



Annual Report 2008

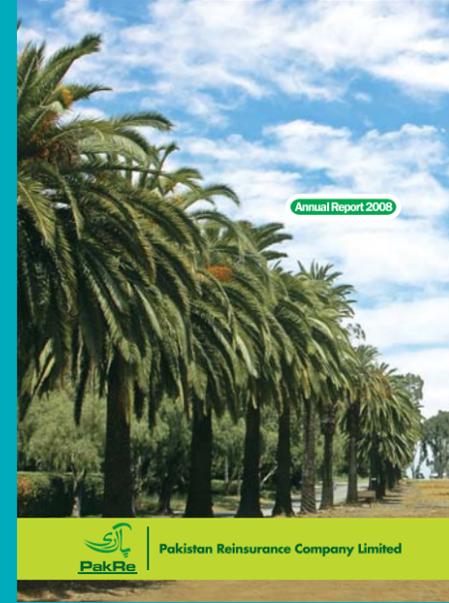


Pakistan Reinsurance Company Limited

Cover Rationale

Sustainability Reinsured

PRCL's commitment to bring innovative growth, re insure strength and sustainability to reach new horizons of success



Annual Report 2008

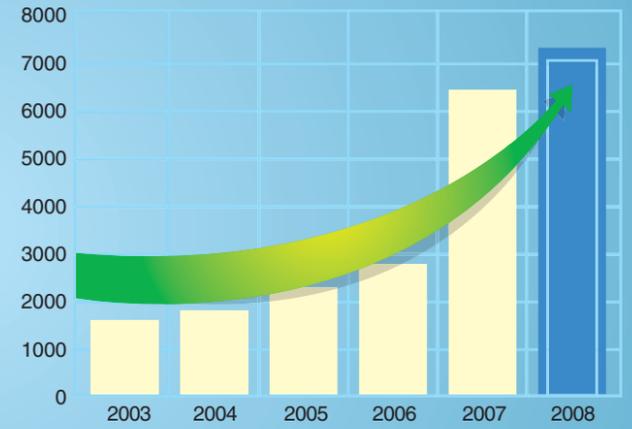


Pakistan Reinsurance Company Limited

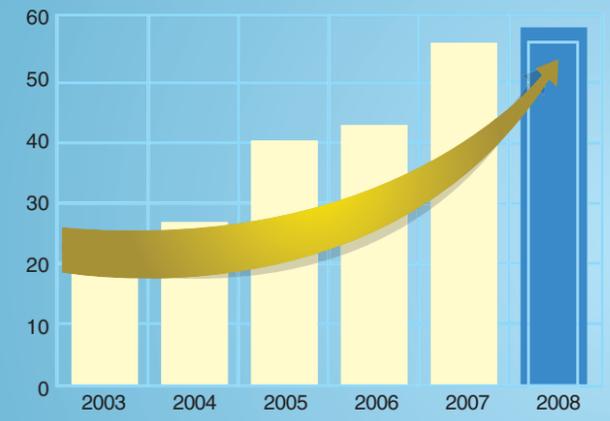


Financial Highlights

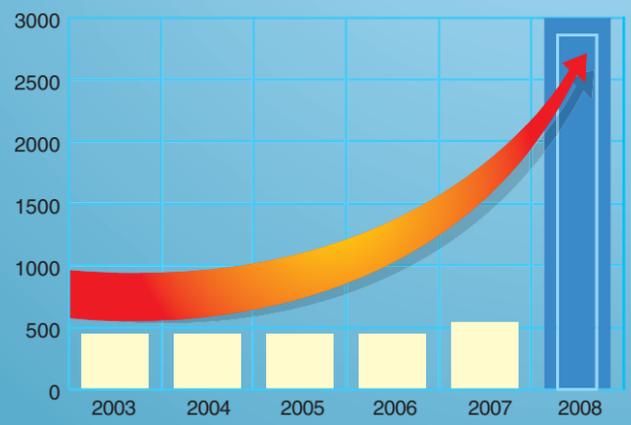
Equity



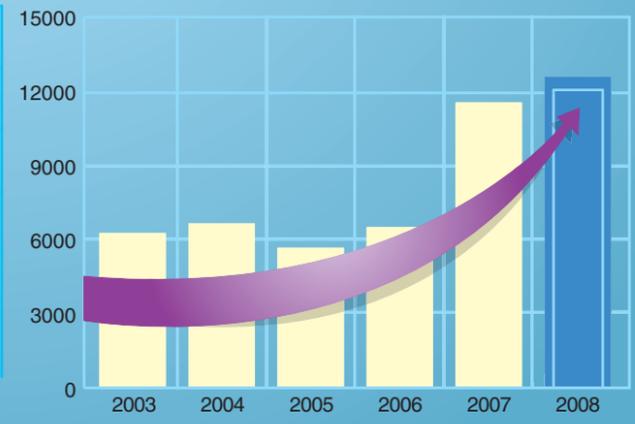
Equity \ Total Assets (%)



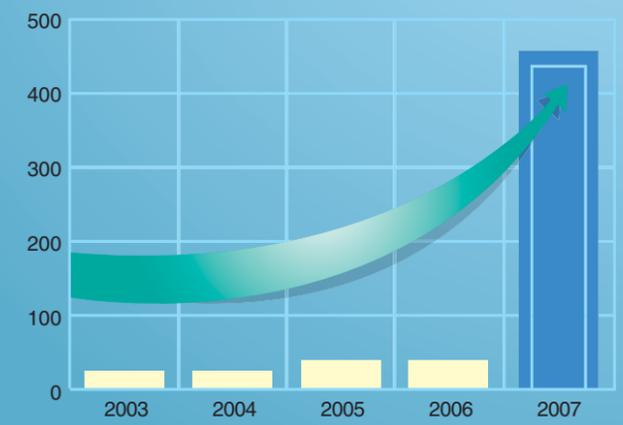
Paid-up Capital



Total asset



Total Dividend (%)



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Strategy

To remain best provider of reinsurance and risk management services to the insurance industry, to have good business relationship with the insurance industry and to retain professionals who can be of assistance to the industry at all levels.



Vision

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

Mission

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

In fulfilling this mission, PRCL is committed to:

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



Objectives

To provide best services to the local insurance industry in order to check outflow of foreign exchange, to the maximum possible extent.

To develop good business relations with other reinsurers.

To train its people according to fast changing business market requirements as well as to provide them with the ideal working environment.

To share risks and preserve resources by providing reinsurance facilities to the insurance companies.

To assist in the development of the national insurance industry.

To enhance domestic retention capacity in the country in order to save valuable foreign exchange.

Pakistan Reinsurance Company Limited

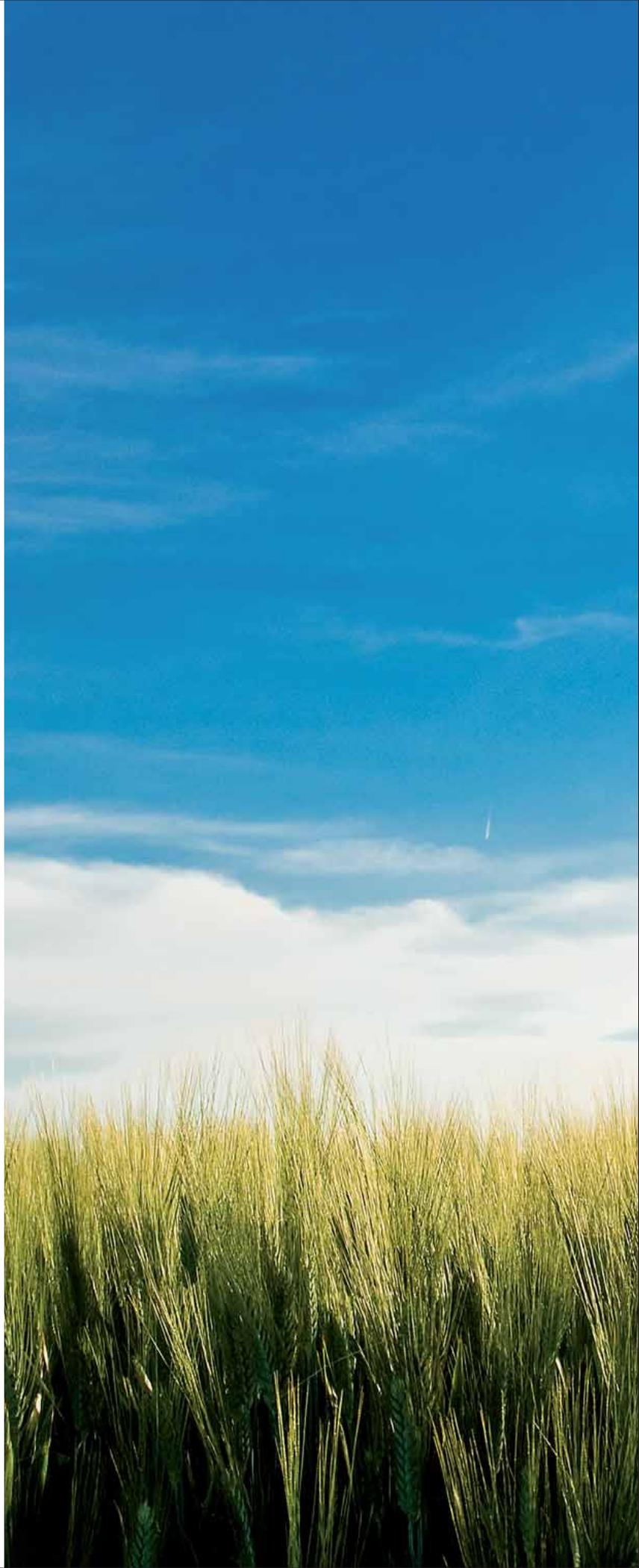
Company Profile

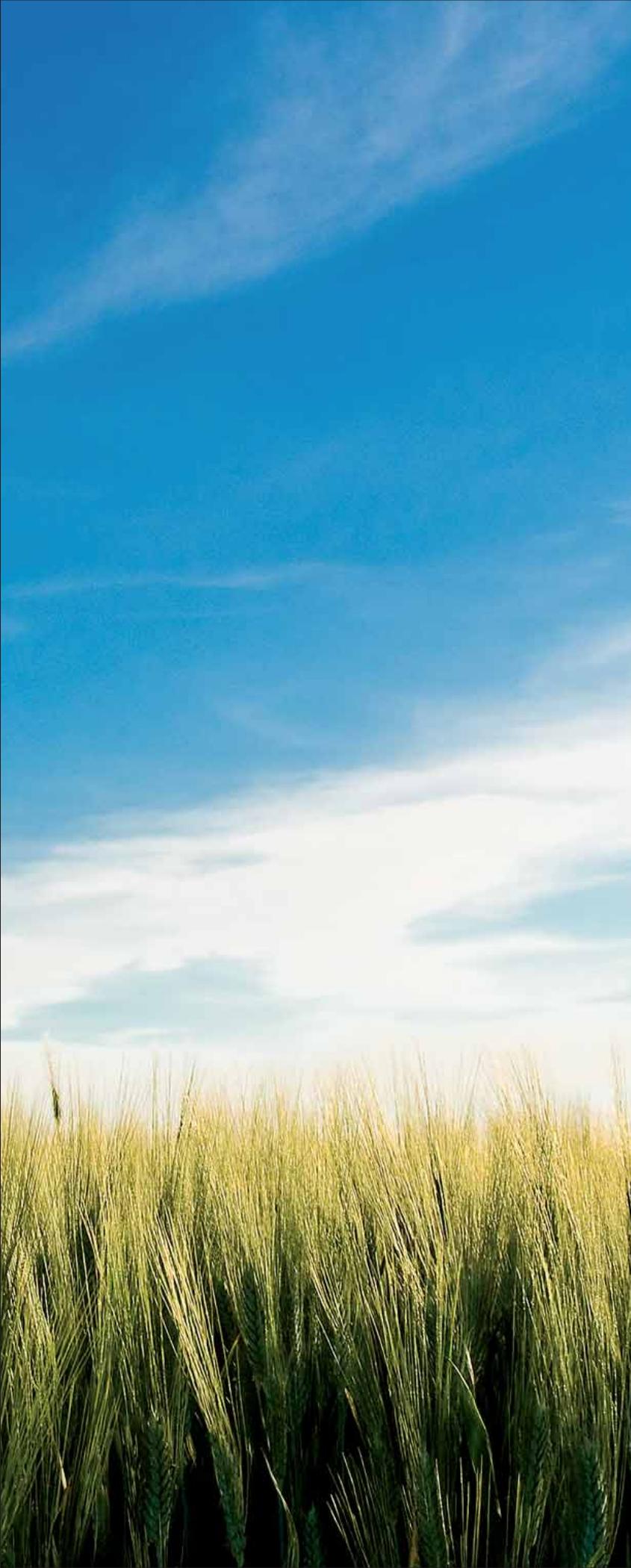
Formerly called the "Pakistan Insurance Corporation", Pakistan Reinsurance Company Limited, PRCL was established in 1952 as Pakistan Insurance Corporation under PIC Act 1952 in order to support local insurance industry. It is the only professional reinsurance organization operating in Pakistan.

PRCL is a public sector company under the administrative control of the Ministry of Commerce. The Company headed by a Chairperson supports a strong team of professionals who manage the business affairs of the Company effectively. The Company is supervised by the Board of Directors, amongst which seven are nominated by the Federal Government, whereas, the other directors are elected by the shareholders who enjoy excellent repute within the business community.

PRCL's prime objective is the development of insurance and reinsurance business in Pakistan. The company provides insurance solutions to departments including Aviation, Marine Cargo, Marine Hull, Engineering, Fire and Accident. The company is a national reinsurer playing its role in the economic development of Pakistan. It reinstates in providing reinsurance response to the local insurance industry in view of treaty and facultative business as well as managing insurance schemes assigned by the Federal Government of Pakistan.

The company is headed at Karachi, Pakistan and its zonal office is at Lahore. Its insurance market holds 18% of the share whereas 45% of the share is covered by the reinsurance section in Pakistan.





PRCL's Role in Economic Development

The role of PRCL in economic development of Pakistan is significant. PRCL awareness of increasing requirements of insurance and reinsurance of a progressive economy is making great efforts in coming up to national expectations. This progress signifies the consolidation of the position, both at home and abroad, encouraging further expansion.

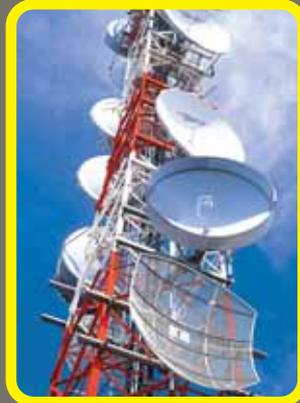
The voluntary cession to PRCL provides attractive and competitive terms to the local insurance company.

Company History

PRCL was established in 1952 as Pakistan Insurance Corporation under PIC Act 1952 in order to support local insurance industry. Since then it has managed National Insurance Fund (NIF), National Coinsurance Scheme (NCS), War Risks Insurance (WRI) and Export Credit Guarantee Scheme (ECGS) providing help in difference forms to the insurance as well as business community.

In the year 2000, Pakistan Insurance Corporation was converted and incorporated as a public limited company into Pakistan Reinsurance Company Limited.

The company was formed with a view to take over all assets and liabilities of Pakistan Insurance Corporation. Accordingly, it took over assets and liabilities of PIC on 15th February 2001 in pursuance of Ministry of Commerce SRO No.98(1)/2000 which was issued under the President ordinance on No. XXXVI of 2000 14th February, 2001.



PRCL Business

PRCL scope of business operations stretches from pillar to post. The core business areas of reinsurance that PRCL covers are:

- Fire
- Marine
- Engineering
- Accident
- Aviation

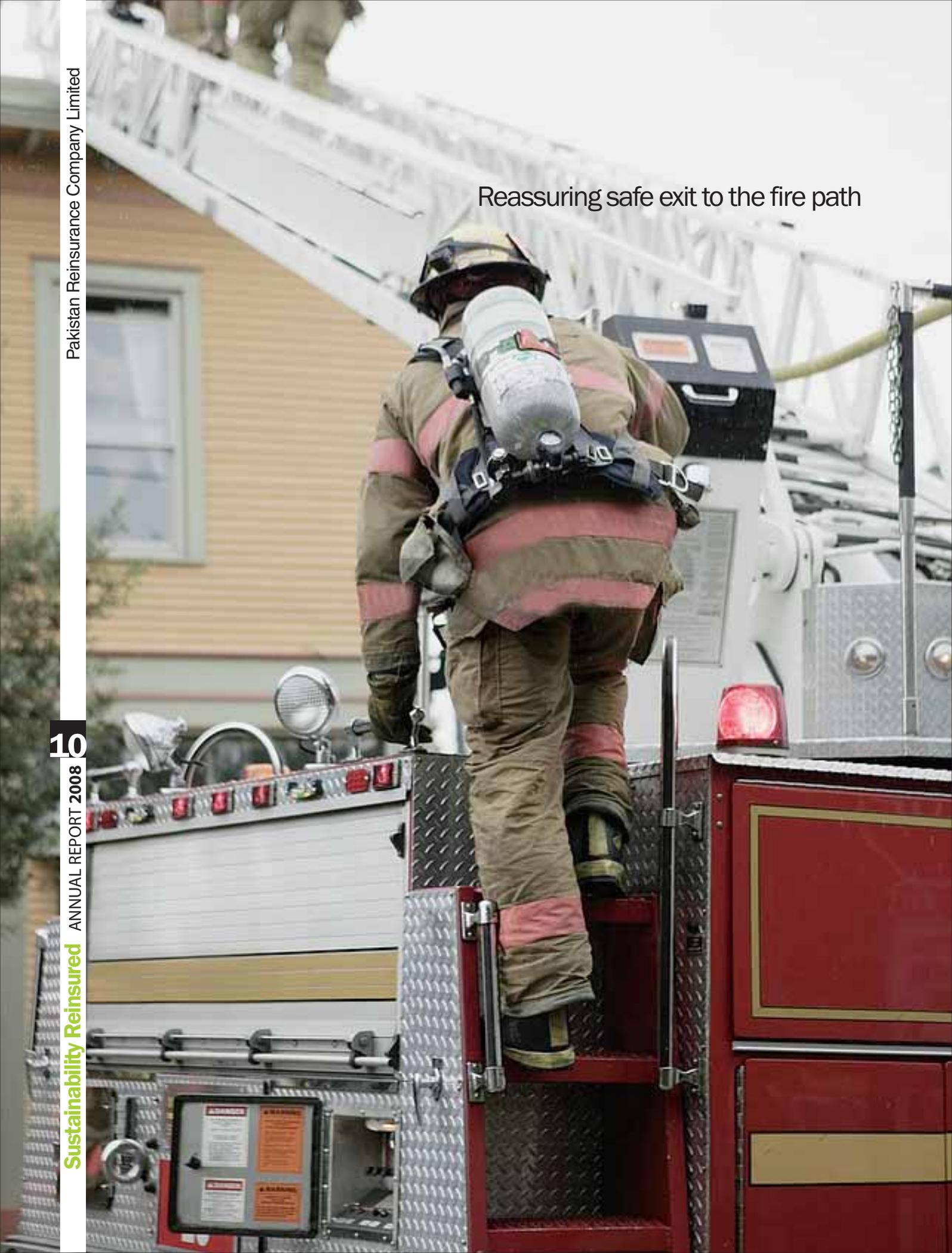
Services :

The main area of function is the provision of treaty and facultative, besides fronting support to the insurance industry, a new quarter of risk management is being developed to provide risk management related services to the insurance industry in specific and business community in general.

PRCL is compelled to accept suitable percentage of reinsurance business from the general insurance companies operating in Pakistan for whom it is mandatory to offer at least 35% obligatory surplus to PRCL.

PRCL is actively collaborating and participating with its international counterparts in the area of insurance and reinsurance. This is being achieved at various platforms i.e. Economic Cooperation Organization (ECO) and Federation of Afro-Asian Insurer and Reinsurer (FAIR). The objective of this collaboration is to reduce the outflow of foreign exchange and improve the statements of insurance and reinsurance services in the Region. PRCL is one of the pioneer and founding member of (FAIR).

Reassuring safe exit to the fire path



Fire

This department came into effect in 1953 when the Company's foundation was laid. It is the leading department of PRCL which is the constructive backbone of the country's insurance industry. It jointly collaborates in foreign risk sharing pacts. This department lays pivotal focus on the following functions:

- To underwrite all facultative acceptance from the cedants i.e. insurance industry of Pakistan.
- To manage and supervise Treaty Portfolios from Insurance Industries.
- To assess and process claims and if necessary their recovery from the excess of loss reinsurers participants.
- To guide and assist its clients in complex reinsurance matters.

The fire department's has specialized expertise in the following areas:

- Building
- Building and Contents
- Stocks
- Machinery
- And Other Insurable Interest

This department accepts risks from private and public sector companies covering wide spectrum of policies which include, Fire & Allied Perils, Comprehensive Machinery Insurance, Industrial All Risks, Loss of Profit and Control of Well. In the year 2008 Fire Department's Gross Income Premium was Rs. 1, 605 million i.e. 35% of the Company's revenue and the net premium was PKR 975 million.

The fire department with competent staff members is headed by a proficient manager who has sufficient qualification and is professionally strong. The fire department has a share of 36 % of PRCL total revenue. The clients of this department include local insurance companies in Pakistan and also foreign reinsurers i.e. M/s Aon Insurance Broker, M/s Marsh, Munich Re, Swiss Re and Willis Faber Al-Futtaim Dubai. Their contribution to Pakistan Reinsurance Industry is significant as they specialize in the provision of reinsurance coverage of high value risks which is not retained in Pakistan.

Reassuring safety from accidents



Accident

The accident department originated with the formation of the Company. In the year 2008 it has contributed a total gross revenue of Rs. 295 million as well as a net premium revenue. The department specializes in provision of reinsuring coverage to local insurance companies as well as foreign based companies accommodating the acceptance/ retro business.

Accident department of PRCL deals with Motor/Liabilities business and accepts all Motor/Non-motor risks ceded by local insurance companies. The Motor risks constitute all private and commercial modes of transportation. The Non-motor includes the following areas:

- Workman Compensation
- Burglary
- Fidelity Guarantee
- Cash in Safe, Cash in Transit and Cash on Counter
- Employer Liability
- Public/Product Liability
- Professional Indemnity
- Personal Accident
- Health Insurance
- Crop Insurance
- Live Stock

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

Most of the key employees in the staff members of this department possess professional qualifications related to insurance and have considerable work experience of underwriting, which plays an important role in effective and efficient decision making process. The department is very active in conducting training sessions etc to update the employees about current market trends and changing market scenario.

Financial Highlights

Particulars	2007	2008
Gross Premium	313.570	294.895
Net Premium	267.641	307.037

Reassuring it reaches the destination



Marine Department

The marine department was established during the initial period of the establishment of the Company. The marine department is divided into following categories:

- Marine Cargo
- Marine Hull

Marine Cargo is concerned with only cargo within the particular Vessels whereas Marine Hull deals with reinsurance of machinery / body of the boat. Both Marine Cargo & Marine hull departments make primary decision with respect to acceptance of the risk by means of Facultative and Treaty.

The marine department specializes in providing reinsurance support in the following areas:

- All types of Cargo (whether by Road, Rail, Air and by Sea)
- Hull & Machineries
- Freight and Ship Breaking Risks
- Pleasure Crafts
- Third Party Liability

This department constitutes of professionally competent employees headed by a proficient manager having ACII qualification. This department last year contributed 10% of the total revenue share from under writing.

Financial Highlights

Rs. in million

Particulars	Marine Cargo		Marine Hull	
	2008	2007	2008	2007
Net Premium Revenue	230	187	38	28
Net Claims	90	74	4	13
Net Commission	58	54	5	2



Reassuring to be backbone of the industry

Engineering

The engineering department is working since the PRCL's establishment. The engineering department specializes in reinsurance coverage of the following risks to the local insurance market including M/s. National Insurance Company (NIC) through treaty agreements and facultative placements.

- Property Damage
- Business Interruption
- Machinery Breakdown
- Contractor All Risk (CAR)
- Erection All Risk (EAR)
- Third Party Liability (TPL)

It provides the engineering risks coverage to the following major clients and helps in reconstructing the infrastructure across the country and promoting industrialization.

- Pakistan Arab Refinery Limited (PARCO)
- Pak Arab Pipeline Company Limited (PAPCO)
- Kot Addu Power Company Limited (KAPCO)
- Oil & Gas Development Company Limited
 - Control of Wells
 - Qadirpur
 - Dhodak Gas
 - UCH Gas

Financial Highlights

Rs. in million

Particulars	2007	2008
Net Premium	304.458	282.555
Net Expenses	59.233	82.652
Net Claims	81.891	92.586



Reassuring flight of success

Aviation

The aviation department is a part of PRCL since its origin. It specializes in the provision of reinsurance arrangements to national and international companies. It specializes expertise in the following areas:

- Hull (Body of the Aircraft)
- Spares
- Liabilities
- Hull Deductibles
- Cargo
- War Hi-jacking
- Hull and Spares War
- Loss of License
- P.A to Crew
- P.A to Passenger

The aviation department comprises of high level experienced qualified staff serving with determination for risk management services.

The aviation department covers the reinsurance programs for the wide bodied aircraft and the liabilities involved. This department makes a contribution of more than 20% of the underwriting profit. The aviation department has a wide range of clientele constituting of CAA, PIA, Air Blue, Princely Jets and Shaheen and all the Government Chartered flights who are conducting Aviation Business in the country at domestic as well at international level.

Financial Highlights

Particulars	2007	2008
Net Premium	49.516	89.904
Gross Premium	1013.169	1271.368
Retro	963.653	1181.464

Board of Directors

MRS. RUKHSANA SALEEM
CHAIRPERSON
Additional Secretary to the Govt. of Pakistan/ Chairperson, PRCL

SYED ARSHAD ALI
DIRECTOR
Executive Director, State Life Insurance Corporation of Pakistan

MR. FAZAL-I-QADAR
DIRECTOR

MR. SHAMIM AHMED KHAN
DIRECTOR

MR. SIKANDAR HAYAT JAMALI
DIRECTOR
Federal Secretary (Retd.)



MR. JAVED SYED
DIRECTOR
Joint Secretary Insurance (Retd.)

MR. SAIFUDDIN N. ZOOMKAWALA
DIRECTOR
CEO/MD, EFU General Insurance Ltd.

MR. ALI JAHANGIR SIDDIQUE/ MR. MUNAF IBRAHIM, AS ALTERNATE DIRECTOR
DIRECTOR
Jahangir Siddique Investments (Pvt.) Ltd.

MR. ABDUL HAMID DAGIA
DIRECTOR
Chairman / Director (Technology Trade)



Management Team





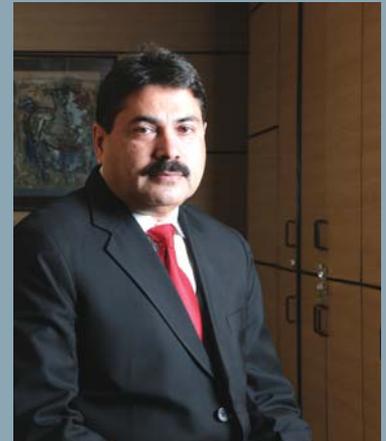
Senior Management



RUKHSANA SALEEM
Chairperson



FARZANA MUNAF
CHIEF FINANCIAL OFFICER



MR. AYAZ HUSSAIN M. GAD
EXECUTIVE DIRECTOR BUSINESS
DEVELOPMENT / Re & DIRECTOR (ECO)



MR. FIDA HUSSAIN SAMOO
EXECUTIVE DIRECTOR (Re)



YASMIN SAUD
EXECUTIVE DIRECTOR
HUMAN RESOURCE



GHAZALA IMRAN
GENERAL MANAGER
NORTHERN ZONE



SHAHZAD FAROOQ LODHI
COMPANY SECRETARY



MR. ASGHAR IMAM KHALID
CHIEF INTERNAL AUDITOR

Human Resource Department

Human Resource Department at PRCL is a strategic and coherent division which helps to initiate an effective approach to the management of an organization's most valued assets. The people working here at PRCL are closely and critically monitored to assist them individually and collectively which contributes to the achievement of the objectives of the organization.

Innovation

Innovation is a strategic instrument in human resource management capacity building in this age of globalization. To meet the eminent challenges, PRCL lays utmost importance in Capacity Building. PRCL obligates itself for continuous improvement and up gradation in areas of organization, management, governance, and public administration. Innovation is thus defined at PRCL as concrete, resourceful strategic growth for the Company.

Viewing human resources as human capital and beyond, PRCL values human resources and believes that nothing can be accomplished without well-trained, well-developed, well-appreciated and well-managed human assets.

PRCL strives to engage in modernization and has always opted to encourage a future-oriented, anticipatory stratum from where it develops effective vision by riding the high waves of change in the turbulent world.

Staffing the Right Personnel

PRCL lays significant importance in analyzing the correct individual for the specific job to be done that is, it takes an analytical study of the tasks to be performed to determine their essential factors.

PRCL is committed to strive and always will venture to keep the most acclaimed human resources for the precise job description to which it relates.

PRCL actively follows the practice of thoroughly keeping its selection criteria as transparent as possible. There is zero tolerance to discrimination of any sorts and merit is valued above all.

Climbing the Career Ladder

In general, career building is 'mind preparation' and is carried out from the actual work area, PRCL is always at the brink of training in a systematic development of the attitude, knowledge, skill pattern required by a certain person to perform a given task or job adequately. PRCL helps in the development of 'the growth of the individual in terms of his ability, understanding and awareness'.

PRCL categorically diagnose conventional needs and helps the individual to grow from complex situations and inspires them to attain a level of integrity, satisfaction and self belief. PRCL further opts to improve the qualifications of staff and their ability to take on tougher roles with better employee management and more willingness to innovate and accept change.

Training and Development

PRCL's key to successfully increasing business value is by leveraging best practices for the development and training of its employees. The selection of an individual for his training development process is of immense importance to PRCL.

The development process is initiated for employees so that they are able to react to changing business needs; it further categorizes the process as an exhibition of effectiveness and efficiency.

A significant number of training and development programs are arranged by PRCL, both off site and on site which keeps the employees trained and updated.

Training Programs at PRCL

Reinsurance & Retention Management

April 28th, 2008

Training course in collaboration with Malaysian Re/ Capital Insurers was arranged at PRCL House.



Fire Reinsurance Treaties

June 26th, 2008

Six days in-house training program was arranged by Treaty & Business Development department. Its 1st day session was on awareness of fire reinsurance treaty.



Engineering & Bond Reinsurance Treaties

July 3rd, 2008

Six days in-house training program was arranged by the Treaty and Business Development Department on the awareness of Engineering & Bond Reinsurance Treaties.



Accident & Miscellaneous Reinsurance Treaties

July 7th, 2008

Six days in-house training program was arranged by Treaty and Business Development Department on the awareness of Accident & Miscellaneous Reinsurance treaties.



Awareness of Proportional and Non-Proportional Treaties

July 21st & 22nd, 2008

Two day in-house training program was arranged by the officials of PRCL Northern Zonal Office under the supervision of Executive Director (BD-Re) at NZ office, Lahore.



Proportional and Non-Proportional Treaties

August 3rd, 2008

One day training program by ECO Insurance Centre was held at PRC Towers. Senior Management of PRCL including CFO, Chief Internal Audit & Manager (IT) and representatives from PICIC, UBL, Saudi Pak and Insurance Companies participated in the aforesaid training program.



Workshop on Taxation - Issues relating to Insurance Industry

November 5th, 2008

One day workshop organized in collaboration with Pakistan Insurance Institute. The Amendments in Income Tax Ordinance 2002, relating to insurance industry; withholding taxes; e-filing of returns; statements; etc. were discussed.



Finance and Accounts Department

Finance and Accounts Department is headed by the Chief Financial Officer (CFO). This department plays a pivotal role in formulating financial strategies and helps in the achievement of the company's objectives.

It comprises of the following:

- Finance Wing
- Investment & Shares Section
- Technical Wing

Financial Wing

The main job of the wing is:

- To maintain pay roll of PRCL Employees
- To prepare the budget of PRCL
- To manage the tax
- To manage the retirement benefit plan

Investment & Shares Section

This section deals in:

- Maintaining cash flow
- Investing the surplus funds in capital and money market in order to get maximum return on investment
- Analyzing/Researching different portfolios of investment
- Formulating strategy aimed at optimizing the returns on the portfolio
- Diversifying portfolio in different assets/classes across various sectors and securities

Technical Wing

The main function of the technical wing is:

- To manage receipt and payment of foreign under writers and ceding insurance companies
- To reconcile the accounts of foreign and local insurance companies

Internal Audit Department

Internal Audit Department is one of the core departments of PRCL. The department maintains to be proficient and is one of the vital aides in ensuring transparency and efficiency.

The status quo of the audit department enables it to be a key functioning resource for the Company. It plays a pivotal function in enhancing the balance of PRCL.

The Internal Audit Department is headed by the Chief Internal Auditor comprising of competent and professionally well-equipped staff.

Internal Audit Department is assisting the Audit Committee of the Board. The Department deals with the Government Auditors as well as Commercial Auditors.

Achievement:

Internal Audit Department is able to minimize the concept of mistakes, errors etc., and carry audit work in accordance with the rules and procedures. During audit review, a number of risk areas are determined for management review.

Internal Audit Department has managed to provide critical guidance and has identified a number of key risk areas for the management team and has proved to be highly efficient.

New documents such as Report on Internal Control System & Management System and Internal Audit Plan were developed and Audit Manual was updated by consultant; M/s. Anjum Asim Shahid & Rehman Company, Chartered Accountants. The Consultant reviewed the work and functions of all departments and assessed the work of Internal Audit Department with the following remarks: -

Sub-function	Compliance with Existing Guidelines	Effectiveness of Control
Asset Protection	Good	Good
Quality Control	Good	Good
Monitoring & Assessing procedures	Good	Good
Pre audits	Good	Good
Post Audit reports	Good	Good

Data Processing Department

Software Development \ Maintenance

Implementation, modification and maintenance of the following core business and supporting applications

- Acceptance system
- Retrocession System
- Accounting System
- Payroll System
- Loan & Advances
- Company's Share Management (CDC + Physical Shares)
- M.I.S
- PRCL Employees Fund System
- Preliminary Loss Advice (PLA) System
- Develop and generate MIS reports for top management
- Develop customized reports for user departments
- Maintain and manage database backup, archiving and recovery
- Preparation of Technical and Financial analysis for acquisition of hardware/software
- Coordinate with business and account departments for preparation of accounts

Maintenance of PRCL Website

- Content management, uploading of tenders, accounts, news, notices etc
- Coordination with different departments of PRCL for collection of data for uploading of website.

Hardware & Networking

- Monitoring and evaluating automation trends and identifying emerging technologies
- Preparation of Technical and Financial analysis for acquisition of hardware
- Maintain inventory of Computers (PCs), Printers and computer related accessories
- Overall Management of LAN and Internet infrastructure of PRCL
- Management of PC Server (Domain Controller, ISA and antivirus)
- Managing Help Desk System to support Hardware and Software problems of end users

Achievements of Year 2008

- New PRCL Website launched
- Purchase of IBM Power 6 database server
- Purchase of IBM X Series server for internet and domain services
- Developed Web based Reinsurance Management System (Goes live from 1st April 2009)
- Purchase of new UPS (10 KVA) for extended power services within PRCL
- Acquired branded PCs to replace the faulty, unbranded, fully depreciated PCs

Future Plans

- To initiate software development of new modules and systems
- To extend IT disaster recovery plans and procedures to new levels
- To install and configure new servers to provide less downtime
- To Upgrade PRCL network infrastructure
- To replace obsolete PCs
- To extend hardware and network support to end users
- To train DPD personnel in software development
- To conduct in-house training to end users of Microsoft Office and business applications

Corporate Social Responsibility

PRCL plays an active and pivotal role in contributing towards the welfare and development of Pakistani society. The Company believes in lending a helping hand in every sphere of life and enriching the live of less privileged members of the society. Company aims at an educated and healthy society which is Pakistan's key in ensuring sustainable development and progress.



United we Stand

Community:

Annually, PRCL and its staff members contribute significantly to charities and community projects to help bring about a better quality of life to the less privileged in the community.

Volunteering

Nurturing Community

In order to achieve its community welfare objectives, it has developed partnerships with other NGOs and simultaneously also work on its own. Nigghaban is one of such partner.

Nigahban is working to provide quality care in a well - equipped clean environment either for free or at reasonable rate to facilitate the treatment and recovery of under-privileged patients of Sindh. The most significant effort of Nigahban is the Surgical Unit IV of Civil Hospital Karachi, which has been upgraded with the latest equipment and services and is one of the most up-to-date Units in Pakistan.

Nigahban is also focusing on providing quality treatment to non-affording patients.

Supporting the Cause of Life

Fighting Hepatitis A and B:

Hepatitis A formerly known as an acute infectious disease of the liver caused by the hepatitis A virus HAV which is most commonly transmitted by the fecal-oral route via contaminated food or drinking water. Every year, approximately 10 million people worldwide are infected with the virus. In developing countries, and in regions with poor hygiene standards, the incidence of infection with this virus is high and the illness is usually contracted in early childhood. HAV has also been found in samples taken to study ocean water quality.

Hepatitis B is a disease caused by hepatitis B virus which infects the liver of hominoidae, including humans, and causes an inflammation called hepatitis. Originally known as "serum hepatitis", the disease has caused epidemics in parts of Asia and Africa, and it is endemic in China

PRCL is determined to play its part in improving access to health services in Pakistan and protecting all members the society. Hence in order to combat these harmful diseases PRL provides vaccination to employees and their dependents. As a matter of fact PRL provides a wide range of other medical services to the employees and their family.

A Brighter Future for the Nation of Tomorrow

Education is the right of every child and only education can mould the future of our country. PRCL by providing scholarships to children of the employees of the PRCL, has contributed towards the noble cause of educating the future of the nation.

Cash Award on Outstanding Performance in Education (2008)

An event was organized by PRCL constituting of PRCL Employee's Welfare fund to acknowledge the outstanding performance in education by children of PRCL employees. The event was headed by the chairperson of PRCL Mrs. Rukhsana Saleem Khan. Cash awards were given to PRCL employee's children securing A1 grades in SSC and HSC for the year 2007.



Spiritual Endeavor

Hajj - Journey of Life:

Hajj, the solidarity and bonding of muslim people, and their submission to Allah is the largest annual pilgrimage in the world, and is the fifth pillar of Islam. It is religious obligation that must be carried out at least once in the lifetime of every able-bodied Muslim who can afford to do so. PRCL through balloting in 2008 gave the opportunity to five employees (two officers and three staff members) to perform the spiritual ritual of Hajj.

Milad:

Milad the annual feature of PRCL, organised with religious fervour was enlightening and spiritual enriching event.

Picnic:

Picnic was held at Hawkes Bay for PRCL staff members and their families. It was thoroughly enjoyed by all and helped the staff members and families to socialize with each other and spend quality time.

Fostering Bonds

Lunch Organized by Officer's Association PRCL

A lunch was organized by PRCL's Officer Association on 10th June, 2008 at PRCL House Karachi. It was an opportunity for the Chairperson to meet the Officials and discuss the Company issues in an informal environment.



Lunch by Employees's Union PRCL

A get together was arranged by the Employee Union for the workers of PRCL. It was a great opportunity for workers and union staff to socialize and come closer.



Dinner with ECO delegates



Lunch for Northern Zone Based Insurance Companies

A luncheon and get-together was organized by General Manager PRCL-NZ, to meet Chief Executives of Northern Zone based insurance companies at Sunfort Hotel, Lahore, on 12th February, 2009.

It provided an opportunity to discuss matters of mutual interests with the Chief Executives of different insurance companies.

Business Promotion

January 2009

Meeting with the Management of Suez Canal Insurance, Cairo, Egypt.



January 2009

Meeting with the Management of Misr Insurance Co. Cairo, Egypt.



February 2009

Chairperson and ED(BD) of PRCL with Executives of Milli-Re Istanbul, Turkey.



February 2009

Meeting with delegates of ECO at PRCL, Karachi.



February 2009

At the Office of Secretary General of Federation of Afro Asian Insurance Reinsurance (FAIR) at Cairo, Egypt.



PRCL Staff Union







Corporate Information

BOARD OF DIRECTORS

MRS. RUKHSANA SALEEM
CHAIRPERSON

MR. FAZAL-I-QADAR
DIRECTOR

MR. SIKANDAR HAYAT JAMALI
DIRECTOR

MR. SHAMIM AHMED KHAN
DIRECTOR

SYED ARSHAD ALI
DIRECTOR

MR. JAVED SYED
DIRECTOR

MR. SAIFUDDIN NOORUDDIN
ZOOMKAWALA
DIRECTOR

MR. ALI JEHANGIR SIDDIQUI
DIRECTOR

MR. MUNAF IBRAHIM
ALTERNATE DIRECTOR

MR. ABDUL HAMID DAGIA
DIRECTOR

COMPANY SECRETARY

MR. SHAHZAD F. LODHI

AUDIT COMMITTEE

MR. ABDUL HAMID DAGIA
CHAIRMAN

MR. FAZAL-I-QADAR
MEMBER

SYED ARSHAD ALI
MEMBER

MR. SHAHZAD F. LODHI
Secretary of the Committee

UNDERWRITING COMMITTEE

Mrs. Rukhsana Saleem
Chairperson

Mrs. Farzana Munaf, CFO
Member

Mr. Ayaz Hussain Gad, ED(BD)
Member

Mr. FIDA Hussain Samoo, ED(Re)
Member/Secretary of the
Committee

REINSURANCE COMMITTEE

Mrs. Rukhsana Saleem
Chairperson

Mr. Asghar Imam Khalid, CIA
Member

Mr. Ayaz Hussain Gad, ED(BD)
Member

Mr. FIDA Hussain Samoo, ED(Re)
Member/Secretary of the
Committee

CLAIM SETTLEMENT COMMITTEE

Mr. Javed Syed
Chairman

Mrs. Rukhsana Saleem
Member

Mr. Ayaz Hussain Gad, ED(BD)
Member

Mr. FIDA Hussain Samoo, ED(Re)
Member/Secretary of the
Committee

INVESTMENT COMMITTEE

Mr. S. Arshad Ali
Chairman

Mr. Munaf Ibrahim
Member

Mr. Sikandar Hayat Jamali
Member

Mrs. Rukhsana Saleem
Member

Mrs. Farzana Munaf, CFO
Member/Secretary of the
Committee

HUMAN RESOURCE COMMITTEE

Mr. Javed Syed
Chairman

Mr. Sikandar Hayat Jamali
Member

Mrs. Rukhsana Saleem
Member

Mr. Shahzad F. Lodhi,
Manager(Estt.)/Secretary

Member/Secretary of the
Committee

LEGAL ADVISORS

Mr. Yasir A. Shah

Mr. Ali Mumtaz Shaikh of
M/s. Mumtaz and Associates

BANKERS

National Bank of Pakistan
Bank Al-Habib Limited

REGISTERED OFFICES

PRC Towers, 32-A, Lalazar Drive,
M.T. Khan Road, P.O. Box: 4777,
Karachi Pakistan
Tel: (92-21) -9202908-15
Telex: 20428 PAKRE PK,
Telefax: (92-21) -9202920-22
Email: prcl@pakre.org.pk
Website: www.pakre.org.pk

Zonal Office

17-A/1, Block E-1, Gulberg-III,
Lahore.

Notice of the 9th Annual General Meeting

Notice is hereby given that 9th Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on Saturday the 30th May, 2009 at 11.00 am, at PRC House, 30-B, Lalazar Drive, M. T. Khan Road, Karachi to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting of the company held on April 30, 2008.
2. To receive and adopt the audited annual Accounts of the Company for the year ended December 31, 2008, and the reports of Directors and Auditors thereon.
3. To consider and approve the payment of final cash dividend @ (25%), that is Rupees 2.50 per ordinary share of Rupees Ten (10) each for the year ended December 31, 2008.
4. To appoint auditors and fix their remuneration of the Company (PRCL) for the year ending December 31, 2009.
5. To consider any other business with the permission of Chair.

SPECIAL BUSINESS:

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

" Resolved that the director's fee for attending the Board Meeting may be paid as Rs.10,000/-"

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

That the present fee for attending Board's meeting was fixed by the board on March 12, 2002. Keeping in view of the over all increase of price index over the period of last 7 years, it is needed to be revised.

By Order of the Board

(Shahzad F. Lodhi)
Company Secretary

Karachi.

Date: May 08, 2009.

NOTES

1. The share transfer books of the company shall remain closed for eight days i.e. from May 23, 2009 to May 30, 2009 (both days inclusive), no transfer will be accepted for registration during the period.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. A proxy must be deposited at the Company not less than 48 hours before the meeting and in case of default; form of proxy will not be treated as valid.
3. CDC Account Holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

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

B. For appointing proxies

- i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in a group and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
 - ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form .
 - iii. Attested copies of the CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - iv. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
 - v. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company
4. Shareholders are requested to communicate to the Company any change in their address, and provide the Zakat Declaration /Tax exemption certificate (if any) immediately along with contact details.

Director's Report

The Shareholders,
Pakistan Reinsurance Co. Ltd.,

Dear Shareholders,

Your directors are pleased to present the 9th Annual Report of the company together with the audited financial statements and Auditors' Report thereon for the year ended 31st December, 2008.

Economic Overview

The year 2008 was a difficult year both at the local as well as global economic front. The year remains highly volatile due to worst global economic recession triggered by credit crisis. The country's economy was also adversely affected by high inflation rate, severe liquidity crunch, a steep decline in the value of Pak rupee and unfavourable conditions prevailing in the capital markets.

Company's Performance

PRCL was converted into a company in the year 2001 and is now operating under Insurance Ordinance, 2000, and Companies Ordinance, 1984. The Company is the sole re-insurer in the country. A number of steps to run it on commercial lines have already been taken. Authorized Capital has been enhanced from Rs. four billion to Rs. twenty five billion and Paid-up Capital has been enhanced from Rs.0.540 billion to Rs. three billion, in order to strengthen the equity base as the company is planning to expand locally as well as abroad. Corporate Culture is being introduced. Compulsory cession was withdrawn w.e.f. Jan 01, 2005 and as such, this was the fourth year of the company without compulsory cession since the inception of the company (formerly Corporation). Withdrawal of the compulsory cession was a good step because under compulsory cession, PRCL was bound to accept good or bad business without discrimination. During the year 2008, PRCL was selective in accepting business under treaty and facultative. New insurance sector reform announced at the end of April, 2007 in which right of first refusal was introduced has contributed positively towards the augmented growth in the reinsurance business.

The salient features of the business operations during the year, 2008 are as under:-

	Dec. 31, 2008	Dec. 31, 2007 Restated
	(Rupees in million)	
Gross Premium	4,555	4,750
Retrocession	<u>(2,704)</u>	<u>(2,929)</u>
Net Retention	1851	1,821
Premium Reserve	<u>45</u>	<u>(128)</u>
Net Premium	1,896	1,693
Net Commission	(478)	(400)
Net Claims	(962)	(931)
Management expenses	<u>(250)</u>	<u>(154)</u>
Underwriting Profit	206	208
Investment Income	846	3,689
Exchange gain, rental & other income	148	80
Gen. & admn. Expense	(61)	(50)
VRS	<u>0</u>	<u>(69)</u>
Profit before tax	1,139	3,858
Taxation	<u>(253)</u>	<u>(133)</u>
Profit after tax	<u>886</u>	<u>3,725</u>

The Gross Premium of the company was Rs.4,555 million in the year 2008 as compared to Rs.4,750 million for the year 2007. The details are as follows:

Facultative Premium	(Rupees in million)	
	2008	2007
Fire	667	1,002
Marine Cargo	43	27
Marine Hull	40	23
Accident	44	38
Aviation	1,267	1,032
Engineering	732	866
	<u>2,793</u>	<u>2,988</u>
Treaty Premium Bal	<u>1,762</u>	<u>1,762</u>
	<u>4,555</u>	<u>4,750</u>

The main reason for decrease in gross premium is lower acceptance of facultative business in Fire and Engineering due to high risk exposure which has been experienced in the last two year in the form of major claims. The company has performed better in the remaining areas.

Net premium of the company was Rs.1896 million in the year 2008 as compared to Rs.1,693 million in the corresponding period last year showing an increase of Rs.203 million. This improvement is due to increase net retention and favourable movement of Premium reserve.

Particulars	(Rupees in million)	
	2008	2007
Premium Written	4,555	4,750
Reinsurance Ceded	<u>(2,704)</u>	<u>(2,929)</u>
Net Retention	<u>1,851</u>	<u>1,821</u>
Premium Reserve	<u>45</u>	<u>(128)</u>
Net Premium	<u>1,896</u>	<u>1,693</u>

Net claims of the company for the year 2008 were Rs.962 million as compared to Rs.931 million in the corresponding period last year showing an increase of Rs.31 million. However, the percentage of Net Claim to the Net Premium has slightly improved as this is 51% in the year 2008 as compared to 55% in the year 2007.

The commission expenses of the company for the year 2008 were Rs.478 million as compared to Rs.400 million in the corresponding period last year. However, this is a slight increase of 1% in the percentage of net commission i.e. 25% for the year 2008 as compared to 24% in the year 2007.

The investment income in the year 2008 decreased to Rs.846 million as compared to Rs.3,689 million in the year 2007. The main reason for decrease in Investment Income was due to booking of capital gain in 2007 amounting to Rs.2,862 million by sale and repurchase of certain listed securities in which the market prices were significantly higher than their holding costs.

The profit before tax was Rs.1,139 million and after making provision for taxation of Rs.253 million, the profit after tax works out to Rs.886 million as compared to profit after tax of Rs.3,725 million in the year 2007. The main reason for improved profit in the year 2007 was realization of capital gain on listed securities as explained above.

Information Technology:

The company fully recognizes the importance of techniques in the conduct of business and need for investing in new technology. As in all industries, use of modern techniques in Information Technology has become absolute necessity in insurance business to get better MIS and thus to monitor business activities more vigilantly. The company is pleased to apprise the shareholders that PRCL's IT development team has successfully completed its in-house developed software application i.e. an online web-based reinsurance management system and two of its modules are running live from 1st April, 2009. This application will not only enhance operational efficiency but will also result in better control and monitoring techniques.

Another achievement is PRCL's new Web site with a new design that went live in year 2008. The new design features have latest information, news and valuable links indicating PRCL's financial strength with data and graphs.

This new Website has been also maintained and managed by a PRCL's new software development team member.

To build a strong IT Network at PRCL at Head Office, PRCL has replaced its old, outdated and depreciated IBM AS/400 (Purchased in 1998) with a new IBM Power 6 (I Series) mini-computer. Beside this min-computer, a latest IBM (X Series) Server has also been acquired to upgrade Network Environment.

Investment Activities:

The capital market took successive knocks as a consequence of international financial crises as well as economical imbalances affecting the country. There was a significant decline in KSE-100 index by December 31, 2008. Discount rate hikes, Pak-Rupee depreciation, international economic meltdown, liquidity issues, all contributed their part to the decline.

As at December, 2008, fall in the value of PRCL's investment portfolio classified as available for sale was Rs.2,650 million which was considered as temporary as the management believes that the above mentioned market decline to be the result of non fundamental factors which will eventually be improved as soon as other influence factors get resolved.

Accordingly this fall in the value has not been recognized in the annual financial statements for the year ended 31st December, 2008 in view of the exemption available under Circular No.3/2009 dated 16th February, 2009 issued by Securities and Exchange Commission of Pakistan (SECP).

Moreover, as per the said circular, fall in value of available for sale investments as at 31st December, 2008 (considered as temporary) is required to be recognized for impairment on quarterly basis (twenty five percent in each quarter) after any adjustment/effect for price movements during each quarter through profit and loss account during the calendar year ending 31st December, 2009.

Appropriations:

	Rs. in million
Profit before taxation	1,139
Less: Taxation	(253)
Profit after taxation	<u>886</u>
Add: Un-appropriated profit brought forward	3,781
Less: Bonus 2007 @ 455.554670783%	<u>(2,460)</u>
Unappropriated profit carried forward	<u><u>2,207</u></u>

Pension, Gratuity and Provident Funds

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

	Rs. in million
Provident Fund	
- CPF	66
- GPF	30
Gratuity Fund	66
Pension	
- Staff	47
- Officer	28

Future Prospectus:

In order to achieve the company's short and long term objectives, its business strategy will continue to focus on providing prompt service to insurance companies particularly with reference to facultative offers. PRCL with strengthened balance sheet and enhanced equity structure will continue to concentrate on quality treaty and facultative business and profitable treaty cession by gradually increasing its retention capacity and adoption of risk management's measures.

The company will also continue to improve its IT infra-structure by extending IT disaster recovery plan and procedures and up-gradation of net work infra-structure alongwith planned in-house development of online web based Reinsurance Management System and planned in-house training of end users.

Statement on Corporate and Financial Reporting Frame Work

The directors confirm compliance with the corporate and Financial Reporting Framework of the SECP Code of Governance for the following:-

- The financial statements, prepared by the Company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity.
- The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984, except as qualified by the external auditor in their report to members.
- The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes where made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgement.

d) Financial statements have been prepared by the company in accordance with the International Accounting Standards, as applicable in Pakistan, requirement of Companies Ordinance, 1984, Insurance Ordinance, 2000, and the Securities and Exchange Commission (Insurance) Rules, 2002.

e) The system of internal control, presently in place, is being continually reviewed by the internal audit dept. The process of review will continue to strengthen the system for its effective implementation.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g). The Company has followed the best practices of corporate governance, as laid down in the listing regulations of the stock exchanges and there has been no material departure.

Board Meetings and Attendance

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

Sr. No.	Name of Directors	Number of meetings attended
1.	Mrs. Rukhsana Saleem	4
2.	Mr. Kamal Afsar (Retired)	3
	Mr. S. Arshad Ali (in place of Mr. Kamal Afsar)	1
3.	Mr. Shamim Ahmed Khan (Resigned)	5
	Dr. Masuma Hasan (in place of Mr. Shamim A. Khan)	0
4.	Mr. Asaf Ghafoor	1
	Mr. Fazal-i-Qadar (in place of Mr. Asaf Ghafoor)	4
5.	Mr. Sikandar Hayat Jamali	0
6.	Mr. Javed Syed	4
7.	Mr. Saifuddin N. Zoomkawala	5
8.	Mr. Ali Jahangir Siddique	1
	Mr. Munaf Ibrahim	4
	(alternate director in place of Ali Jahangir Siddique.	
9.	Mr. Abdul Hamid Dagia	5

The Board places on record its sincerest appreciation to the outgoing Directors Mr. Kamal Afsar, Mr. Shamim Ahmed Khan and Mr. Asaf Ghafoor to whom we are indebted for their prudent, professional and diligent guidance that helped in achieving such tremendous performance.

The Board also welcome the new Directors Mr. Fazal-I-Qadar, Mr. S. Arshad Ali and Dr. Masuma Hasan on PRCL's Board.

Compliance with the Code of Corporate Governance

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

Audit Committee

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

Mr Abdul Hamid Dagia	Chairman
Mr. Fazal-I-Qadar	Member
Mr. S. Arshad Ali	Member
Mr. Shahzad F. Lodhi	Secretary

Performance of the company during the last six years

(Rs. in million)

	2008	2007 (Restated)	2006	2005	2004	2003
Gross Premium	4,555	4,750	4,499	4,159	5,241	4,697
Net Premium	1,896	1,693	1,415	2,005	2,289	2,133
Net Commission	478	400	367	620	774	219
Net Claims	962	931	777	823	1,329	1,011
Management Expenses	250	154	146	171	134	140
Underwriting Profit/(Loss)	206	208	125	391	51	76
Investment Income	846	3,689	772	465	360	333
Profit before Tax	1,139	3,858	783	782	391	366
Profit after Tax	886	3,725	672	594	326	297

Auditor's Report:

The auditors have qualified their report for the year ended December 31, 2008 in respect of amount due from and due to other persons and bodies carrying on insurance business and premium and claim reserves retained by cedants and retained from retrocessionaires. The accounts of PRCL are qualified on this issue since the year 2000. The accounts of the some other international insurance companies in the region are also qualified on the same issue.

During the year, the management has carried out a detailed exercise to undertake reconciliation of balance due to and due from various ceding companies. On the basis of such efforts, issues involved in achieving 100% results have been identified and are being dealt with the respective companies.

However, despite best efforts, the full resolution of issues was not possible due to the company's limitation in getting timely information from various ceding companies and lack of details available for old balances and transaction particularly with reference to underwriting business in the era of Compulsory cession.

Dividend

Your directors are pleased to declare a cash dividend of 25% for the year 2008.

Earning per share

The earning per share of the Company was Rs.2.95 for the year 2008 as compared to Rs.12.42 in the year 2007.

Trading in Company Shares

Except as detailed below, no trading in the shares of the Company were carried out by the Directors, Chief Executive, Chief Financial Officer, Company Secretary, their spouses and minor children:

Name	No. of Shares (CDC)
Mr. Ali Jahangir Siddique, Director	18,298,860 *
Mr. Abdul Hamid Dagia, Director	5,555 **
Ms. Farzana Munaf, C.F.O.	500

* Includes 11,481,092 bonus shares issued by PRCL.

** Represent Bonus shares issued by PRCL.

Appointment of Auditors

The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants retire by completing their five years period of audit. In compliance with the Code of Corporate Governance contained in listed regulations of the stock exchanges which require that all listed companies in the financial sector shall change External Auditor every 5 years, the Audit Committee has suggested the name of Anjum Asim Shahid Rahman, Chartered Accountants for appointment as external auditor for the year 2009 and the Board has recommended the same for the shareholders' approval at the forthcoming annual general meeting.

Pattern of shareholding

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

Acknowledgement

In the end, your directors would like to thank all insurance companies their Chairmen, Directors, Officers and staff for the co-operation extended by them in running the affairs of the company.

For and on behalf
of the Board of Directors.

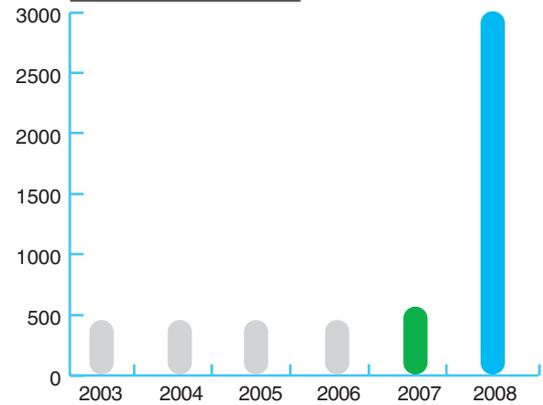
(Rukhsana Saleem)
Chairperson

Six Year Performance at a Glance

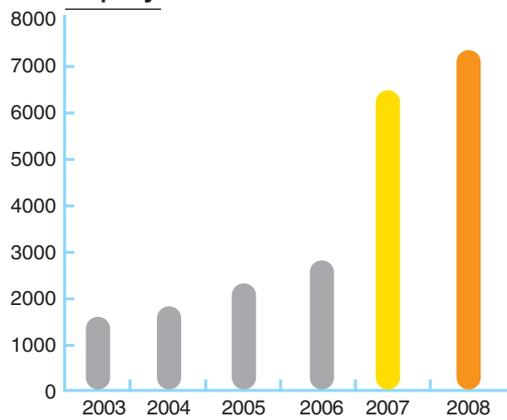
	(Rs. in million)					
	2008	2007	2006	2005	2004	2003
Financial Data						
Paid up capital	3,000	540	450	450	450	450
General & Capital Reserves	4,265	5,839	2,280	1,788	1,306	1,093
Equity	7,265	6,379	2,730	2,238	1,756	1,543
Investment	5,458	6,412	3,588	2,872	2,719	1,885
Fixed Assets	40	30	28	31	33	35
Cash & Bank Deposits	2,836	1,021	209	271	314	549
Total Assets	12,528	11,497	6,464	5,633	6,613	6,225
Total Liabilities	5,262	5,117	3,733	3,395	4,857	4,681
Operating Data						
Gross Premium	4,555	4,750	4,499	4,159	5,241	4,697
Net Premium	1,895	1,693	1,415	2,005	2,289	2,133
Net Claims	961	931	777	823	1,329	1,011
Net Commission	478	400	367	620	774	219
Underwriting Results	206	207	125	391	51	76
Total Management Expenses	250	154	146	171	134	140
Investment Income	846	3,689	772	465	360	333
Profit Before Tax	1,138	3,859	783	782	391	366
Profit After Tax	886	3,725	672	594	326	297
Share Information and Payouts						
No of shares (In millions)	300	54	45	45	45	45
Highest Share Price During year (Rs)	774.95	449.4	177	87.00	76.25	102.65
Cash dividend %	-	-	20.0	40.0	25.0	25.0
Bonus Shares %	-	455.55	20.0	-	-	-
Total Dividend %	-	455.55	40.0	40.0	25.0	25.0
Financial Ratio Analysis						
Claims ratio	50.71	54.99	54.91	41.05	58.06	47.40
Total Assets Turnover (Times)	0.36	0.41	0.70	0.74	0.79	0.75
Total Liabilities / equity (%)	72.43	80.22	136.74	151.70	276.59	303.37
Paid up Capital / Total Assets (%)	23.95	4.70	6.96	7.99	6.80	7.23
Equity / Total Assets (%)	57.99	55.48	42.23	39.73	26.55	24.79

Financial Highlights

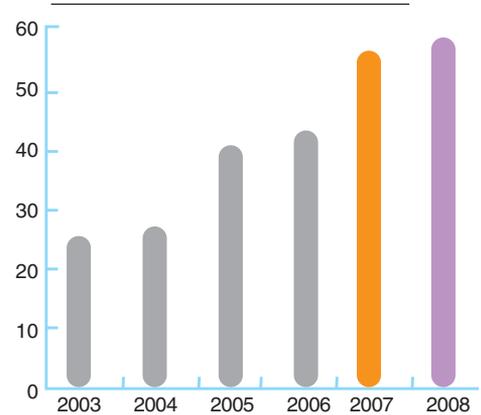
Paid-up Capital



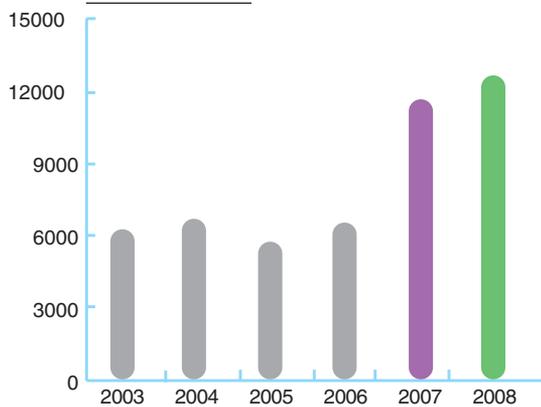
Equity



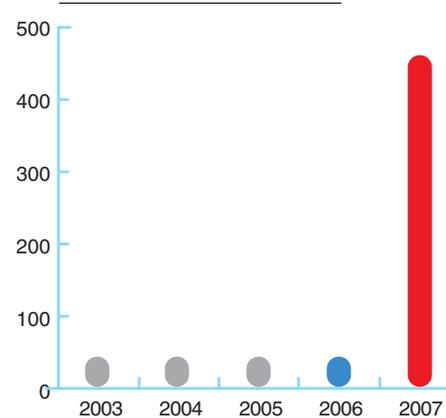
Equity \ Total Assets (%)



Total asset



Total Dividend (%)



Statement of Compliance with the Code of Corporate Governance

Pakistan Reinsurance Company Limited

Year Ended December 31, 2008

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

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

1. The Company encourages representation of independent non-executive Directors on its Board. At present, the Board include eight (out of nine) independent non-executive Directors. Out of eight non-executive directors, six are nominated by the major shareholders (i.e. GOP) and two are elected on 31.12.2007 for three years terms.
2. The directors have confirmed that none of them is serving as a director in ten or more listed companies, including this company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by the stock exchange.
4. The Company has prepared a 'Statement of Ethics and Business Practices'. (Code of Conduct), which has been signed by the directors and employees of the Company.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies alongwith the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board except terms and conditions of deputations of Government servants.
7. The meetings of the Board were presided over by the Chairperson except one when the Chairperson was abroad; the meeting was presided by one of the Directors. The Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers were circulated normally 07 days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. Board has arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.
9. There was no appointment of CFO, Company Secretary or Head of Internal Audit during the year.
10. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Board has formed an audit committee. It comprises of Board members, all of whom are non-executive directors including Chairman, Audit Committee.
14. The Board has formed Underwriting, Claim Settlement and Reinsurance Committees.
15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Company has an internal audit department headed by Chief Internal Auditor. The Internal Audit department is in the process of strengthening.
17. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
19. We confirm that all other material principles contained in the Code have been complied with.

Abbul Hamid Dagia
Director

Syed Arshad Ali
Director

Rukhsana Saleem
Director

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pakistan Reinsurance Company Limited ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2008.

Date: May 07, 2009
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

of **Pakistan Reinsurance Company Limited** ("the Company") as at 31 December 2008 together with the notes forming part thereof, for the year then ended.

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

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

- i) As more fully described in the notes 13, 16.1 and 21 to the financial statements, the balances of Rs. 1,539.015 million (net of provision amounting to Rs. 386 million) and Rs. 1,237.841 million were respectively due from and due to other persons and bodies carrying on insurance business. The company is in process of obtaining confirmations and reconciling these balances as at 31 December 2008 with these persons and bodies. Further, as explained in note 16.2 to the financial statements, the Company has reversed certain claims lodged by other insurance companies amounting to Rs. 54.68 million due to the reason that appropriate documentation for substantiating these claims was not provided. Pending confirmation of various balances, finalisation of reconciliations with other companies and settlement of differences with these persons and bodies, we are unable to verify these balances.
- ii) As stated in notes 14 and 22 to the financial statements, as at 31 December 2008, the balances in respect of premium and claim reserves retained by cedants amounted to Rs. 45.822 million and balances in respect of premium and claim reserves retained from retrocessionaires amounted to Rs. 35.884 million. These balances have not been confirmed by respective insurance companies. Consequently, we are unable to verify these balances.



Except for the financial effect of the matters referred to in the preceding paragraphs, in our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2008 and of the profit its cash flows and changes in equity for the year then ended in accordance with approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980

Date: May 7, 2009

Karachi

**KPMG Taseer Hadi & Co.
Chartered Accountants**

Balance Sheet

As At December 31, 2008

	Note	2008	2007
			Restated
Share capital and reserves			
Authorized share capital			
2,500,000,000 Ordinary shares of Rs.10 each (2007: 400,000,000 ordinary shares of Rs.10 each)	6	25,000,000,000	4,000,000,000
Paid up share capital	6	3,000,000,000	540,000,860
Retained earnings		2,207,325,305	3,781,099,406
Exceptional losses reserve	7	281,000,000	281,000,000
General reserve		1,777,419,085	1,777,419,085
		4,265,744,390	5,839,518,491
		7,265,744,390	6,379,519,351
Underwriting provisions			
- Provision for outstanding claims (including IBNR)	8	886,971,628	675,533,994
- Provision for unearned premium	9	2,719,013,239	2,680,796,096
- Commission income unearned	10	28,967,567	44,720,548
Total underwriting provisions		3,634,952,434	3,401,050,638
Deferred liability - employee benefits	11	94,652,000	111,509,000
Long term deposits	12	18,492,361	15,346,331
Creditors and accruals			
Amount due to other persons and bodies carrying on insurance business	13	1,237,841,171	1,362,691,458
Premium and claim reserves retained from retrocessionaires	14	35,883,859	25,248,173
Other creditors and accruals	15	65,367,624	41,381,184
Taxation - net	26	163,273,005	148,075,585
Retention money payable		6,413,383	6,388,681
		1,508,779,042	1,583,785,081
Other liabilities			
Dividend payable		4,625,108	4,625,512
Surplus profit payable		1,213,842	1,214,008
		5,838,950	5,839,520
Total liabilities		5,262,714,787	5,117,530,570
Total equity and liabilities	Rupees	12,528,459,177	11,497,049,921
Contingencies	16		

The annexed notes from 1 to 44 form an integral part of these financial statements.

The details of valuation of investments, impairment and impact on profit and loss account are given in note 19.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

	Note	2008	2007
			Restated
Cash and bank deposits			
Cash and other equivalents		40,567	33,366
Current and other accounts		789,891,017	719,390,353
Deposits maturing within 12 months		2,046,700,000	301,700,000
	17	2,836,631,584	1,021,123,719
Loans - secured and unsecured (considered good)			
- to employees	18	53,006,109	44,690,616
Investments	19	5,458,934,939	6,412,290,053
Investment properties	20	47,753,289	50,824,182
Deferred taxation		151,660,579	151,660,579
Current assets - others			
Amount due from other persons and bodies carrying on insurance business	21	1,539,015,089	1,455,240,735
Premium and claim reserves retained by cedants	22	45,822,333	16,609,595
Accrued investment income	23	52,601,260	44,249,114
Sundry receivables	24	205,100,973	265,145,279
Prepaid reinsurance ceded	25	1,834,148,187	1,751,576,530
Deferred commission expense		262,891,638	252,874,145
Stock of stationery		224,511	61,112
		3,939,803,991	3,785,756,510
Fixed assets			
Tangible			
Land and building		22,849,153	21,898,134
Furniture, fixture, books and office equipment		14,117,603	4,150,294
Motor vehicles		3,701,930	4,655,834
	27	40,668,686	30,704,262
Assets relating to Bangladesh	28	-	-
Total assets	<i>Rupees</i>	12,528,459,177	11,497,049,921

Mr. Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Profit and Loss Account

For the year ended 31 December 2008

	Note	Fire	Marine Cargo	Marine Hull	Accident	Aviation	Engineering	Treaty	2008 Aggregate	2007 Aggregate
Revenue account										Restated
Net premium revenue		292,900,627	37,357,152	30,759,752	40,512,918	63,042,362	154,203,189	1,276,798,584	1,895,574,584	1,693,082,718
Net claims		229,071,446	21,459,915	4,294,113	2,700,741	26,521,764	118,179,334	559,464,920	961,692,233	931,289,492
Expenses	29	6,603,082	4,045,026	1,515,623	4,064,059	4,098,232	3,852,314	225,912,672	250,091,008	153,959,979
Net commission		55,941,797	6,153,696	4,814,389	5,403,548	(282,136)	(3,163,094)	408,786,741	477,654,941	399,881,903
Underwriting result	<i>Rupees</i>	<u>1,284,302</u>	<u>5,698,515</u>	<u>20,135,627</u>	<u>28,344,570</u>	<u>32,704,502</u>	<u>35,334,635</u>	<u>82,634,251</u>	206,136,402	207,951,344
Investment income-net									846,394,452	3,689,376,821
Rental income-net	30								48,335,920	30,543,619
Exchange gain / (loss)									85,413,283	(15,922,348)
Other income	31								14,431,505	65,804,433
General and administration expenses	32								(38,466,800)	(50,004,304)
Provision for workers' welfare fund									(23,244,895)	-
Voluntary retirement scheme expenses									-	(69,102,472)
									932,863,465	3,650,695,749
Profit before tax									1,138,999,867	3,858,647,093
Taxation - Current									252,774,828	197,707,158
- Deferred									-	(64,313,691)
	26.1								252,774,828	133,393,467
Profit after tax									886,225,039	3,725,253,626
								<i>Rupees</i>		
Profit and loss appropriation account										
Balance at the commencement of year									3,781,099,406	735,846,064
Profit after tax for the year									886,225,039	3,725,253,626
Transfers to general reserve									-	(500,000,000)
Final cash dividend for the year 2007 nil [2006: Rs 2 (20%)] per share									-	(90,000,144)
Final bonus for the year 2007: 455.554670783% (2006: 20%) per share									(2,459,999,140)	(90,000,140)
Balance of unappropriated Profit at the end of year									2,207,325,305	3,781,099,406
								<i>Rupees</i>		
Basic and diluted earning per share of Rs. 10 each	33								2.95	12.42
								<i>Rupees</i>		

The annexed notes from 1 to 44 form an integral part of these financial statements.

The details of valuation of investments, impairment and impact on profit and loss account are given in note 19

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Mr. Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Changes in Equity

For the year ended 31 December 2008

	Share capital		Reserves			Total
	Issued subscribed and paid-up	Exceptional losses reserve	Revenue reserves			
			General reserve	Retained earnings	Total reserves	
Balance as at 31 December 2006	450,000,720	281,000,000	1,277,419,085	721,954,126	1,999,373,211	2,730,373,931
Effect of recognition of certain aviation premium on policy basis (Refer note 5.8.1)	-	-	-	13,891,938	13,891,938	13,891,938
Balance as at 31 December 2006 (as restated)	450,000,720	281,000,000	1,277,419,085	735,846,064	2,013,265,149	2,744,265,869
Changes in equity for the year ended 31 December 2007						
Total income and expense recognized during the year - profit for the year 2007 (as restated)	-	-	-	3,725,253,626	3,725,253,626	3,725,253,626
Appropriations:						
Final cash dividend 2006 @ 20% (Rs. 2 per share)	-	-	-	(90,000,144)	(90,000,144)	(90,000,144)
Final bonus 2006 @ 20%	90,000,140	-	-	(90,000,140)	(90,000,140)	-
Transfer to general reserve	-	-	500,000,000	(500,000,000)	-	-
	90,000,140	-	500,000,000	(680,000,284)	(180,000,284)	(90,000,144)
Balance as at 31 December 2007 (as restated)	540,000,860	281,000,000	1,777,419,085	3,781,099,406	5,558,518,491	6,379,519,351
Changes in equity for the year ended 31 December 2008						
Total income and expense recognized during the year - profit for the year 2008	-	-	-	886,225,039	886,225,039	886,225,039
Appropriations:						
Final bonus 2007 @ 455.554670783%	2,459,999,140	-	-	(2,459,999,140)	(2,459,999,140)	-
Balance as at 31 December 2008	<i>Rupees</i> 3,000,000,000	281,000,000	1,777,419,085	2,207,325,305	3,984,744,390	7,265,744,390

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Mr. Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Cash Flows

For the year ended 31 December 2008

	Note	2008	2007
Operating cash flows			
Underwriting activities			
Premium received		4,471,345,709	4,481,541,277
Reinsurance premium paid		(2,743,336,996)	(2,665,893,561)
Claims paid		(2,539,976,194)	(1,236,150,513)
Reinsurance and other recoveries received		1,789,721,595	310,472,851
Commission paid		(559,801,617)	(536,693,733)
Commission received		56,376,205	97,505,205
Premium and claim reserves retained from retrocessionaires/ withheld by ceding companies		(15,529,144)	17,795,448
Expenses paid		(252,457,009)	(227,005,834)
Net cash flows from underwriting activities		206,342,549	241,571,140
Other operating activities			
Income tax paid		(237,577,408)	(152,798,803)
General administration expenses paid		(31,575,027)	(39,853,459)
Loans (advanced) / repayments received		(10,341,911)	(16,395,646)
Other receipts / (payments)- sundry debtors		70,982,829	(53,669,950)
Other payments - staff contribution		(16,857,000)	(15,033,799)
Net cash flows from other operating activities		(225,368,517)	(277,751,657)
Total cash flow from all operating activities		(19,025,968)	(36,180,517)
Investment activities			
Fixed capital expenditure		(13,575,237)	(4,749,890)
Sale proceeds of fixed assets		373,800	17,952
Acquisition of investments		(1,538,176,972)	(7,259,214,850)
Rental income received		44,017,568	36,181,739
Dividend income received		533,827,378	605,240,201
Interest income on bank deposits		152,714,407	22,453,903
Investment income received		41,846,387	73,700,000
Sale proceeds of investments		2,613,507,072	7,463,259,796
Total cash flow from investment activities		1,834,534,403	936,888,851
Financing activities			
Surplus paid		(166)	(16,598)
Dividend paid		(404)	(89,551,884)
Total cash flows from financing activities		(570)	(89,568,482)
Net cash flow from all activities		1,815,507,865	811,139,852
Cash and cash equivalents at beginning of the year		1,021,123,719	209,983,867
Cash and cash equivalents at end of the year	17 Rupees	2,836,631,584	1,021,123,719

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Mr. Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Cash Flows

For the year ended 31 December 2008

	2008	2007
Reconciliation to profit and loss account		Restated
Operating cash flows	(19,025,968)	(36,180,517)
Depreciation expense	(6,610,099)	(5,913,112)
Exchange gain / (loss)	85,413,283	(15,922,348)
Rental income	53,101,543	37,591,513
Pension officers expense	(20,593,253)	(3,859,133)
Pension staff expense	(52,151,189)	(903,000)
Medical expense	(18,776,000)	9,086,000
Gratuity expense	31,203,432	12,132,989
Compensated absences	(11,180,894)	(3,632,000)
Provision for outstanding claims	(211,437,634)	(5,611,830)
Provision for unearned premium	(38,217,143)	(98,739,431)
Prepaid reinsurance	82,571,657	(29,244,459)
Provision for employee benefits	(16,857,000)	(12,308,001)
Dividend income	534,886,079	611,242,675
Investment income	323,626,960	238,169,005
Amortization of premium	(8,201,322)	(16,290,075)
Gain on sale of investment	1,350,000	2,862,854,600
Increase / (decrease) in operating assets other than cash	104,644,868	461,471,147
Decrease / (increase) in operating liabilities	90,020,707	(300,965,907)
	903,768,027	3,702,978,115
Other adjustments		
(Increase) / decrease in provision for diminution in value of investments	(2,345,568)	2,870,174
Income tax paid	237,577,408	152,798,803
	235,231,840	155,668,977
Profit before taxation	1,138,999,867	3,858,647,092
Provision for taxation	(252,774,828)	(133,393,467)
Profit after taxation	886,225,039	3,725,253,625
	<i>Rupees</i>	
Definition of cash		
Cash comprises of cash in hand, policy stamps, postage stamps, revenue stamp, bank balances and other deposits which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.		
Cash for the purpose of the statement of cash flow consist of:		
Cash and cash equivalents		
Cash and other equivalents	40,567	33,366
Current and other accounts	789,891,017	719,390,353
Deposit maturing within 12 months	2,046,700,000	301,700,000
	2,836,631,584	1,021,123,719
	<i>Rupees</i>	

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Mr. Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Premium

For the year ended 31 December 2008

Class	Premium written (A)	Unearned premium reserve		Premium earned (D=A+B-C)	Reinsurance ceded (E)	Prepaid reinsurance Premium ceded		Reinsurance expense (H=E+F-G)	Net premium revenue	
		Opening (B)	Closing (C)			Opening (F)	Closing (G)		31 December 2008 (I=D-H)	31 December 2007 Restated
Business underwritten inside Pakistan										
Facultative										
Fire	666,733,944	465,747,571	357,297,525	775,183,990	294,736,032	320,452,322	132,904,991	482,283,363	292,900,627	255,705,868
Marine Cargo	42,959,707	4,004,687	7,403,730	39,560,664	4,407,024	-	2,203,512	2,203,512	37,357,152	25,797,913
Marine Hull	40,391,686	11,877,390	21,509,324	30,759,752	-	-	-	-	30,759,752	19,538,344
Accident	43,514,558	24,410,271	27,411,911	40,512,918	-	-	-	-	40,512,918	22,863,347
Aviation	1,267,004,669	871,090,028	1,097,006,029	1,041,088,668	1,181,464,599	823,623,490	1,027,041,783	978,046,306	63,042,362	43,244,384
Engineering	732,513,230	540,468,642	467,648,684	805,333,188	543,898,082	436,767,584	329,535,667	651,129,999	154,203,189	140,092,873
Total	2,793,117,794	1,917,598,589	1,978,277,203	2,732,439,180	2,024,505,737	1,580,843,396	1,491,685,953	2,113,663,180	618,776,000	507,242,729
Treaty	1,762,002,269	763,197,506	740,736,036	1,784,463,739	679,394,255	170,733,134	342,462,234	507,665,155	1,276,798,584	1,185,839,989
Grand total	4,555,120,063	2,680,796,095	2,719,013,239	4,516,902,919	2,703,899,992	1,751,576,530	1,834,148,187	2,621,328,335	1,895,574,584	1,693,082,718

Rupees

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Mr. Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Claims

For the year ended 31 December 2008

Class	Claims paid (A)	Outstanding claims		Claims expense (D=A+C-B)	Reinsurance and other recoveries received (E)	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue (H=E+G-F)	Net claims expenses	
		Opening (B)	Closing (C)			Opening (F)	Closing (G)		31 December 2008 (I=D-H)	31 December 2007
Business underwritten inside Pakistan										
Facultative										
Fire	67,153,987	163,115,752	326,347,222	230,385,457	1,314,011	68,968,099	68,968,099	1,314,011	229,071,446	139,443,562
Marine Cargo	6,656,729	-	15,055,036	21,711,765	-	-	251,850	251,850	21,459,915	493,493
Marine Hull	7,692,348	16,720,709	11,316,839	2,288,478	-	2,005,635	-	(2,005,635)	4,294,113	11,377,833
Accident	2,880,366	7,338,442	7,158,817	2,700,741	-	-	-	-	2,700,741	7,085,244
Aviation	451,134,391	71,420,531	173,980,107	553,693,967	428,332,428	69,497,249	168,337,024	527,172,203	26,521,764	1,762,405
Engineering	116,435,867	625,550,910	163,940,606	(345,174,437)	33,858,389	613,462,160	116,250,000	(463,353,771)	118,179,334	44,314,545
Total	651,953,688	884,146,344	697,798,627	465,605,971	463,504,828	753,933,143	353,806,973	63,378,658	402,227,313	204,477,082
Treaty	1,888,022,506	2,314,808,855	1,615,299,812	1,188,513,463	1,326,216,767	1,764,536,062	1,067,367,838	629,048,543	559,464,920	726,812,410
Grand total	<i>Rupees</i> 2,539,976,194	3,198,955,199	2,313,098,439	1,654,119,434	1,789,721,595	2,518,469,205	1,421,174,811	692,427,201	961,692,233	931,289,492

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Mr. Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Expenses

For the year ended 31 December 2008

Class	Commissions paid or payable (A)	Deferred commission		Net commission expense (D=A+B-C)	Other management expenses (E)	Underwriting expense (F=D+E)	Commissions from reinsurers (G)	Commission income unearned		Net commission retrocession (J=G+H-I)	Net underwriting expenses	
		Opening (B)	Closing (C)					Opening (H)	Closing (I)		31 December 2008 (K=F-J)	31 December 2007
Business underwritten inside Pakistan												
Facultative												
Fire	97,663,373	37,559,653	55,564,844	79,658,182	6,603,082	86,261,264	14,585,981	13,527,585	4,397,181	23,716,385	62,544,879	36,459,681
Marine cargo	6,685,165	573,049	939,255	6,318,959	4,045,026	10,363,985	330,527	-	165,264	165,263	10,198,722	8,563,273
Marine hull	6,396,979	1,830,392	3,412,982	4,814,389	1,515,623	6,330,012	-	-	-	-	6,330,012	3,913,164
Accident	5,570,071	3,407,859	3,574,382	5,403,548	4,064,059	9,467,607	-	-	-	-	9,467,607	7,715,045
Aviation	2,749,497	1,196,628	1,512,231	2,433,894	4,098,232	6,532,126	3,185,476	1,392,119	1,861,565	2,716,030	3,816,096	3,198,328
Engineering	37,499,671	23,617,306	24,059,217	37,057,760	3,852,314	40,910,074	31,097,610	27,376,956	18,253,712	40,220,854	689,220	(14,450,353)
Total	156,564,756	68,184,887	89,062,911	135,686,732	24,178,336	159,865,068	49,199,594	42,296,660	24,677,722	66,818,532	93,046,536	45,399,138
Treaty	403,236,861	184,689,260	173,828,727	414,097,394	225,912,672	640,010,066	7,176,611	2,423,887	4,289,845	5,310,653	634,699,413	508,442,744
Grand total	559,801,617	252,874,147	262,891,638	549,784,126	250,091,008	799,875,134	56,376,205	44,720,547	28,967,567	72,129,185	727,745,949	553,841,882

The annexed notes from 1 to 44 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Mr. Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Investment Income

For the year ended 31 December 2008

	2008	2007
Income from non-trading investments		
Held to maturity		
Return on Government Securities	98,357,215	129,144,283
Return on other fixed income securities and deposits	152,714,407	28,315,240
Income on treasury bills	72,555,338	80,709,482
Amortization of premium on Pakistan Investment Bond	(8,201,322)	(16,290,075)
Available for sale		
Dividend income	534,886,079	611,242,675
Gain on sale of non-trading investments		
Available for sale investments	1,350,000	2,862,854,600
Gain / (loss) on revaluation of investments		
Available for sale	7,823,582	(2,870,174)
Provision for impairment in value of available for sale investments	(13,000,000)	-
At fair value through profit or loss classified as held for trading	2,830,850	1,724,222
	849,316,149	3,694,830,253
Investment related expenses	(2,921,697)	(5,453,432)
Net investment income	846,394,452	3,689,376,821

Rupees

The annexed notes from 1 to 44 form an integral part of these financial statements.

The details of valuation of investments, impairment and impact on profit and loss account are given in note 19.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Mr. Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Notes to the Financial Statements

For the year ended 31 December 2008

1. STATUS AND NATURE OF BUSINESS

Pakistan Reinsurance Company Limited ("the Company") is a public limited company incorporated on 30 March 2000 under the Companies Ordinance, 1984. The object of the Company is the development of insurance and reinsurance business in Pakistan and to carry on reinsurance business. The registered office of the Company is located at PRC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi. Its shares are quoted on Karachi and Lahore Stock Exchanges.

2. BASIS OF PREPARATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide S.R.O. 938 dated 12 December 2002.

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for held for trading investments which are recognized at fair value as stated in note 5.12.

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

The following standards, interpretations, and amendments of approved accounting standards are effective for accounting periods beginning on or after 01 January 2009 are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

Revised IAS 1 - Presentation of financial statements introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement), or in an income statement and a separate statement of comprehensive income. The change will be effected after discussions with regulators.

IFRS 4- Insurance Contracts, requires to assess at each reporting date adequacy of its insurance liabilities through liability adequacy test. Further, it required additional disclosure relating to identification and explanation of the amount in the financial statements arising from insurance contracts and the amount, timing and uncertainty of future cash flows from insurance contracts. The application of the standard requires additional disclosures in the Company's financial statements.

- Revised IAS 23 - Borrowing costs
- IAS 29 - Financial Reporting in Hyperinflationary Economies
- Revised IFRS 3 - Business Combinations
- IFRS 4 - Insurance Contracts
- IFRS 7 - Financial instruments : Disclosures
- IFRS 8 - Operating Segments
- IFRIC - 13 - Customer Loyalty Programmes
- IFRIC - 15 - Agreement for the Construction of Real Estate
- IFRIC - 16 - Hedge of Net Investment in a Foreign Operation
- IFRIC - 17 - Distributions of Non-cash Assets to Owners
- IAS 27 - Consolidated and Separate Financial Statements
- Amendments to IAS 27 - Consolidated and Separate Financial Statements
- Amendment to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
- Amendments to IFRS 2 - Share-based Payment - Vesting Conditions and Cancellations
- Amendments to IAS 32 - Financial Instruments : Presentation
- The International Accounting Standards Board annual improvements project published in May 2008 (applicable for financial periods beginning on or after 1 January 2009).

4. USE OF ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgements / estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgements / estimates and associated 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 estimate 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.

Significant areas requiring the management to use estimates in these financial statements relate to provision for outstanding claims including IBNR, impairment of assets, premium deficiency reserves, provision for income taxes, recoveries from reinsurers, staff retirement benefits and useful lives of assets and methods of depreciation.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Investments

5.1.1 Recognition

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

- Investment at fair value through profit and loss - Held for trading
- Held to maturity
- Available for sale - marketable securities

5.1.2 Measurement

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

- Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.
- Investments which are designated at fair value through profit or loss upon initial recognition.

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

(b) Held to maturity

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

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

(c) Available for sale - marketable securities

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.

Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the SECP in December 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

Unquoted

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

5.1.3 Date of recognition

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

5.2 Investment properties

Investment properties are accounted for under the cost model in accordance with approved International Accounting Standards (IAS) 40, "Investment Property" and S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan.

- 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.

5.3 Underwriting provisions

5.3.1 Provision for outstanding claims

A liability is recognized for outstanding claims incurred upto the balance sheet date and is considered to be incurred at the time of incident giving rise to the claim. Unpaid reported claims are based on prescribed statutory returns submitted by the ceding companies. Outstanding claims reserve and claims incurred but not reported (IBNR) to the Company upto the balance sheet date are recorded on the basis of actuarial valuation, results of which have been recognized in the financial statements. The above liability is measured at undiscounted value and includes expected settlement costs.

5.3.2 Claim recoveries

Claim recoveries receivable from the reinsurers are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized and are measured at the amounts expected to be received. Claims are reported net off reinsurance in the revenue account.

5.3.3 Provision for unearned premium

Provision for unearned premium is made in the Revenue Account on the basis of 1/24 method as per Regulations of Securities and Exchange Commission (Insurance) Rules, 2002. This provision is calculated by an actuary.

5.3.4 Premium deficiency reserve

Where the unearned premium liability for any class of business is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses expected to be incurred after the balance sheet date in respect of policies in that class of business in force at balance sheet date, a premium deficiency reserve is recognized as a liability to meet the deficit.

The movement in the premium deficiency reserve is recorded as an expense and is a part of revenue account.

5.3.5 Prepaid reinsurance ceded

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

5.3.6 Commission income unearned

Commission income receivable is taken to revenue account in accordance with the pattern of recognition of the reinsurance premium to which it relates.

5.4 Staff retirement benefits

5.4.1 Defined benefit plans

The Company operates approved gratuity and pension scheme for all its permanent employees who are entitled / have opted for either of the above schemes. Contributions to the funds are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation was carried out effective for the year ended 31 December 2008 using the Projected Unit Credit Method. Actuarial gains / losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognized over the average remaining service life of the employees.

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

5.4.2 Defined contribution plan

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

5.5 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.

5.6 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any.

Deferred

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

5.7 Fixed assets - tangibles

Owned

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

Depreciation is charged to income applying the reducing balance method. The rates of depreciation are stated in note 27 to the financial statements.

Depreciation on additions during the financial year is charged from the month in which asset is put to use whereas no depreciation is charged from the month in which the asset is disposed off. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying amount of fixed assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed their estimated recoverable amount, assets are written down to their recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired.

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

5.8 Revenue recognition

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 as described in note 5.3.3.

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

Commission

Commission and profit commission receivable from reinsurers are deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premiums to which they relate.

Investments

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

Profit / interest income from securities are recognized on effective interest rate basis.

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

Rental income

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

5.8.1 Recognition of aviation premium on policy basis

Up to the previous year, certain aviation premium income (where premium received on installment basis) had been recorded based on installment due basis during the year and accordingly related balances of provision for unearned premium, amount due from and due to other persons and bodies carrying on insurance business and prepaid reinsurance ceded had been estimated / determined and recorded. However, during the year, the company has shifted from installment due basis to premium income attached to the policies issued during the year (i.e. at the time of issuance of policies) and accordingly related balances have been estimated / determined and recorded. Due to this, the profit and EPS for the year 2008 have increased by Rs. 6.849 million and Re. 0.023 and the profit and EPS for the year 2007 have been decreased by Rs. 1.706 million and Re. 0.006 respectively. However, the balances of provision for unearned premium, amount due to other persons and bodies carrying on insurance business, prepaid reinsurance ceded and amount due from other persons and bodies carrying on insurance business have been increased by Rs.510.212 million (2007: Rs 358.787 million), Rs.846.475 million (2007: Rs 679.478 million), Rs.478.925 million (2007: Rs.337.886 million) and Rs.896.797 million (2007: Rs 712.565 million) respectively.

5.9 Reinsurance expense

Premium reinsured to reinsurers is recognized as a liability on attachment of the underlying policies reinsured or on inception of the reinsured contract in case of proportional and non-proportional basis respectively.

Where the pattern of incidence of risk varies over the period of the policy, the premium is recognized as an expense in accordance with the pattern of incidence of risk.

5.10 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognized as an expense in accordance with pattern of recognition of premium revenue.

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognized as liability and recognized in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

5.11 Management expenses

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

5.12 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. Attributable transaction costs are recognized in profit or loss when incurred. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to profit and loss account.

5.13 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees using year end spot foreign exchange rates. Non monetary assets and liabilities are translated into Pak Rupees using exchange rates prevalent on transaction date. Exchange differences on foreign currency translations are included in income currently. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

5.14 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognized in the profit and loss account.

5.15 Cash and cash equivalents

Cash and cash equivalents comprise (a) cash in deposit accounts with banks (b) cash (and cheques) in hand, in transit and at banks in current accounts (c) stamps in hand and (d) term deposits maturing within 12 months as per the format prescribed by the SEC (Insurance) Rules, 2002 vide S.R.O dated 12 December 2002.

5.16 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.

5.17 Segment reporting

(a) Primary segments

The Company's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

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

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

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

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

(b) Secondary segments

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

The Company generally accounts for intersegment sales and transfers, if any, as if the sales or transfers were made to third parties at current market prices.

5.18 Provisions

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

5.19 Provision for doubtful debts

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

5.20 Financial instruments

Financial instruments carried on the balance sheet include cash and bank deposits, loans, investments, amounts due from / to other persons and bodies carrying on insurance business, 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.

6 SHARE CAPITAL

	2008	2007
Authorized share capital 2,500,000,000 Ordinary Shares of Rs.10 each (2007: 400,000,000 ordinary shares of Rs. 10 each)	<i>Rupees</i> 25,000,000,000	4,000,000,000
Issued, subscribed and paid up		
8 Ordinary shares of Rs. 10 each fully paid in cash (2007: 8 ordinary shares of Rs. 10 each)	80	80
5,000,000 ordinary shares of Rs. 10 each issued for consideration other than cash (2007: 5,000,000 ordinary shares of Rs. 10 each)	50,000,000	50,000,000
294,999,992 (2007: 49,000,078) ordinary shares of Rs. 10 each issued as fully paid bonus shares	2,949,999,920	490,000,780
	<i>Rupees</i> 3,000,000,000	540,000,860

7. EXCEPTIONAL LOSSES RESERVE

The reserve for exceptional losses represents amount set aside in prior years admissible previously under the Income Tax Act of 1922. After the introduction of repealed Income Tax Ordinance, 1979, which did not permit the said deduction, the Company has been setting aside amounts to exceptional losses reserve through profit and loss appropriation account.

2008

2007

8. PROVISION FOR OUTSTANDING CLAIMS (including IBNR)

Fire	482,273,088	268,938,579
Marine	105,935,780	110,328,289
Miscellaneous	298,762,760	296,267,126
	886,971,628	675,533,994

Rupees

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

In the year 2002 an amount of Rs.4.952 million representing brought forward claims from previous years which relate to Bangladesh (former East Pakistan) has been excluded from reserve for outstanding claims on Balance Sheet and has been taken along with other liabilities of Rs. 809,000 to net off Assets in Bangladesh of Rs. 15,974,000 (refer note 28).

Fire	2,382,000	2,382,000
Marine	1,470,000	1,470,000
Miscellaneous	1,100,000	1,100,000
	4,952,000	4,952,000

Rupees

9. PROVISION FOR UNEARNED PREMIUM

Fire	802,117,788	956,068,761
Marine	132,174,844	58,235,423
Miscellaneous	1,784,720,607	1,666,491,912
	2,719,013,239	2,680,796,096

Rupees

Restated

10. COMMISSION INCOME UNEARNED

Fire	7,509,277	15,739,276
Marine	847,885	101,731
Miscellaneous	20,610,405	28,879,541
	28,967,567	44,720,548

Rupees

11. DEFERRED LIABILITY - EMPLOYEE BENEFITS		2008	2007
Defined benefit obligations			
- Pension			
Officers		-	42,335,000
Staff		-	-
- Post retirement medical benefits		59,222,000	43,445,000
Compensated absences		35,430,000	25,729,000
	37.1 Rupees	<u>94,652,000</u>	<u>111,509,000</u>
12. LONG TERM DEPOSITS			
This represents deposits received from tenants in connection with letting of PRC Towers.			
13. AMOUNT DUE TO OTHER PERSONS AND BODIES CARRYING ON INSURANCE BUSINESS			
			Restated
Amount due to other persons and bodies carrying on insurance business	21.2 Rupees	<u>1,237,841,171</u>	<u>1,362,691,458</u>
14. PREMIUM AND CLAIM RESERVES RETAINED FROM RETROCESSIONAIRES			
Premium reserve withheld		519,673	537,183
Losses reserve withheld		18,690,995	18,850,769
Cash losses received from retrocessionaires		16,673,191	5,860,221
	Rupees	<u>35,883,859</u>	<u>25,248,173</u>
This represents Company's retention of deposits withheld against the total amount retroceded to other companies.			
15. OTHER CREDITORS AND ACCRUALS			
Bonus payable		-	11,018,028
Provision for litigation		16,075,253	16,075,253
Workers' welfare fund payable		20,446,550	-
Accrued expenses		-	5,990,996
Advance rent		8,397,470	7,126,336
Payable against capital expenditure		9,720,686	-
Payable to employees		5,496,849	906,876
Others		5,230,816	263,695
	Rupees	<u>65,367,624</u>	<u>41,381,184</u>
16. CONTINGENCIES			
16.1	The Company is in process of reconciling balances of amount due to and due from other persons and bodies carrying on insurance business and have identified reconciling items of Rs.133.541 million (2007: Rs.134 million), these reconciling items have not yet been agreed and settled with the other insurance companies. Further, the Company is in process of getting confirmations and reconciling balances with various other insurance companies. Consequently, the impact of possible adjustments on these balances and Profit and Loss account could not be quantified.		

- 16.2** The Company has reversed certain claims lodged by insurance companies estimated at Rs.54.68 million in the previous years due to the reason that appropriate documentation for substantiating these claims was not provided by the ceding companies.

There is a possibility that the Company may become liable to pay this amount in case if ceding companies ultimately manage to provide the relevant supporting documents. However, these include a claim of Rs. 6.36 million against which the Company had also made a counter claim of Rs. 20.72 million.

- 16.3** The Company has certain disputes with National Construction Company Limited (NCC) and other consultant / contractors, over the certification of final bills and breach of contract in relation to the construction of PRC Tower respectively.

NCC has filed a counter claim of Rs.133.6 million against the Company for financial loss and loss of goodwill against the original claim filed by the Company against NCC amounting to Rs.105.9 million for breach of contract for the construction of PRC Towers. In relation to the dispute with the consultants / contractors the total work as certified by company's consultants amounted to Rs. 200.76 million against the total contract price of Rs. 208.94 million and the asset capitalized amounted to Rs. 191.92 million only.

The Company has not made any provision against these claims, as it does not anticipate any liability in respect of these claims.

16.4 Case related to Export Credits Guarantee Scheme

Decrees have been awarded against the Company in two cases amounting to Rs. 31.92 million, pertaining to the export credit guarantees issued by Export Credits Guarantee Scheme (ECGS). The management is of the view that the said matter relates to ECGS and the Company has no responsibility for any liability in this respect. It further, contends that no liability will arise for the ECGS from such cases. The Scheme has been abolished by the Federal Government and also, the accounts relevant to the Scheme have been transferred by the Company.

- 16.5** The company is a defendant in a case filed by Commercial Union for a claim of Rs. 50 million. Pending the ultimate outcome of the decision, no provision has been made in the financial statements in this respect by the company.

- 16.6** The company has disputed the unilateral increase in rentals of one of its lease hold land being exorbitant and unreasonable, a view supported by the Company's legal advisor. The amount not acknowledged as debt in this regard as at 31 December 2008 amounted to Rs. 1.721 million.

		2008	2007
17.	CASH AND BANK DEPOSITS		
	Cash and other equivalents	40,567	33,366
	Current and other accounts <i>17.1</i>	789,891,017	719,390,353
	Deposits maturing within 12 months	2,046,700,000	301,700,000
		<u>2,836,631,584</u>	<u>1,021,123,719</u>
		<i>Rupees</i>	

- 17.1** These represent interest bearing accounts carrying interest rates as disclosed in note 34.

		2008	2007
18. LOANS - secured and unsecured (considered good)			
Loan to employees- secured		45,289,160	38,347,314
- unsecured		7,716,949	6,343,302
	18.1 Rupees	53,006,109	44,690,616
18.1 Maturity of loans			
Receivable within one year		13,887,604	11,871,734
Receivable after one year		39,123,820	32,824,197
		53,011,424	44,695,931
Provision against impaired loan		(5,315)	(5,315)
	Rupees	53,006,109	44,690,616

18.2 Loans to employees represent mark-up free loans except house building and motor car loans and are secured against retirement benefits of respective employees including, where applicable, the assets for which the loan has been given. These loans are recoverable within 180 equal monthly installments.

19. INVESTMENTS

Available for sale

Ordinary shares - listed	19.1	1,779,257,172	1,597,218,902
National Investment Trust Units	19.2	2,769,200,429	2,769,200,429
Ordinary shares - unlisted	19.3	617,613	617,613
		4,549,075,214	4,367,036,944

Held to maturity

Defence Saving Certificates	19.4	418,733,328	362,235,728
Pakistan Investment Bonds	19.5	491,126,397	609,327,719
Treasury Bills (1 year)		-	1,073,689,662
		909,859,725	2,045,253,109
	Rupees	5,458,934,939	6,412,290,053

As mentioned in note 5.1.2 to these financial statements, available for sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard 39 dealing with the recognition and measurements of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on 31 December 2008 would have been lower by Rs. 1,903 million, and the net equity would have been lower by Rs.1,903 million.

19.1 Investment in listed companies

Cost of investment in listed companies	19.1.1	1,792,319,735	1,618,105,047
Less: Provision for diminution in value:			
- Balance brought forward from last year		20,886,145	17,761,893
- Provision (reversed) / made during the year		(7,823,582)	3,124,252
		13,062,563	20,886,145
	Rupees	1,779,257,172	1,597,218,902

19.1.1 Book values and market values of investment in listed companies are:

Name of Company	31 December 2008		
	Number of shares / certificates	Book value ------(Rupees)-----	Market value
Open-End Mutual Funds			
MCB Dynamic Cash Fund	1,079,926	100,000,000	106,577,897
Pakistan Capital Market Fund	8,565	79,326	70,833
	1,088,491	100,079,326	106,648,730
Close-End Mutual Funds			
JS Value Fund Limited	346,204	2,978,100	1,554,456
Pakistan Premier Fund Limited	18,712	209,095	37,798
PICIC Growth Fund	30,406,721	836,877,603	169,973,570
PICIC Investment Fund	17,246	263,864	35,009
JS Growth Fund	28,348	385,533	84,477
	30,817,231	840,714,195	171,685,310
Modarabas			
Investec Modaraba 1st	265	238	2,080
Investment Banks/COS/Securities			
Escort Investment Bank	16,846	285,540	79,345
Commercial Banks			
Allied Bank Limited	109,168	529,820	3,419,142
Askari Bank Limited	22,963	1,175,958	334,571
Bank Al-Falah Limited	5,328	159,151	89,137
Faysal Bank Limited	30,143	1,637,409	346,946
MCB Bank Limited	209,100	79,650,686	26,306,871
National Bank of Pakistan	4,479,586	11,387,971	225,412,768
N.I.B	46,139,850	92,261,408	215,473,099
Royal Bank of Scotland Limited	7,106	405,042	150,150
Saudi Pak Commercial Bank Limited	5,999	101,821	30,055
The Bank of Punjab Limited	30,080	1,570,197	397,056
United Bank Limited	847	4,350	31,263
	51,040,170	188,883,813	471,991,058
Insurance			
Adamjee Insurance Company Limited	408,514	153,037,294	41,603,066
Asia Insurance Company Limited	25,000	250,000	367,250
Central Insurance Company Limited	335,598	50,000	24,985,271
Crescent Star Insurance Company Limited	604,991	5,867,357	9,347,111
Habib Insurance Company Limited	1,012,182	256,787	28,017,198
Pakistan Guarantee Insurance Company Limited	22,029	173,000	107,942
PICIC Insurance Company Limited	855,790	10,707,155	10,260,922
Sterling Insurance Company Limited	23,250	232,500	162,750
Union Insurance Company of Pakistan Limited	56,227	500,000	1,459,091
United Insurance Company of Pakistan Limited	357,919	455,000	6,059,569
	3,701,500	171,529,093	122,370,170

Name of Company

31 December 2008

	Number of shares / certificates	Book value ------(Rupees)-----	Market value
Textile Spinning			
Brothers Textile Mills Limited	353	1,059	349
Crescent Fibres Limited	51,711	462,167	258,555
Khurshid Spinning Mills Limited	7,600	13,300	9,500
Regent Textile Mills Limited	5,000	50,000	130,000
Sahrish Textile Mills Limited	13,510	23,643	12,159
	78,174	550,169	410,563
Textile Weaving			
Nakshbandi Industries Limited	463	4,425	3,463
Yousaf Weaving Mills Limited	228	1,414	239
	691	5,839	3,702
Textile Composite			
Colony Mills Limited	149,762	1,250,513	2,186,525
Dawood Lawrencepur Limited	2,379	35,192	118,593
Gul Ahmed Textile Limited Mills	11,912	144,861	568,202
Hussain Industries Limited	15,820	192,017	240,306
Kohinoor Industries Limited	11,681	155,750	18,690
Muhammad Farooq Textile Mills	4,100	26,445	10,250
Taj Textile Mills	5,600	14,560	1,960
Towellers Limited	315,790	6,000,010	7,184,223
Usman Textile Mills	300	3,888	1,014
	517,344	7,823,236	10,329,763
Synthetic & Rayon			
Pakistan Synthetics Limited	2,846	24,760	7,400
Jute			
Crescent Jute Products Limited	157,314	1,250,055	86,523
Sugar and Allied Industries			
Bawany Sugar Mills Limited	59,574	131,400	201,956
Colony Sugar Mills Limited	39,925	399,250	1,916,400
Crescent Sugar Mills Limited	290,484	1,720,486	2,483,638
Fecto Sugar Mills Limited	1,927	17,183	13,874
Kohinoor Sugar Mills Limited	42,601	379,563	832,850
Mirpur Khas Sugar Mills Limited	7,216	19,900	720,878
Mirza Sugar Mills Limited	3,485	9,410	7,214
Noon Sugar Mills Limited	37,853	623,646	488,304
Pangrio Sugar Mills Limited	100,000	1,337,000	689,000
Sakrand Sugar Mills Limited	11,900	35,700	16,779
Shahtaj Sugar Mills Limited	2,217	16,607	213,941
Sind Abadgar Sugar Mills Limited	98,500	1,276,150	1,004,700
	695,682	5,966,295	8,589,534

Name of Company

31 December 2008

Name of Company	Number	Book	Market
	of shares / certificates	value ------(Rupees)-----	value
Cement			
Dada Bhoj Cement Industries Limited	17,300	124,560	34,600
Fauji Cement Company Limited	5,238	107,379	24,619
Gharibwal Cement Limited	53,352	219,530	941,129
Javedan Cement Limited	14,666	133,330	1,432,868
Lucky Cement Limited	7,343	771,015	229,616
Mustehkam Cement Limited	2,400	19,364	218,400
Zeal Pak Cement Factory Limited	39,130	1,360,268	20,348
	139,429	2,735,446	2,901,580
Tobacco			
Lakson Tobacco Company Limited	21,206	36,893	7,287,866
Pakistan Tobacco Company Limited	70,140	234,209	7,455,882
	91,346	271,102	14,743,748
Refinery			
National Refinery Limited	407,184	6,275,195	38,747,629
Power Generation & Distribution			
The Hubpower Company Limited	451,885	6,697,419	6,367,060
Karachi Electric Supply Company Limited	1,623,450	3,635,645	3,360,542
Kot Addu Power Company Limited	10,000	430,500	315,600
Southern Electric Power Company Limited	13,963	83,778	40,353
	2,099,298	10,847,342	10,083,555
Oil & Gas Marketing Companies			
Pakistan State Oil Company Limited	90,271	6,529,784	13,051,381
Sui Southern Gas Company	9,671,792	36,461,488	101,650,534
Sui Northern Gas Pipelines Limited	7,530,913	17,110,611	161,613,393
	17,292,976	60,101,883	276,315,308
Oil & Gas Exploration Companies			
Oil & Gas Development Company Limited	10,761	1,536,671	537,942
Pakistan Oilfields Limited	7,768	2,199,542	796,142
Pakistan Petroleum Limited	3,872	802,880	389,601
	22,401	4,539,093	1,723,685
Engineering			
Dadex Eternit Limited	533	995	52,810
Huffaz Seamless Pipe Industries Limited	156,236	1,926,249	5,146,414
Metropolitan Steel Corporation Limited	3,492	32,369	234,593
Pakistan Engineering Company Limited	43,776	364,738	8,459,274
	204,037	2,324,351	13,893,091
Automobile Assembler			
Ghandhara Industries Limited	173,658	1,644,988	4,515,108
Pak Suzuki Motor Company Limited	1,134	14,780	90,278
	174,792	1,659,768	4,605,386
Automobile Parts & Accessories			
Dewan Automotive Engineering Limited	52,333	299,630	26,167

Name of Company**31 December 2008**

	Number of shares / certificates	Book value ------(Rupees)-----	Market value
Transport			
Pakistan International Airlines Corporation "A"	2,497,778	9,875,646	8,767,201
Technology & Communication			
Pakistan Telecommunication Company Limited	438,246	6,957,078	7,401,975
Worldcall Telecom Limited	3,672	46,634	10,906
	441,918	7,003,712	7,412,881
Fertilizer			
Fauji Fertilizer Bin Qasim Limited	20,035	559,978	258,452
Fauji Fertilizer Company Limited	71,246	8,478,274	4,184,278
	91,281	9,038,252	4,442,730
Pharmaceuticals			
Glaxo Smithkline (Pak) Limited	6,233	12,998	473,334
Chemicals			
BOC Pakistan Limited	1,100	154,000	124,102
ICI Pakistan Limited	864,276	102,306,432	59,384,404
Pakistan PTA Limited	2,365,949	10,620,633	3,761,859
Sardar Chemical Industries	500	10,000	1,875
	3,231,825	113,091,065	63,272,240
Paper and Board			
Packages Limited	821,714	246,495,386	66,714,960
Security Papers Limited	918,429	279,000	52,276,979
	1,740,143	246,774,386	118,991,939
Vanaspati & Allied Industries			
Universal Oil Mills	30,000	300,000	240,000
Food & Personal Care Products			
Unilever Pakistan Limited	487	3,520	880,355
Miscellaneous			
Hashmi Can Company Limited	5,250	53,787	52,500
	116,645,265	1,792,319,735	1,459,777,507

19.2 The Company holds 51,328,425 NIT units (2007: 51,328,425 units). The cost ranges from Rs. 53.95 to Rs. 54.50 per unit. The units repurchase price as at 5 January 2009 was Rs. 23.35 per unit.

19.2.1 Market value of quoted available for sale investments (listed shares and NIT units) is Rs.2,658 million (31 December 2007: Rs. 8,947 million).

19.2.2 The Karachi Stock Exchange (Guarantee) Limited (“KSE”) placed a “Floor Mechanism” on the market value of securities based on the closing prices of securities prevailing as on 27 August 2008. Under the “Floor Mechanism“, the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from 28 August 2008 and remained in place until 15 December 2008. Consequent to the introduction of ‘floor mechanism’ by KSE, the market volume declined significantly during the period from 27 August 2008 to 15 December 2008. There were lower floors on a number of securities at 31 December 2008. The equity securities have been valued at prices quoted on the KSE on 31 December 2008 without any adjustment as allowed by the Securities and Exchange Commission of Pakistan (SECP) circular No. Enf/D-III/Misc./1/2008 dated 29 January 2009 and disclosed in the financial statements as required.

Furthermore, SECP vide circular no.3/2009 dated 16 February, 2009 has allowed that for the purpose of application of clause 16(1)(a) of Part A and clause 13(1)(a) of Part B to the Annexure II: “Statements required to be filed by life and non-life insurers” of the Insurance Rules 2002, where the market value of any available for sale investment as at 31 December 2008 is less than cost, the fall in value may be treated as temporary and the investment is valued at cost. The fall in value of available for sale investments as temporary, then twenty five percent of the difference after any adjustment/effect for price movements shall be taken to Profit and Loss account on quarterly basis during the calendar year ending on 31 December 2009. The decline in value of available for sale investment as at 31 December 2008 shall be treated as charge to profit and loss account for the purpose of distribution of dividend.

International Accounting Standard 39 – Financial Instruments: Recognition and Measurement (IAS 39) requires that available for sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. Such impairment loss should be transferred from equity to Profit and Loss Account.

In view of the floor mechanism as explained above and current economic conditions in the country, the management believes that these are "rare circumstances" and the plunge in equity markets cannot be considered to be a fair reflection of equity values. Therefore recognition of impairment for ‘Available for Sale’ equity securities through Profit and Loss account will not reflect the correct financial performance of the Company.

The recognition of impairment loss in accordance with the requirements of above circular would have had the following effect on these financial statements:

	2008
	Rupees
Increase in ‘Impairment Loss’ in Profit and Loss Account	2,650,745,139
Decrease in profit for the year	2,650,745,139
Decrease in Earnings per share	8.84
Decrease in retained earnings	2,650,745,139

		2008	2007
19.3	Investment in unlisted companies		
	Cost of investment in unlisted companies	2,608,105	2,608,105
	Less: Provision for diminution in value		
	Balance brought forward from last year	1,990,492	2,244,570
	Provision (reversed)/made during the year	-	(254,078)
		1,990,492	1,990,492
	<i>Rupees</i>	617,613	617,613

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

Name of Company	31 December 2008	
	Number of shares / certificates	Book value
Banks		
Industrial Development Bank of Pakistan (Break-up value is Rs. NIL per share based on financial statements for the year ended 30 June 2008) Chairman/Managing Director: Jamal Nasim	6,213	618,227
State Bank of Pakistan (Break-up value is Rs.322,870 per share based on financial statements for the year ended 30 June 2008) Governor: Shamshad Akhtar	4,900	517,614
Development Financial Institutions		
National Investment Trust Limited (Break-up value is Rs. 4,521 per share based on financial statements for the year ended 30 June 2008) Managing Director & Chairman: Mr. Tariq Iqbal Khan	52,800	100,000
Insurance		
Indus Assurance	25,000	250,000
Cotton and Textile		
Afsar Textile Mill	1,000	9,950
Kohinoor Cotton Mill	22,397	219,801
Chemical		
Synthetic Chemical	20,000	200,000
Vanaspati and Allied Industries		
Burma Oil	861	6,470
Burma Soap	64	640
Miscellaneous		
Arag Industries	133,333	685,403
	202,655	1,372,264
<i>Rupees</i>	266,568	2,608,105

19.3.2 Since the financial statements of the above entities are not available, therefore, the break-up value and the name of the chief executive cannot be ascertained.

19.4 Defence Saving Certificates	Tenure	Face value	Maturity date	Profit Repayment frequency	Effective interest rate		2008	2007
							Carrying value	
Defence Saving Certificates	10 Years	112,000,000	3 September 2009 to 16 March 2010	on maturity	15.01% to 15.97%	Rupees	418,733,328	362,235,728

19.4.1 Market value of Defence Saving Certificates is Rs. 391,600,000 .

19.5 Pakistan Investment Bonds

	Tenure	Maturity date	Face value	Profit Repayment frequency	Coupon rate		2008	2007
Pakistan Investment Bonds	5 to 10 years	29 April 2009 to 29 April 2014	475,000,000	Semi-annually	7% and 8%	Rupees	491,126,397	609,327,719

19.5.1 Pakistan Investment bonds having face value of Rs. 275 millions have been deposited with State Bank of Pakistan as part of minimum statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

19.5.2 Market value of Pakistan Investment Bonds is Rs. 412,571,928.

19.6 Frozen Shares

This represents 7,530,913 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 13 April 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.

20. INVESTMENT PROPERTIES

	2008								Book value	Rate (%)
	C O S T				D E P R E C I A T I O N					
	As at 01 January 2008	Addition / (Disposal)	Transfer in / (Transfer out)	As at 31 December 2008	As at 01 January 2008	Transfer in / (Transfer out)	For the year / (disposal)	As at 31 December 2008		
PRC Building -Karachi	150,302	-	-	150,302	39,815	-	5,523	45,338	104,964	5
Lease hold land	572,406	-	-	572,406	-	-	-	-	572,406	-
Building	89,151,323	-	-	89,151,323	42,732,074	-	2,320,962	45,053,036	44,098,287	5
Electrical installation	18,995,068	-	-	18,995,068	17,941,542	-	210,705	18,152,247	842,821	20
Air conditioning	26,556,830	-	-	26,556,830	25,057,017	-	299,963	25,356,980	1,199,850	20
Lift	21,085,825	-	-	21,085,825	19,917,124	-	233,740	20,150,864	934,961	20
<i>Rupees</i>	156,511,754	-	-	156,511,754	105,687,572	-	3,070,893	108,758,465	47,753,289	

	2007								Book value	Rate (%)
	C O S T				D E P R E C I A T I O N					
	As at 01 January 2007	Addition / (disposal)	Transfer in / (transfer out)	As at 31 December 2007	As at 01 January 2007	Transfer in / (transfer out)	For the year / (disposal)	As at 31 December 2007		
PRC Building - Karachi	-	-	150,302	150,302	-	34,000	5,815	39,815	110,487	5
Lease hold land	572,406	-	-	572,406	-	-	-	-	572,406	-
Building	89,151,323	-	-	89,151,323	40,288,956	-	2,443,118	42,732,074	46,419,249	5
Electrical installation	18,995,068	-	-	18,995,068	17,678,158	-	263,384	17,941,542	1,053,526	20
Air conditioning	26,556,830	-	-	26,556,830	24,682,064	-	374,953	25,057,017	1,499,813	20
Lift	21,085,825	-	-	21,085,825	19,624,949	-	292,175	19,917,124	1,168,701	20
<i>Rupees</i>	156,361,452	-	150,302	156,511,754	102,274,127	34,000	3,379,445	105,687,572	50,824,182	

20.1 Buildings including related lease hold lands are held by the Company for both own use purposes and as investment properties. The carrying value of these buildings and lease hold lands have been allocated between the investment properties and assets held for own use on the basis of floor space occupied for respective purposes.

20.2 The market value of the investment properties is Rs 859.632 million, as per valuation carried out by an independent valuer in 2008.

21. AMOUNT DUE FROM OTHER PERSONS AND BODIES CARRYING ON INSURANCE BUSINESS

	2008	2007
Amount due from other persons and bodies carrying on insurance business	21.1 1,925,015,089	1,841,240,735
Provision for doubtful balances	(386,000,000)	(386,000,000)
<i>Rupees</i>	1,539,015,089	1,455,240,735

21.1 This includes Rs. 1,032,017,018 (2007: Rs. 993,594,414) due from related parties.

21.2 During the year, management has carried out an exercise of reconciliations for parties representing due from balance of Rs. 193.881 million and due to (note 13) balance of Rs. 36.109 million. These reconciliations highlighted unresolved net differences of Rs. 133.541 million.

2008

2007

22. PREMIUM AND CLAIMS RESERVES RETAINED BY CEDANTS

Premium reserve withheld by ceding companies	20,268,932	23,397,927
Losses reserve withheld by ceding companies	41,053,516	16,376,479
Cash losses paid to ceding companies	1,499,885	(6,164,811)
Provision for doubtful deposits	(17,000,000)	(17,000,000)
	Rupees 45,822,333	16,609,595

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

23. ACCRUED INVESTMENT INCOME

Dividend receivable	9,990,557	8,931,856
Interest accrued	12,607,070	17,543,630
Accrued rental income	32,001,167	19,771,162
	54,598,794	46,246,648
Provision for dividend receivable	(1,997,534)	(1,997,534)
	Rupees 52,601,260	44,249,114

24. SUNDRY RECEIVABLES

Gratuity	37.1	211,000	121,105,000
Export Credit Guarantee Schemes	24.1	56,964,435	56,964,435
Receivable against National Co-insurance Scheme		4,939,470	5,837,171
Receivable from War Risk Insurance - Karachi		7,724,303	7,724,303
Receivable from War Risk Insurance - Lahore		10,541,524	10,541,524
Receivable from Economic Cooperation Organisation (ECO) Reinsurance Pool		23,485,389	20,948,810
P.R.C Employees Provident Fund		5,333,870	5,229,080
Others		1,340,744	1,571,772
Advances, deposits and prepaid		6,337,074	3,750,521
Receivable from ICP		4,565,000	4,565,000
Government Provident Fund		213,633	91,129
Employees General Provident Fund		6,459,937	4,445,565
Employees Pension Fund		79,043,000	47,392,000
Officers Pension fund		26,260,000	-
Employees Welfare Fund		-	1,573,153
Derivative financial instrument - Right Share		-	1,724,222
		233,419,379	293,463,685
Provision for doubtful debts		(28,318,406)	(28,318,406)
	Rupees	205,100,973	265,145,279

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

The last hearing was held on May 17, 2008. The ADRC after hearing the arguments was of the view that the applicability of Article 165A of the Constitution of Pakistan in the case of ECGS income is required to be determined to decide the issue. The members of the ADRC have observed that they would require assistance of a legal expert to determine the applicability of Article 165A of the Constitution of Pakistan on income from ECGS.

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 aforesaid Article of the Constitution of Pakistan in this case.

No provision has been made in this respect as management is confident that this amount will be recovered in due course.

	2008	2007
25. PREPAID REINSURANCE CEDED		
Facultative business		Restated
- Fire	132,904,991	320,452,322
- Marine Cargo	2,203,512	-
- Marine Hull	-	-
- Accident	-	-
- Aviation	1,027,041,783	823,623,490
- Engineering	329,535,667	436,767,584
	1,491,685,953	1,580,843,395
Treaty	342,462,234	170,733,134
	1,834,148,187	1,751,576,530
	<i>Rupees</i>	

26. TAXATION

Tax provision for current year of Rs.253 million (2007: Rs.197 million) has been made on the basis of taxable income under the Income Tax Ordinance, 2001, at the rates specified in the said Ordinance. Income tax assessments of the Company (formerly Pakistan Insurance Corporation) have been finalized upto and including tax year 2003. However, the company has filed tax returns upto tax year 2008 and these are deemed as assessed in terms of Section 120(1) of the Income Tax Ordinance, 2001.

The department had made add backs relating to assessment years 1984-85 to 2001-02 on account of ECGS income in the Company's income. The company has filed an appeal in the Supreme Court of Pakistan in this respect which vide order dated 21 August 2007 granted leave to appeal filed by the company against the judgement of the High Court. The matter is now before Alternate Dispute Resolution Committee (ADRC) as explained in note 24.1

The Company has filed writ petition in the case of tax on commission paid to foreign non-resident insurance companies for the assessment years 1998-1999, 2000-2001 and 2001-2002 before the Honourable High Court of Sindh.

Fresh date of hearing in respect of the above case is yet to be fixed by the court.

		2008	2007
26.1 Provision for taxation			
Current		252,774,828	197,707,158
Deferred		-	(64,313,691)
	<i>Rupees</i>	<u>252,774,828</u>	<u>133,393,467</u>
26.2 Relationship between tax expenses and accounting profit			
Profit before tax	<i>Rupees</i>	<u>1,138,999,867</u>	Restated <u>3,858,647,093</u>
Tax at the applicable rate of 35%		398,649,954	1,350,526,482
Permanent differences - Capital gain		(472,500)	(1,001,999,110)
Tax effect of dividend income taxed at lower rate		(133,613,672)	(152,810,669)
Tax effect of property income being taxed separately		(12,048,980)	(5,178,673)
Prior year's deferred tax effect on provisions		-	(57,741,717)
Others		260,026	597,153
Charge for the year	<i>Rupees</i>	<u>252,774,828</u>	<u>133,393,467</u>

27.1 Disposal of fixed assets

Particulars of the assets Motor Vehicles	Sold to Outsiders	Cost	Accumulated Depreciation	Book value	Sale proceeds	Mode of disposal
Nissan Sunny GA 0267	Ahmed Jan	353,000	346,820	6,180	116,000	By tender
Nissan Sunny GA 0737	Ahmed Jan	633,846	605,896	27,950	119,000	By tender
Nissan Sunny GA 0772	Ahmed Jan	633,846	606,753	27,093	121,000	By tender
Other assets with book value less than Rs. 50,000	Muhammad Nasir	10,384	-	10,384	17,800	By negotiation
	<i>Rupees</i>	<u>1,631,076</u>	<u>1,559,469</u>	<u>71,607</u>	<u>373,800</u>	

2008

2007

28. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)

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

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

28.1 The realisability of these assets is not presently determinable and hence provision for the loss that may arise has been made in these financial statements after netting of liability for outstanding claims mentioned in note 8.

29. EXPENSES

Salaries, wages and benefits		124,762,402	126,209,292
Retirement benefits			
- Pension			
- Officer	37.1	20,593,253	3,859,133
- Staff	37.1	52,151,189	903,000
- Medical	37.1	18,776,000	(9,086,000)
- Gratuity	37.1	(31,203,432)	(12,132,989)
- Compensated absences	37.1	11,180,894	3,632,000
Travelling and conveyance		7,955,335	8,519,035
Entertainment expenses		1,764,674	2,932,239
Subscription and membership		215,158	216,533
Legal fee		762,924	1,181,587
Utilities		27,726,521	14,623,802
Printing and stationery		825,802	1,656,622
Repairs and renewal		1,557,291	363,931
Medical expenses		7,399,745	7,211,180
Rent, rates, and taxes		1,371,618	4,290,546
Computer related expenses		1,776,887	1,393,635
Consultancy/ Professional service charges		1,092,917	802,122
Others		9,069,150	9,885,638
Expense allocated to rental income		(4,765,623)	(7,047,894)
Expense allocated to investment income		(2,921,697)	(5,453,433)
	<i>Rupees</i>	250,091,008	153,959,979

		2008	2007
30. RENTAL INCOME - net			
Rental income		53,101,543	37,591,513
Investment property related expenditure		(4,765,623)	(7,047,894)
	<i>Rupees</i>	<u>48,335,920</u>	<u>30,543,619</u>
The rental income represents income from letting out of PRC Towers.			
31. OTHER INCOME			
Interest on deposits held by ceding companies		3,329,584	2,620,698
Interest on loans		17,430	14,732
Management fee - ECO Reinsurance Pool		8,942,930	9,697,400
Commission income		-	53,372,512
Miscellaneous income		2,141,561	99,091
	<i>Rupees</i>	<u>14,431,505</u>	<u>65,804,433</u>
32. GENERAL AND ADMINISTRATION EXPENSES			
Depreciation	20 & 27	6,610,099	5,913,112
Directors' Meetings expenses		1,801,110	2,397,946
Auditors' remuneration	32.1	690,000	578,884
Advertisement and business promotion		1,099,061	771,854
Training and research		1,302,541	241,585
Mark-up / Interest		281,676	132,389
Donation	32.2	50,000	100,000
Repairs and maintenance		9,594,354	9,932,615
Fee for increase in capital		-	7,500,000
Bonus shares issue expenses		12,221,435	441,802
Shares transaction costs		2,887,454	3,044,307
Provision against other receivables		-	18,777,070
Others		1,929,070	172,740
	<i>Rupees</i>	<u>38,466,800</u>	<u>50,004,304</u>
32.1 Auditors' remuneration			
Audit fee	32.1.1	600,000	526,258
Out of pocket expenses		60,000	52,626
Other certifications		30,000	-
	<i>Rupees</i>	<u>690,000</u>	<u>578,884</u>
32.1.1	This includes fee for audit of regulatory returns, review of Statement of Compliance with Best Practices of Code of Corporate Governance and other certifications.		
32.2	Donation was not paid to any individual / organization in which a director or his / her spouse had any interest at any time during the year.		
33. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit after tax for the year	<i>Rupees</i>	<u>886,225,039</u>	<u>3,725,253,626</u>
			Restated
Weighted average number of ordinary shares	<i>Number</i>	<u>300,000,000</u>	<u>300,000,000</u>
Earnings per share	<i>Rupees</i>	<u>2.95</u>	<u>12.42</u>

Earnings per share - basic and diluted for the comparative period has been adjusted for the increase in the number of ordinary shares outstanding as a result of bonus issue.

34. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

34.1 Interest/ Mark - up rate risk

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

	2008						Total
	Effective rate % per annum	Interest / mark-up bearing financial instruments				Non interest / mark-up bearing financial instruments	
		Maturity upto one year	Maturity over one year to five year	Maturity more than five years	Sub total		
----- (Rupees in 000) -----							
Financial assets							
Cash and bank deposits	5% - 14.5%	2,836,591	-	-	2,836,591	41	2,836,632
Loans	10%	73	216	72	361	52,645	53,006
Investment	4.8% - 15.97%	483,049	137,076	289,734	909,859	4,549,075	5,458,934
Amount due from other persons and bodies carrying on Insurance business		-	-	-	-	1,539,015	1,539,015
Premium and claim reserves retained by cedants	3%	45,822	-	-	45,822	-	45,822
Accrued investment income		-	-	-	-	52,601	52,601
Sundry receivables		-	-	-	-	205,101	205,101
Total		3,365,535	137,292	289,806	3,792,633	6,398,478	10,191,111
Financial liabilities							
Provision for outstanding claims - net		-	-	-	-	886,972	886,972
Long term deposits		-	-	-	-	18,492	18,492
Amount due to other persons and bodies carrying on insurance business		-	-	-	-	1,237,841	1,237,841
Premium and claim reserves retained from retrocessionaires	3.50%	35,884	-	-	35,884	-	35,884
Other creditors and accruals		-	-	-	-	65,368	65,368
Retention money payable		-	-	-	-	6,413	6,413
Dividend payable		-	-	-	-	4,625	4,625
Surplus profit payable		-	-	-	-	1,214	1,214
Total		35,884	-	-	35,884	2,220,925	2,256,809
Inter risk sensitivity gap		3,329,651	137,292	289,806	3,756,749		
Cumulative interest risk sensitivity gap		3,329,651	3,466,943	3,756,749			

	2007						Total
	Effective rate % per annum	Interest / mark-up bearing financial instruments			Sub total	Non interest / mark-up bearing financial instruments	
		Maturity upto one year	Maturity over one year to five year	Maturity more than five years			
------(Rupees in 000)-----							
Financial assets							
Cash and bank deposits	2.73% - 10.5%	1,014,820	-	-	1,014,820	6,304	1,021,124
Loans	10%	13	49	79	141	44,550	44,691
Investment	4.76% - 15.97%	1,185,465	567,811	291,978	2,045,254	4,367,036	6,412,290
Amount due from other persons and bodies carrying on Insurance business		-	-	-	-	1,455,241	1,455,241
Premium and claim reserves retained by cedants	3%	16,610	-	-	16,610	-	16,610
Accrued investment income		-	-	-	-	44,249	44,249
Sundry receivables		-	-	-	-	265,145	265,145
Total		2,216,908	567,860	292,057	3,076,825	6,182,525	9,259,350
Financial liabilities							
Provision for outstanding claims - net		-	-	-	-	675,534	675,534
Long term deposits		-	-	-	-	15,346	15,346
Amount due to other persons and bodies carrying on insurance business		-	-	-	-	1,362,691	1,362,691
Premium and claim reserves retained from retrocessionaires	3.5%	25,248	-	-	25,248	-	25,248
Other creditors and accruals		-	-	-	-	41,381	41,381
Retention money payable		-	-	-	-	6,389	6,389
Dividend payable		-	-	-	-	4,626	4,626
Surplus profit payable		-	-	-	-	1,214	1,214
Total		25,248	-	-	25,248	2,107,182	2,132,430
Inter risk sensitivity gap		<u>2,191,660</u>	<u>567,860</u>	<u>292,057</u>	<u>3,051,577</u>		
Cumulative interest risk sensitivity gap		<u>2,191,660</u>	<u>2,759,520</u>	<u>3,051,577</u>			

34.1 Reinsurance risk

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

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

34.2 Credit risk and concentration of credit risk exposure

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 10,191 million, the financial assets which are subject to credit risk amounted to Rs. 4,680 million. The Company considers itself as not being exposed to major concentration of credit risk.

The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the Company's exposure to credit risk through monitoring of client's credit exposure, review and conservative estimates of provisions for doubtful assets, if any, and through the prudent use of collateral policy. Subject to the effect of note 16.1 and 16.2 the management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sector segments.

34.3 Foreign currency risk

Foreign currency risk arises mainly where receivables / payables exist due to transactions with foreign undertakings. Financial assets and liabilities exposed to foreign exchange risk amounted to Rs.794 million (2007:Rs. 860 million) and Rs.1,168 million (2007:Rs. 1,306 million) respectively, at the year end.

34.4 Market risk

Market risk is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Company is exposed to market risk with respect to its investments. The company has invested its funds in government securities, debentures, 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 minimize such risk by having a diversified investments portfolio. In addition, the Company actively monitors the key factors that affect investment market.

34.5 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.

35 Capital management

The Company's objective when managing capital is to safe guard 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 businesses.

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

The Company currently meets the paid up capital requirement as required by Securities and Exchange Commission of Pakistan.

36. Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for investments which are stated at cost and in respect of amount due from persons carrying on insurance business subject to the effect of note 16.1 and 16.2.

		2008	2007
The market value of investments is as follows:			
Market value of available for sale investments	<i>Rupees</i>	4,479,049,773	<u>8,946,624,673</u>
Market value of held to maturity investments	<i>Rupees</i>	804,171,928	<u>1,953,006,988</u>

37. EMPLOYEE BENEFITS

37.1 Defined benefit plans

Pension and gratuity fund scheme

The Projected Unit Credit method based on the significant assumptions stated below has been used for valuation of the above funds carried out by an actuary as at 31 December 2008.

Post retirement medical benefits

The Projected Unit Credit method based on the significant assumptions stated below has been used for valuation of post retirement medical benefits scheme carried out by an actuary as at 31 December 2008.

Employees compensated absences

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

	(Rupees in million)					Total
	Pension		Gratuity	Medical	Compensated absences	
Reconciliation of payable to / (receivable) from defined benefit plan	Officer	Employees				
Present value of defined benefit obligation	156.018	177.914	0.337	110.787	35.430	480.486
Fair value of plan assets	(97.264)	(166.794)	(0.337)	-	-	(264.395)
Net actuarial gains / (losses) not recognized	(78.334)	(80.804)	(0.211)	(51.565)	-	(210.914)
Past service cost - Non vested	(6.680)	(9.359)	-	-	-	(16.039)
	<u>(26.260)</u>	<u>(79.043)</u>	<u>(0.211)</u>	<u>59.222</u>	<u>35.430</u>	<u>(10.862)</u>
Charge / (prepaid) for defined benefit plan						
Current service cost	1.285	1.327	1.284	1.060	0.970	5.926
Interest cost	12.416	9.193	3.539	8.793	2.573	36.514
Expected return on plan assets	(5.695)	(11.769)	(19.617)	-	-	(37.081)
Actuarial (gains) / losses recognized	3.115	1.409	(3.344)	8.923	7.638	17.741
Past service cost - Vested	9.472	51.991	-	-	-	61.463
Curtailement Loss	-	-	(13.065)	-	-	(13.065)
Total charge	<u>20.593</u>	<u>52.151</u>	<u>(31.203)</u>	<u>18.776</u>	<u>11.181</u>	<u>71.498</u>
Reconciliation of the present value of the defined benefit obligations						
Present value of obligation as at 01 January	124.163	91.933	35.385	87.931	-	339.412
Current service cost	1.285	1.327	1.284	1.060	-	4.956
Interest cost	12.416	9.193	3.539	8.793	-	33.941
Benefits paid	(17.988)	(2.602)	(0.309)	(2.999)	-	(23.898)
Past service cost - Vested	9.472	51.991	-	-	-	61.463
Past service cost - Non Vested	6.680	9.359	-	-	-	16.039
Employee liability transferred from gratuity fund at Dec 2008	-	-	(34.836)	-	-	(34.836)
Actuarial (gain) or loss on obligation (Balancing Figure)	19.990	16.713	(4.726)	16.002	-	47.979
	<u>156.018</u>	<u>177.914</u>	<u>0.337</u>	<u>110.787</u>	<u>-</u>	<u>445.056</u>
Movement in net liability / (assets) recognized						
Opening net liability	42.335	(47.392)	(121.105)	43.444	25.729	(56.989)
Expenses recognized	20.593	52.151	(31.203)	18.777	11.181	71.499
Contributions to the Fund / benefits paid during the year	-	-	-	-	(1.480)	(1.480)
Payment made on behalf of fund	(17.982)	(2.602)	(0.309)	(2.999)	-	(23.892)
Assets transferred from Gratuity	(71.206)	(81.200)	152.406	-	-	-
Closing net liability	<u>(26.260)</u>	<u>(79.043)</u>	<u>(0.211)</u>	<u>59.222</u>	<u>35.430</u>	<u>(10.862)</u>
Movement in fair value of plan assets						
Fair value at the beginning of the year	56.951	117.694	196.169	-	-	370.814
Expected return on plan assets	5.695	11.769	19.617	-	-	37.081
Contributions to the Fund	-	-	-	-	-	-
Payment made on behalf of fund	17.988	3.703	0.309	-	-	22.000
Benefits paid	(17.988)	(3.703)	(0.309)	-	-	(22.000)
Assets transferred from Gratuity	71.206	81.200	(152.406)	-	-	-
Actuarial gain / (loss) on plan assets	(36.588)	(43.869)	(63.043)	-	-	(143.500)
Fair value at the end of the year	<u>97.264</u>	<u>166.794</u>	<u>0.337</u>	<u>-</u>	<u>-</u>	<u>264.395</u>
Actual return on plan assets						
Expected return on plan assets	(5.695)	(11.769)	(19.617)	-	-	(37.081)
Actuarial gain / (loss) on plan assets recognized	(3.115)	(1.409)	3.344	-	-	(1.180)
	<u>(8.810)</u>	<u>(13.178)</u>	<u>(16.273)</u>	<u>-</u>	<u>-</u>	<u>(38.261)</u>

Five year data on surplus / deficit of the plans and experience adjustments

(Rupees in million)

	Officers' Pension Fund				
	2008	2007	2006	2005	2004
Present value of defined benefit obligation	156.018	124.163	95.959	87.781	64.438
Fair value of plan assets	(97.264)	(56.951)	(43.351)	(41.047)	(31.339)
(Surplus) / deficit	<u>58.754</u>	<u>67.212</u>	<u>52.608</u>	<u>46.734</u>	<u>33.099</u>
Experience adjustments on plan liabilities	19.990	(30.404)	(6.238)	(23.264)	0.231
Experience adjustments on plan assets	(36.588)	9.698	(7.891)	14.522	16.580

(Rupees in million)

	Employees' Pension Fund				
	2008	2007	2006	2005	2004
Present value of defined benefit obligation	177.914	91.933	90.353	89.825	87.376
Fair value of plan assets	(166.794)	(117.694)	(93.854)	(88.415)	(76.889)
(Surplus) / deficit	<u>11.120</u>	<u>(25.761)</u>	<u>(3.501)</u>	<u>1.410</u>	<u>10.487</u>
Experience adjustments on plan liabilities	16.713	(41.278)	8.869	5.040	0.701
Experience adjustments on plan assets	(43.869)	15.394	(8.482)	8.857	19.384

(Rupees in million)

	Gratuity Fund				
	2008	2007	2006	2005	2004
Present value of defined benefit obligation	0.337	35.385	24.911	22.553	18.726
Fair value of plan assets	(0.337)	(196.169)	(153.243)	(146.359)	(130.075)
(Surplus) / deficit	<u>-</u>	<u>(160.784)</u>	<u>(128.332)</u>	<u>(123.806)</u>	<u>(111.349)</u>
Experience adjustments on plan liabilities	(4.726)	(10.880)	(0.866)	(2.283)	(0.004)
Experience adjustments on plan assets	(63.043)	(29.134)	(8.068)	6.565	(27.340)

Components of plan assets as a percentage of total plan assets

	Pension		Gratuity	Medical	Compensated absences
	Officer	Employees			
Government securities	-	33.40%	-	-	-
Equity securities	26.50%	17.84%	-	-	-
Others (including cash and bank balances)	73.50%	48.76%	100.00%	-	-
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>

Expected contributions to the Funds in the next financial year

Expected charge for the year ending 31 December 2009	<u>33.568</u>	<u>19.563</u>	<u>0.049</u>	<u>29.992</u>	<u>6.786</u>
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Actuarial valuation assumptions

Valuation discount rate	14.00%	14.00%	14.00%	14.00%	14.00%
Expected return in plan assets	14.00%	14.00%	14.00%	-	-
Salary increase rate	12.00%	12.00%	12.00%	-	12.00%
Indexation in pension	6.00%	6.00%	-	-	-
Increase in cost of medical benefits	-	-	-	8.00%	-
Exposure inflation rate	-	-	-	3.00%	-

37.2 Defined contribution plan - Provident Fund

Equal monthly contributions are made both by the Company and the employees to the contributory provident fund at the rate of 10% of the basic salary.

In case of general provident fund the contribution is made by the employees at the minimum rate of 10% of the basic salary.

39. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise companies under common directorship, staff retirement benefit funds, directors and key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment disclosed in note 40 of these financial statements, are as follows:

		2008	2007
Balance at the beginning		993,594,414	849,530,719
Insurance premium written during the year		2,879,692,554	2,838,313,656
Premium received		(2,841,269,950)	(2,694,249,961)
Balance at the end	Rupees	<u>1,032,017,018</u>	<u>993,594,414</u>
Insurance commission paid	Rupees	<u>190,852,308</u>	<u>182,228,175</u>
Insurance claims paid	Rupees	<u>1,387,625,515</u>	<u>643,791,542</u>
Premium paid-net	Rupees	<u>(18,792)</u>	<u>(86,329)</u>
Insurance commission received	Rupees	<u>58,872</u>	<u>964,035</u>
Insurance claims received	Rupees	<u>(7,102,474)</u>	<u>(9,491,319)</u>
Dividend income	Rupees	<u>57,047,553</u>	<u>32,396,463</u>
Commission income received	Rupees	<u>-</u>	<u>53,372,512</u>
Contributions / provision for retirement benefit plans	Rupees	<u>17,636,013</u>	<u>33,387,305</u>

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

40. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Total	
	2008	2007	2008	2007	2008	2007
Managerial remuneration	546,330	415,930	4,374,229	2,373,353	4,920,559	2,789,283
Bonus	174,002	-	948,625	358,890	1,122,627	358,890
Retirement benefits	125,905	85,331	213,532	75,286	339,437	160,617
House rent	396,704	292,143	3,012,349	1,668,983	3,409,053	1,961,126
Utilities	92,574	75,272	240,869	178,111	333,443	253,383
Medical expenses	85,300	52,212	600,096	564,962	685,396	617,174
Others	405,973	324,595	2,708,495	1,222,673	3,114,468	1,547,268
Rupees	<u>1,826,788</u>	<u>1,245,483</u>	<u>12,098,195</u>	<u>6,442,258</u>	<u>13,924,983</u>	<u>7,687,741</u>
Number of persons	<u>1</u>	<u>1</u>	<u>12</u>	<u>10</u>	<u>13</u>	<u>11</u>

The Company makes contribution based on actuarial calculations and provides certain household items for use to certain executives. Company maintained cars have been provided to Chief Executive, Executive Directors and Secretary of the Company.

41. SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on 7 May 2009 have recommended a final cash dividend of Rs. 2.50 per share (2007: Nil) and a bonus issue of Rs Nil per share [2007: Bonus issue of Rs.45.55 per share (455.554670783%)] for the approval of the members in the Annual General Meeting to be held on 30th May 2009.

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 7 May 2009 by the Board of Directors of the Company.

43. RECLASSIFICATION

Corresponding figures have been reclassified and rearranged, wherever necessary for better presentation and disclosure including the following major reclassification:

Reclassification from	Reclassification to	Rupees
Long term deposits	Other creditors & accruals (advance rent)	7,126,336
Loans to others	Sundry receivables (advances, deposits, & prepaid)	3,750,521
Management expenses	General and administration expenses	3,658,849

44. GENERAL

All figures have been rounded off to the nearest rupees.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Mr. Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Sustainability Reinsured

Form of Proxy

I/We _____ of _____
being a member of Pakistan Reinsurance Company Limited hereby appoint

Mr. _____ of _____

or failing him _____ of _____
as my / our proxy in my absence to attend and vote for me / us and on my / our behalf at the 9th Annual General Meeting of the Company to be held on Saturday May 30, 2009 at 11.00 a.m. and at any adjournment thereof.

Signed this _____ day of May, 2009

Affix Rupees Five
Revenue Stamp

Signature of Members(s)

Shareholder's Folio No. _____
and / or CDC

Participant I.D. No. _____

and Sub Account No. _____

WITNESSES:

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

IMPORTANT:

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

The Company Secretary
PAKISTAN REINSURANCE COMPANY LIMITED
PRC Towers, 32 - A, Lalazar Drive,
M.T. Khan Road,
Karachi, P.O. Box 4777, Sindh



PRC TOWERS

PAKISTAN REINSURANCE COMPANY LIMITED

PRC Towers, 32-A, Lalazar Drive, M. T. Khan Road, Karachi.

P. O. Box 4777, Sindh, Pakistan

Website : [http:// www.pakre.org.pk](http://www.pakre.org.pk)

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