciation	(26,356,282)	(10,465,493)	(4,697,651)	(385,378)	(24,893,455)	(11,649,174)	(20,607,228)	(10,641,105)	(7,205,316)	(486,712)	-	(117,387,794)
Net book value	11,988,209	1,351,419	2,406,536	280,328	15,869,134	910,739	2,425,429	764,443	3,621,084	321,244	223,622	40,162,187
December 31, 2020												
Opening net book value	11,988,209	1,351,419	2,406,536	280,328	15,869,134	910,739	2,425,429	764,443	3,621,084	321,244	223,622	40,162,187
Additions	-	131,280	160,010	-	727,752	-	-	-	-	-	-	1,019,042
Depreciation charge for the year	(599,410)	(138,114)	(366,609)	(28,033)	(3,222,202)	(182,148)	(485,086)	(152,889)	(724,217)	(16,062)	-	(5,914,770)
Net book value	11,388,799	1,344,585	2,199,937	252,295	13,374,684	728,591	1,940,343	611,554	2,896,867	305,182	223,622	35,266,460
As at December 31, 2020												
Cost	38,344,491	11,948,192	7,264,197	665,706	41,490,341	12,559,913	23,032,657	11,405,548	10,826,400	807,956	223,622	158,569,023
Accumulated depreciation	(26,955,692)	(10,603,607)	(5,064,260)	(413,411)	(28,115,657)	(11,831,322)	(21,092,314)	(10,793,994)	(7,929,533)	(502,774)	-	(123,302,563)
Net book value	11,388,799	1,344,585	2,199,937	252,295	13,374,684	728,591	1,940,343	611,554	2,896,867	305,182	223,622	35,266,460
Depreciation rate - percentage	5%	10%	15%	10%	20%	20%	20%	20%	20%	5%	-	

*This lease hold land of 1,388 Square Yards are located at House No. 30-B, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

**This lease hold land of 7,918 Square Yards are located at Plot No. 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

- 7.2 As per IAS 08 "Accounting policies, Changes in Accounting Estimates and Errors", the company has changed its accounting policy from cost model to revaluation model for Land and Building. The management is of the view that the change provides more reliable and more relevant information because it deals more accurately with the components of property. Any surplus arising on revaluation of Land and Building is credited to the surplus on revaluation account. This is the first time of revaluation to ensure that the carrying amount of assets does not differ materially from the fair value. The revaluation is carried out at December 31, 2021. To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and building (net of deferred taxation) is transferred directly to retained earnings / unappropriated profit.

Furthermore, The retrospective application of a change in accounting policy under IAS 8 does not apply to the initial change from historical cost basis to revaluation model under IAS 16.

- 7.3 The fair value of Land and Building is determined by Iqbal A. Nanjee & Company (Private) Ltd which is an external, independent property valuers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued and also registered with Pakistan Bankers Association.
- 7.4 Had there been no revaluation, the written down value of the following assets in the statement of financial position would have been as follows:

Cost	Accumulated depreciation	Written down value	
		2021	2020
-----Rupees-----			
38,344,491	(27,525,132)	10,819,359	11,388,799
807,956	(528,654)	279,302	305,182
39,152,447	(28,053,786)	11,098,661	11,693,981

- 7.5 The level of hierarchy for the fair value disclosed falls in level 3 i.e. inputs other than quoted prices included within level 3 that are unobservable either directly or indirectly.

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7.6 Forced sales value	2021
	(Rupees)
Class of assets	
Building- PRC tower	158,341,968
Leasehold land- PRC House	166,560,000
	<u>324,901,968</u>

8 RIGHT OF USE ASSET		<u>2021</u>	<u>2020</u>
	Note	----- (Rupees) -----	
8.1 Assets - Leasehold land			
Cost		25,475,815	25,475,815
Revaluation gain during the year		1,781,326,378	-
Accumulated depreciation	8.2	<u>(5,270,859)</u>	<u>(3,513,906)</u>
Net book value		<u>1,801,531,334</u>	<u>21,961,909</u>

8.2 Accumulated depreciation

Balance at the beginning of the year	3,513,906	1,756,953
Depreciation for the year	<u>1,756,953</u>	<u>1,756,953</u>
Balance at the end of the year	<u>5,270,859</u>	<u>3,513,906</u>

8.3 The Company has entered into lease arrangement with Karachi Port Trust (KPT) for lease of land.. The remaining lease term (useful life) of the ROU is 10.5 years. (2020: 11.5 years)

8.4 Had there been no revaluation, the written down value of the following assets in the statement of financial position would have been as follows:

Cost	Accumulated depreciation	Written down value	
		2021	2020
-----Rupees-----			
25,475,815	5,270,859	20,204,956	21,961,909

8.5 As per IAS 08 "Accounting policies, Changes in Accounting Estimates and Errors", the company has changed its accounting policy from cost model to revaluation model for Land and Building. The management is of the view that the change provides more reliable and more relevant information because it deals more accurately with the components of property. Any surplus arising on revaluation of Land and Building is credited to the surplus on revaluation account. This is the first time of revaluation to ensure that the carrying amount of assets does not differ materially from the fair value. The revaluation is carried out at December 31, 2021 To the extent of the incremental depreciation charged on the revalued assets, the related surplus on revaluation of land and building (net of deferred taxation) is transferred directly to retained earnings / unappropriated profit.

Furthermore, The retrospective application of a change in accounting policy under IAS 8 does not apply to the initial change from historical cost basis to revaluation model under IAS 16.

8.6 The fair value of Land and Building is determined by Iqbal A. Nanjee & Co. (Private) Limited which is an external, independent property valuers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued and also registered with Pakistan Bankers Association.

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		2021	2020
		----- (Rupees) -----	
9 INTANGIBLE ASSETS			
Capital work-in-progress			
Computer software	9.1 & 9.2	8,474,168	8,474,168
9.1 Computer software			
Balance at the beginning of the year		8,474,168	3,389,667
Additions		-	5,084,501
Balance at the end of the year		8,474,168	8,474,168
9.2			
This pertains to implementation of ERP and development of customized system solution which includes Reinsurance, Administration, Human Resource, Audit, Accounting and Finance, Investment, Corporate Affairs and Retakaful modules.			
		2021	2020
10 ASSETS IN BANGLADESH - NET	Note	----- (Rupees) -----	
Assets relating to Bangladesh which comprise of fixed assets and investments are as follows:			
Fixed assets			
Land and building		8,608,000	8,608,000
Furniture and fixtures		4,000	4,000
		8,612,000	8,612,000
Investments			
Stock and shares		7,112,000	7,112,000
Debentures		250,000	250,000
		7,362,000	7,362,000
		15,974,000	15,974,000
Liabilities			
Outstanding claims	23.4	(4,952,000)	(4,952,000)
Other liabilities		(809,000)	(809,000)
		(5,761,000)	(5,761,000)
		10,213,000	10,213,000
Provision for loss on net assets in Bangladesh		(10,213,000)	(10,213,000)
		-	-

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11 INVESTMENT PROPERTIES

	OWNED				LEASED			
	PRC Building, Karachi	Electrical installations	Air conditioning plant	Lifts	Lease hold land	PRC Towers, Karachi	PRC House	Total
2021								
	Rupees -----							
As at January 01, 2021								
Cost	150,302	18,995,068	26,556,830	21,085,825	572,406	89,470,479	1,885,230	158,716,140
Accumulated depreciation	(93,530)	(18,936,100)	(26,472,882)	(21,020,411)	-	(65,523,410)	(1,173,136)	(133,219,469)
Net book value	<u>56,772</u>	<u>58,968</u>	<u>83,948</u>	<u>65,414</u>	<u>572,406</u>	<u>23,947,069</u>	<u>712,094</u>	<u>25,496,671</u>
December 31, 2021								
Opening net book value	56,772	58,968	83,948	65,414	572,406	23,947,069	712,094	25,496,671
Revaluation during the year	5,960,542	-	-	-	244,177,594	438,332,388	9,584,871	698,055,394
Deprecation charge for the year	(2,839)	(11,794)	(16,790)	(13,083)	-	(1,197,353)	(35,605)	(1,277,463)
Net book value	<u>6,014,475</u>	<u>47,174</u>	<u>67,158</u>	<u>52,331</u>	<u>244,750,000</u>	<u>461,082,104</u>	<u>10,261,360</u>	<u>722,274,603</u>
As at December 31, 2021								
Cost	6,110,844	18,995,068	26,556,830	21,085,825	244,750,000	527,802,867	11,470,101	856,771,534
Accumulated depreciation	(96,369)	(18,947,894)	(26,489,672)	(21,033,494)	-	(66,720,763)	(1,208,741)	(134,496,932)
Net book value	<u>6,014,475</u>	<u>47,174</u>	<u>67,158</u>	<u>52,331</u>	<u>244,750,000</u>	<u>461,082,104</u>	<u>10,261,360</u>	<u>722,274,603</u>
Depreciation rate - percentage	<u>5%</u>	<u>20%</u>	<u>20%</u>	<u>20%</u>	<u>-</u>	<u>5%</u>	<u>5%</u>	
Forced sales value								2021
Class of assets								(Rupees)
Owened								
PRC building Karachi								4,811,580
Leased								
Leasehold land								1,425,240,000
PRC tower								369,464,592
PRC House								<u>8,209,088</u>
								<u>1,802,913,680</u>

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	OWNED				LEASED			Total
	PRC Building, Karachi	Electrical installations	Air conditioning plant	Lifts	Lease hold land	PRC Towers, Karachi	PRC House	
2020								
----- Rupees -----								
As at January 01, 2020								
Cost	150,302	18,995,068	26,556,830	21,085,825	572,406	89,470,479	1,885,230	158,716,140
Accumulated depreciation	(90,542)	(18,921,358)	(26,451,895)	(21,004,057)	-	(64,263,038)	(1,135,657)	(131,866,547)
Net book value	59,760	73,710	104,935	81,768	572,406	25,207,441	749,573	26,849,593
December 31, 2020								
Opening net book value	59,760	73,710	104,935	81,768	572,406	25,207,441	749,573	26,849,593
Deprecation charge for the year	(2,988)	(14,742)	(20,987)	(16,354)	-	(1,260,372)	(37,479)	(1,352,922)
Net book value	56,772	58,968	83,948	65,414	572,406	23,947,069	712,094	25,496,671
As at December 31, 2020								
Cost	150,302	18,995,068	26,556,830	21,085,825	572,406	89,470,479	1,885,230	158,716,140
Accumulated depreciation	(93,530)	(18,936,100)	(26,472,882)	(21,020,411)	-	(65,523,410)	(1,173,136)	(133,219,469)
Net book value	56,772	58,968	83,948	65,414	572,406	23,947,069	712,094	25,496,671
Depreciation rate - percentage	5%	20%	20%	20%	-	5%	5%	

- 11.1** With effect from December 31, 2021, the company has changed its accounting policy from cost model to revaluation model for its buildings and Lands. The management is of the view that the change provides more reliable and more relevant information because it deals more accurately with the components of property. Investment property is remeasured at fair value, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains or losses arising from changes in the fair value of investment property must be included in net profit or loss for the period in which it arises. Where a property has previously been measured at fair value, it should continue to be measured at fair value until disposal, even if comparable market transactions become less frequent or market prices become less readily available.
- 11.2** The fair value of Land and Building is determined by Iqbal A. Nanjee & Co. Private Limited which is an external, independent property valuers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued and also registered with Pakistan Bankers Association.
- 11.3** The fair value of the investment properties has been categorized as a Level 3 fair value (based on the inputs to the valuation techniques used) and which is considered as highest and best use of investment property.
- 11.4**

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12 INVESTMENTS IN EQUITY SECURITIES

		2021				2020			
		Cost	Impairment	Unrealized gain / (loss)	Carrying amount	Cost	Impairment	Unrealized gain / (loss)	Carrying amount
Note		Rupees							
Available for sale									
Related Parties									
Listed shares	12.1	88,521,808	-	603,373,907	691,895,715	88,521,808	-	819,512,316	908,034,124
Unlisted shares	12.2	1,235,842	(618,227)	-	617,615	1,235,840	(618,227)	-	617,613
Mutual funds	12.3	800,000,000	(223,986,732)	-	576,013,268	800,000,000	(223,323,313)	-	576,676,687
		889,757,650	(224,604,959)	603,373,907	1,268,526,598	889,757,648	(223,941,540)	819,512,316	1,485,328,424
Others									
Listed shares	12.4	421,448,606	-	759,610,701	1,181,059,307	284,641,458	-	961,810,445	1,246,451,903
Unlisted shares	12.5	1,372,264	(1,372,264)	-	-	1,372,264	(1,372,264)	-	-
Mutual funds	12.6	792,488,810	(76,694,174)	76,379,250	792,173,886	792,488,810	(84,334,445)	148,608,283	856,762,648
		1,215,309,680	(78,066,438)	835,989,951	1,973,233,193	1,078,502,532	(85,706,709)	1,110,418,728	2,103,214,551
Sub total		2,105,067,330	(302,671,397)	1,439,363,858	3,241,759,791	1,968,260,180	(309,648,249)	1,929,931,044	3,588,542,975
Held for trading									
Related Parties									
Listed shares	12.7.1	104,552,855	-	(32,936,193)	71,616,662	104,552,855	-	(19,465,388)	85,087,467
Others									
Listed shares	12.7.2	88,158,765	-	(12,702,275)	75,456,490	88,158,765	-	1,458,635	89,617,400
Sub total	12.7 & 53	192,711,620	-	(45,638,468)	147,073,152	192,711,620	-	(18,006,753)	174,704,867
Grand total		2,297,778,950	(302,671,397)	1,393,725,390	3,388,832,943	2,160,971,800	(309,648,249)	1,911,924,291	3,763,247,842

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	2021					2020				
	Number of shares / certificates / units	Cost	Impairment	Unrealized gain	Carrying Amount	Number of shares / certificates / units	Cost	Impairment	Unrealized gain	Carrying Amount
	----- Rupees -----					----- Rupees -----				
Available for sale - Related parties										
12.1 Listed shares										
National Bank of Pakistan	6,359,119	6,824,793	-	212,691,995	219,516,788	6,359,119	6,824,793	-	266,362,959	273,187,752
Pakistan State Oil Company Limited	14,042	371,225	-	2,182,874	2,554,099	14,042	371,225	-	2,652,018	3,023,243
Pakistan Petroleum Limited	546,480	27,388,953	-	15,804,826	43,193,779	546,480	27,388,953	-	21,974,585	49,363,538
Sui Southern Gas Company Limited	12,694,227	36,461,488	-	81,467,881	117,929,369	12,694,227	36,461,488	-	147,858,688	184,320,176
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	-	273,844,279	290,954,890	8,698,203	17,110,611	-	369,263,566	386,374,177
Pakistan Engineering Company Limited	43,776	364,738	-	17,382,052	17,746,790	43,776	364,738	-	11,400,500	11,765,238
	<u>28,355,847</u>	<u>88,521,808</u>	<u>-</u>	<u>603,373,907</u>	<u>691,895,715</u>	<u>28,355,847</u>	<u>88,521,808</u>	<u>-</u>	<u>819,512,316</u>	<u>908,034,124</u>
12.2 Unlisted shares**										
State Bank of Pakistan	4,900	517,615	-	-	517,615	4,900	517,613	-	-	517,613
Industrial Development Bank of Pakistan ***	6,213	618,227	(618,227)	-	-	6,213	618,227	(618,227)	-	-
National Investment Trust Limited	79,200	100,000	-	-	100,000	79,200	100,000	-	-	100,000
	<u>90,313</u>	<u>1,235,842</u>	<u>(618,227)</u>	<u>-</u>	<u>617,615</u>	<u>90,313</u>	<u>1,235,840</u>	<u>(618,227)</u>	<u>-</u>	<u>617,613</u>
12.3 Mutual funds										
National Investment Unit Trust	8,292,733	800,000,000	(223,986,732)	-	576,013,268	8,292,733	800,000,000	(223,323,313)	-	576,676,687
Grand total	<u>36,738,893</u>	<u>889,757,650</u>	<u>(224,604,959)</u>	<u>603,373,907</u>	<u>1,268,526,598</u>	<u>36,738,893</u>	<u>889,757,648</u>	<u>(223,941,540)</u>	<u>819,512,316</u>	<u>1,485,328,424</u>

*** Frozen shares**

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

**	Name of Company	2021		2020	
		CEO/Managing Director	Breakup value	CEO/Managing Director	Breakup value
	State Bank of Pakistan	Dr. Reza Baqir	1,156,631	Dr. Reza Baqir	1,054,216
	Industrial Development Bank of Pakistan	Not available		Not available	
	National Investment Trust Limited	Adnan Afridi	12,668	Adnan Afridi	Not available

*** Industrial Development Bank of Pakistan (IDBP) has been dissolved and all assets and liabilities are vested in the Industrial Development Bank Limited (IDBL) vide Government of Pakistan (GoP)'s Finance division's S.R.O. (1)/2012 dated November 13, 2012.

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Available for sale - Other

12.4 Listed shares

Banks

Faysal Bank Limited
MCB Bank Limited
Habib Bank Limited
UBL Bank Limited

2021					2020				
Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount	Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount
	----- Rupees -----					----- Rupees -----			
-	-	-	-	-	88,606	391,273	-	1,139,839	1,531,112
500,000	93,131,314	-	(16,456,314)	76,675,000	500,000	93,131,314	-	(491,314)	92,640,000
700,000	83,042,124	-	(1,408,123)	81,634,001	-	-	-	-	-
500,000	60,488,901	-	7,801,099	68,290,000	-	-	-	-	-
1,700,000	236,662,339	-	(10,063,338)	226,599,001	588,606	93,522,587	-	648,525	94,171,112

Insurance

Adamjee Insurance Company Limited
Asia Insurance Company Limited
Crescent Star Insurance Company Limited
Habib Insurance Company Limited
United Insurance Company of Pakistan Limited

1,398,536	32,124,622	-	23,816,818	55,941,440	1,398,536	32,124,622	-	22,865,814	54,990,436
36,414	224,800	-	351,269	576,069		224,800	-	341,940	566,740
-	-	-	-	-	304,491	608,982	-	249,682	858,664
12,700	1,724	-	86,795	88,519	12,700	1,724	-	105,718	107,442
1,249,635	166,165	-	9,830,915	9,997,080	1,249,635	166,165	-	9,930,886	10,097,051
2,697,285	32,517,311	-	34,085,797	66,603,108	2,998,466	33,126,293	-	33,494,041	66,620,334

Personal Goods

Khurshid Spinning Mills Limited
Crescent Jute Products Limited
Usman Textile Mills Limited
Muhammad Farooq Textile Mills Limited
Taj Textile Mills Limited

7,600	5,700	-	59,660	65,360	7,600	5,700	-	60,724	66,424
157,314	-	-	-	-	157,314	-	-	-	-
300	-	-	-	-	300	-	-	-	-
4,100	-	-	-	-	4,100	-	-	-	-
5,600	-	-	-	-	5,600	-	-	-	-
174,914	5,700	-	59,660	65,360	174,914	5,700	-	60,724	66,424

General Industries

Packages Limited
Hashmi Can Company Limited

821,714	90,388,540	-	318,225,181	408,613,721	821,714	90,388,540	-	400,108,981	490,497,521
5,250	-	-	-	-	5,250	-	-	-	-
826,964	90,388,540	-	318,225,181	408,613,721	826,964	90,388,540	-	400,108,981	490,497,521

Household Goods

Hussain Industries Limited
Towellers Limited

15,820	-	-	316,400	316,400	15,820	-	-	-	-
129,759	1,048,453	-	12,706,001	13,754,454	129,759	1,048,453	-	11,952,101	13,000,554
145,579	1,048,453	-	13,022,401	14,070,854	145,579	1,048,453	-	11,952,101	13,000,554

Food Producers

Imperial Sugar Mills Limited
Jauharabad Sugar Mills Limited
Sindh Abadgar's Sugar Mills Limited

-	-	-	-	-	39,924	71,863	-	906,275	978,138
-	-	-	-	-	5,520	15,942	-	112,288	128,230
65,500	327,500	-	649,760	977,260	65,500	327,500	-	524,000	851,500
65,500	327,500	-	649,760	977,260	110,944	415,305	-	1,542,562	1,957,868

Construction and Materials

Dadabhoi Cement Industries Limited
Zeal Pak Cement Factory Limited

17,300	-	-	-	-	17,300	-	-	-	-
39,130	-	-	-	-	39,130	-	-	-	-
56,430	-	-	-	-	56,430	-	-	-	-

Balance carried down

5,666,672	360,949,843	-	355,979,461	716,929,304	4,901,903	218,506,878	-	447,806,934	666,313,813
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	2021					2020				
	Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount	Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount
	----- Rupees -----					----- Rupees -----				
Balance brought down	5,666,672	360,949,843	-	355,979,461	716,929,304	4,901,903	218,506,878	-	447,806,934	666,313,813
Tobacco										
Philip Morris (Pakistan) Limited	10,580	18,403	-	8,678,357	8,696,760	10,580	18,403	-	4,810,517	4,828,920
Pakistan Tobacco Company Limited	3,000	9,961	-	3,582,809	3,592,770	3,000	9,961	-	15,621,354	15,631,315
	13,580	28,364	-	12,261,165	12,289,529	13,580	28,364	-	20,431,871	20,460,235
Electricity										
The Hub Power Company Limited	480,000	8,884,043	-	25,359,157	34,243,200	480,000	8,884,043	-	29,194,357	38,078,400
K-Electric Limited	100,000	223,790	-	120,210	344,000	100,000	223,790	-	167,210	391,000
Kot Addu Power Company Limited	30,000	1,481,678	-	(511,178)	970,500	30,000	1,481,678	-	(665,678)	816,000
	610,000	10,589,511	-	24,968,189	35,557,700	610,000	10,589,511	-	28,695,889	39,285,400
Refinery										
National Refinery Limited	250,000	14,089,542	-	57,057,958	71,147,500	350,000	19,725,359	-	102,718,641	122,444,000
Engineering										
Dewan Automotive Engineering Limited	52,333	-	-	-	-	52,333	-	-	-	-
Forestry and Paper										
Security Papers Limited	928,689	195,915	-	111,144,609	111,340,524	928,689	195,915	-	164,191,325	164,387,240
Chemicals										
ICI Pakistan Limited	307,281	35,595,431	-	198,199,318	233,794,749	307,281	35,595,431	-	197,965,784	233,561,215
Total	7,828,555	421,448,606	-	759,610,701	1,181,059,307	7,163,786	284,641,458	-	961,810,444	1,246,451,903

12.5 Unlisted shares

Cost of investment in unlisted companies
Less: provision for diminution in value

Note	2021	2020
	----- Rupees -----	----- Rupees -----
12.5.1	1,372,264	1,372,264
	<u>(1,372,264)</u>	<u>(1,372,264)</u>
	-	-

	2021					2020				
	Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount	Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount
	----- Rupees -----					----- Rupees -----				

12.5.1 Cost of investment in unlisted companies

Insurance

Indus Assurance Limited
Pakistan Guarantee Insurance Company Limited
Sterling Insurance Company Limited
Union Insurance Corporation of Pakistan

25,000	250,000	(250,000)	-	-	25,000	250,000	(250,000)	-	-
22,029	-	-	-	-	22,029	-	-	-	-
23,250	-	-	-	-	23,250	-	-	-	-
56,227	-	-	-	-	56,227	-	-	-	-
126,506	250,000	(250,000)	-	-	126,506	250,000	(250,000)	-	-

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	2021				2020					
	Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount	Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount
	----- Rupees -----					----- Rupees -----				
Cotton and Textile										
Afsar Textile Mills Limited	1,000	9,950	(9,950)	-	-	1,000	9,950	(9,950)	-	-
Brothers Textile Mills Limited	353	-	-	-	-	353	-	-	-	-
Sahrish Textile Mills Limited	13,510	-	-	-	-	13,510	-	-	-	-
Kohinoor Cotton Mills Limited	22,397	219,801	(219,801)	-	-	22,397	219,801	(219,801)	-	-
	37,260	229,751	(229,751)	-	-	37,260	229,751	(229,751)	-	-
Chemical										
Synthetic Chemical Limited	20,000	200,000	(200,000)	-	-	20,000	200,000	(200,000)	-	-
Vanaspati and Allied Industries										
Burma Oil Limited	861	6,470	(6,470)	-	-	861	6,470	(6,470)	-	-
Universal Oil Mills Limited	30,000	-	-	-	-	30,000	-	-	-	-
Burma Soap Limited	64	640	(640)	-	-	64	640	(640)	-	-
	30,925	7,110	(7,110)	-	-	30,925	7,110	(7,110)	-	-
Food Products										
Pangrio Sugar Mills Limited	100,000	-	-	-	-	100,000	-	-	-	-
Electricity										
Southern Electric Power Company Limited	13,963	-	-	-	-	13,963	-	-	-	-
Miscellaneous										
Arag Industries Limited	133,333	685,403	(685,403)	-	-	133,333	685,403	(685,403)	-	-
	461,987	1,372,264	(1,372,264)	-	-	461,987	1,372,264	(1,372,264)	-	-

12.5.2 Financial statements of these companies are not available, therefore, the break-up value and the name of the Chief Executive Officer is not presented.

12.6 Mutual funds

	2021					2020				
	Number of units	Cost	Impairment	Unrealized gain / (loss)	Carrying amount	Number of units	Cost	Impairment	Unrealized gain / (loss)	Carrying amount
	----- Rupees -----					----- Rupees -----				
Open-End Mutual Funds										
JS Value Fund	50,951	2,267,483	-	6,191,431	8,458,914	40,949	2,267,483	-	6,471,811	8,739,294
NAFA Stock Fund	20,671,728	400,000,000	(76,694,174)	-	323,305,826	20,671,728	400,000,000	(84,334,445)	-	315,665,555
HBL Growth Funds - Class B Segment	15,000,000	105,632,400	-	151,008,600	256,641,000	15,000,000	105,632,400	-	168,213,600	273,846,000
	35,722,679	507,899,883	(76,694,174)	157,200,031	588,405,740	35,712,677	507,899,883	(84,334,445)	174,685,411	598,250,849
Close-End Mutual Funds										
HBL Growth Funds - Class A	30,406,721	284,541,230	-	(80,816,199)	203,725,031	30,406,721	284,541,230	-	(26,084,102)	258,457,128
HBL Investment Funds - Class A	17,246	47,697	-	(4,582)	43,115	17,246	47,697	-	6,973	54,670
	30,423,967	284,588,927	-	(80,820,781)	203,768,146	30,423,967	284,588,927	-	(26,077,129)	258,511,799
	66,146,646	792,488,810	(76,694,174)	76,379,250	792,173,886	66,136,644	792,488,810	(84,334,445)	148,608,283	856,762,648

Held-for-trading										
12.7 Listed shares							2021		2020	
						Note	Rupees -----			
Cost of investment in listed companies						12.7.3	192,711,620	192,711,620		
Unrealized loss for the year						12.7.3	(45,638,468)	(18,006,753)		
						12.7.3	147,073,152	174,704,867		
12.7.1 Related parties										
2021						2020				
Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount	Number of shares	Cost	Impairment	Unrealized gain / (loss)	Carrying amount	
										Rupees -----
National Bank of Pakistan	399,266	19,388,357	-	(5,605,695)	378,240	399,266	19,388,357	-	(2,235,890)	17,152,467
Oil & Gas Development Authority Limited	350,000	42,592,500	-	(12,422,500)	337,578	350,000	42,592,500	-	(6,273,000)	36,319,500
Pakistan Petroleum Limited	350,000	42,571,998	-	(14,907,998)	335,000	350,000	42,571,998	-	(10,956,498)	31,615,500
	1,099,266	104,552,855	-	(32,936,193)	713,818	1,099,266	104,552,855	-	(19,465,388)	85,087,467
12.7.2 Others										
Cement										
Attock Cement Limited	69,000	10,408,075	-	(819,835)	68,165	69,000	10,408,075	-	(54,625)	10,353,450
Technology and Communication										
Pakistan Telecommunication Company Limited	319,500	4,169,475	-	(1,389,825)	318,115	319,500	4,169,475	-	(1,262,025)	2,907,450
Commercial Bank										
United Bank Limited	250,000	40,200,850	-	(6,055,850)	243,945	250,000	40,200,850	-	(8,735,850)	31,465,000
Construction										
Aisha Steel Mills Limited	700,000	10,139,080	-	402,920	699,300	700,000	10,139,080	-	6,170,920	16,310,000
Household										
Pak Elektron Limited	550,000	18,494,685	-	(6,108,685)	543,815	550,000	18,494,685	-	3,576,815	22,071,500
Chemical										
Fauji Fertilizer Company Limited	60,000	4,746,600	-	1,269,000	59,731	60,000	4,746,600	-	1,763,400	6,510,000
Sub total of others	1,948,500	88,158,765	-	(12,702,275)	1,886,811	1,948,500	88,158,765	-	1,458,635	89,617,400
12.7.3 Grand total	3,047,766	192,711,620	-	(45,638,468)	2,864,629	3,047,766	192,711,620	-	(18,006,753)	174,704,867

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13 INVESTMENTS IN DEBT SECURITIES

	Note	2021		2020	
		Cost	Carrying value/ Market value	Cost	Carrying value/ Market value
		Rupees		Rupees	
Investments - Held to maturity					
Pakistan Investment Bonds - fixed	13.1 & 13.2	1,595,597,300	1,586,280,288	2,007,804,600	2,017,569,742
Pakistan Investment Bonds - floating	13.2	554,936,654	550,932,749	551,691,150	551,454,689
Treasury Bills	13.2	6,475,082,500	6,576,126,800	4,859,252,700	4,973,013,535
Term Finance Certificates	13.3	99,880,000	99,880,000	99,920,000	99,920,000
	53	8,725,496,454	8,813,219,837	7,518,668,450	7,641,957,966
Investments - Available for sale					
Pakistan Investment Bonds	13.4	331,407,375	360,849,397	553,208,750	629,547,902
		9,056,903,829	9,174,069,234	8,071,877,200	8,271,505,868

13.1 This include an amount of Pakistan Investment Bonds Rs. 308 million (2020: Rs. 308 million) deposited with the State Bank of Pakistan as required by section 29 of the Insurance Ordinance, 2000.

13.2 Held-to-maturity - secured

	2021	2020	2021	2020	2021	2020
	Treasury bills		Pakistan Investment Bonds - fixed		Pakistan Investment Bonds - floating	
	Rupees in million					
Carrying value	6,576.13	4,973.01	1,586.28	2,017.57	550.93	551.45
Tenure	up to 12 months	up to 12 months	3 to 10 years	3 years to 10 years	3 to 5 years	3 to 5 years
Face value - Rupees in million	6,475	5,050	1,595	2,263	555	550
Market value - Rupees in million	6,576	4,975	1,586	2,195	551	551
Maturity dates	January 2022 to June 2022	January 2020 to December 2020	July 2022 to September 2029	March 2020 to September 2029	June 2023 to June 2025	June 2023 to June 2025
Profit repayment - frequency	On maturity	On maturity	Half yearly	Half yearly	Half yearly	Half yearly
Principal repayment - frequency	On maturity	On maturity	On maturity	On maturity	disposal	disposal
Effective interest rate / coupon rate - per annum	7.43% to 11.38%	12.71% to 13.76%	8% to 12%	7.25% to 12.00%	11.82% to 11.87%	7.62% to 7.67%

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13.3 This represent investment in Term Finance Certificate having an aggregate face value Rs. 99.88 million (2020: Rs. 99.92 million) carrying markup at 6 months KIBOR + 1%. These have been placed with Habib Bank Limited for a term of 10 years, maturing on 2028. Accrued profit on these certificates amounting to Rs. 0.949 million (2020: Rs. 0.571

13.4 Available-for-sale - secured

	2021	2020
	Pakistan Investment Bonds	
	----- Rupees in million -----	
Carrying value	360.85	629.55
Tenure	3 years to 10 years	3 years to 10 years
Face value - Rupees in million	365	625
Market value - Rupees in million	360.85	629.55
Maturity dates	July 2022 to September 2029	July 2021 to September 2029
Profit repayment - frequency	Half yearly	Half yearly
Principal repayment - frequency	On maturity / disposal	On maturity / disposal
Effective interest rate / coupon rate - per annum	7.25% to 10.00%	7.25% to 10.00%
Unrealized gain	37.60	76.34

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		2021	2020
		----- (Rupees) -----	
14 LOANS AND OTHER RECEIVABLES	Note		
Loans to employees	14.1	74,019,617	79,245,838
Accrued investment income	14.2	88,573,724	103,805,616
Sundry receivables - net	14.3	11,410,766	13,969,952
Receivable from tenants	14.4	111,840,619	108,231,867
		<u>285,844,726</u>	<u>305,253,273</u>
14.1 Loans to employees			
Non current portion		51,097,868	65,272,061
Current portion		22,921,749	13,973,777
	14.2.1	<u>74,019,617</u>	<u>79,245,838</u>
14.2.1 No loan has been provided to the Directors by the Company. Details of loans to Executives of the Company is as under:			
		2021	2020
		----- (Rupees) -----	
Balance at the beginning of the year		1,336,255	2,070,985
Add: disbursements during the year		1,050,000	600,000
Less: receipts during the year		(1,415,544)	(1,334,730)
Balance at the end of the year		<u>970,711</u>	<u>1,336,255</u>
14.1.2 Loans to employees represent mark-up free loans and are secured against retirement benefits of the respective employee including, where applicable, documents of assets for which the loan has been given. None of the amount is either past due or impaired, consequently no provision for bad or doubtful loans has been made.			
14.1.3 The maximum month-end amount of these loan during the year has been amounting to Rs. 84,294,852 (2020: Rs. 84,278,202).			
		2021	2020
		----- (Rupees) -----	
14.2 Accrued investment income	Note		
Dividend receivable		-	805,800
Interest on held to maturity debt securities		67,887,780	82,904,905
Interest on available for sale debt securities		20,685,944	20,094,911
		<u>88,573,724</u>	<u>103,805,616</u>
14.3 Sundry receivables - net			
Considered good			
Advances		2,415,140	4,130,720
Security deposits		4,942,065	4,942,065
Other receivable		4,053,560	4,897,166
		<u>11,410,765</u>	<u>13,969,951</u>
Considered doubtful			
Export Credit Guarantee schemes	14.3.1	56,142,435	56,142,435
Receivable against National Co-insurance Scheme		4,939,471	4,939,471
Receivable against War Risk Insurance-Karachi	14.3.2	7,724,303	7,724,303
Receivable against War Risk Insurance-Lahore		10,541,524	10,541,524
Receivable from Investment Corporation of Pakistan		868,470	868,470
Advances		2,413,260	2,054,347
Other receivable		511,243	1,024,395
		<u>83,140,706</u>	<u>83,294,945</u>
		94,551,471	97,264,896
Less: provision for doubtful debts	14.3.3	<u>(83,140,705)</u>	<u>(83,294,944)</u>
Sundry receivables - net		<u>11,410,766</u>	<u>13,969,952</u>
14.3.1 This represents the total amount of income tax deposited by the Company since the year 1984-85 to the year 2001-02 in respect of Export Credits Guarantee Scheme (ECGS). The income of the respective years under the Scheme was transferred to the Government. The income tax department, however, taxed ECGS income by clubbing it with the Company's income. The Company's appeal in this respect which was pending before Honorable High Court has been dismissed. This amount was previously classified as advance tax and has been transferred as amount receivable from the Ministry of Finance, Government of Pakistan.			

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The Company had filed an appeal in the Honorable Supreme Court of Pakistan (SCP) in this respect which vide order dated August 21, 2007 granted leave to appeal filed by the Company against the judgment of the Honorable High Court. The matter is now before Alternate Dispute Resolution Committee (ADRC).

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

FBR via letter No. 2(48) IT-Jud/2006-ADR/45098-R regretted the request for reconstitution of ADRC. Therefore the Company pursued its case with the SCP which has already granted a leave to appeal against order of High Court, has remanded back the case to the High Court of Sindh where the matter is still pending for date of hearing. The Company has recorded provision amounting to Rs. 56.142 million (2020: Rs. 56.142 million) in these financial statements.

- 14.3.2** Amount is receivable from Government of Pakistan against expenses for running the affairs of War Risk Insurance Department (the Department) working under the supervision of Pakistan Insurance Corporation (defunct). The Department was set up for insurance of losses which could have occurred due to war.

14.3.3 Provision for doubtful debts

Balance at the beginning of the year
Provision/(reversal) made during the year
Balance at the end of the year

2021	2020
----- (Rupees) -----	
83,294,944	80,764,314
(154,239)	2,530,630
83,140,705	83,294,944

14.4 Receivable from tenants

Rentals
Electricity charges
Provision against electricity charges

104,085,710	102,164,464
7,844,807	6,157,301
(89,898)	(89,898)
7,754,909	6,067,403
111,840,619	108,231,867

15 RECEIVABLE FROM SINDH REVENUE BOARD

2,573,888,727	2,573,888,727
---------------	---------------

- 15.1** The aggregate amount of Rs. 2,573.889 million (2020: Rs. 2,573.889 million) paid has been recorded as "receivable from SRB" in the financial statements. Moreover, the Company has not recorded provision against the orders passed by SRB in pursuance of Appellate Order dated February 01, 2016 in Appeal No. AT-02/2013 and order dated February 03, 2016 in Appeal No. AT-109/2015.

16 INSURANCE / REINSURANCE RECEIVABLES

Note

Amount due from other reinsurers
Amount due from other insurers

Less: provision for impairment in due from other insurers / reinsurers

Premium and claim reserves retained by cedants
Less: provision for impairment in premium and claim reserves retained by cedants

16.1 & 16.2

16.3

2021	2020
----- (Rupees) -----	
181,652,226	529,873,972
14,553,749,153	8,651,474,050
14,735,401,379	9,181,348,022
(1,049,198,285)	(1,040,262,155)
13,686,203,094	8,141,085,867
24,831,633	24,831,633
(24,831,633)	(24,831,633)
-	-
13,686,203,094	8,141,085,867

- 16.1** This includes an amount of Rs. 565.9 (2020: Rs. 553.92) million which is under litigation and the Company has recorded a provision of Rs. 243.3 million (2020: Rs. 325.63 million) in respect of these balances.

- 16.2** This includes an amount of Rs. 8,788,498,323 (2020: Rs. 3,327,220,693) due from a related party, National Insurance Company Limited. The age analysis of amount due from related party is as follows:

2021	2020
----- (Rupees) -----	
Up to 3 months	4,617,664,380
Over 3 months and above	4,170,833,944
	8,788,498,324
	1,621,987,912
	1,705,232,781
	3,327,220,693

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		2021	2020
	Note	(Rupees)	
16.3 Movement of provision for impairment in due from other insurers / reinsurers			
Balance at the beginning of the year		1,040,262,155	616,329,617
Provisions made during the year		8,936,130	423,932,538
Balance at the end of the year		1,049,198,285	1,040,262,155
17 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS INCLUDING IBNR			
Facultative business	17.1	3,585,888,847	5,162,057,407
Treaty	17.2	1,022,238,388	441,750,624
		4,608,127,235	5,603,808,031
17.1 Facultative business			
Fire		317,808,041	245,413,842
Marine cargo		-	66,733,022
Marine hull		65,747,545	29,989,753
Aviation		1,642,925,619	3,974,870,199
Engineering		1,559,407,642	845,050,591
		3,585,888,847	5,162,057,407
17.2 Treaty			
Proportional		-	376,534,914
Non-proportional		1,022,238,388	65,215,710
		1,022,238,388	441,750,624
18 DEFERRED COMMISSION EXPENSE			
Facultative business	18.1	344,747,514	305,594,212
Treaty	18.2	461,466,692	403,276,404
		806,214,206	708,870,616
18.1 Facultative business			
Fire		98,891,830	79,674,038
Marine cargo		252,683	477,411
Marine hull		3,521,874	6,222,156
Accidents and others		3,709,144	4,050,395
Aviation		104,731,532	8,479,821
Engineering		133,640,451	206,690,391
		344,747,514	305,594,212
18.2 Treaty			
Proportional		458,356,101	399,694,547
Non-proportional		3,110,591	3,581,857
		461,466,692	403,276,404
19 PREPAYMENTS			
Prepaid reinsurance ceded - facultative business	19.1	7,399,530,623	3,709,212,363
Prepaid reinsurance ceded - treaty business	19.2	323,300,560	434,919,861
		7,722,831,183	4,144,132,224
Others		714,653	742,973
		7,723,545,836	4,144,875,197
19.1 Prepayment reinsurance ceded - facultative business			
Fire		40,842,152	17,885,008
Marine hull		22,227,920	54,446,935
Accidents and others		3,150,578	2,938,875
Aviation		4,237,630,265	168,543,304
Engineering		3,095,679,708	3,465,398,241
		7,399,530,623	3,709,212,363

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		2021	2020
	Note	----- (Rupees) -----	
19.2 Prepaid reinsurance ceded - treaty business			
Proportional		-	336,674,207
Non-proportional		323,300,560	98,245,654
		<u>323,300,560</u>	<u>434,919,861</u>
20 CASH AND CASH EQUIVALENT			
Cash in hand		208,191	100,232
Cash at bank in:			
Saving accounts			
- Local currency		38,996,136	87,404,388
- Foreign currency		285,809,585	699,769,599
	20.1	324,805,721	787,173,987
Current accounts			
- Local currency		609,870,820	628,022,830
Dividend accounts			
- Saving accounts	20.1	64,630,903	64,071,843
- Current accounts		141,325,724	91,136,286
		205,956,627	155,208,129
		<u>1,140,841,359</u>	<u>1,570,505,178</u>

20.1 Saving accounts carry markup at the rates ranging from 11.25% to 15% (2020: 6.25% to 11.25%) per annum.

		2021	2020
		----- (Rupees) -----	
21 TOTAL ASSETS FROM WINDOW RETAKAFUL OPERATIONS - OPERATOR'S FUND			
Assets			
Investments		18,307,796	17,251,711
Other receivable		2,865,576	1,377,632
Receivable from Participant's retakaful fund - net		-	29,557,577
Qard-e-hasna to Participant's Retakaful Fund		244,254,221	-
Deferred commission expense		80,659,235	41,504,925
Bank balances		110,526,812	319,674,992
Total Assets		<u>456,613,640</u>	<u>409,366,837</u>

22 SHARE CAPITAL

22.1 Authorized share capital

2021	2020		
(Number of shares)			
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs.10/- each.	<u>25,000,000,000</u> <u>25,000,000,000</u>

22.2 Issued, subscribed and paid-up share capital

2021	2020		
(Number of shares)			
8	8	Ordinary shares of Rs.10/- each fully paid in cash.	80 80
5,000,000	5,000,000	Ordinary shares of Rs.10/- each issued for consideration other than cash.	50,000,000 50,000,000
294,999,992	294,999,992	Ordinary shares of Rs.10/- each issued as fully paid bonus shares.	2,949,999,920 2,949,999,920
<u>300,000,000</u>	<u>300,000,000</u>		<u>3,000,000,000</u> <u>3,000,000,000</u>

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22.3 Shares of the Company held by related parties:	Number of shares	Percentage of holding (%)
Ministry of Commerce	134,639,785	44.88%
PRCL Employees Empowerment Trust	18,359,971	6.12%
State Life Insurance Corporation of Pakistan	73,232,201	24.41%
	<u>226,231,957</u>	<u>75.41%</u>

		2021	2020
23 RESERVES	Note	----- (Rupees) -----	
Capital			
Reserve for exceptional losses	23.1	281,000,000	281,000,000
Revaluation reserve on available for sale investments	23.2	1,054,853,340	1,440,831,468
Revenue			
Retained earnings		5,413,640,105	3,742,293,642
General reserve		1,777,419,085	1,777,419,085
		<u>8,526,912,530</u>	<u>7,241,544,195</u>

23.1 These reserves for exceptional losses was set aside prior to 1979 and was charged to statement of profit or loss with the provision of Income Tax Act, 1922 (repealed), and has been so retained to date.

23.2 This represents unrealized gain on remeasurement of available for sale investments at fair value and is not available for distribution. This shall be transferred to statement of profit or loss on derecognition of investments as permitted under IAS 39.

		2021	2020
24 OUTSTANDING CLAIMS INCLUDING IBNR	Note	----- (Rupees) -----	
Facultative business	24.1	6,219,407,266	7,645,430,680
Treaty	24.2	3,186,981,921	2,835,256,210
		<u>9,406,389,187</u>	<u>10,480,686,890</u>
Claims related to Bangladesh, adjusted in note 10	24.4	(4,952,000)	(4,952,000)
		<u>9,401,437,187</u>	<u>10,475,734,890</u>

24.1 Facultative business			
Fire		1,841,612,038	1,765,854,730
Marine cargo		68,805,420	140,719,544
Marine hull		229,659,688	81,818,633
Accident and others		291,598,982	327,965,630
Aviation		1,779,285,442	4,220,242,139
Engineering		2,008,445,696	1,108,830,004
		<u>6,219,407,266</u>	<u>7,645,430,680</u>

24.2 Treaty			
Proportional		2,327,078,907	2,416,686,917
Non-proportional		859,903,014	418,569,293
	24.3	<u>3,186,981,921</u>	<u>2,835,256,210</u>

24.3 The Securities and Exchange Commission of Pakistan (SECP) issued guidelines for estimation of Incurred but Not Reported (IBNR) claim reserves for non-life insurer companies through Circular No. 9 of 2016 dated March 09, 2016. The guidelines prescribe the standard method for estimation of IBNR claim reserves so as to bring industry wide-uniformity in respect of such estimation and to ensure adequacy of IBNR claims reserve. All non-life insurance companies are required to comply with these guidelines with effect from July 01, 2016.

However, on May 30, 2017 SECP issued separate guidelines for the Company for estimation of Incurred but Not Reported (IBNR) claim through letter No. ID/PRDD/IBNR/2017/9695 which prescribe that, for the purposes of ascertaining IBNR claim reserves by the Company, guidance is hereby extended, that the Company shall collect the data of IBNR claim reserves from the cedants (non-life insurers) and in accordance with its share in the reinsurance program (both on treaty and facultative basis) of the cedant(s) it shall record its IBNR claim reserves.

On the basis of above SECP specified guidelines, the Company wrote letter to each ceding Company to share data of IBNR Claims Reserves in accordance with its share in the reinsurance program both for facultative and treaty business. However, none of the ceding companies shared their IBNR Claim Reserves. The Company recorded Facultative and Treaty IBNR claim reserves on basis of actuarial valuation amounting to Rs. 723.450 million and Rs. 140.350 million respectively.

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		2021	2020
	Note	----- (Rupees) -----	
24.4 Claims related to Bangladesh			
Facultative business			
Fire		2,382,000	2,382,000
Marine		1,470,000	1,470,000
Miscellaneous		1,100,000	1,100,000
		<u>4,952,000</u>	<u>4,952,000</u>
25 UNEARNED PREMIUM RESERVES			
Facultative business	25.1	8,562,765,837	4,567,675,055
Treaty	25.2	2,169,618,815	1,945,997,379
		<u>10,732,384,652</u>	<u>6,513,672,434</u>
25.1 Facultative business			
Fire		709,287,738	566,711,447
Marine cargo		9,793,225	7,963,063
Marine hull		52,201,183	93,166,700
Accident and others		41,133,807	44,987,784
Aviation		4,455,283,060	236,576,190
Engineering		3,295,066,824	3,618,269,871
		<u>8,562,765,837</u>	<u>4,567,675,055</u>
25.2 Treaty			
Proportional		1,656,587,205	1,506,408,842
Non-proportional		513,031,610	439,588,537
		<u>2,169,618,815</u>	<u>1,945,997,379</u>
26 UNEARNED REINSURANCE COMMISSION			
Facultative business	26.1	522,040,713	338,524,042
Treaty	26.2	1,253,389	8,571
		<u>523,294,102</u>	<u>338,532,613</u>
26.1 Facultative business			
Fire		4,084,215	1,788,500
Marine hull		2,222,792	5,444,693
Accident and others		315,058	293,888
Aviation		217,616,830	14,153,699
Engineering		297,801,818	316,843,262
		<u>522,040,713</u>	<u>338,524,042</u>
26.2 Treaty			
Proportional		970,256	7,346
Non-proportional		283,133	1,225
		<u>1,253,389</u>	<u>8,571</u>
27 RETIREMENT BENEFITS OBLIGATIONS			
Defined benefit obligations of post employee benefits			
Officers' pension benefits	27.1	1,113,415,590	1,303,669,055
Employees' pension fund	27.1	891,659,000	718,558,673
Gratuity fund	27.1	4,025,000	4,583,728
Post retirement medical benefits	27.1	1,106,551,000	1,068,405,542
Compensated absences	27.1	91,189,000	93,411,000
		<u>3,206,839,590</u>	<u>3,188,627,998</u>

27.1 EMPLOYEE BENEFITS

27.1.4 During the year, at April 21, 2021 the board of trustees of the funds approved the merger of employee Pension fund and Officers pension fund, however the implementation of the merger will be made after the audit of the relevant financial statements of the funds is completed. Therefore, resolution passed by the board of trustees of the fund we have assessed the investments of both funds as a whole.

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		2021					2020						
		Post employment benefits				Total	Post employment benefits				Total		
		Retirement benefits		Other post-employment benefits			Retirement benefits		Other post-employment benefits				
		Pension		Gratuity	Medical		Compensated absences	Pension		Gratuity		Medical	Compensated absences
		Officer	Employees					Officer	Employees				
Note		Rupees in millions											
27.1.5	Movement in PVDBO												
	Opening balance	2,660.654	480.782	4.583	1,068.405	93.411	4,307.835	2,646.073	459.463	16.252	903.758	118.534	4,144.080
	Current service cost	10.308	12.388	1.126	17.249	4.974	46.045	4.194	9.218	1.752	16.304	4.254	35.722
	Past service cost	(208.248)	(9.566)	-	-	-	(217.814)	-	-	-	-	-	-
	Interest cost	261.792	47.002	0.321	108.164	8.381	425.660	152.234	26.338	1.028	56.113	12.678	248.391
	Benefits paid	(213.181)	(44.451)	(2.902)	(26.292)	(23.288)	(310.114)	(109.697)	(22.297)	(14.232)	(11.893)	(11.674)	(169.793)
	Experience adjustment	47.136	39.287	0.897	(60.975)	7.711	34.056	(32.151)	8.060	(0.217)	104.123	(30.381)	49.434
	Present value of obligation at the end of the period	2,558.461	525.442	4.025	1,106.551	91.189	4,285.668	2,660.654	480.782	4.583	1,068.405	93.411	4,307.835
27.1.6	Fair value of plan assets												
	Fair value at the beginning of the year	1,356.985	(237.777)	-	-	-	1,119.208	1,252.268	(112.928)	-	-	-	1,139.340
	Contributions to the fund	213.181	44.451	-	-	-	257.632	109.697	22.297	-	-	-	131.994
	Interest income on plan assets	128.165	(26.650)	-	-	-	101.515	73.571	(6.635)	-	-	-	66.936
	Benefits paid	(213.181)	(44.451)	-	-	-	(257.632)	(109.697)	(22.297)	-	-	-	(131.994)
	Actuarial gain / (loss) on plan assets	(40.105)	(101.790)	-	-	-	(141.895)	31.146	(118.214)	-	-	-	(87.068)
	Fair value at the end of the year	1,445.045	(366.217)	-	-	-	1,078.828	1,356.985	(237.777)	-	-	-	1,119.208
27.1.7	Actual return on plan assets	88.060	(128.440)	-	-	-	(40.380)	104.717	(124.849)	-	-	-	(20.132)
27.1.8	Composition of fair value of plan assets												
		2021					2020						
		Pension - officers'		Pension - employees'		Gratuity		Pension - officers'		Pension - employees'		Gratuity	
		Amount in Rupees	Percentage	Amount in Rupees	Percentage	Amount in Rupees	Percentage	Amount in Rupees	Percentage	Amount in Rupees	Percentage	Amount in Rupees	Percentage
Assets with an active market													
	Open ended mutual funds units / Equity / Treasury bills	176,274,000	12.20%	203,417,000	31.56%	179,626,000	92.93%	174,645,000	12.87%	200,267,000	27.58%	173,417,000	92.97%
		94,000,000	6.50%	281,000,000	43.60%	13,000,000	6.73%	-	-	-	-	12,000,000	6.43%
Assets with no active market													
	Term deposit receipts	-	0.00%	-	0.00%	-	0.00%	90,000,000	6.63%	333,000,000	45.86%	-	-
	Receivable from Gratuity Fund	90,305,000	6.25%	102,985,000	15.98%	-	0.00%	87,151,000	6.42%	99,388,000	13.69%	-	-
	Receivable from Employees Provident Fund	46,196,000	3.20%	52,683,000	8.17%	-	0.00%	79,057,000	5.83%	90,159,000	12.42%	-	-
	Receivable from Employees Pension Fund	1,033,014,000	71.49%	-	0.00%	-	0.00%	920,280,000	67.82%	-	-	-	-
	Cash and bank balances	5,255,000	0.36%	4,456,000	0.69%	664,000	0.34%	5,852,000	0.43%	3,371,000	0.46%	1,123,000	0.60%
	Payable to General Provident Fund	-	-	(49,033,000)	-	-	0.00%	-	-	(43,682,000)	-	-	0.00%
	Payable to Employees Pension Fund	-	-	-	-	(90,305,000)	-	-	-	-	-	(99,389,000)	-
	Payable to Officers Pension Fund	-	-	(1,033,014,000)	-	(102,985,000)	-	-	-	(920,280,000)	-	(87,151,000)	-
	Defence Saving Certificate	-	-	71,291,000	-	-	-	-	-	-	-	-	-
	Net assets of the fund	1,445,044,000	100.00%	(366,215,000)	100.00%	-	100.00%	1,356,985,000	100.00%	(237,777,000)	100.00%	-	100.00%

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

27.1.10 Actuarial valuation assumptions	2021					2020				
	Pension		Gratuity	Medical	Compensated	Pension		Gratuity	Medical	Compensated
	Officer	Employees				Officer	Employees			
Valuation discount rate	10.25%	10.25%	10.25%	10.25%	10.25%	11.75%	11.75%	11.75%	11.75%	11.75%
Expected return in plan assets	12.25%	12.25%	12.25%	-	-	10.25%	10.25%	10.25%	-	-
Salary increase rate	12.25%	12.25%	12.25%	-	12.25%	10.25%	10.25%	10.25%	-	10.25%
Indexation in pension	8.25%	8.25%	-	-	-	6.25%	6.25%	-	-	-
Medical inflation rate	-	-	-	12.25%	-	-	-	-	10.25%	-

27.1.11 The effect of one percentage movement in the assumptions (rates)

Valuation discount rate

Present value of obligation - other than medical
Financial impact on present value of obligation
Valuation discount rate %

Salary increase rate

Present value of obligation - other than medical
Financial impact on present value of obligation
Salary increase rate %

Medical inflation rate

Present value of obligation - medical
Financial impact on present value of obligation
Medical inflation rate %

Life expectancy

Present value of obligation
Financial impact on present value of obligation

Original	1% Increase	1% Decrease
Rupees in millions		

3,087.928	3,057.048	3,118.807
-	(30.879)	30.879
10.25%	11.25%	9.25%
3,087.928	3,057.048	3,118.807
-	(30.879)	30.879
12.25%	13.3%	11.3%
1,106.551	1,095.485	1,117.617
-	(11.066)	11.066
12.25%	13.3%	11.3%
4,285.668	4,242.811	4,328.524
-	(42.857)	42.857

27.1.12 Expected charge to the Funds for the year ending December 31, 2021

Post employment benefits					Total
Retirement benefits			Other post-employment benefits		
Pension		Gratuity	Medical	Compensated absences	
Officer	Employees				
147.055	123.134	1.757	154.915	-	426.861

Acturial Assumption

27.1.13 The Mortality Table SLIC (2001-05) with 1 year setback, based on the experience of the lives insured with State Life Insurance Corporation of Pakistan, has been used in determining the Liability in respect of the Benefits payable under the Plan.

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		2021	2020
		----- (Rupees) -----	
28 TAXATION - PAYMENTS LESS PROVISION/ (PROVISION LESS PAYMENTS)	Note		
Balance at the beginning of the year		181,407,606	646,673,594
Tax paid / deducted during the year		272,051,728	297,215,024
Provision for taxation	46	(820,191,378)	(762,481,012)
Balance at the end of the year		<u>(366,732,044)</u>	<u>181,407,606</u>
29 DEFERRED TAXATION			
Deferred tax liabilities on taxable temporary differences:			
Revaluation surplus on property and equipment		114,586,907	-
Revaluation surplus on Right of asset use -net of tax		516,584,650	-
Property and equipment		10,618,523	2,517,325
Right-of-use assets		5,859,437	6,368,954
Investment property		202,436,064	-
Unrealized gain on investments		<u>404,180,363</u>	<u>554,458,044</u>
		<u>1,254,265,944</u>	<u>563,344,323</u>
Deferred tax assets on deductible temporary differences:			
Provision for doubtful debts		(24,136,875)	(24,181,604)
Provision for impairment of insurers / reinsurers receivable		(304,267,503)	(301,676,025)
Provision for impairment of receivables from other insurers / reinsurers		(7,201,175)	(7,201,174)
Lease liabilities		(8,479,274)	(7,765,868)
Notional interest on interest free loans		(11,925,502)	(15,788,270)
Provision for impairment in available for sale investments		(87,774,705)	(89,797,992)
		<u>(443,785,034)</u>	<u>(446,410,933)</u>
	29.1	<u>810,480,910</u>	<u>116,933,390</u>
29.1 The above closing deferred tax liability is comprised of deferred tax amounting to Rs. 204,640,449 and Rs. 488,907,072 reported through Statement of profit and loss and Statement of comprehensive income respectively.			
		2021	2020
		----- (Rupees) -----	
30 INSURANCE / REINSURANCE PAYABLES	Note		
Due to other insurers/reinsurers	30.1 & 30.2	8,192,373,857	4,534,527,366
Premium and claim reserves retained from retrocessionaires	30.3	15,824,356	15,824,356
		<u>8,208,198,213</u>	<u>4,550,351,722</u>
30.1 This includes an amount of Rs.16.55 million (2020: Rs. 36.28 million) which is under litigation.			
30.2 Due to other insurers / reinsurers			
Due to other insurers		264,775,346	905,301,640
Due to other reinsurers		7,927,598,511	3,629,225,726
		<u>8,192,373,857</u>	<u>4,534,527,366</u>
30.3 Premium and claim reserves retained from retrocessionaires			
Premium reserves		(2,851,182)	(2,851,182)
Losses reserves		17,033,417	17,033,417
Cash losses received from retrocessionaires		1,642,121	1,642,121
	30.3.1	<u>15,824,356</u>	<u>15,824,356</u>
30.3.1 This represents the Company's retention of deposits withheld against the total amount retroceded to other companies.			
		2021	2020
		----- (Rupees) -----	
31 LEASE LIABILITIES			
Current portion		8,860,729	5,827,833
Non-current portion		20,378,147	20,951,022
		<u>29,238,876</u>	<u>26,778,855</u>

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31.1 The Company has entered into lease arrangement with Karachi Port Trust (KPTI) for lease of land. Minimum lease payments, which are payable till the expiry of lease agreement, have been discounted by using 6 months KIBOR prevailing at the initial application date i.e. 13.44% (2020: 13.44%).

31.2 The amount of future payments under the finance lease arrangements and the year in which these payments will become due are as follows:

	Note	2021	2020
		----- (Rupees) -----	
31.3 Statement of profit or loss shows the following amounts relating to lease:			
- Depreciation charge on right-of-use asset		1,756,953	1,756,953
- Interest expense	42	2,460,021	2,491,333
		<u>4,216,974</u>	<u>4,248,286</u>
Not later than one year		8,272,853	5,416,204
Later than one year but not later than five years		<u>39,936,006</u>	<u>42,792,656</u>
Total future minimum lease payments		<u>48,208,859</u>	<u>48,208,860</u>
Finance charge allocated to future years		<u>(18,969,983)</u>	<u>(21,430,005)</u>
Present value of future minimum lease payments		<u>29,238,876</u>	<u>26,778,855</u>
Not later than one year		(8,860,729)	(5,827,833)
Later than one year but not later than five years		<u>(6,136,096)</u>	<u>(7,830,290)</u>
Later than five years		<u>14,242,051</u>	<u>13,120,732</u>

32 UNCLAIMED DIVIDENDS

Balance at beginning of the year	155,208,129	107,273,466
Add: dividend announced during the year	750,000,000	600,000,000
Less: payments during the year	(700,352,569)	(552,065,337)
Add: Accrual of interest	1,101,067	-
Balance at end of the year	<u>205,956,627</u>	<u>155,208,129</u>

33 OTHERS CREDITORS AND ACCRUALS

Creditors and accruals	15,508,761	10,425,822
Rent payable	33.1 31,693,297	31,693,297
Security deposits	33.2 26,074,074	26,443,709
Accrued expenses	14,768,388	18,426,940
Surplus profit payable	33.3 <u>1,212,602</u>	<u>1,212,602</u>
	<u>89,257,122</u>	<u>88,202,370</u>

33.1 The Company has dispute in respect of the unilateral increase in rentals of its lease hold land by Karachi Port Trust (KPTI) being exorbitant and unreasonable, a view supported by the Company's legal advisor. The amount not acknowledged in this regard, however, the Company has recorded provision in this regard as at December 31, 2021 amounting to Rs. 31.693 million (2020: Rs. 31.693 million).

Currently, a stay is operating in favor of the Company and the matter is pending before the Honorable High Court of Sindh, for the issue and hearing of application. The matter is currently being contested by both parties and there has been no negotiation to settle the matter out of the Court. Most likely outcome of the case, may be in accordance with the market rate in the vicinity. The case is pending in the Honorable High Court of Sindh and a hearing has been fixed on January 26, 2022 and the matter is still pending.

33.2 This includes security deposits amounting to Rs. 19.705 million (2020: Rs. 20.607 million) received from tenants in connection with letting of PRC Towers and earnest money deposits for the purpose of securing tenders of suppliers and contractors.

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

34 TOTAL LIABILITIES FROM WINDOW RETAKAFUL OPERATIONS - OPERATOR'S RETAKAFUL FUND

Liabilities:

	2021	2020
	----- (Rupees) -----	
Unearned wakala fee	77,933,450	54,941,261
Operator's Retakaful fund - payable	3,309,474	-
Taxation- provision less payment	13,404,750	8,960,899
Deferred taxation	319,252	69,101
Other creditors and accruals	1,243,042	866,500
Payable to related party	<u>4,454,014</u>	<u>4,589,893</u>
Total liabilities	<u>100,663,982</u>	<u>69,427,654</u>

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35 CONTINGENCIES AND COMMITMENTS	Note	2021	2020
		(Rupees)	
35.1 Contingencies			
The Company is contingently liable for:			
Sindh Sales Tax	35.2	15,761,000,973	13,199,516,538
Federal Excise Duty	35.3	4,073,379,063	4,073,379,063
Income Tax	35.4	1,728,665,305	1,728,665,305
Insurance payables	35.5	61,568,840	65,149,495
EOBI	35.6	639,500	455,900
		21,625,253,681	19,067,166,301

- 35.2** The Company received a notice from Sindh Revenue Board (SRB) relating to non-filing of Sales Tax return on services provided by PRCL to Insurance Companies. The Company contested the notice, however, the decision was made against the Company giving rise to sales tax liability amounting to Rs. 3,242 million and tax penalty of Rs. 880 million for financial year 2011 and 2012. The Company filed an appeal with Commissioner of Appeals, Sindh Revenue Board, however, it was rejected. The Company again filed an appeal with the Appellate Tribunal where the decision was made against the Company vide order number AT-02/2013/109/2013 dated February 03, 2016. As a result, the Company filed reference in the Honorable High Court of Sindh against the orders of Appellant Tribunal.

In the aforementioned tribunal orders, the SRB was directed to reconcile and separate the sales tax liability on reinsurance premium generated within the province of Sindh and rest of Pakistan.

Subsequently, the Company received two orders in pursuance of Appellate Tribunal (SRB) Order against Appeal No. AT-02/2013 and AT-109/2015 dated May 23, 2016 from Sindh Revenue Board (SRB) demanding the amount of sales tax liability on re-insurance services provided / rendered by the Company in Sindh from the period from July 2011 to November 2011 and for the period from December 2011 to December 2012 which were worked out and calculated by SRB amounting to Rs. 372.2 million and Rs. 1,118.1 million respectively. The Company has filed reference in the Honorable High Court of Sindh, dated April 18, 2016 against the Orders of Appellant Tribunal.

Further, the Company has also received a notice from Sindh Revenue Board (SRB) for the period from January 2013 to December 2013. The Company contested the notice; however, the order was passed against the Company giving rise to sales tax liability amounting to Rs. 1,385 million and tax penalty amounting to Rs. 424 million. The Company filed an appeal against the order with Commissioner of Appeals, Sindh Revenue Board which was decided against the Company. The Company being aggrieved by the said order has filed an appeal before Appellant Tribunal-SRB which has been heard and order is awaited. Stay of tax demand has been obtained in this regard which was valid up to April 05, 2017.

During the year 2017, the Company has paid an amount of Rs. 2,131.464 million under protest against the principal amount of sales tax liability in respect of above notices issued by SRB for tax years 2011, 2012 and 2013.

The Company has also apprised Ministry of Commerce through letter dated April 14, 2017, on the matter of disputed sales tax demand raised by SRB. Ministry of Commerce through letter dated on May 03, 2017, directed to take action as per Board of Directors decision and also directed that the Company may keep contesting the case in High Court vigorously.

After obtaining legal opinion and approval from Board of Directors and Ministry of Commerce, the Company wrote a letter dated May 17, 2017, to the Commission (SRB) that the Company is in agreement to make payment of the principal amount of the demand under protest subject to the condition that SRB will withdraw all notices issued u/s 66 of Sindh Sales Tax Act, 2011, to the clients and debtors of the Company for the attachment of payables to Company, SRB will not initiate any further proceedings in relation to the amount of default surcharge and penalty until the liability of tax on reinsurance services is finally decided by the Honorable High Court of Sindh and SRB will not initiate any further proceedings against the Company for the tax periods subsequent to these three tax periods and matter shall be decided after the decision of the Honorable High Court of Sindh.

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During previous year, the SECP vide letter No. ID/PRDD/TAXATION/2020/15 dated March 13, 2020 highlighted taxation issues to SRB faced by the insurance industry in Pakistan. SECP highlighted that, insurance companies obtained reinsurance services to mitigate their risk by sharing it with other insurance/reinsurance companies, hence, forming part of the overall risk management function of insurance companies. The imposition of sales tax on reinsurance services through service charge mechanism, may lead to double taxation on the insurance business, in the context of foreign reinsurance.

Imposition of sales tax on the reinsurance services would increase the cost of doing business for insurance companies, which may reflect as an increase in the rates of insurance premiums, making insurance more costly for the policyholders. As lowering the cost of business is the primary agenda of the Government of Pakistan and as such, the imposition of sales tax on reinsurance services would be working at odds with measures taken by the Government of Pakistan for ease of doing business in Pakistan.

SRB vide letter SRB/TP/57/2016 dated April 26, 2020 advised the Company with the provisions of Sindh Sales Tax Act, 2011 by issuing tax invoices, e-filing of tax returns and e-depositing the SST invoice.

The aggregate amount of Rs. 2,573.889 million paid has been recorded as "receivable from SRB" in the financial statements. Moreover, the Company has not recorded provision against the orders passed by SRB in pursuance of Appellate Order dated February 01, 2016 in Appeal No. AT-02/2013 and order dated February 03, 2016 in Appeal No. AT-109/2015.

Further, if the matter is decided against the Company, the charge to accumulated profits would amount to Rs. 14,042.042 million (approximately) pertaining to the years 2011 to 2020 excluding any additional penalty or default surcharge. The pending legal proceeding may result in claims that the Company is unlikely to be able to satisfy. Further, in that case, the overall equity may erode and turn into negative and the Company would also face liquidity crunch and be unable to meet its solvency requirements in addition to "going concern assumption" basis of accounting.

Based on the legal opinion of the Company's legal advisor, management is confident that strong grounds exist to contest the case and that the eventual resolution of the matter would be in favor of the Company. Accordingly, no provision for sales tax liability for the years 2011 to 2021 has been recorded in these financial statements.

35.3 Federal Excise Duty

S. no.	Year	Amount in Rupees	Status of the case
1	2012	161,753,030	Federal Board of Revenue (FBR) has issued show-cause notices dated November 22, 2017, whereby the Company is required to explain as to why Federal Excise Duty (FED) on aggregate reinsurance premium revenue has not been paid in respect of tax periods from October 2012 to September 2017. The Company has submitted its reply against show-cause challenging levy of FED on various legal grounds. Further, the Company also filed Constitutional Petition against show cause notices in the Honorable High Court of Sindh and the Honorable High Court of Sindh vide order dated January 29, 2019 has suspended the proceedings initiated through the above show-cause notice.
2	2013	755,903,899	
3	2014	765,427,619	
4	2015	835,030,670	
5	2016	928,295,664	
6	2017	626,968,181	
		4,073,379,063	

This case is pending for finalization before the Honorable High Court of Sindh. The Company is confident that outcome of the case will be in favor of the Company in light of the 18th amendment in the Constitution of Pakistan.

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35.4 Income Tax

The status of orders passed under section 122 of the Income Tax Ordinance, 2001 is as follows:

S. no.	Tax year	Tax Demand (Rupees)	Status of the case
1	2010	20,748,022	CIRA has decided issues against Company which are pending in ATIR.
2	2011	97,770,680	Tax liability of Rs. 97,770,680 is arising due to unavailability of brought forward loss relating to TY 2010 due to assessment order passed for the aforesaid tax year.
3	2012	127,326,208	Tax liability of Rs. 127,326,208 is arising due to unavailability of loss of Rs. 212,481,202 relating to Tax Year 2010 and tax refund of Rs. 52,957,787 relating to Tax Year 2011, due to assessment orders passed for these tax years.
4	2013	9,342,660	Appeal effect order with regard to CIRA & ATIR orders are pending. Tax liability of Rs. 42,040,463 is arising due to unavailability of tax refunds of Rs. 1,025,968 and Rs. 41,014,495 relating to Tax Years 2010 and 2012 respectively, due to assessment orders passed for these tax years.
5	2014	412,724,772	<p>This pertains to the non deduction of tax on commission and charge id Workers' Welfare Fund.</p> <p>It was clarified to ACIR that reinsurance commission is reimbursement of expenses and is not in the nature of Commission. It was further informed to ACIR that the so called commission expense was not in the nature of commission in terms of section 233 of the Ordinance.</p> <p>ACIR is of the view that since the Company, in terms of section 233 of the Ordinance, was under obligation to deduct tax on Commission paid and deposit the same, the Company failed to deduct/deposit tax, the default on its payments stands established. Hence, the action taken by disallowing the said expenses under section 21(c) of the Ordinance is found well within the pureview of law and calls for no question.</p> <p>Further, the Company contests against the charge of Worker Welfare Fund of Rs. 29,681,681. The Company contested that as the Company was established by the Government, hence, excluded from the definition of Industrial Establishment of the Worker Welfare Fund Ordinance, 1971.</p> <p>These matters are pending in ATIR.</p>
6	2015	772,134	This pertains to the disallowance of exchange loss of Rs. 50,578,845 on the ground that it was notional in nature and a provision without considering that the loss is allowable as per provisions of the Ordinance. The Company is contesting the gross loss has been incurred due to following of the mercantile system therefore it is to be allowed and the Company's has relied on the judgement of the Tribunal reported as 2011 PTD 352 and unreported judgement in ITA no. 133 KB 2011.
7	2016	223,912,913	Loss on re-measurement of defined benefit obligations of Rs. 675,584,000 and Provision for compensated absences of Rs. 60,868,000 was disallowed. The Company contends that loss is computed by a qualified actuary and is a determined liability. The above disallowance is found well by the ADCIR. The issue is pending in ATIR, however same issue have been decided in Company's favor in tax year 2015. Appeal effect given vide order dated April 6, 2017. Full bench had been formed due to a conflicting decision of Hon. Tribunal in respect of issue of Commission, however, hearing of main appeal had not been fixed yet.

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8	2018	353,612,146	<p>This pertains to the non deduction of tax on commission and the commission expense has been disallowed. It was clarified to ACIR that reinsurance commission is reimbursement of expenses and is not in the nature of Commission as also clarified by SECP. It was further informed to ACIR that the so called commission expense was not in the nature of commission in terms of section 233 of the Ordinance.</p> <p>It was further informed to ACIR that the issue is already decided by Tribunal in Company's favor in respect of Tax years 2008, 2009, 2011 and 2012, which were required to be followed as per section 124A of the Ordinance. ACIR does not agree with Company's view and disallowed Commission expense on the ground that the tax was not withheld on the amount by relying on the decision of Tribunal in the Company's own case in respect of Tax year 2014/15. The Company has filed an appeal before CIRA and the matter is still pending.</p>
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1,246,209,535

The status of orders passed under section 161 of the Income Tax Ordinance, 2001 is as follows:

S. no.	Tax year	Tax Demand (Rupees)	Status of the case
1	2014	260,214,169	Company received various notices in respect of non deduction of with holding tax on commission paid to ceding companies. CIRA has decided issue of Commission expense against Company and appeal is pending in ATIR. Full bench had been formed due to a conflicting decision of Hon. Tribunal in respect of issue of Commission, however, hearing of main appeal had not been fixed yet.
2	2015	39,541,845	
3	2016	182,699,756	

482,455,770

Grand total 1,728,665,305

The above matters are pending before various forums. On the basis of the opinion of tax advisor, the Company is confident that the eventual outcome will be in favor of the Company.

35.5 Insurance payables

The ceding companies have filed various suits amounting to Rs. 61,568,840 (2020: Rs. 65,149,495) against the Company for recovery of claims. Based on the legal opinion of the Company's legal advisor, management is confident that strong grounds exist to contest the cases and that the eventual resolution of the matter would be in favor of the Company. Accordingly, no provision has been recorded in the financial statements relating to these claims.

35.6 Employee Old Age Benefit Institution

The Company has received a notice from the Regional Director of Employee Old Age Benefit Institution (EOBI) vide letter dated October 31, 2009 that Pakistan Reinsurance Company Limited is required to be registered with EOBI. The Company is of the view that since it is a statutory body corporate under the management and control of Ministry of Commerce, Government of Pakistan and have its own pensioner rules and limitation and therefore provisions of EOBI Act, 1976 are not applicable. A suit was filed with the Honorable Civil Court in 2011 where the judgment was passed against the Company.

Further, the Company filed an appeal in the Honorable High Court of Sindh against the Civil Court judgment and there has been no further proceeding in the court but the management expects a favorable outcome. On the basis of meeting held with EOBI officials, the Company is considering registration of its contractual employees with EOBI which is pending approval from Ministry of Commerce. Further, it has been agreed that advice from Ministry of Law and Justice may be sought on the issue of registration of permanent employees who are already covered under Company's own pension scheme. The financial impact pertaining to contractual employees along with penalty, if any, amounts to Rs. 455,900 (Rs. 243,100) and the impact of permanent employees to the financial statements is currently not ascertainable. Therefore, no provision has been made in these financial statements.

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35.7 As disclosed in the notes 16 and 30 to the financial statements, the balances of Rs.14.735 billion (net of provision amounting to Rs. 13.686 billion) and Rs. 8.189 billion were respectively due from and due to insurance/reinsurance companies. In order to reconcile the above balances with the insurance companies, management is in process of reconciling these balances as at 31 December 2021 with the consultation of Security and Exchange Commission of Pakistan (SECP). by outsourcing this function to an independent third party.

However, the management is confident that the eventual outcome of reconciliation exercise would be in favor of the Company.

35.8 Commitments

Commitments in respect of:

- Short term lease rentals (0 to 1 year)
- Capital expenditure (intangible assets)

	2021	2020
	----- (Rupees) -----	
	565,908	514,642
	25,422,503	25,422,503
	<u>25,988,411</u>	<u>25,937,145</u>

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		2021	2020
	Note	----- (Rupees) -----	
36 NET INSURANCE PREMIUM			
Gross premium written		20,993,560,184	16,896,261,248
Add: unearned premium reserve opening		6,513,672,434	8,451,658,849
Less: unearned premium reserve closing	25	(10,732,384,652)	(6,513,672,434)
Premiums earned		16,774,847,966	18,834,247,663
Less: reinsurance premium ceded		13,127,923,393	10,816,070,850
Add: prepaid reinsurance premium opening		4,144,132,224	5,453,474,265
Less: prepaid reinsurance premium closing	19	(7,722,831,183)	(4,144,132,224)
Reinsurance expense		9,549,224,434	12,125,412,891
		7,225,623,532	6,708,834,772
37 NET INSURANCE CLAIMS			
Claims paid		5,511,516,252	8,924,707,349
Add: outstanding claims including IBNR closing	24	9,406,389,187	10,480,686,890
Less: outstanding claims including IBNR opening		(10,480,686,890)	(8,016,598,909)
Claims expense		4,437,218,549	11,388,795,330
Less: reinsurance and other recoveries received		1,655,094,346	5,794,763,344
Add: reinsurance and other recoveries in respect of outstanding claims closing	17	4,608,127,235	5,603,808,031
Less: reinsurance and other recoveries in respect of outstanding claims opening		(5,603,808,031)	(3,934,364,721)
Reinsurance and other recoveries revenue		659,413,550	7,464,206,654
		3,777,804,999	3,924,588,676

37.1 Claim development

The Company maintains adequate reserves in respect of its reinsurance business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before reinsurance.

Accident year	2017	2018	2019	2020	2021 (Including IBNR)	Total
Estimate of ultimate claims cost						
- At the end of accident year	965,930,028	93,448,497	262,507,634	410,462,011	3,247,621,120	N/A
- One year later	1,104,360,879	242,891,457	972,728,411	1,656,178,363	-	N/A
- Two years later	1,850,441,443	247,582,266	1,253,160,168	-	-	N/A
- Three years later	2,558,194,886	417,161,525	-	-	-	N/A
- Four years later	2,832,268,011	-	-	-	-	N/A
Current estimate of cumulative claims	3,298,224,273	582,064,399	3,635,894,942	2,033,643,710	5,368,078,115	14,917,905,438
Cumulative payments to date	465,956,262	164,902,874	2,382,734,774	377,465,347	2,120,456,995	5,511,516,252
Liability recognized in the statement of financial position	2,832,268,011	417,161,525	1,253,160,168	1,656,178,363	3,247,621,120	9,406,389,186

		2021	2020
	Note	----- (Rupees) -----	
38 NET COMMISSION AND OTHER ACQUISITION COSTS			
Commission paid or payable		1,822,272,449	1,688,588,859
Add: deferred commission expense opening		708,870,616	918,544,431
Less: deferred commission expense closing	18	(806,214,206)	(708,870,616)
Net commission		1,724,928,859	1,898,262,674
Less: commission received or recoverable		941,334,110	859,579,639
Add: unearned reinsurance commission opening		338,532,613	452,020,316
Less: unearned reinsurance commission closing	26	(523,294,102)	(338,532,613)
Commission from reinsurers		756,572,621	973,067,342
		968,356,238	925,195,332

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		2021	2020
	Note	----- (Rupees) -----	
39 MANAGEMENT EXPENSES			
Employee benefit cost	39.1	668,442,172	626,564,231
Medical		19,705,182	16,852,334
Utilities		4,478,665	7,103,190
Security services expense		5,658,114	6,790,521
Repairs and maintenance		14,941,796	10,002,758
Directors' meeting and other expenses	48	11,606,591	5,082,068
Depreciation expense	39.2	6,952,796	7,671,723
Advertisement and business promotion		3,488,992	3,361,770
Travelling and conveyance		4,745,681	2,447,160
Insurance		4,464,834	4,465,925
Computer related expenses		6,678,656	4,627,120
Rent, rates and taxes		7,655,039	3,865,440
Consultancy and professional charges		1,920,475	2,051,650
Printing and stationary		3,948,726	2,091,090
Entertainment		762,456	367,570
Communication		2,323,080	1,178,332
Newspaper and periodicals		56,066	20,508
Repairs and renewal		2,656,267	531,291
Training and research		1,025,400	112,220
Shares transaction costs		354,193	242,607
Others		2,490,947	805,396
		<u>774,356,128</u>	<u>706,234,904</u>
Expenses allocated to investment income	40	(19,646,645)	(15,371,727)
Expenses allocated to rental income	41	(25,710,223)	(24,085,220)
		<u>728,999,260</u>	<u>666,777,957</u>
39.1 Employee benefit cost			
Salaries, wages and benefits		508,354,772	439,767,231
Post employees benefits			
- Officers' pension		(64,312,600)	82,858,000
- Employees' pension		76,474,000	42,191,000
- Post retirement medical benefits		125,413,000	72,417,000
- Gratuity fund		1,447,000	2,780,000
- Compensated absences		21,066,000	(13,449,000)
	27.1.3	<u>160,087,400</u>	<u>186,797,000</u>
		<u>668,442,172</u>	<u>626,564,231</u>
39.2 Depreciation expense			
Property and equipment	7.1	5,195,843	5,914,770
Right-of-use assets	8.2	1,756,953	1,756,953
	7.1	<u>6,952,796</u>	<u>7,671,723</u>

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NOTES TO THE FINANCIAL STATEMENTS
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		2021	2020
		----- (Rupees) -----	
40 INVESTMENT INCOME - NET	Note		
Income from equity securities			
Available for sale			
Dividend income		213,126,116	126,725,139
Held for trading			
Dividend income		11,398,500	5,226,750
		<u>224,524,616</u>	<u>131,951,889</u>
Income from debt securities			
Held to maturity			
Return on debt securities			
Pakistan Investment Bonds - fixed		195,865,078	209,278,329
Pakistan Investment Bonds - floating		43,171,382	21,022,895
Treasury Bills		417,661,508	477,150,910
Profit on Term Finance Certificates		8,834,800	11,349,116
Amortization of Pakistan Investment Bonds		18,188,606	26,679,246
		<u>683,721,374</u>	<u>745,480,496</u>
Available for sale			
Profit on Pakistan Investment Bonds		62,600,409	75,758,242
Net realized gains on investments			
Available for sale financial assets			
Realized gain on equity securities		51,084,393	39,160,452
Realized gain on debt securities		72,398	-
Net unrealized losses on investments			
Held for trading investments		(27,631,715)	(6,683,101)
Total investment income		<u>994,371,475</u>	<u>985,667,978</u>
Add: reversal of impairment in value of available for sale investment		6,985,126	73,083,340
Less: investment related expenses	39	(19,646,645)	(15,371,727)
Net investment income		<u><u>981,709,956</u></u>	<u><u>1,043,379,592</u></u>
41 RENTAL INCOME - NET			
Rental income earned	41.1	131,367,016	108,857,575
Less: expenses allocated to investment property	39	(25,710,223)	(24,085,220)
Less: depreciation on investment property	11	(1,277,463)	(1,352,922)
	41.2	<u>(26,987,686)</u>	<u>(25,438,142)</u>
		<u><u>104,379,330</u></u>	<u><u>83,419,433</u></u>
41.1	The rental income represents income from letting out of PRC Tower.		
41.2	Direct expenses relating to investment property that did not generate rental income amounts to Rs. 9.191 million (2020:Rs. 10.6 million)		
42 FINANCE COST		2021	2020
		----- (Rupees) -----	
Finance cost - leases		2,460,021	2,491,333
Bank charges		88,846	259,152
		<u>2,548,867</u>	<u>2,750,485</u>
43 OTHER INCOME			
Return on bank deposits		61,719,842	65,357,659
Net return on loans to employees		13,319,891	8,920,952
Miscellaneous income		538,449	75,260
Exchange gain		66,669,413	-
		<u>142,247,595</u>	<u>74,353,871</u>

PAKISTAN REINSURANCE COMPANY LIMITED
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		2021	2020
		----- (Rupees) -----	
44 OTHER EXPENSES			
Legal fees		627,700	2,204,000
Auditor's remuneration	44.1	1,314,166	1,086,360
Fee and subscription		3,481,464	1,637,031
Subscription and membership fee		2,771,913	616,838
Exchange loss		-	15,299,960
Provision against lease rental payable-KPT	33.1	-	1,743,072
		<u>8,195,243</u>	<u>22,587,261</u>
44.1 Auditor's remuneration			
Annual audit fee		400,000	432,000
Interim review		157,140	157,140
Out-of-pocket expenses		112,270	95,460
Other certification fee		644,756	401,760
		<u>1,314,166</u>	<u>1,086,360</u>
45 PROFIT FROM WINDOW RETAKAFUL OPERATIONS - OPERATOR'S RETAKAFUL FUND			
Revenue account			
Wakala fee		156,471,404	128,122,229
Commission expense		(145,151,427)	(102,032,546)
General, administrative and management expenses		<u>(7,937,109)</u>	<u>(6,947,553)</u>
		3,382,868	19,142,130
Investment income		920,194	1,202,072
Profit on bank deposits		14,518,979	20,664,577
Modarib's share of Participant's Retakaful investment and other income		3,660,141	1,879,482
		<u>19,099,314</u>	<u>23,746,131</u>
Profit before taxation		22,482,182	42,888,261
Taxation		<u>(6,519,833)</u>	<u>(12,437,596)</u>
Profit after taxation		<u>15,962,349</u>	<u>30,450,665</u>
46 INCOME TAX EXPENSE			
Current tax expense		994,594,665	667,644,580
Prior year (income)/expense		<u>(174,403,287)</u>	<u>94,836,432</u>
		820,191,378	762,481,012
Deferred tax (income) / expense		204,640,449	(181,934,687)
	46.1	<u>1,024,831,827</u>	<u>580,546,325</u>

PAKISTAN REINSURANCE COMPANY LIMITED
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	2021	2020
	(Rupees)	
46.1 Relationship between tax expense and accounting profit		
Profit before tax	3,614,418,290	1,971,985,556
Tax at the applicable rate of 29% (2019: 29%)	1,048,181,304	571,875,811
Tax effect of income that are deductible in determining the taxable profit	151,053,810	(86,165,918)
Prior year tax adjustment	(174,403,287)	94,836,432
Charge for the year	1,024,831,827	580,546,325

46.2 Relationship between average effective tax rate and the applicable tax rate

Applicable tax rate	29.00%	29.00%
Tax effects of amounts that are:		
- Effective prior year adjustment	-4.83%	4.81%
- Deductible temporary difference	7.40%	(4.28%)
- Taxable temporary difference	(3.22%)	(0.09%)
	28.35%	29.44%

47 EARNINGS PER SHARE - basic and diluted

Basic earning per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding as at the year end as follows:

	2021	2020
Profit after tax (Rupees)	2,589,586,463	1,391,439,231
Weighted average number of ordinary shares (number of shares)	300,000,000	300,000,000
Earnings per share (Rupees)	8.63	4.64

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

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48 COMPENSATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2021	2020	2021	2020	2021	2020
	----- Rupees in '000 -----					
Meeting fees	-	-	6,350	3,153	-	-
Managerial remuneration	728	-	-	-	26,950	25,066
Leave encashment	-	-	-	-	2,596	2,419
Bonus	-	-	-	-	11,657	5,760
Charge for defined benefit plan	-	-	-	-	30,086	202,407
Rent and house maintenance	619	-	-	-	22,908	21,307
Utilities	168	-	-	-	6,199	5,765
Dearness allowance	109	-	-	-	4,043	3,760
Conveyance / car monetization	-	-	-	-	3,026	2,781
Adhoc relief (2016, 2017 and 2018)	109	-	-	-	8,123	-
Education allowance	30	-	-	-	1,744	-
Others	966	-	5,256	1,929	25,868	11,828
	2,729	-	11,606	5,082	143,200	281,093
Number of person(s)	1	1	8	4	19	17

48.1 Executive means any employee who satisfies the definition / criteria as mentioned in the Insurance Regulations, 2017.

48.2 Non Executive Directors are entitled to meeting fee for attending each board and committee meeting amounting to Rs. 50,000 and other benefits comprising of accommodation, air travel allowance and conveyance allowance as recommended by Board on its 133rd meeting held on October 30, 2018 in accordance with the articles of association of the Company.

49 EMPLOYEES

Number of employees at the year end

Permanent
Contractual

2021	2020
142	157
17	27
159	184

Average number of employees during the year

Permanent
Contractual

149	159
22	27
171	186

50 IMPLICATIONS OF REVISED IFRS 2 - SHARE-BASED PAYMENT ON BENAZIR EMPLOYEES' STOCK OPTION SCHEME (BESOS)

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and Non-State Owned Enterprises, where GoP holds significant investments (Non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities including the Company on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP has transferred 12% of its investment in such SOEs and Non-SOEs to a Trust Fund, established under a Trust Deed, created for the purpose by each of such entities. The eligible employees are entitled to be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination, such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units, as would be determined based on market price for listed entities or breakup value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund, managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of State Owned Enterprises, needs to be accounted for by the covered entities, including the Company, under the provisions of amended International Financial Reporting Standard-2, "Share-based Payments" (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP, on receiving representations from some of entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated June 07, 2011 to such entities including the Corporation from the application of IFRS 2 to the Scheme.

Had the exemption not been granted, Staff costs of the Company for the year would have been higher by Rs. 42.235 million, profit before taxation would have been lower by Rs. 42.235 million, earnings per share would have been lower by Rs. 0.14, reserves for the year would have been higher by Rs. 42.235 million.

Subsequent to the year end, the company has received a notice from Ministry of Commerce, dated 17 March, 2022. to deposit principal amount along with interest accrued on the principal amount available with the Company under BESOS scheme under federal consolidated fund. The funds will be deposited after the desolution of funds and audits of financial statements of the funds.

51 RELATED PARTIES TRANSACTIONS AND BALANCES

Government of Pakistan through Ministry of Commerce and PRCL Employee Empowerment Trust owns 51% (2020: 51%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. The related parties comprise major shareholders, associated company, directors, companies with common directorship, key management personnel, and staff retirement benefit funds. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material and hence not disclosed in these financial statements. Moreover, transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 48 of these financial statements, are as follows:

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		2021	2020
	Note	----- (Rupees) -----	
Major shareholders			
Government of Pakistan (GoP) through Ministry of Commerce			
Dividend paid for the year		336,599,463	269,279,570
State Life Insurance Corporation of Pakistan			
Dividend paid for the year		183,080,503	146,464,402
Related parties by virtue of GoP's holdings			
State Bank of Pakistan			
Purchase of investment		17,018,141,250	4,816,113,686
Dividend received during the year		49,000	49,000
		17,018,190,250	4,816,162,686
Pakistan State Oil Company Limited			
Dividend received during the year		210,630	-
National Investment Trust Limited			
Dividend received during the year		71,280,000	54,440,000
National Insurance Company Limited			
Premium due but unpaid		3,327,220,693	3,759,664,068
Insurance premium written during the year	52.3	13,486,623,550	10,349,519,469
Premium received		(8,016,346,919)	(10,781,962,844)
Balance at the end of year	16.2	8,797,497,324	3,327,220,693
Insurance commission paid		414,567,086	503,887,904
Insurance claims paid		1,775,838,644	5,752,392,468
Alpha Insurance Company Limited			
Premium due but unpaid		222,688	11,889,184
Insurance premium written during the year		13,686,995	13,597,318
Commission Paid		(372,591)	(349,143)
Claims paid		(10,994,009)	(1,136,303)
Net Receipts		-	-
Balance at the end of year		2,543,083	222,688
Other related parties			
Remuneration including benefits and perquisites of key management personnel	48	157,534,593	286,174,873

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

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52 SEGMENT INFORMATION

2021	Fire	Marine cargo	Marine hull	Accident	Aviation	Engineering	Proportional Treaty	Non-proportional Treaty	Total
	Rupees								
Gross written premium	2,065,777,596	37,391,759	268,166,179	184,726,692	5,002,065,800	8,260,706,867	4,013,314,980	1,161,410,311	20,993,560,184
Unearned-Opening	566,711,447	7,963,063	93,166,700	44,987,784	236,576,190	3,618,269,870	1,506,408,842	439,588,537	6,513,672,433
Unearned-Closing	709,287,738	9,793,225	52,201,183	41,133,807	4,455,283,060	3,295,066,824	1,656,587,205	513,031,610	10,732,384,652
Premium earned	1,923,201,305	35,561,597	309,131,696	188,580,669	783,358,930	8,583,909,913	3,863,136,617	1,087,967,238	16,774,847,965
Reinsurance-Ceded	280,488,850	-	122,814,988	6,298,277	4,501,440,964	7,496,589,005	-	720,291,309	13,127,923,393
Prepaid reinsurance-Opening	17,885,008	-	54,446,935	2,938,875	168,543,304	3,465,398,241	-	434,919,861	4,144,132,224
Prepaid reinsurance-Closing	40,842,152	-	22,227,920	3,150,578	4,237,630,265	3,095,679,708	-	323,300,560	7,722,831,183
Reinsurance expenses	257,531,706	-	155,034,003	6,086,574	432,354,003	7,866,307,538	-	831,910,610	9,549,224,434
Net insurance premium	1,665,669,599	35,561,597	154,097,693	182,494,095	351,004,927	717,602,375	3,863,136,617	256,056,628	7,225,623,531
Commission income	24,222,632	-	15,503,400	608,658	29,451,293	677,977,888	-	8,808,750	756,572,621
Net underwriting income (A)	1,689,892,231	35,561,597	169,601,093	183,102,753	380,456,220	1,395,580,263	3,863,136,617	264,865,378	7,982,196,153
Insurance claims paid	445,711,029	3,618,623	24,557,819	50,987,802	1,434,500,711	225,926,383	2,472,516,667	853,697,218	5,511,516,252
Outstanding-Opening	1,765,854,730	140,719,544	81,818,633	327,965,630	4,220,242,139	1,108,830,004	2,416,686,917	418,569,293	10,480,686,890
Outstanding-Closing	1,841,612,038	68,805,420	229,659,688	291,598,982	1,779,285,442	2,008,445,696	2,327,078,907	859,903,014	9,406,389,187
Insurance claims expenses	521,468,337	(68,295,501)	172,398,874	14,621,154	(1,006,455,986)	1,125,542,075	2,382,908,657	1,295,030,939	4,437,218,549
Reinsurance recoveries received	-	-	17,629,422	-	1,304,660,267	117,392,517	-	215,412,140	1,655,094,346
Recovery-Opening	245,413,842	66,733,022	29,989,753	-	3,974,870,199	845,050,591	-	441,750,624	5,603,808,031
Recovery-Closing	317,808,041	-	65,747,545	-	1,642,925,619	1,559,407,642	-	1,022,238,388	4,608,127,235
Insurance claims recovered from reinsures	72,394,199	(66,733,022)	53,387,214	-	(1,027,284,313)	831,749,568	-	795,899,904	659,413,550
Net claims	449,074,138	(1,562,479)	119,011,660	14,621,154	20,828,327	293,792,507	2,382,908,657	499,131,035	3,777,804,999
Commission expense	256,183,847	3,190,384	21,322,446	17,845,252	8,160,744	416,965,683	-	1,001,260,502	1,724,928,859
Management expense	168,050,812	3,587,840	15,547,046	18,411,983	35,413,184	72,399,510	324,332,280	91,256,604	728,999,259
Provision for doubtful debts-net	2,024,424	43,221	187,288	221,800	426,605	872,161	3,907,070	1,099,323	8,781,891
Net insurance claims and expenses (B)	(875,333,222)	(5,258,965)	(156,068,440)	(51,100,189)	(64,828,859)	(784,029,861)	(2,711,148,007)	(1,592,747,463)	(6,240,515,008)
Underwriting results (C=A-B)	814,559,009	30,302,632	13,532,653	132,002,564	315,627,361	611,550,402	1,151,988,610	(1,327,882,085)	1,741,681,145
Net investment income									981,709,955
Rental income									104,379,330
Finance cost									(2,548,867)
Fair value gain on investment property									698,055,394
Other expenses									(8,195,243)
Other income									142,247,594
Premium deficiency expense									(58,873,368)
Profit before tax									3,598,455,941
Segment assets	1,689,892,231	35,561,597	169,601,093	183,102,753	380,456,220	1,395,580,263	3,863,136,617	264,865,378	7,982,196,152
Unallocated assets									38,366,741,497
									46,348,937,649
Segment liabilities	(875,333,222)	(5,258,965)	(156,068,440)	(51,100,189)	(64,828,859)	(784,029,861)	(2,711,148,007)	(1,592,747,463)	(4,647,767,544)
Unallocated liabilities									17,564,470,926
									12,916,703,383

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52.1 Geographical segment

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

Locations	2021		2020	
	Lahore	Karachi	Lahore	Karachi
	Rupees in thousands		Rupees in thousands	
Premium earned	1,289,834	15,485,014	1,176,839	17,657,409
Commission expense	334,565	633,791	294,295	630,900
Losses paid	494,263	5,017,253	462,141	10,926,654
Outstanding liabilities	851,479	8,549,958	1,010,172	9,465,563
Management expenses	4,376	724,623	2,804	663,974
Total assets	800	46,804,751	603	35,764,411

52.2 Management has allocated indirect management expenses to underwriting business on the basis of net premium revenue under individual business as per the stated accounting policy of the Company.

52.3 Information about major customer

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

	2021	2020
National Insurance Company Limited - (related party)	----- Rupees -----	
Facultative business		
Accident	7,265,923	6,837,674
Aviation	5,033,313,883	320,951,660
Engineering	7,695,742,240	9,331,828,668
Fire	125,294,124	44,628,421
Marine hull	249,347,056	365,586,935
	13,110,963,226	10,069,833,358
Treaty business	375,660,324	279,686,111
	51 13,486,623,550	10,349,519,469

53 MOVEMENT IN INVESTMENTS

	Held to maturity	Available for sale	Held for trading	Total
	----- Rupees -----			
At beginning of previous year	6,494,868,260	4,351,345,741	96,225,968	10,942,439,970
Additions	2,154,966,841	-	85,164,497	2,240,131,338
Disposals / redemptions	(1,007,877,135)	(63,231,506)	-	(1,071,108,641)
Fair value net gains (excluding net realized gains)	-	(70,023,358)	(6,685,599)	(76,708,957)
At beginning of current year	7,641,957,966	4,218,090,877	174,704,867	12,034,753,710
Additions	16,760,414,750	143,504,966	-	16,903,919,716
Disposals / redemptions	(15,589,152,879)	(288,837,810)	-	(15,877,990,689)
Fair value net gains (excluding net realized gains)	-	(470,148,846)	(27,631,714)	(497,780,559)
At end of current year	8,813,219,837	3,602,609,188	147,073,153	12,562,902,177

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54 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

54.1 Insurance risk

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

a) Frequency and severity of claims

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

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

	2021	2020
	Gross sum insured	
	Rupees in thousands	
Fire	8,391,036	24,037,190
Marine cargo	840,000	840,000
Marine hull	3,116,100	965,952
Accident and others	3,523,209	16,250,000
Aviation	15,735,000	-
Engineering	3,882,079	11,395,220
	35,487,424	53,488,362

The reinsurance arrangements against major risk exposure include excess of loss, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

b) Source of uncertainty in estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events that occur during the term of the insurance contract including the event reported after the expiry of the insurance contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. The estimation of provision of claims incurred but not reported (IBNR) is based on analysis of the past claim reporting pattern and confirmation received from ceding companies.

There are several variable factors which affect the amount and timing of recognized claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognized amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated.

Key assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc. The internal factors such as portfolio mix, policy conditions and claim handling procedures are further used in this regard.

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The assumed net of reinsurance loss ratios for each class of business is as follows:

	2021	2020
	Assumed net loss ratio	
	Percentage	
Fire	27%	71%
Marine cargo	4%	53%
Marine hull	77%	14%
Accident and others	8%	52%
Aviation	6%	65%
Engineering	41%	72%

Sensitivity analysis

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The Company makes various assumptions and techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios. The Company considers that the liability for insurance claims recognized in the statement of financial position is adequate. However, actual experience will differ from the expected outcome.

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact of claims paid on profit before tax net of reinsurance recoveries.

	Profit before tax		Shareholders' equity	
	2021	2020	2021	2020
	----- Rupees in thousand -----		----- Rupees in thousand -----	
10% increase in expense	(377,780)	(392,459)	(268,224)	(278,646)
10% decrease in expense	377,780	392,459	268,224	278,646

54.2 Reinsurance and retrocession arrangements

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

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

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

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

	2021	2020
	---- Rupees in thousand----	
A or above	5,369,528	5,058,696
BBB	40	382
Others	9,366,133	3,502,428
Total	14,735,701	8,561,506

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54.3 Financial risk management objectives and policies

The Company's activities expose to financial risks, credit risk, liquidity risk and market risk (including interest / mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors (the Board) has overall responsibility to the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

a) Credit risk and concentration of credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in the financial statements.

The management monitors and limits the company's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

The carrying amount of financial assets represents the maximum credit exposure as specified below:

		2021	2020
	Note	----- Rupees -----	
Bank balances	20	1,140,633,168	1,570,404,946
Loan and other receivables	14	285,844,726	305,253,273
Receivable from Sindh Revenue Board	15	2,573,888,727	2,573,888,727
Debt securities	13	9,174,069,234	8,271,505,868
Insurance / reinsurance receivables	16	13,686,203,094	8,141,085,867
Reinsurance recoveries against outstanding claims	17	4,608,127,235	5,603,808,031
		<u>31,468,766,184</u>	<u>26,465,946,712</u>

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

The age analysis of insurance / reinsurance receivable is as follows:

	2021	2020
	----- Rupees in thousand -----	
Up to three months	5,819,178	3,087,371
Over three months but up to one year	7,603,629	4,466,116
Over one year but up to two years	738,514	1,194,359
Over two years but up to three years	109,122	133,910
Over three years	964,964	383,134
	<u>15,235,407</u>	<u>9,264,890</u>
Provision against amount due from other insurers and reinsurers	<u>(1,074,030)</u>	<u>(1,065,094)</u>
	<u>14,161,377</u>	<u>8,199,796</u>

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

	Rating		Rating Agency	Rupees In Thousand	
	Short Term	Long Term		2021	2020
National Bank of Pakistan	A-1+	AAA	PACRA	39,125	86,540
Bank Al-Habib Limited	A-1+	AAA	JCR-VIS	1,079,652	1,462,151
Bank Alfalah Limited	A-1+	AA+	PACRA	21,818	20,790
Sindh Bank Limited	A-1	A+	JCR-VIS	38	37
				1,140,633	1,569,518

b) Liquidity risk

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

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

	Carrying amount	Contractual cash flows	Maturity in one year	Maturity exceeding one year
	Rupees in thousand			
December 31, 2021				
Outstanding claims including IBNR	9,401,437	9,401,437	9,401,437	-
Insurance / reinsurance payables	8,208,198	8,208,198	8,208,198	-
Other creditors and accruals	89,257	89,257	89,257	-
Lease liabilities	29,239	29,239	8,861	20,378
	17,728,131	17,728,131	17,707,753	20,378
December 31, 2020				
Outstanding claims including IBNR	10,475,735	10,475,735	10,475,735	-
Insurance / reinsurance payables	4,550,352	4,550,352	4,550,352	-
Other creditors and accruals	88,202	88,202	88,202	-
Lease liabilities	26,779	26,779	5,828	20,951
	15,141,068	15,141,068	15,120,117	20,951

c) Market risk

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

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

Sensitivity analysis

The table below summarizes the Company's equity price risk as of December 31, 2021 and 2020 and shows the effects of a 10% increase and a 10% decrease in market prices as at the year end. The selected change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

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	Fair value	Estimated fair value after change in price	Increase / (decrease) in shareholders equity	Profit before tax
	Rupees in thousand			
December 31, 2021				
10% increase	3,388,833	3,727,716	240,607	338,883
10% decrease	-	3,049,950	(240,607)	(338,883)
December 31, 2020				
10% increase	3,763,248	4,139,573	267,191	376,325
10% decrease	-	3,386,923	(267,191)	(376,325)

d) Interest/ Mark-up rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. Interest / mark-up rate risk to the Company is the risk of changes in market interest / mark-up rates reducing the overall return on its interest bearing securities. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated. The following table provides information about the exposure of the Company to interest / mark-up rate risk at the balance sheet date based on contractual re-pricing or maturity dates which ever is earlier:

	Effective rate per annum (percentage)	2021				Non-interest / mark-up bearing financial instruments	Total
		Interest / mark-up bearing financial instruments					
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total		
Rupees in thousand							
Financial assets							
Cash and bank deposits	6.25 to 11.25	389,437	-	-	389,437	1,101,845	1,491,282
Investments	5.90 to 12	7,267,248	2,316,246	(409,425)	9,174,069	3,388,833	12,562,902
Insurance / reinsurance receivables		-	-	-	-	13,686,203	13,686,203
Receivable from Sindh revenue board		-	-	-	-	2,573,889	2,573,889
Loans and other receivables		74,020	-	-	74,020	211,825	285,845
Reinsurance recoveries against outstanding claims		-	-	-	-	4,608,127	4,608,127
Subtotal		7,730,704	2,316,246	(409,425)	9,637,526	25,570,722	35,208,248
Financial liabilities							
Outstanding claims including IBNR		-	-	-	-	9,401,437	9,401,437
Insurance / reinsurance payables		-	-	-	-	8,208,198	8,208,198
Lease liabilities		8,861	7,830	12,548	29,239	-	29,239
Other creditors and accruals		-	-	-	-	295,214	295,214
Subtotal		8,861	7,830	12,548	29,239	17,904,849	17,934,088
Total		7,721,844	2,308,416	(421,973)	9,608,287	7,665,873	17,274,160
Interest risk sensitivity gap		7,721,844	2,308,416	(421,973)	9,608,287		
Cumulative interest risk sensitivity gap		7,721,844	10,030,259	9,608,287			

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	Effective rate per annum (percentage)	2020					Total
		Interest / mark-up bearing financial instruments				Non-interest /	
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years	Sub total	mark-up bearing financial instruments	
		Rupees in thousand					
Financial assets							
Cash and bank deposits	6.25 to 11.25	851,246	-	-	851,246	1,483,101	2,334,347
Investments	5.90 to 12	5,664,135	2,316,768	290,603	8,271,506	3,763,248	12,034,754
Insurance / reinsurance receivables		-	-	-	-	8,141,086	8,141,086
Receivable from Sindh Revenue Board		-	-	-	-	2,573,889	2,573,889
Loans and other receivables		79,246	-	-	79,246	226,007	305,253
Reinsurance recoveries against outstanding claims		-	-	-	-	5,603,808	5,603,808
Subtotal		6,594,627	2,316,768	290,603	9,201,998	21,791,139	30,993,136
Financial liabilities							
Outstanding claims including IBNR		-	-	-	-	10,475,735	10,475,735
Insurance / reinsurance payables		-	-	-	-	4,550,352	4,550,352
Lease liabilities		5,828	7,830	13,121	26,779	-	26,779
Other creditors and accruals		-	-	-	-	243,410	243,410
Subtotal		5,828	7,830	13,121	26,779	15,269,497	15,296,276
Total		6,588,799	2,308,938	277,482	9,175,219	6,521,642	15,696,861
Interest risk sensitivity gap		6,588,799	2,308,938	277,482	9,175,219		
Cumulative interest risk sensitivity gap		6,588,799	8,897,736	9,175,219			

Sensitivity analysis

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

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

	2021		2020	
	Increase	Decrease	Increase	Decrease
	in profit / (loss) upon change of 100 bps		in profit / (loss) upon change of 100 bps	
	Rupees in thousand ('000)			
Cash flow sensitivity - variable rate financial liabilities	-	-	-	-
Cash flow sensitivity - variable rate financial assets	92,131	(92,131)	83,589	(83,589)

e) Foreign currency risk

Foreign currency risk is the risk that the value of financial instrument will fluctuate due to change in foreign exchange rates. The Company principal transactions are carried out in Pakistani Rupee and its exposure to foreign exchange risk arises primarily with respect to US Dollar. Financial assets exposed to foreign exchange risk amounted to Rs. 285.809 million (2020: Rs.699.769 million) at reporting date.

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The following significant exchange rates were applied during the year:

	2021	2020	2021	2020
	Rupees per US Dollars		Rupees per UK Pound	
Average rate	162.97	161.61	224.05	207.33
Report date rate	177.10	160.3	240.59	-

54.4 Capital risk management

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

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

Currently the Company has a paid up capital of Rs. 3,000 million against the minimum required paid-up capital of Rs. 500 million set by the SECP for the non-life insurance companies for the year ended December 31, 2021.

The Company monitors capital using gearing ratio. Net debt is calculated as total liabilities (as shown in statement of financial position) less cash and cash equivalents. Equity comprises all components of equity.

The Company's net debt to equity ratio as at December 31, 2021 was as follows:

	2021	2020
	---- Rupees in thousand----	
Total liabilities	33,733,357	25,523,470
Less: cash and cash equivalents	(1,140,841)	(1,570,505)
Net debt (A)	32,592,515	23,952,965
Total equity (B)	13,072,195	10,241,544
Total debt and equity (C=A+B)	45,664,710	34,194,509
Gearing ratio (A/C)	71%	70%

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55 FAIR VALUE OF FINANCIAL INSTRUMENTS

55.1 Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Company's financial assets and financial liabilities as at December 31, 2021.

The Company considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

	2021		2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Investments				
Equity securities				
Held for trading				
Ordinary shares - listed	147,073,152	147,073,152	174,704,867	174,704,867
Available for sale				
Ordinary shares - listed	1,872,955,022	1,872,955,022	2,154,486,027	2,154,486,027
Mutual fund units	1,368,187,154	1,368,187,154	1,433,439,335	1,433,439,335
Ordinary share - unlisted	617,615	617,615	617,613	617,613
Debt securities				
Pakistan Investment Bonds	2,498,062,434	3,376,000,000	3,198,572,333	3,376,000,000
Treasury Bills	6,576,126,800	4,975,000,000	4,973,013,535	4,975,000,000
Terms Finance Certificate	99,880,000	99,880,000	99,920,000	99,920,000
Loans and other receivables	285,844,726	285,844,726	305,253,273	305,253,273
Receivable from Sindh Revenue Board	2,573,888,727	2,573,888,727	2,573,888,727	2,573,888,727
Insurance / reinsurance receivables	13,686,203,094	13,686,203,094	8,141,085,867	8,141,085,867
Reinsurance recoveries against outstanding claims	4,608,127,235	4,608,127,235	5,603,808,031	5,603,808,031
Cash and cash equivalent	1,140,841,359	1,140,841,359	1,570,505,178	1,570,505,178
	34,857,807,318	34,134,618,084	30,229,294,786	30,408,708,918
Financial liabilities				
Outstanding claims including IBNR	9,401,437,187	9,401,437,187	10,475,734,890	10,475,734,890
Unearned premium reserves	10,732,384,652	10,732,384,652	6,513,672,434	6,513,672,434
Unearned reinsurance commission	523,294,102	523,294,102	338,532,613	338,532,613
Retirement benefit obligations	3,206,839,590	3,206,839,590	3,188,627,998	3,188,627,998
	23,863,955,531	23,863,955,531	20,516,567,935	20,516,567,935

55.2 Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement.

Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

2021	Total	Level 1	Level 2	Level 3
	----- Rupees -----			
Financial assets measured at fair value				
Held-for-trading investment				
Ordinary shares - listed	147,073,152	147,073,152	-	-
Available-for-sale investment				
Ordinary shares - listed	1,872,955,022	1,872,955,022	-	-
Mutual fund units	1,368,187,154	1,368,187,154	-	-
Ordinary shares - unlisted	617,615	-	-	617,615
2020				
Financial assets measured at fair value				
Held-for-trading investment				
Ordinary shares - listed	174,704,867	174,704,867	-	-
Available-for-sale investment				
Ordinary shares - listed	2,154,486,027	2,154,486,027	-	-
Mutual fund units	1,461,497,488	1,461,497,488	-	-
Ordinary shares - unlisted	617,613	-	-	617,613

55.3 Transfers during the period

There were no transfers between Level 1 and Level 2 fair value measurements.

There were no transfers into or out of Level 3 fair value measurements.

55.4 Valuation techniques

For level 2 investments - held to maturity, the fair value has been determined by using the rates at reporting date as per Financial Market Association of Pakistan in respect of T bills and PIBs.

For Level 3 available-for-sale investments the Company values the investment at lower of carrying value and breakup value.

56 PROVIDENT FUND

	2021	2020
	(Unaudited)	
	----- (Rupees) -----	
Net assets of the fund	158,081,087	214,722,026
Cost of investments	69,052,878	148,890,200
Fair value of investments	97,922,004	180,215,792
Cost of investment / net assets of the fund	43.68%	69.34%

56.1 Break-up of investments of provident fund

Investment in equity collective investment schemes	7,850,000	7,850,000
Investment in Government securities	39,042,280	134,527,677
TDR	22,000,000	-
Bank Balances	160,598	6,512,523
	69,052,878	148,890,200

Investments out of provident fund have been made in accordance with the provisions of the section 218 of Companies Act, 2017 and the rules formulated for this purpose.

PAKISTAN REINSURANCE COMPANY LIMITED
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57 STATEMENT OF SOLVENCY	2021 --- (Rupees) ---
Assets	
Property and equipment	429,090,184
Right of use asset	1,801,531,334
Intangible assets	8,474,168
Investment property	722,274,603
Investments	
Equity securities	3,388,832,943
Debt securities	9,174,069,234
Receivable from Sindh Revenue Board	2,573,888,727
Loans and other receivables	285,844,726
Insurance / reinsurance receivables	13,686,203,094
Reinsurance recoveries against outstanding claims including IBNR	4,608,127,235
Deferred commission expense	806,214,206
Prepayments	7,723,545,836
Cash and cash equivalent	1,140,841,359
Total assets from window retakaful operations - Operator's retakaful fund	456,613,640
Total assets (A)	46,805,551,289
In-admissible assets as per following clause of section 32 (2) of Insurance Ordinance, 2000	
Property and equipment (2) (u-i, ii & iii)	230,414,087
Investment property (5)	1,801,531,334
Receivable from Sindh Revenue Board	2,573,888,727
Intangible assets (2) (i)	8,474,168
Investments (2) (p & s)	63,750,607
Loans and other receivables (2) (d)	74,019,617
Insurance / reinsurance receivables more than three months (2) (h)	5,819,172,000
Total in-admissible assets (B)	(10,571,250,540)
Total admissible assets (C=A-B)	36,234,300,749
Total liabilities	
Underwriting provisions	
Outstanding claims including IBNR	9,401,437,187
Unearned premium reserves	10,732,384,652
Unearned reinsurance commission	523,294,102
- Premium deficiency reserve	58,873,368
Retirement benefit obligations	3,206,839,590
Deferred taxation	810,480,910
Lease liabilities	29,238,876
Insurance / reinsurance payables	8,208,198,213
Unclaimed dividends	205,956,627
Other creditors and accruals	89,257,122
Total liabilities from window retakaful operations - Operator's retakaful fund	100,663,982
Total liabilities (D)	33,366,624,629
Total net admissible assets (E=C-D)	2,867,676,120
Minimum solvency requirement (higher of following)	
Method A - u/s 36(3)(a)	150,000,000
Method B - u/s 36(3)(b)	1,677,484,797
Method C - u/s 36(3)(c)	2,031,900,456
Excess of net admissible assets over minimum requirements	835,775,664

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58 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison. Significant reclassifications for purposes of correct presentation, are as under:

Reclassification from	Reclassification to	Note	--- (Rupees) ---
Property and equipment	Right of use asset	8	21,961,909
Loans and other receivables	Receivable from Sindh Revenue Board	15	2,573,888,727

59 SUBSEQUENT NON ADJUSTING EVENTS

The Board of Directors in its meeting held on _____ have recommended a final cash dividend of Rs. _____ per share and a bonus issue of Rs. _____ per share for the approval of the members in the Annual General Meeting to be held on _____.

These financial statements for the year ended December 31, 2020 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2021.

60 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on _____ by the Board of Directors of the Company.

61 GENERAL

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

CHAIRMAN

CHIEF EXECUTIVE
OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL
OFFICER

INDEPENDENT REASONABLE ASSURANCE REPORT TO THE BOARD OF DIRECTORS ON THE STATEMENT OF MANAGEMENT'S ASSESSMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

Introduction

We were engaged by the Board of Directors of Pakistan Reinsurance Company limited ("the Company") to report on the management's assessment of compliance of the Window Retakaful Operations ("Retakaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year ended December 31, 2021, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Operations with the Takaful Rules, 2012, in all material respects.

Applicable criteria

The criteria against which the subject matter information (the statement) is assessed comprises of the provision of Takaful Rules, 2012.

Responsibilities of the Management

The Board of Directors / management of the Company are responsible for designing, implementing and maintaining internal controls relevant to the preparation of the annexed Statement and to ensure that it is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Retakaful Operations with the Takaful Rules, 2012.

The Board of Directors / management of the company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Retakaful operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Retakaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirement, professional standards and applicable legal and regulatory requirement.

Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board (IAASB). The standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Retakaful Operations with the Takaful Rules, 2012, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Retakaful Operations compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the Retakaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed include the following:

- Evaluating the systems, procedures and practices in place with respect to the Retakaful operations against the Takaful Rules, 2012 and Shari'ah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shari'ah Advisor and the Board of Directors;
- Performing test for a sample of transactions relating to Retakaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Retakaful operations as laid down in Takaful rules, 2012.
- Review the statement of management's assessment of compliance of the Retakaful transactions for the year ended December 31, 2020 with the Takaful Rules, 2012.

Qualified Conclusion

Based on the procedures performed, except for the possible effects of the matter described in the Basis for Qualified Conclusion section of our report, we believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion. In our opinion the annexed statement for the year ended December 31, 2021, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012 in all material respects.

Basis for Qualified Conclusion

The annexed statement state that arrangements, contracts and transactions entered into by the **Pakistan Reinsurance Company Limited- Window Retakaful Operations** are in compliance with the Takaful rules, 2012 and Shariah principles. The Operator of Waqf (Participants' Retakaful Fund) is responsible to manage the fund on behalf of Participants and, further, to obtain and inspect supporting documents such as policies and other records to ensure that the Retakaful operations are Shariah compliant. However, in case of treaty business, the Operator does not obtain the said documents. As a result, we were unable to substantiate whether the business accepted under treaty arrangement were in accordance with the Shariah principles.

Date:
Karachi

Grant Thornton Anjum Rahman
Chartered Accountants
Muhammad Shaukat Naseeb
Engagement Partner

PAKISTAN REINSURANCE COMPANY LIMITED
WINDOW RETAKAFUL OPERATIONS

Draft audit report to the members

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PAKISTAN REINSURANCE COMPANY LIMITED
WINDOW RETAKAFUL OPERATIONS**

Disclaimer of Opinion

We were engaged to audit the annexed financial statements of **Pakistan Reinsurance Company Limited- Window Retakaful Operation** (the Operations), which comprise the statement of financial position as at December 31, 2021, and the statement of profit or loss account, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have not obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

We do not express an opinion on the accompanying financial statements of **Pakistan Reinsurance Company Limited- Window Retakaful Operations**. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. As disclosed in 8, 12, 13, 19, 20, 28, 30, 35 and 38 to the financial statements, certain account balances and class of transactions have been recorded against treaty proportional business. We were unable to obtain sufficient and appropriate audit evidence in respect of such account balances and class of transactions because the Company does not establish any system and controls to verify the transactions and only relies on the amounts provided in the statutory quarterly returns and bordereaux. Consequently, we were unable to verify and determine whether any adjustments to these amounts were necessary.
2. Amount due from takaful/retakaful receivables (refer note 8) includes gross and net amount of Rs. 216,720,295 and Rs. 199,177,819). These balances remain unreconciled. The Company is in the process to reconcile these balances. Due to pending reconciliations relating to above balances, resulted adjustment and consequential impact thereon, (if any) on these financial statements remain unascertained.

Emphasis of Matter

- We draw attention to the note 27.1 to the financial statements which explains that the ultimate outcome of the matter stated cannot presently be determined for the reasons as mentioned in the aforementioned note.

Our opinion is not further modified in respect of the above matter.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Operator's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with International Standards on Auditing and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our ethical responsibilities in accordance with the Code.

Report on Other Legal and Regulatory Requirements

Based on our audit, except for the effects of the matters discussed in Basis for Disclaimer Opinion paragraph, we further report that in our opinion:

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980),

The engagement partner on the audit resulting in this independent auditor's review report is **Mr. Muhammad Shaukat Naseeb**.

Grant Thornton Anjum Rahman
Chartered Accountants
Karachi
Date:

UDIN:

PAKISTAN REINSURANCE COMPANY LIMITED
WINDOW RETAKAFUL OPERATIONS

Financial statements for the year ended
December 31, 2021

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

		Operator's Retakaful Fund		Participant's Retakaful Fund	
		2021	2020	2021	2020
	Note	-----Rupees-----			
Assets					
Investments	6	18,307,796	17,251,711	89,759,175	84,586,557
Other receivables	7	2,865,576	1,377,632	1,231,247	-
Takaful/retakaful receivables	8	-	-	330,413,954	214,737,432
Receivable from Participant's Retakaful Fund / Operator's Retakaful Fund - net	9	-	29,557,577	3,309,474	-
Qard-e-hasna to Participant's Retakaful Fund	10	244,254,221	-	-	-
Retakaful recoveries against outstanding claims	11	-	-	29,382,727	-
Deferred wakala fee	12	-	-	77,933,450	54,941,261
Deferred commission expense	13	80,659,235	41,504,925	-	-
Prepayments	14	-	-	76,368,847	75,847,698
Bank balances	15	110,526,812	319,674,992	598,618,743	102,591,279
Total Assets		456,613,640	409,366,837	1,207,017,617	532,704,227
Funds and Liabilities					
Funds attributable to:					
Operator's Retakaful Fund					
Statutory fund	16	300,000,000	300,000,000	-	-
Reserves	17	55,949,658	39,939,183	-	-
Total Operator's Funds		355,949,658	339,939,183	-	-
Participant's Retakaful Fund					
Seed money	18	-	-	1,000,000	1,000,000
Reserves	17	-	-	97,147,953	(114,920,221)
Balance of Participant's Retakaful Fund		-	-	98,147,953	(113,920,221)
Qard-c-Hasna	10	-	-	244,254,221	-
		-	-	342,402,174	(113,920,221)
Liabilities:					
Underwriting provisions					
Outstanding claims including IBNR	19	-	-	314,149,375	299,136,344
Unearned contribution reserves	20	-	-	389,667,246	238,875,048
Contribution deficiency reserve	21	-	-	42,862,640	19,010,777
		-	-	746,679,261	557,022,169
Unearned wakala fee	12	77,933,450	54,941,261	-	-
Takaful/retakaful payables	22	-	-	117,935,182	60,043,702
Payable to Participant's Retakaful Fund / Operator's Retakaful Fund - net	9	3,309,474	-	-	29,557,577
Taxation - provision less payment	23	13,404,751	8,960,899	-	-
Deferred taxation - net	24	319,252	69,101	-	-
Other creditors and accruals	25	1,243,041	866,500	1,000	1,000
Payable to a related party	26	4,454,014	4,589,893	-	-
Total liabilities		100,663,982	69,427,654	864,615,443	646,624,448
Total Equity and Liabilities		456,613,640	409,366,837	1,207,017,617	532,704,227
Contingencies and Commitments	27				

The annexed notes 1 to 46 form an integral part of these financial statements *e.m*

Chairman

Director

Director

Chief Executive Officer

Chief Financial Officer

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 -----Rupees-----	2020
PARTICIPANTS' RETAKAFUL FUND			
Revenue account			
Contribution earned	28	782,357,018	557,053,169
Less: contributions ceded to retrotakaful	28	(91,942,133)	(66,989,829)
Net contribution revenue	28	690,414,885	490,063,340
Wakala fee expense	29	(156,471,404)	(128,122,229)
Net underwriting income		533,943,481	361,941,111
Net claims - reported/ settled - IBNR	30	(311,243,050)	(420,624,751)
Charge of contribution deficiency reserve -net	21	(23,851,863)	(19,010,777)
Surplus / (deficit) before investment income		198,848,568	(77,694,417)
Investment income	31	4,560,461	5,661,669
Other income	32	10,080,104	1,856,259
Less: Modarib's fee	33	(3,660,141)	(1,879,482)
Reversal / (provision) for doubtful contributions	8.1	2,850,015	(6,898,427)
Surplus / (deficit) before taxation		212,679,007	(78,954,398)
Taxation	34	(2,027,758)	(1,348,372)
Surplus / (deficit) transferred to accumulated deficit		210,651,249	(80,302,770)

OPERATOR'S RETAKAFUL FUND

Revenue account			
Wakala fee income	29	156,471,404	128,122,229
Commission expense	35	(145,151,427)	(102,032,546)
General, administrative and management expenses	36	(7,937,109)	(6,947,553)
		3,382,868	19,142,130
Investment income	31	920,194	1,202,072
Other income	32	14,518,979	20,664,577
Modarib's fee	33	3,660,141	1,879,482
		19,099,314	23,746,131
Profit before taxation		22,482,182	42,888,261
Taxation	34	(6,519,833)	(12,437,596)
Profit after taxation		15,962,349	30,450,665

The annexed notes 1 to 46 form an integral part of these financial statements 

Chairman	Director	Director	Chief Executive Officer	Chief Financial Officer
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PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 -----Rupees-----	2020
Participants' Retakaful Fund			
Surplus / (deficit) for the year		210,651,249	(80,302,770)
Other comprehensive income for the year			
<i>Item that may be subsequently reclassified to profit or loss account</i>			
Unrealized gain on revaluation of available-for-sale investments- net of tax	39	1,416,925	866,589
<i>Item that will not be subsequently reclassified to profit or loss account</i>		-	-
		1,416,925	866,589
Total comprehensive income / loss for the year		<u>212,068,174</u>	<u>(79,436,181)</u>
 Operator's Retakaful Fund			
Profit after taxation		15,962,349	30,450,665
Other comprehensive income for the year			
<i>Item that may be subsequently reclassified to profit or loss account</i>			
Unrealized gain / (loss) on revaluation of available-for-sale investments- net of tax	39	48,126	(23,483)
<i>Item that will not be subsequently reclassified to profit or loss account</i>		-	-
		48,126	(23,483)
Total comprehensive income for the year		<u>16,010,475</u>	<u>30,427,182</u>

The annexed notes 1 to 46 form an integral part of these financial statements 134

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Attributable to Participant's Retakaful Fund				
	Seed Money	Reserves		Total Reserves	Balance of Participant's Retakaful Fund
		Capital	Revenue		
		Unrealized gain on available for sale investment	Accumulated Surplus/(deficit)		
-----Rupees-----					
Balance as at January 01, 2020	1,000,000	1,020,623	(36,504,663)	(35,484,040)	(34,484,040)
Total comprehensive income for the year					
Unrealized gain on available for sale investments -net	-	866,589	-	866,589	866,589
Deficit for the year	-	-	(80,302,770)	(80,302,770)	(80,302,770)
Balance as at December 31, 2020	1,000,000	1,887,212	(116,807,433)	(114,920,221)	(113,920,221)
Balance as at January 01, 2021	1,000,000	1,887,212	(116,807,433)	(114,920,221)	(113,920,221)
Total comprehensive income for the year					
Unrealized gain on available for sale investments	-	1,416,925	-	1,416,925	1,416,925
Surplus for the year	-	-	210,651,249	210,651,249	210,651,249
Balance as at December 31, 2021	1,000,000	3,304,137	93,843,816	97,147,953	98,147,953

	Attributable to Operator's Retakaful Fund				
	Statutory Fund	Reserves		Total Reserves	Total Operator's Retakaful Fund
		Capital	Revenue		
		Unrealized (loss) / gain on available for sale investment	Unappropriated Profit		
-----Rupees-----					
Balance as at January 01, 2020	300,000,000	192,662	9,319,339	9,512,001	309,512,001
Total comprehensive income for the year					
Unrealized loss on available for sale investments - net	-	(23,483)	-	(23,483)	(23,483)
Profit for the year	-	-	30,450,665	30,450,665	30,450,665
Balance as at December 31, 2020	300,000,000	169,179	39,770,004	39,939,183	339,939,183
Balance as at January 01, 2021	300,000,000	169,179	39,770,004	39,939,183	339,939,183
Total comprehensive income for the year					
Unrealized gain on available for sale investments-net	-	48,126	-	48,126	48,126
Profit for the year	-	-	15,962,349	15,962,349	15,962,349
Balance as at December 31, 2021	300,000,000	217,305	55,732,353	55,949,658	355,949,658

The annexed notes 1 to 46 form an integral part of these financial statements 

Chairman

Director

Director

Chief Executive Officer

Chief Financial Officer

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

		Operator's Retakaful Fund		Participant's Retakaful Fund	
		2021	2020	2021	2020
	Note	-----Rupees-----			
Operating cash flow					
Retakaful activities					
Contribution received		-	-	813,424,282	500,719,351
Retro takaful contribution paid		-	-	(34,571,803)	(63,717,861)
Benefits recoveries from retro takaful		-	-	-	15,996,735
Benefits paid	30	-	-	(325,612,745)	(217,114,067)
Commission paid	35	(184,305,739)	(108,818,104)	-	-
Net cash (used in) / generated from retakaful activities		(184,305,739)	(108,818,104)	453,239,734	235,884,158
Other operating activities					
Income tax paid	23	(2,075,981)	(6,803,169)	(2,027,758)	(1,348,372)
Management expenses paid		(7,455,110)	(5,620,793)	-	-
Other operating receipts / (payments)		217,277,232	163,977,908	(209,563,936)	(160,083,104)
Net cash generated from / (used in) other operating activities		207,746,141	151,553,946	(211,591,694)	(161,431,476)
Total cash generated from operating activities		23,440,402	42,735,842	241,648,040	74,452,682
Investing activities					
Purchase of investments made		(1,007,959)	(1,084,098)	(3,755,694)	(6,645,016)
Profit on bank deposits received		11,753,404	19,311,944	9,320,436	1,856,259
Investment income received	31	920,194	1,202,072	4,560,461	5,661,669
Total cash generated from investing activities		11,665,639	19,429,918	10,125,203	872,912
Financing activities					
Qard-e-hasna	10	(244,254,221)	-	244,254,221	-
Total cash (used in) / generated from financing activities		(244,254,221)	-	244,254,221	-
Net cash (used in) / generated from all activities		(209,148,180)	62,165,760	496,027,464	75,325,594
Cash and cash equivalent at beginning of the year		319,674,992	257,509,232	102,591,279	27,265,685
Cash and cash equivalent at end of the year	15	110,526,812	319,674,992	598,618,743	102,591,279
Reconciliation to profit and loss account					
Operating cash flows		23,440,402	62,047,786	241,648,040	76,308,941
Investment income received		920,194	1,202,072	4,560,461	5,661,669
Profit on bank deposit		11,753,404	-	9,320,436	-
Increase / (decrease) in operating assets other than cash		11,770,057	(68,623,496)	170,263,294	177,508,553
(Increase) / decrease in operating liabilities		(27,477,856)	41,458,730	(215,140,982)	(339,781,933)
		20,406,201	36,085,092	210,651,249	(80,302,770)
Other adjustments:					
Income tax paid	23	2,075,981	6,803,169	2,027,758	1,348,372
Profit before taxation		22,482,182	42,888,261	212,679,007	(78,954,398)
Provision for taxation		(6,519,833)	(12,437,596)	(2,027,758)	(1,348,372)
Total profit for the year		15,962,349	30,450,665	210,651,249	(80,302,770)

The annexed notes 1 to 46 form an integral part of these financial statements

Chairman

Director

Director

Chief Executive Officer

Chief Financial Officer

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Reinsurance Company Limited (the Company) is a public listed company incorporated in Pakistan on March 30, 2000 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Pakistan Reinsurance Company Limited - Window Retakaful Operations (the Operator) is listed on Pakistan Stock Exchange and is engaged in general retakaful business comprise of fire, marine, aviation, engineering and accident. The registered office of the Operator is situated at PRC Tower, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi. The zonal office of the Operator is located at 1st floor, 15-A, Davis Road, State Life Building, Lahore, Pakistan.
- 1.2 The Operator has been authorized to undertake Window Retakaful Operations on September 26, 2018 by Securities and Exchange Commission of Pakistan (SECP) under Takaful Rules, 2012 to carry on General Window Retakaful Operations in Pakistan. For the purpose of carrying on the Retakaful business, the Operator has formed a Waqf (Participants' Retakaful Fund) on September 26, 2018 under the Waqf Deed with a Cede money of Rs. 1,000,000.
- 1.3 The Waqf Deed and Participant Retakaful Fund Policies (Waqf Rules) govern the relationship of Operator, Waqf and Participants for management of Retakaful operations, investment of Waqf and Operator's Fund as approved by the Shariah Advisor of the Operator. The accounts of the Waqf are maintained by the Operator in a manner that the assets and liabilities of Waqf remain separately identifiable. The financial statements of the Operator are prepared in such a manner that the financial position and results from the operations of Waqf and the Operator are shown separately.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

-International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

-Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules 2017, General Takaful Accounting Regulations, 2019 and Takaful Rules, 2012.

In case requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules 2017, General Takaful Accounting Regulations, 2019 and Takaful Rules, 2012 shall prevail.

The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 1416(I).2019 dated November 20, 2019 has issued General Takaful Accounting Regulations, 2019. Accordingly, the Operator has changed format for preparation and presentation of the financial statement to comply with the requirement of the regulation. The application of these regulations for the purpose of preparation and presentation of the financial statement are effective from January 01, 2020.

2.1 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the available-for-sale investments that have been measured at fair value. No adjustment for the effect of inflation has been accounted for in the financial statements. All transactions reflected in these financial statements are on accrual basis except for those reflected in Statement of Cash flows.

2.2 Functional and presentation currency

These annual financial information have been presented in Pakistani Rupees, which is also the functional and presentation currency of the Operator.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Standards, amendments and interpretations to the published standards that are relevant to the Operation and adopted in the current year

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

New or Revised Standard or Interpretation

**Effective Date
(Annual periods
beginning
on or after)**

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

January 1, 2021

Adoption of the above standards have no effect on the amounts for the year ended December 31, 2021.

IFRS 9 'Financial Instruments' and amendment (effective for period ending on or after June 30, 2019) replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It has also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2022.

For the companies adopting the temporary exemption, the IFRS 4 requires certain disclosures which have been disclosed as follows:

Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are as follows:

Fair value of financial assets and changes during the year:

Operator's Retakaful Fund

Financial assets that meet the SPPI criteria,
excluding those held for trading

As at December 31, 2021	As at December 31, 2020	Changes during the year
-	-	-
-	-	-

**Financial assets that do not meet the SPPI
criteria**

Equity investments

Mutual Funds- Available for sale

18,307,796	17,251,711	1,056,085
18,307,796	17,251,711	1,056,085

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

Participant's Retakaful Fund	As at December 31, 2021	As at December 31, 2020	Changes during the year
Financial assets that meet the SPPI criteria, excluding those held for trading	-	-	-
Financial assets that do not meet the SPPI criteria			
Equity investments	-	-	-
Mutual Funds- Available for sale	89,759,175	84,586,557	5,172,618
	89,759,175	84,586,557	5,172,618

3.2 Standards, amendments and interpretations to the published standards that may be relevant but not yet effective and not early adopted by the Company

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standards or interpretation	Effective Date (Annual periods beginning on or after)
Annual improvements to IFRS standards 2018 - 2020 Cycle	January 1, 2022
IFRS 3 - References to Conceptual Framework	January 1, 2022
IAS 16 - Proceeds before intended use	January 1, 2022
IAS 37 - Onerous Contracts - Cost of Fulfilling a contract	January 1, 2022
IAS 1 - Classification of Liabilities as Current or Non-current	January 1, 2023
IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
IAS 8 - 'Definition of Accounting Estimates	January 1, 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023
IFRS 16 - Covid-19-Related Rent Concessions beyond June 30, 2021	April 1, 2021

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

3.3 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the SECP:

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 17 - Insurance Contracts	January 1, 2023

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The policies are consistent in all the years presented in these financial statements.

4.1 Retakaful contracts

Retakaful contracts are based on the principles of Wakala. Retakaful contracts so agreed usually inspire concept of Tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

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A separate Participants Retakaful Fund is created in which all contribution received under general Retakaful contribution net off any Government levies and administrative surcharge are credited. The role of Retakaful Operator is of the management of the Participants Retakaful Fund. At the initial stage of the setup of the Participants Retakaful Fund, the Retakaful Operator makes payment as ceded money to the Participants Retakaful Fund. The terms of the Retakaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Retakaful Operator.

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

The Operator underwrites non-life Retakaful contracts that can be categorized into:

- Fire and property damage;
- Marine, aviation and transport;
- Motor; and
- Miscellaneous

Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. The Retakaful risk involved in these contracts is similar to the contracts undertaken by the Operator as Retakaful operator.

Fire and property damage

Fire and property damage Retakaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

Marine, aviation and transport

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and liabilities to third parties and passengers arising from their use.

Motor

Motor Retakaful contracts cover physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

Miscellaneous

All other Retakaful contracts like machinery breakdown, bonds, cash in hand, cash in transit, personal accident, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under Miscellaneous Retakaful cover.

4.2 Retakaful surplus

Retakaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, shall made after the adjustment of claims paid to them during the year.

4.3 Qard-e-Hasna

Qard-e-Hasna is provided by Operators' Fund to Participant's Retakaful Fund in case of deficit in Participant's Retakaful Fund. Qard-e-Hasna is recognized at the amount provided to Participant's Retakaful Fund less impairment, if any. The Operator would be allowed to recover this Qard from the Participant Retakaful Fund over any period without charging any profit.

4.4 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income and below funds, in which case it is recognized in equity.

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4.4.1 Current

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Provision for taxation is based on taxable income at the current rates of tax after taking into account applicable tax credits, rebates and exemptions available, if any.

4.4.2 Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary difference arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. A deferred tax asset is generally recognized and only to the extent that is probable that future taxable profits will be available and the credits can be utilized.

Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

4.5 Revenue recognition

4.5.1 Contribution

For all takaful contracts, contributions including administrative surcharge under a takaful contract are recognized as written from date of issuance to the date of attachment of risk to the policy / cover note.

Contributions income net of wakala fee is determined after taking into account the unearned portion of contributions. The unearned portion of contribution income is recognized as a liability in Participant's Retakaful Fund.

Re-takaful ceded is recognized as expense after taking into account the proportion of deferred re-takaful contribution expense which is calculated using twenty fourths method. The deferred portion of re-takaful contribution expense is recognized as a prepayment.

4.5.2 Rebate From Retrotakaful Operator

Rebate and other forms of revenue (apart from recoveries) from re-takaful operators are deferred and recognized as liability and recognized in the profit and loss account as revenue of Participants' Retakaful Fund in accordance with the pattern of recognition of the re-takaful contributions.

4.5.3 Investment income

Profit on bank deposits is recognized on a time proportion basis taking into account the effective yield.

Dividend income is recognized when the Operations' right to receive the payment is established.

Return on fixed income securities classified as available for sale is recognized on a time proportion basis taking into account the effective yield on the investments.

Gain / loss on sale of investments is recognized at the time of sale.

4.5.4 Receivables and payables related to takaful contracts

Receivables including contribution due but unpaid, relating to retakaful contracts are recognized when due. The claim/benefits payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment losses, if any. Contribution received in advance is recognized as liability till the time of issuance of takaful contract there against.

4.6 Cash and cash equivalents

Cash and cash equivalents comprise of cash in deposit accounts with banks (current and savings).

4.7 Provisions

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

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4.8 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and or services received, whether or not billed to the Operator.

Provisions are recognized when the Operator has a legal or constructive obligation as a result of a past event and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, the provisions are reviewed at financial statement date and adjusted to reflect current best estimates.

4.9 Wakala fee

Wakala fee is recognized in the Profit and loss account. Wakala Fee is taken 20% of Contribution earned from all business categories. This is recognized as an expense of Participant Retakaful Fund and income of Operator Fund.

4.9.1 Provision for unearned wakala fee

The Operator manages the general takaful operations for the participants and charges wakala fee to Participants' Retakaful Fund on gross contributions recognized for each class. Unearned portion of wakala fee is determine on the basis of unearned portion of contribution received.

4.10 Commission

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

4.10.1 Commission income

Commission income is being taken to profit and loss account on a time proportion basis in accordance with the pattern of recognition of retrotakaful Contribution to comply with the requirements of Insurance Rules, 2017. issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

4.10.2 Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with unearned Contribution that will be recognized in the subsequent reporting period to comply with the requirements of Insurance Rules, 2017. issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

4.11 Statutory fund

Total amount of Rs. 300 million is deposited as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in the separate bank account for Window Takaful business duly maintained in a scheduled bank.

4.12 Contribution

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

4.12.1 Provision for unearned contribution

The portion of Contribution written relating to the unexpired period of coverage is recognized as unearned Contribution by the Company. The unearned portion of Contribution income is recognized as a liability. For Treaty business, the liability is calculated by applying 1/8 method and for Facultative Business over the period of insurance from the date of issuance of the policy to which it relates to its expiry.

4.13 Retro-takaful ceded

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

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

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

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

4.14 Provision for outstanding claims including Incurred But Not Reported (IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred up to the financial statement date which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

Retakaful recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

4.15 Retro - takaful recoveries against outstanding claims

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

4.16 Off setting of financial assets and financial liabilities

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

4.17 Segment reporting

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

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

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

4.18 Investments

4.18.1 Classification and recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs, except for investment held for trading in which case transaction costs are charged to profit and loss account.

These are recognized and classified as follows:

- Held for trading,
- Held to maturity, and
- Available-for-sale.

The classification depends on the purpose for which the financial assets were acquired.

4.18.2 Measurement

(a) Held for trading

Investments which are designated as held for trading upon initial recognition.

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

(b) Held to maturity

Investments with fixed maturity and fixed income investments, where management has both the intent and the ability to hold to maturity, are classified as held-to-maturity. After initial recognition, these are carried at amortized cost less provision for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition using effective yield method.

(c) Available-for-sale

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

Equity securities held by the Operator that are traded in an active market are classified as Available for Sale and are stated at fair value at the end of each reporting period. Dividend on AFS equity investments are recognized in profit and loss account. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of capital reserve. When the investments is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in comprehensive income reclassified to profit and loss account.

4.18.3 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For Available-for-Sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

4.19 Impairment of non financial assets

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. Impairment losses are recognized in profit and loss account.

4.20 Management expenses

Management expenses directly attributable to Window Retakaful Operations are charged to Operator's Retakaful Fund on an accrual basis.

4.21 Mudarib's fee

The Operator also manages the participants' investment as Mudarib and charges 25 % of the investment income and profit on bank deposits earned by the Participant's Retakaful Fund as Mudarib's fee. It is recognized on the same basis on which related revenue is recognized.

4.22 Benefits

Benefits are charged to Participants Retakaful Fund as incurred based on estimated liability for compensation owed under the takaful contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

4.23 Receivables and payables related to retakaful contracts

Receivables including contribution due but unpaid relating to takaful contracts are recognized when due. The claim payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Contribution received in advance is recognized as liability till the time of issuance of takaful contract there against.

If there is an objective evidence that any contribution due but unpaid is impaired, the Operations reduces the carrying amount of that contribution receivable and recognizes the loss in profit and loss account.

4.24 Contribution deficiency reserve

The Participant's Retakaful Fund is required to maintain a provision in respect of contribution deficiency for the individual class of business where the unearned contribution liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that class of business at the reporting date. The movement in the contribution deficiency reserve

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is recognized as an expense in the profit or loss account. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims.

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 Use of estimates and judgements

In preparing these financial statement, management has made judgement, estimates and assumptions that affect the application of the Operations' accounting policies and reported amounts of assets, liabilities, Income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years are included in following notes:

	Note
a) classification of investments;	4.18.1
b) impairment of available for sale investments ;	4.18.3
c) taxation;	4.4
d) provision for unearned wakala fee;	4.9.1
e) deferred commission expense;	4.10.2
f) provision for outstanding claims including IBNR and re-takaful recoveries;	4.14
g) provision for unearned contribution;	4.12.1
h) allocation of management expenses; and	4.20
i) contribution deficiency reserves.	4.24

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6 INVESTMENTS

Available for sale - Mutual Funds

	Operator's Retakaful Fund			Participants Retakaful Fund		
	Total cost of Investment	Market value / carrying value of investment	Unrealized Gain / (loss)	Total cost of Investment	Market value / carrying value of investment	Unrealized Gain / (loss)
As At December 31, 2021	Rupees					
Al Hamra Islamic Income Fund	3,456,674	3,688,243	231,569	16,998,094	18,074,395	1,076,301
Al-Ameen Islamic Sovereign Fund - Class C	1,844,638	1,975,524	130,886	3,255,244	3,486,219	230,975
Al-Ameen Islamic Cash Fund	1,564,970	1,668,320	103,350	13,534,827	14,411,467	876,640
NBP Islamic Mahana Amdani Fund	3,432,992	3,672,321	239,329	16,882,345	17,996,414	1,114,069
ABL Islamic Income Fund	3,461,354	3,639,723	178,369	17,023,108	17,833,413	810,305
Meezan Rozana Amdani Fund - Growth-B	3,446,297	3,663,665	217,368	16,891,834	17,957,267	1,065,433
	17,206,925	18,307,796	1,100,871	84,585,452	89,759,175	5,173,723
As At December 31, 2020	Rupees					
Al Hamra Islamic Income Fund	3,357,880	3,473,395	115,516	16,422,914	17,021,528	598,614
Al-Ameen Islamic Sovereign Fund - Class C	1,802,654	1,857,056	54,402	3,181,154	3,277,158	96,004
Al-Ameen Islamic Cash Fund	1,627,613	1,569,627	(57,986)	13,534,694	13,559,122	24,428
NBP Islamic Mahana Amdani Fund	3,390,201	3,457,516	67,315	16,294,754	16,943,750	648,996
ABL Islamic Income Fund	3,388,786	3,447,823	59,036	16,373,998	16,893,168	519,170
Meezan Rozana Amdani Fund - Growth-B	3,446,297	3,446,294	(3)	16,891,831	16,891,831	(0)
	17,013,431	17,251,711	238,280	82,699,345	84,586,557	1,887,212

7 OTHER RECEIVABLES

Loan to employee
 Accrued markup on bank deposits

Operator's Retakaful Fund		Participant's Retakaful Fund	
2021	2020	2021	2020
Rupees			
100,000	25,000	-	-
2,765,576	1,352,632	1,231,247	-
2,865,576	1,377,632	1,231,247	-

8 TAKAFUL/RETAKAFUL RECEIVABLES

Due from takaful participants holders
 Treaty takaful
 Facultative takaful

Less: provision for impairment

Note

Participant's Retakaful Fund	
2021	2020
Rupees	
238,236,899	157,930,768
96,225,467	63,705,091
334,462,366	221,635,859
(4,048,412)	(6,898,427)
330,413,954	214,737,432
6,898,427	-
(2,850,015)	6,898,427
4,048,412	6,898,427

8.1 Movement of provision for impairment

Balance at the beginning of the year
 (Reversals) / provisions made during the year
 Balance at the end of the year

Operator's Retakaful Fund		Participant's Retakaful Fund	
2021	2020	2021	2020
Rupees			
Amount (payable) to / receivable from Participant's Retakaful Fund	9.1	(2,127,468)	(23,919,481)
Wakala fee	9.2	179,463,592	233,975,156
Mudarib's share of participants' retakaful fund investment income and bank profit	9.3	3,660,141	1,879,482
Commission payable		(184,305,739)	(182,377,580)
		(3,309,474)	29,557,577
		3,309,474	(29,557,577)

9 PAYABLE / RECEIVABLE (CURRENT ACCOUNT BETWEEN OPERATOR'S RETAKAFUL FUND AND PARTICIPANT'S RETAKAFUL FUND)

Amount (payable) to / receivable from Participant's Retakaful Fund
 Wakala fee
 Mudarib's share of participants' retakaful fund investment income and bank profit
 Commission payable

9.1 The amount is payable by the Operator to Participant's Retakaful Fund related to contribution received by the Operator from takaful participants.

9.2 It represents the amount receivable from Participant's Retakaful Fund related to wakala fee charged at 20% of gross contribution written amounted to Rs. 186,629,843 (2020: Rs. 138,858,928)

9.3 It represents Mudarib fee receivable against managing the investments and funds of participants at the rate 25% of all investment income and profit on bank deposits.

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		Operator's Retakaful Fund		Participant's Retakaful Fund		
		2021	2020	2021	2020	
		-----Rupees-----				
10	Qard-e-hasna to Participant's Retakaful Fund	Note				
	Balance at the beginning of the year		-	-	-	
	Qard-e-hasna transferred from OPF during the year		244,254,221	(244,254,221)	-	
	Qard-e-hasna returned by PITF during the year		-	-	-	
	Impairment adjustment		-	-	-	
	Balance at the end of the year		244,254,221	(244,254,221)	-	
			Operator's Retakaful Fund		Participant's Retakaful Fund	
			2021	2020	2021	2020
			-----Rupees-----			
11	RETAKAFUL RECOVERIES AGAINST OUTSTANDING CLAIMS					
	Balance at the beginning of the year			-	-	-
	Charge for the year			29,382,727	-	-
	Received during the year			-	-	-
	Balance at the end of the year			29,382,727	-	-
			Operator's Retakaful Fund		Participant's Retakaful Fund	
			2021	2020	2021	2020
			-----Rupees-----			
12	DEFERRED WAKALA FEE / UNEARNED WAKALA FEE	Note				
	Facultative business	12.1	5,461,817	4,148,353	5,461,817	4,148,353
	Treaty		72,471,633	50,792,908	72,471,633	50,792,908
			77,933,450	54,941,261	77,933,450	54,941,261
12.1	Facultative business					
	Fire		4,579,804	2,232,422	4,579,804	2,232,422
	Marine cargo		1,452	14,906	1,452	14,906
	Marine Hull		12,547	-	12,547	-
	Accident		559,787	1,132,376	559,787	1,132,376
	Engineering		308,227	768,649	308,227	768,649
			5,461,817	4,148,353	5,461,817	4,148,353
13	DEFERRED COMMISSION EXPENSE					
	Facultative business	13.1	2,633,700	1,773,629	-	-
	Treaty		78,025,535	39,731,296	-	-
			80,659,235	41,504,925	-	-
13.1	Facultative business					
	Fire		2,335,311	1,183,599	-	-
	Marine cargo		792	7,442	-	-
	Marine Hull		6,273	-	-	-
	Accident		137,996	248,393	-	-
	Engineering		153,328	334,195	-	-
			2,633,700	1,773,629	-	-
14	PREPAYMENTS					
	Treaty business					
	Prepaid retakaful contribution ceded		-	-	76,368,847	75,847,698
15	BANK BALANCES					
	Cash at bank					
	-Saving accounts	15.1	110,526,812	319,674,992	598,618,743	102,591,279
15.1	Markup on profit and loss sharing accounts ranging from 9% to 10% (2020: 3% to 6%) per annum.					
16	STATUTORY FUND					
Total amount of Rs. 300 million is deposited by the Operator as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank.						
			Operator's Retakaful Fund		Participant's Retakaful Fund	
			2021	2020	2021	2020
			-----Rupees-----			
17	RESERVES					
	Revenue					
	Unappropriated profit		55,732,353	39,770,004	93,843,816	(116,807,433)
	Capital					
	Unrealized gain on available for sale investments		217,305	169,179	3,304,137	1,887,212
			55,949,658	39,939,183	97,147,953	(114,920,221)

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18 SEED MONEY

It represent the initial amount deposited by the Operator of Rs. 1,000,000 in waqf fund to create a Participant's Retakaful Fund.

19 OUTSTANDING CLAIMS INCLUDING IBNR

Facultative business
Treaty

Note

19.1

19.2

19.1 Facultative business

Fire
Marine cargo
Marine Hull
Accident
Engineering

Participant's Retakaful Fund	
2021	2020
-----Rupees-----	
75,979,626	74,901,532
238,169,749	224,234,812
314,149,375	299,136,344
62,102,577	70,709,441
136,745	136,745
-	1,994,662
4,902,131	1,221,279
8,838,173	839,405
75,979,626	74,901,532

19.2 The Securities and Exchange Commission of Pakistan (SECP) issued guidelines for estimation of Incurred but Not Reported (IBNR) claim reserves for non-life insurer companies through Circular No. 9 of 2016 dated March 09, 2016. The guidelines prescribe the standard method for estimation of IBNR claim reserves so as to bring industry wide-uniformity in respect of such estimation and to ensure adequacy of IBNR claims reserve. All non-life insurance companies are required to comply with these guidelines with effect from July 01, 2016.

However, on May 30, 2017 SECP issued separate guidelines for the Company for estimation of Incurred but Not Reported (IBNR) claim through letter No. ID/PRDD/IBNR/2017/9695 which prescribe that, for the purposes of ascertaining IBNR claim reserves by the Company, guidance is hereby extended, that the Company shall collect the data of IBNR claim reserves from the cedants (non-life insurers) and in accordance with its share in the reinsurance program (both on treaty and facultative basis) of the cedant(s) it shall record its IBNR claim reserves.

On the basis of above SECP specified guidelines, the Company wrote letter to each ceding Company to share data of IBNR Claims Reserves in accordance with its share in the reinsurance program both for facultative and treaty business. However, none of the ceding companies shared their IBNR Claim Reserves. The Company recorded Facultative and Treaty IBNR claim reserves on basis of actuarial valuation amounting to Rs. 8,657,196 and Rs. 38,735,891 respectively.

20 UNEARNED CONTRIBUTION RESERVES

Facultative business
Treaty

Note

20.1

20.2

20.1 Facultative business

Fire
Marine cargo
Marine Hull
Accident
Engineering

Participant's Retakaful Fund	
2021	2020
-----Rupees-----	
27,309,083	18,036,317
362,358,163	220,838,731
389,667,246	238,875,048
22,899,021	9,706,183
7,259	64,808
62,734	-
2,798,933	4,923,375
1,541,136	3,341,951
27,309,083	18,036,317

20.2 Treaty

Proportional
Non-proportional

317,065,833	203,901,756
45,292,330	16,936,975
362,358,163	220,838,731

21 CONTRIBUTION DEFICIENCY RESERVE

Fire
Marine cargo
Proportional treaty
Non proportional treaty

21.1

-	9,144,215
-	70,016
-	8,402,984
42,862,640	1,393,562
42,862,640	19,010,777

21.1 Movement of contribution deficiency reserve

Balance at the beginning of the year
Charge for the year
Reversal during the year
Charge of contribution deficiency reserve -net
Balance at the end of the year

19,010,777	-
30,417,426	19,010,777
(6,565,563)	-
23,851,863	19,010,777
42,862,640	19,010,777

22 TAKAFUL/RETAKAFUL PAYABLES

Retakaful contribution payable

117,935,182	60,043,702
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PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
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23 TAXATION- (PROVISION LESS PAYMENT)

Balance at the beginning of the year
Income tax deducted at source on dividend income
Income tax deducted at source on bank profit
Payment of income tax
Total payment of tax
Provision for current tax
Balance at the end of the year

Operator's Retakaful Fund		Participant's Retakaful Fund	
2021	2020	2021	2020
-----Rupees-----			
(8,960,899)	(3,326,472)	-	299,855
162,387	176,553	805,210	918,916
1,913,594	2,852,178	1,222,548	429,456
-	3,774,438	-	-
2,075,981	6,803,169	2,027,758	1,348,372
(6,519,833)	(12,437,596)	(2,027,758)	(1,648,227)
(13,404,751)	(8,960,899)	-	-

24 DEFERRED TAXATION

Taxable temporary differences

Unrealized gain on available for sale investments

Operator's Retakaful Fund	
2021	2020
-----Rupees-----	
319,252	69,101

25 OTHER CREDITORS AND ACCRUALS

Officers association payable
Employees income tax payable
PRCL employees professional tax payable
Sindh sales tax payable
Income tax deducted at source
Audit fee payable
Miscellaneous creditors

Operator's Retakaful Fund		Participant's Retakaful Fund	
2021	2020	2021	2020
-----Rupees-----			
3,000	-	-	-
46,409	-	-	-
1,000	-	-	-
6,600	-	-	-
156,000	-	-	-
861,000	716,500	-	-
169,032	150,000	1,000	1,000
1,243,041	866,500	1,000	1,000

26 PAYABLE TO A RELATED PARTY

Pakistan Reinsurance Company Limited

4,454,014	4,589,893	-	-
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26.1 Payable in respect of

Income tax	2,484,399	3,774,439	-	-
Salaries	1,835,110	728,108	-	-
Bonus	134,505	87,346	-	-
	4,454,014	4,589,893	-	-

27 CONTINGENCIES AND COMMITMENTS

27.1 The Operator was served with a notice by Sindh Revenue Board (SRB) in 2016 for non filing of sales tax returns and raised sales tax liability via same notice on conventional reinsurance services provided by the Operator details of which are stated in note 35.2 to the operator's financial statement. Company has contested the notice and the case is pending with the Honorable High Court of Sindh. In case of unfavorable outcome of the said matter, the charge to profit or loss account would be amounted to Rs. 121.31 million pertaining to the year 2021 (2020: Rs. 78.4 millions) on retakaful operations excluding any additional penalty or default surcharge.

27.2 There were no commitments as at December 31, 2021 (2020: Nil).

28 NET CONTRIBUTION REVENUE

Note

Written gross contributions
Add: unearned contribution reserve opening
Less: unearned contribution reserve closing
Contributions earned
Retakaful contribution ceded
Add: prepaid retakaful contribution opening
Less: prepaid retakaful contribution closing
Retakaful expense

Participant's Retakaful Fund	
2021	2020
-----Rupees-----	
933,149,216	603,734,469
238,875,048	192,193,748
(389,667,246)	(238,875,048)
782,357,018	557,053,169
92,463,282	122,536,902
75,847,698	20,300,625
(76,368,847)	(75,847,698)
(91,942,133)	(66,989,829)
690,414,885	490,063,340

29 WAKALA FEE

Gross wakala fee
Add: unearned wakala fee- opening
Less: unearned wakala fee- closing

186,629,843	138,858,928
47,775,010	44,204,562
(77,933,449)	(54,941,261)
156,471,404	128,122,229

29.1

29.1 This represents expense for Participants Retakaful Fund and revenue for Operator's Retakaful Fund. The Operator manages the Window Retakaful Operations for the participants and charges 20% of the gross contribution written as wakala fee against the services.

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	Participant's Retakaful Fund	
	2021	2020
	-----Rupees-----	
30 NET CLAIMS - REPORTED / SETTLED - IBNR		
Benefits/claims paid	325,612,745	217,114,067
Less: Outstanding benefits/claims including IBNR - opening	(299,136,344)	(79,628,925)
Add: Outstanding benefits/claims including IBNR - closing	314,149,376	299,136,344
Claims expense	340,625,777	436,621,486
Retakaful and other recoveries received	-	(15,996,735)
Add: Retakaful and other recoveries received- closing	29,382,727	-
Less: Retakaful and other recoveries received- opening	-	-
Less: Retakaful and other recoveries revenue	(29,382,727)	(15,996,735)
Net claims expenses	311,243,050	420,624,751

30.1 Claim development table

The Company maintains adequate reserves in respect of its retakaful business in order to protect against adverse future claims experience and developments. The uncertainties about the amount and timing of claim payments are normally resolved within one year. The following table shows the development of the claims over a period of time. All amounts are presented in gross numbers before retakaful.

Accident year	2016	2017	2018	2019	2020 Including IBNR	2021 Including IBNR	Total
Estimate of ultimate claims cost							
-At the end of accident year	-	-	-	4,578,223	37,323,270	171,700,910	-
-One year later	-	-	-	10,493,868	108,384,702	-	-
-Two years later	-	-	-	34,063,763	-	-	-
-Three years later	-	-	-	-	-	-	-
-Four years later	-	-	-	-	-	-	-
Current estimate of cumulative claims	-	-	-	59,683,927	156,710,517	423,367,676	639,762,120
Cumulative payments to date	-	-	-	25,620,164	48,325,815	251,666,766	325,612,745
Liability	-	-	-	34,063,763	108,384,702	171,700,910	314,149,375

	Operator's Retakaful Fund		Participant's Retakaful Fund	
	2021	2020	2021	2020
	-----Rupees-----			
31 INVESTMENT INCOME				
Income from equity securities- Available for sale				
Dividend income	920,194	1,202,072	4,560,461	5,661,669
32 OTHER INCOME				
Profit on bank deposits	14,518,979	20,664,577	10,080,104	1,856,259
33 MODARIB'S INCOME / (EXPENSE)				
Investment income earned	4,560,461	5,661,669	(4,560,461)	(5,661,669)
Profit on bank deposits	10,080,104	1,856,259	(10,080,104)	(1,856,259)
Mudarib' share of income	33.1 3,660,141	1,879,482	(3,660,141)	(1,879,482)

33.1 The Operator of the Window Retakaful manage the participant's investments as a Modarib and charge 25% of Modarib's share of the investment income earned and profit on bank deposits by the Participant's Retakaful Fund.

	Operator's Retakaful Fund		Participant's Retakaful Fund	
	2021	2020	2021	2020
	-----Rupees-----			
34 TAXATION				
Current tax expense	6,519,833	12,437,596	2,027,758	1,348,372
34.1 Relationship between tax expense and accounting profit				
Profit before tax	22,482,182	42,888,261	-	-
Tax at the applicable rate of 29% (2020: 29%)	6,519,833	12,437,596	-	-
Tax effect of income that are deductible in determining the taxable profit	-	-	2,027,758	1,348,372
Charge for the year	6,519,833	12,437,596	2,027,758	1,348,372
Applicable tax rate	29%	29%		
Tax effects of amount that are:				
Permanent difference	0%	0%		
Effective tax rate	29%	29%		

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35 COMMISSION EXPENSE

Note

Operator's Retakaful Fund	
2021	2020
-----Rupees-----	
Commission paid or payable	184,305,739
Add: deferred commission expense- opening	108,818,104
Less: deferred commission expense- closing	41,504,923
Commission expense	34,719,365
	(80,659,235)
	(41,504,923)
	145,151,427
	102,032,546

36 GENERAL, ADMINISTRATIVE AND MANAGEMENT EXPENSES

36.1

Operator's Retakaful Fund	
2021	2020
-----Rupees-----	
Salaries, allowance and other benefits	5,319,329
Shariah Advisor fee	4,053,652
Auditor's remuneration	1,990,645
Others	1,950,000
	590,000
	887,000
	37,135
	56,901
	7,937,109
	6,947,553

36.1 Auditor's remuneration

Half yearly review	108,000	108,000
Annual audit fee	162,000	162,000
Shariah audit fee	135,000	135,000
Regulatory returns	135,000	135,000
Out of pocket expense	50,000	50,000
Other	-	297,000
	590,000	887,000

37 NUMBER OF EMPLOYEES

	2021	2020
Number of employees at the year end	3	3
Average number of employees during the year	3	3

38 SEGMENT REPORTING

38.1 PARTICIPANTS' RETAKAFUL FUND

	2021					
	Fire and property damage	Marine	Accident	Proportional Treaty	Non Proportional Treaty	Total
	Rupees					
Gross written contribution	84,381,052	4,668,346	9,643,683	735,827,222	98,628,913	933,149,216
Unearned contribution-opening	13,048,134	64,808	4,923,375	203,901,756	16,936,975	238,875,048
Unearned contribution-closing	(24,440,157)	(69,293)	(2,798,933)	(317,065,833)	(45,292,330)	(389,667,246)
Contribution earned	72,989,029	4,663,161	11,768,125	622,663,145	70,273,558	782,357,018
Retakaful-Ceded	-	-	-	-	92,463,282	92,463,282
Prepaid retakaful-Opening	-	-	-	-	75,847,698	75,847,698
Prepaid retakaful-Closing	-	-	-	-	(76,368,847)	(76,368,847)
Retakaful Expenses	-	-	-	-	91,942,133	91,942,133
Net contribution	72,989,029	4,663,161	11,768,125	622,663,145	(21,668,575)	690,414,885
Retakaful Rebate	-	-	-	-	-	-
Net underwriting income (A)	72,989,029	4,663,161	11,768,125	622,663,145	(21,668,575)	690,414,885
Benefits/claims paid	5,638,342	-	718,969	270,072,601	49,182,833	325,612,745
Outstanding benefits/claims-opening	(71,548,846)	(2,131,407)	(1,221,279)	(173,075,210)	(51,159,602)	(299,136,344)
Outstanding benefits/claims-closing	70,940,750	136,745	4,902,131	204,908,354	33,261,396	314,149,376
Claims expenses	5,030,246	(1,994,662)	4,399,821	301,905,745	31,284,627	340,625,777
Retakaful recoveries received	-	-	-	-	-	-
Retakaful recoveries against outstanding claims- opening	-	-	-	-	-	-
Retakaful recoveries against outstanding claims- closing	-	-	-	-	29,382,727	29,382,727
Retakaful recoveries revenue	-	-	-	-	29,382,727	29,382,727
Net benefit expenses	5,030,246	(1,994,662)	4,399,821	301,905,745	1,901,900	311,243,050
Charge of contribution deficiency reserve -net	-	-	-	-	23,851,863	23,851,863
Wakala fee	14,597,806	932,632	2,353,625	124,532,629	14,054,712	156,471,404
Net benefits and expenses (B)	19,628,052	(1,062,030)	6,753,446	426,438,374	39,808,475	491,566,317
Underwriting results (C=A-B)	53,360,977	5,725,191	5,014,679	196,224,771	(61,477,050)	198,848,568
Profit on bank balances						10,080,104
Dividend income						4,560,461
Modarib share of PTF investment income and bank profit						(3,660,141)
Reversal for doubtful contributions						2,850,015
Surplus before tax						212,679,007
Segment assets	72,989,029	4,663,161	11,768,125	622,663,145	(21,668,575)	690,414,885
Unallocated assets						516,602,732
						1,207,017,617
Segment liabilities	19,628,052	(1,062,030)	6,753,446	426,438,374	39,808,475	491,566,317
Unallocated liabilities						373,049,126
						864,615,443

38.1.1 Treaty is being carried out under the regulations 1978 as the data received is on prescribed forms (returns) therein. Due to the regulations being outdated (enacted decades before insurance ordinance 2000 and insurance rules 2017), and the company not carrying out the right of inspection, due to which the Company is completely relied on returns.

PARTICIPANTS' RETAKAFUL FUND

	2020					Total
	Fire and property damage	Marine	Accident	Proportional Treaty	Non Proportional Treaty	
	-----Rupees-----					
Gross written contribution	45,074,953	1,038,755	13,719,945	466,530,743	77,370,073	603,734,469
Unearned contribution-opening	14,708,070	165,628	3,416,224	137,423,012	36,480,814	192,193,748
Unearned contribution-closing	(13,048,134)	(64,808)	(4,923,375)	(203,901,756)	(16,936,975)	(238,875,048)
Contribution earned	46,734,889	1,139,575	12,212,794	400,051,999	96,913,912	557,053,169
Retakaful-ceded	-	-	-	-	122,536,902	122,536,902
Prepaid retakaful-opening	-	-	-	-	20,300,625	20,300,625
Prepaid retakaful-closing	-	-	-	-	(75,847,698)	(75,847,698)
Retakaful expenses	-	-	-	-	66,989,829	66,989,829
Net contribution	46,734,889	1,139,575	12,212,794	400,051,999	29,924,083	490,063,340
Retakaful rebate	-	-	-	-	-	-
Net underwriting income (A)	46,734,889	1,139,575	12,212,794	400,051,999	29,924,083	490,063,340
Benefits paid	194,575	-	-	172,996,770	43,922,722	217,114,067
Outstanding benefits-opening	(3,005,450)	(22,787)	(1,598,713)	(64,810,993)	(10,190,982)	(79,628,925)
Outstanding benefits-closing	71,548,846	2,131,407	1,221,279	173,075,210	51,159,602	299,136,344
Benefits expenses	68,737,971	2,108,620	(377,434)	281,260,987	84,891,342	436,621,486
Retakaful recoveries received	-	-	-	-	15,996,735	15,996,735
Retakaful recoveries-opening	-	-	-	-	-	-
Retakaful recoveries-closing	-	-	-	-	-	-
Retakaful recoveries revenue	-	-	-	-	15,996,735	15,996,735
Net benefits	68,737,971	2,108,620	(377,434)	281,260,987	68,894,607	420,624,751
Wakala fee	10,749,024	262,102	2,808,943	92,011,960	22,290,200	128,122,229
Management expense	-	-	-	-	-	-
Contribution deficiency expense	9,144,215	70,016	-	8,402,984	1,393,562	19,010,777
Net benefits and expenses (B)	88,631,210	2,440,738	2,431,509	381,675,931	92,578,368	567,757,757
Underwriting results (C=A-B)	(41,896,321)	(1,301,163)	9,781,285	18,376,068	(62,654,286)	(77,694,417)
Profit on bank deposits	-	-	-	-	-	1,856,259
Provision for doubtful debt	-	-	-	-	-	(6,898,427)
Dividend income	-	-	-	-	-	5,661,669
Modarib fee on dividend income and profit on bank deposits	-	-	-	-	-	(1,879,482)
Deficit before tax	-	-	-	-	-	(78,954,398)
Segment assets	46,734,889	1,139,575	12,212,794	400,051,999	29,924,083	490,063,340
Unallocated assets	-	-	-	-	-	41,416,226
						531,479,566
Segment liabilities	88,631,210	2,440,738	2,431,509	381,675,931	92,578,368	567,757,757
Unallocated liabilities	-	-	-	-	-	77,642,030
						645,399,787

38.2 OPERATOR'S RETAKAFUL FUND

	2021					Total
	Fire and property damage	Marine	Accident	Proportional Treaty	Non Proportional Treaty	
	-----Rupees-----					
Wakala fee	14,397,806	932,632	2,353,625	124,532,629	14,054,712	156,471,404
Commission	(8,348,326)	(576,840)	(623,385)	(135,602,876)	-	(145,151,427)
Management expenses	(839,092)	(53,608)	(135,288)	(7,158,226)	249,105	(7,937,109)
	<u>5,410,388</u>	<u>302,184</u>	<u>1,594,952</u>	<u>(18,228,473)</u>	<u>14,303,817</u>	<u>3,382,868</u>
Modarib share of PTF investment income and bank profit						3,660,141
Profit on bank deposits						14,518,979
Dividend income						920,194
Profit before tax						22,482,182
Taxation						(6,519,833)
Profit after tax						15,962,349
Segment assets	2,488,639	7,065	137,996	78,025,535	-	80,659,235
Unallocated assets						375,954,405
						<u>456,613,640</u>
Segment liabilities	4,888,031	13,999	559,787	63,413,167	9,058,466	77,933,450
Unallocated liabilities						22,730,532
						<u>100,663,982</u>

OPERATOR'S RETAKAFUL FUND

	2020					Total
	Fire and property damage	Marine	Accident	Proportional Treaty	Non Proportional Treaty	
	-----Rupees-----					
Wakala fee	10,749,024	262,102	2,808,943	92,011,960	22,290,200	128,122,229
Commission	(5,636,346)	(128,446)	(733,375)	(95,534,379)	-	(102,032,546)
Management expenses	(662,553)	(16,156)	(173,139)	(3,671,476)	(424,229)	(6,947,553)
	<u>4,450,125</u>	<u>117,500</u>	<u>1,902,429</u>	<u>-</u>	<u>21,865,972</u>	<u>19,142,130</u>
Modarib share of PTF investment income and bank profit						1,879,482
Profit on bank deposits						20,664,577
Dividend income						1,202,072
Profit before tax						42,888,261
Taxation						(12,437,596)
Profit after tax						30,450,665
Segment assets	1,517,794	7,442	248,393	39,731,294	-	41,504,923
Unallocated assets						367,861,914
						<u>409,366,837</u>
Segment liabilities	(3,001,071)	(14,906)	(1,132,376)	(46,897,404)	(3,895,504)	(54,941,261)
Unallocated liabilities						124,368,915
						<u>69,427,654</u>

38.2.1 Treaty is being carried out under the regulations 1978 as the data received is on prescribed forms (returns) therein. Due to the regulations being outdated (enacted decades before insurance ordinance 2000 and insurance rules 2017), and the company not carrying out the right of inspection, due to which the Company is completely relied on returns.

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38.3 Geographical segments

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

Locations	2021		2020	
	Lahore	Karachi	Lahore	Karachi
	-----Rupees-----			
Premium earned	131,905,568	650,451,450	102,083,066	454,970,103
Commission expense	24,942,056	120,209,371	16,767,227	85,265,319
Losses paid	29,193,986	311,431,791	15,591,641	421,029,845
Outstanding liabilities	37,896,986	276,252,389	181,754,115	117,382,229

39 MOVEMENT IN INVESTMENTS

	2021	
	Operator's Retakaful Fund	Participant's Retakaful Fund
	Available for sale	
	-----Rupees-----	
At beginning of previous year	16,121,995	78,936,186
Additions	1,153,199	4,783,782
Fair value (loss) / gain - net	(23,483)	866,589
At beginning of current year	17,251,711	84,586,557
Additions	1,007,959	3,755,693
Fair value gain - net	48,126	1,416,925
At end of current year	18,307,796	89,759,175

40 MANAGEMENT OF RETAKAFUL AND FINANCIAL RISK

The risks involved with financial instruments and the Operator's approach to managing such risks are as follow:

40.1 Retakaful risk

The risk under a Retakaful contract is the possibility that the covered event occurs and the uncertainty of the amount of the resulting benefits. By the very nature of a Retakaful contract, the is is random and therefore unpredictable. The principal risk faced under such contract is that, the occurrence of the covered events and the severity of reported benefits. The Operator's risk profile is improved by diversification of these risk of losses to a large portfolio of contracts as a diversified portfolio is less likely to be affected by an unexpected event in single subject.

The Operator principally issues the general Retakaful cover. Risks under these policies usually cover a twelve month duration.

Underwriting limits and retention policies and procedures precisely regulate who is authorized and accountable for concluding retakaful contracts and at what conditions. Compliance with these guidelines is regularly checked and developments in the global, regional and local markets are closely observed, reacting where necessary with appropriate measures that are translated without delay into underwriting guidelines, if required.

Frequency and severity of benefits

Risk associated with general Retakaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the Retakaful events. This has been managed by underwriting strategy, retakaful arrangements and proactive benefit handling

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

- Fire and property damage
- Marine, aviation and transport
- Motor
- Miscellaneous

Uncertainty in the estimation of future benefits payment

Benefits on general Retakaful contracts are payable on a benefit occurrence basis. The Participant Retakaful is liable for all covered

events that occur during the term of the Retakaful contract including the event reported after the expiry of the Retakaful contract term.

An estimated amount of the benefit is recorded immediately on the intimation to the operations. The estimation of the amount is based

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on management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the benefits.

There are several variable factors which affect the amount and timing of recognized benefit liabilities. The operations takes all reasonable measures to mitigate the factors affecting the amount and timing of benefit settlements. However, uncertainty prevails with estimated benefit liabilities and it is likely that final settlement of these liabilities may be significantly different from initial recognized

40.2 Credit risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Operator by failing to discharge its obligation. The Operator's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements. Further, management monitors exposure to credit risk through review of credit exposure, undertaking transactions with a large number of counter parties in various industries and by continuously assessing the credit worthiness of counter parties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in the financial statements.

The management monitors and limits the company's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

The carrying amount of financial assets represents the maximum credit exposure as specified below:

		Operator's Retakaful Fund		Participant's Retakaful Fund	
		2021	2020	2021	2020
	Note	Rupees			
Bank balances	15	110,526,812	319,674,992	598,618,743	102,591,279
Takaful / retakaful receivables	8	-	-	330,413,954	213,512,771
Accrued markup on bank deposit	7	2,765,576	1,352,632	1,231,247	-
Loan to employees	7	100,000	25,000	-	-
Receivable from Participant's Retakaful Fund / Operator's Retakaful Fund - net	9	-	29,557,577	3,309,474	-

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

The credit quality of the bank in which Operator maintained its own and Participant's Funds' bank balance and markup on bank deposits accrued can be assessed below with reference to external credit ratings.

	Rating		Rating Agency	Operator's Retakaful Fund	Participant's Retakaful Fund
	Short Term	Long Term		Amount in Rs.	
Meezan Bank Limited	A-1+	AAA	JCR-VIS	422,919	286,604,640
Sindh Bank	A-1	A+	JCR-VIS	491,488	1,230
Dubai Islamic Bank Limited	A-1+	AA	JCR-VIS	109,612,405	312,012,873
				110,526,812	598,618,743

The management monitors exposure to credit risk in contribution receivable from customers through regular review of credit exposure and prudent estimates of provision for doubtful receivables.

The credit quality of customers from whom the amount of retakaful receivables can be assessed with reference to external credit ratings.

	Amount Receivable in Rs.
A or above	334,462,366
Others	-
	334,462,366

40.3 Impaired assets

The impairment provision is written-off when the Operator expects that it cannot recover the balance due. During the year, no amount has been impaired.

40.4 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk

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arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. In the case of the Operator, the liquidity level remained on satisfactory level during the year and Operator did not face any difficulty in generation of liquidity.

The following are the contractual maturities of financial liabilities on the basis of an undiscounted cash flow;

Operator's Retakaful Fund	Carrying amount	Contractual cash flows	Maturity up to one year
2021	-----Rupees-----		
Financial liabilities:			
Payable to Participant Retakaful Fund-net	3,309,474	3,309,474	3,309,474
Other creditors and accruals	1,243,041	1,243,041	1,243,041
	4,552,515	4,552,515	4,552,515
2020			
Financial liabilities:			
Payable to Participant Retakaful Fund-net	29,557,577	29,557,577	29,557,577
Other creditors & accruals	866,500	866,500	866,500
	30,424,077	30,424,077	30,424,077
Participant's Retakaful Fund			
2021			
Financial liabilities:			
Outstanding claims including IBNR	314,149,375	314,149,375	314,149,375
Takaful/retakaful payables	117,935,182	117,935,182	117,935,182
Other creditors and accruals	1,000	1,000	1,000
	432,085,557	432,085,557	432,085,557
2020			
Financial liabilities:			
Outstanding claims including IBNR	299,136,344	299,136,344	299,136,344
Takaful/retakaful payables	58,819,041	58,819,041	58,819,041
Other creditors and accruals	1,000	1,000	1,000
	357,956,385	357,956,385	357,956,385

40.5 Market risk

Market risk is a risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. The Operator manages the market risk through diversification of the portfolio and by following the internal guidelines established by the relevant committee. Market risk comprises of three types of risk: currency risk, profit rate risk and price risk.

40.5.1 Profit/interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated.

The information about the Operator's and Participant's Retakaful fund to interest rate risk based on contractual repricing or maturity dates whichever earlier is as follows:

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OPERATOR'S RETAKAFUL FUND

2021	Effective rate per annum (%)	Interest / mark-up bearing financial instruments			Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year	Sub total		
-----Rupees-----						
Financial assets						
Bank balances	9% to 10%	110,526,812	-	110,526,812	-	110,526,812
Investments		-	-	-	18,307,796	18,307,796
Other receivable		-	-	-	2,865,576	2,865,576
Receivable from Participant's Retakaful Fund- net		-	-	-	-	-
Subtotal		110,526,812	-	110,526,812	21,173,372	131,700,184
Financial liabilities						
Outstanding claims including IBNR		-	-	-	-	-
Takaful / retakaful payables		-	-	-	-	-
Payable to Participant Retakaful Fund-net		-	-	-	3,309,474	3,309,474
Other creditors and accruals		-	-	-	1,243,041	1,243,041
Subtotal		-	-	-	4,552,515	4,552,515
		110,526,812	-	110,526,812	16,620,856	127,147,669
On balance sheet sensitivity gap						
		110,526,812	-	110,526,812	16,620,856	

2020	Effective rate per annum (%)	Interest / mark-up bearing financial instruments			Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year	Sub total		
-----Rupees-----						
Financial assets						
Bank balances	3% to 6%	319,674,992	-	319,674,992	-	319,674,992
Investments		-	-	-	17,251,711	17,251,711
Other receivables		-	-	-	1,377,632	1,377,632
Receivable form Participant's Retakaful Fund-net		-	-	-	29,557,577	29,557,577
Subtotal		319,674,992	-	319,674,992	48,186,920	367,861,912
Financial liabilities						
Outstanding claims including IBNR		-	-	-	-	-
Insurance / reinsurance payables		-	-	-	-	-
Other creditors and accruals		-	-	-	866,500	866,500
Subtotal		-	-	-	866,500	866,500
		319,674,992	-	319,674,992	47,320,420	366,995,412
On balance sheet sensitivity gap		319,674,992	-	319,674,992	47,320,420	

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PARTICIPANT'S RETAKAFUL FUND

2021	Effective rate per annum (%)	Interest / mark-up bearing financial instruments			Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year	Sub total		
-----Rupees-----						
Financial assets						
Bank balances	9% to 10%	598,618,743	-	598,618,743	-	598,618,743
Investments		-	-	-	89,759,175	89,759,175
Other receivable		-	-	-	1,231,247	1,231,247
Receivable from Operator's Retakaful Fund - net		-	-	-	3,309,474	3,309,474
Takaful / retakaful receivables		-	-	-	330,413,954	330,413,954
Subtotal		598,618,743	-	598,618,743	424,713,850	1,023,332,593
Financial liabilities						
Outstanding claims including IBNR		-	-	-	314,149,375	314,149,375
Payable to Operator's Retakaful Fund		-	-	-	-	-
Takaful/retakaful payables		-	-	-	117,935,182	117,935,182
Other creditors and accruals		-	-	-	1,000	1,000
Subtotal		-	-	-	432,085,557	432,085,557
		598,618,743	-	598,618,743	(7,371,707)	591,247,036
On balance sheet sensitivity gap		598,618,743	-	598,618,743	(7,371,707)	

2020	Effective rate per annum (%)	Interest / mark-up bearing financial instruments			Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year	Sub total		
-----Rupees-----						
Financial assets						
Bank balances	3% to 6%	102,591,279	-	102,591,279	-	102,591,279
Investments		-	-	-	84,586,557	84,586,557
Takaful / retakaful receivables		-	-	-	213,512,771	213,512,771
Subtotal		102,591,279	-	102,591,279	298,099,328	400,690,607
Financial liabilities						
Outstanding claims including IBNR		-	-	-	299,136,344	299,136,344
Takaful / retakaful payables		-	-	-	58,819,041	58,819,041
Payable to Operator's Retakaful Fund		-	-	-	29,557,577	29,557,577
Other creditors and accruals		-	-	-	1,000	1,000
Subtotal		-	-	-	387,513,962	387,513,962
		102,591,279	-	102,591,279	(89,414,634)	13,176,645
On balance sheet sensitivity gap		102,591,279	-	102,591,279	(89,414,634)	

Market risk

Market risk is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to market risk with respect to its investments and bank balances maintained in profit & loss sharing accounts. The Company has invested its funds in close ended mutual funds resulting in risk arising from fluctuation in the rate of return and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

Sensitivity analysis for variable rate

Profit rate risk arises from possibility that changes in profit rate will effect the value of financial instruments. Rate risk is the risk of decline in earning due to adverse movement of the rate curve. The operator is exposed to profit rate risk for certain deposits with the banks.

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The below table summarize the price risk as at December 31, 2021 and 2020 and show the effect of 10% increase and decrease in market rate as at the year end. The selected changes does not reflect what could be considered to be the best or worst case scenarios.

OPERATOR'S RETAKAFUL FUND

	Fair value	Effect on profit before tax	Effect on Operator's Fund
	-----Rupees-----		
December 31, 2021			
10% increase	110,526,812	11,052,681	7,847,404
10% decrease	110,526,812	(11,052,681)	(7,847,404)
December 31, 2020			
10% increase	319,674,992	31,967,499	22,696,924
10% decrease	319,674,992	(31,967,499)	(22,696,924)

PARTICIPANT'S RETAKAFUL FUND

December 31, 2021			
10% increase	598,618,743	59,861,874	42,501,931
10% decrease	598,618,743	(59,861,874)	(42,501,931)
December 31, 2020			
10% increase	102,591,279	10,259,128	7,283,981
10% decrease	102,591,279	(10,259,128)	(7,283,981)

40.6 Foreign Currency risk

Foreign currency risk is a risk that the fair value of future cash flows financial instrument will fluctuate because of change in exchange rates. Current, the Operator is not exposed to currency risk as majority of the transactions are carried out in Pakistani rupees.

40.7 Equity Price Risk

The Operator's equity investments are susceptible to market price risk arising from uncertainty about the future value of investments securities. The Operator limit market risk by diversifying its equity investment portfolio and by actively monitoring the developments in equity market.

The table below summarize Operator's market price risk as of December 31, 2021 and 2020. it shows the effects of a 10% increase and decrease in the market prices of equity investments as on those dates on Operator's profit and total Operator's fund.

	Price Change	Fair value	Estimated fair value	Effect on Profit and loss account	Effect on Total Operator's Fund
		-----Rupees-----			
December 31, 2021	10% increase	18,307,796	20,138,576	-	1,830,780
	10% decrease	18,307,796	16,477,016	-	(1,830,780)
December 31, 2020	10% increase	17,251,711	18,976,882	-	1,725,171
	10% decrease	17,251,711	15,526,540	-	(1,725,171)

40.8 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Operator is not exposed to any such risk.

The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as
- Level 3 - inputs for the asset or liability that are not based on observable market data (un observable inputs).

2021	Total	Level 1	Level 2	Level 3
	----- Rupees -----			

Financial assets measured at fair value

Available-for-sale investment

Mutual funds

- Operator's Fund	18,307,796	18,307,796	-	-
- Participant Retakaful Fund	89,759,175	89,759,175	-	-

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2019	Total	Level 1	Level 2	Level 3
	Rupees			
Financial assets measured at fair value				
Available-for-sale investment				
Mutual funds				
- Operator's Fund	17,251,711	17,251,711	-	-
- Participant Retakaful Fund	84,586,557	84,586,557	-	-
41 STATEMENT OF SOLVENCY				December 31, 2021
			Note	Rupees
Assets				
Investments			6	89,759,175
Takaful/retakaful receivables			8	330,413,954
Other receivable			7	1,231,247
Prepayment			14	76,368,847
Deferred wakala fee			12	77,933,450
Receivable from Operator's Retakaful Fund - net			9	3,309,474
Retakaful recoveries against outstanding claims			11	29,382,727
Bank balances			15	598,618,743
Total Assets (A)				1,207,017,617
In-admissible assets as per section 32 (2) of Insurance Ordinance, 2000				
Contribution due since more than three months				(195,647,000)
Total In-admissible assets (B)				(195,647,000)
Total Admissible Assets (C=A-B)				1,011,370,617
Total Liabilities				
Underwriting Provisions				
Outstanding benefits including IBNR			19	314,149,375
Unearned contribution reserves			20	389,667,246
Contribution deficiency reserves			21	42,862,640
Takaful/retakaful payable			22	117,935,182
Payable to Operator's Retakaful Fund - net			9	-
Other creditors and accruals			25	1,000
Total Liabilities (D)				864,615,443
Total Net Admissible Assets (E=C-D)			41.1	146,755,174

41.1 The Participant's Retakaful Fund has complied with the minimum solvency requirement as against the requirement of section 36 of the Insurance ordinance, 2000

42 CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The objectives, policies and processes for managing capital of the Operator are as follows:

- to be an appropriately capitalized institution, as defined by regulatory authorities;
- maintain strong rating and to protect the Operator against unexpected events;
- availability of adequate capital at reasonable cost so as to enable the Operator to expand; and
- achieve low cost of capital with approximate mix of capital elements.

Amount of Rs. 300 million is deposited as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank.

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The Company monitors capital using a ratio of "net debt" to "equity". Net debt is calculated as total liabilities (as shown in statement of financial position) less cash and cash equivalents. Equity comprises all components of Operator' and Participant' Retakaful Fund

The Operator's net debt to equity ratio as at December 31, 2021 was as follows:

	Operator's Retakaful Fund		Participant's Retakaful Fund	
	2021	2020	2021	2020
	-----Rupees-----			
Total liabilities	100,663,982	69,427,654	864,615,443	645,399,787
Less: cash and cash equivalents	(110,526,812)	(319,674,992)	(598,618,743)	(102,591,279)
Net debt	(9,862,830)	(250,247,338)	265,996,700	542,808,508
Total Operator's Fund / Balance of Participant's Retakaful Fund	355,949,658	339,939,183	98,147,953	(113,920,221)
Net debt to equity ratio	-3%	-74%	271%	-476%

43 COMPARATIVE FIGURES

The General Takaful Accounting Regulations 2019 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified wherever considered necessary to comply with the requirement of the said regulation.

Key changes in figures of December 31, 2020 related to presentation and classification have been summarized as follows:

	Before Classification	Changes due to reclassification	After Classification
	-----Rupees-----		
Operator's Retakaful Fund			
Statement of cash flows			
Other operating activities			
Profit on bank deposits received	19,311,944	(19,311,944)	-
Investing activities			
Profit on bank deposits received	-	19,311,944	19,311,944
Participant's Retakaful Fund			
Statement of cash flows			
Other operating activities			
Profit on bank deposits received	1,856,259	(1,856,259)	-
Investing activities			
Profit on bank deposits received	-	1,856,259	1,856,259
Statement of financial position			
Takaful/retakaful receivables	213,512,771	1,224,661	214,737,432
Takaful/retakaful payables	58,819,041	1,224,661	60,043,702

44 SUBSEQUENT EVENT

No adjusting or significant non-adjusting events have occurred between the reporting date and date of authorization except that the Participant's retakaful fund has made the payment of Qard-e-Hasna to Operator's Retakaful Fund amounting Rs. 244,254,221.

45 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on _____ by the Board of Directors of the Operator.

46 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated. *1.5m*

PAKISTAN REINSURANCE COMPANY LIMITED

Pattern of Shareholding

As of December 31, 2021

# Of Shareholders	Shareholdings Slab	Total Shares Held
460	1 to	100
448	101 to	500
366	501 to	1000
575	1001 to	5000
204	5001 to	10000
68	10001 to	15000
40	15001 to	20000
27	20001 to	25000
25	25001 to	30000
17	30001 to	35000
7	35001 to	40000
8	40001 to	45000
13	45001 to	50000
7	50001 to	55000
6	55001 to	60000
3	60001 to	65000
4	65001 to	70000
4	70001 to	75000
1	75001 to	80000
2	80001 to	85000
3	85001 to	90000
1	90001 to	95000
7	95001 to	100000
2	100001 to	105000
1	105001 to	110000
1	110001 to	115000
3	115001 to	120000
4	120001 to	125000
2	135001 to	140000
4	145001 to	150000
1	150001 to	155000
2	155001 to	160000
1	160001 to	165000
2	165001 to	170000
1	170001 to	175000
1	175001 to	180000
2	180001 to	185000
4	195001 to	200000
2	200001 to	205000
2	205001 to	210000
1	215001 to	220000
3	220001 to	225000
2	235001 to	240000
2	270001 to	275000
1	280001 to	285000
2	285001 to	290000
2	295001 to	300000
1	315001 to	320000
1	320001 to	325000
1	340001 to	345000
6	370001 to	375000
1	380001 to	385000
2	395001 to	400000
1	410001 to	415000
1	430001 to	435000
1	460001 to	465000
1	515001 to	520000
1	560001 to	565000
1	745001 to	750000
1	755001 to	760000
1	775001 to	780000
1	905001 to	910000
1	945001 to	950000
1	1055001 to	1060000
1	1095001 to	1100000
1	1175001 to	1180000
1	1995001 to	2000000
1	4345001 to	4350000
1	4655001 to	4660000
1	4975001 to	4980000
1	10550001 to	10555000
1	13055001 to	13060000
1	18355001 to	18360000
1	73230001 to	73235000
1	134635001 to	134640000
2378		300,000,000

PAKISTAN REINSURANCE COMPANY LIMITED
Pattern of Shareholding
as at December 31, 2021

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government of Pakistan			
THE SECRETARY MINISTRY OF COMMERCE,	1	134,639,785	44.88
M/S. PRCL EMPLOYEES EMPOWERMENT TRUST	1	18,359,971	6.12
Directors, Chief Executive Officer, and their spouse and minor children			
MR. MUMTAZ ALI RAJPER	2	555	0.00
ZARA SHAHEEN AWAN	1	10	0.00
MR. MUSLEH UD DIN	1	55	0.00
Associated Companies, undertakings and related parties			
STATE LIFE INSURANCE CORP. OF PAKISTAN	1	73,232,201	24.41
Banks, Development Financial Institution, Non-Banking Financial Institution.	6	17,790,802	5.93
Insurance Companies	5	6,229,729	2.08
Foreign Companies	2	13,817,500	4.61
Modarabas and Mutual Funds	3	1,519,000	0.51
General Public			
a. Local	2,317	33,329,211	11.11
b. Foreign	2	6,922	0.00
Others	36	1,074,259	0.36
Totals	2,378	300,000,000	100.00

Share holders holding 10% or more	Shares Held	Percentage
THE SECRETARY MINISTRY OF COMMERCE,	134,639,785	44.88
STATE LIFE INSURANCE CORP. OF PAKISTAN	73,232,201	24.41



Pakistan Reinsurance Company Limited
FORM OF PROXY
Annual General Meeting

I/We, _____ of _____ being a member of
Pakistan Reinsurance Company Limited and holder of _____ ordinary shares hereby appoint
Mr/Mrs. _____ of _____ or
failing him/her _____ of _____ as
my / our proxy in my absence to attend and vote for me / us and on my / our behalf at the 22nd Annual General Meeting
of the Company to be held on 29th April, 2022 at 11:00am at Karachi and at any adjournment thereof.

Signed this _____ day of April, 2022.

Affix Rupees Five
Revenue Stamp

Signature of Member(s)

Shareholder's Folio No _____

or CDC

Participant I D. No. _____

and Sub Account No. _____

Witnesses:

1. Signature _____
Name _____
Address _____
CNIC or Passport No. _____

2. Signature _____
Name _____
Address _____
CNIC or Passport No. _____

NOTE:

1. The member is requested:
 - i) To affix revenue stamp of Rs.5/- at the place indicated above.
 - ii) To sign across the revenue stamp in the same style of signature as is registered with the Company.
 - iii) To write down his/her/their folio number.
 - iv) Attach an attested photocopy of their valid Computerized National Identity Card/Passport/Board Resolution and the copy of CNIC of the proxy, with this proxy form before submission.
2. In order to be valid, this proxy must be received at the registered office of the Company at least 48 hours before the time fixed for the meeting, duly completed in all respects.
3. CDS Shareholders or their proxies should bring their original computerized national identity card or passport along with the Participant's ID Number and their Account Number to facilitate their identification. Detailed procedure is given in the notes to the notice of AGM.

CDC/RTA/Company/IBAN/17

Date _____

Folio No.

Name of Shareholder

F/H Name

Address

Telephone/Cell #

**Bank Account Details for Payment of Cash Dividend
(Mandatory Requirement as per the Companies Act, 2017)**

Dear Shareholder,

This is to inform you that in accordance with the Section 242 of the Companies Act, 2017, any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Please note that giving bank mandate for dividend payments is **mandatory** and in order to comply with this regulatory requirement and to avail the facility of direct credit of dividend amount in your bank account, you are requested to please provide the following information:

<u>Details of Shareholder</u>	
Name of shareholder	
F/H Name	
Folio / CDS Account No.	
CNIC No.	
Cell number & Landline of shareholder	
Email Address (mandatory)	
<u>Details of Bank Account</u>	
Title of Bank Account	
International Bank Account Number (IBAN) " Mandatory "	<div style="border: 1px solid black; padding: 2px;"> P K (24 digits) </div> <p>(Kindly provide your accurate IBAN number after consulting with your respective bank branch since in case of any error or omission in given IBAN, the company will not be held responsible in any manner for any loss or delay in your cash dividend payment).</p>
Bank's name	
Branch Name and Code	
Branch Address	
It is stated that the above-mentioned information is correct and in case of any change therein, I / we will immediately intimate Participant / Share Registrar accordingly.	
Signature of shareholder Kindly ensure that the title of IBAN/Bank Account must be in your name.	

You are requested to kindly send us this letter immediately duly filled in and signed by you along with legible photocopy of your valid CNIC at our address, **Share Registrar Services, Central Depository Company of Pakistan Limited, CDC House, 99-B, Block B, Main Shahrah-e-Faisal, Karachi. 74400, Pakistan.**

Regards,

**Share Registrar Department
Central Depository Company of Pakistan Limited
Share Registrar:**

Note: This letter is being computer generated and does not require any signature.



Pakistan Reinsurance Company Limited



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Karachi
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Sindh
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