



PakRe

**PAKISTAN REINSURANCE
COMPANY LIMITED**

ANNUAL REPORT 2009

Prosperity and Beyond



Prosperity and Beyond



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Prosperity and Beyond

Vision

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

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 remain professionals who can be of assistance to the industry at all levels.

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.

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, supported by 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 protection 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 companies.

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 different 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 No. XXXVI of 2000 14th February, 2001.

PRCL Business

PRCL operates in the following departments to conduct its business:

- **Fire**
- **Marine**
- **Engineering**
- **Accident**
- **Aviation**
- **Treaty & Business Development department**

Services :

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

PRCL being a progressive entity, always keeps itself engaged by being actively part of major international forums and platforms.

It actively participates in international forums such as 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 also one of the pioneering and founding members of (FAIR).

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Fire

This department came into effect in 1953 when the company's foundation was laid. This department constitutes the major portion of its business and is the focal point of the country's insurance industry.

It jointly collaborates in foreign risk sharing pacts. The following functions come under its domain:

- To underwrite all facultative acceptance from the cedants i.e insurance of Pakistan.
- To manage and supervise, treaty portfolios from the insurance industries.
- To assess and process claims and if necessary their recovery from the excess of loss reinsures participants.
- To guide and assist its clients in complex reinsurance matter.

The fire department has specialized expertise in the following areas:

- Building
- Building and contents
- Stocks
- Machinery
- And other Insurable interest

The department is managed by vigilant staff members which are headed by an expert manager.

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 reinsurance i.e M/s Aon insurance Broker. M.S Marsh, Munich Re, Swiss Re and Wills Faber Al Futtain Dubai. Their contribution to Pakistan Reinsurance Industry is significant as they are specialized in the provision of reinsurance coverage of high value risks which is not retained in Pakistan.

Marine Department



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The marine department was established during the initial period of the establishment of the company 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 department make primary decision with respect to acceptance of the risks 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 consists of professionally competent employees headed by a proficient manager having ACII qualification.

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.

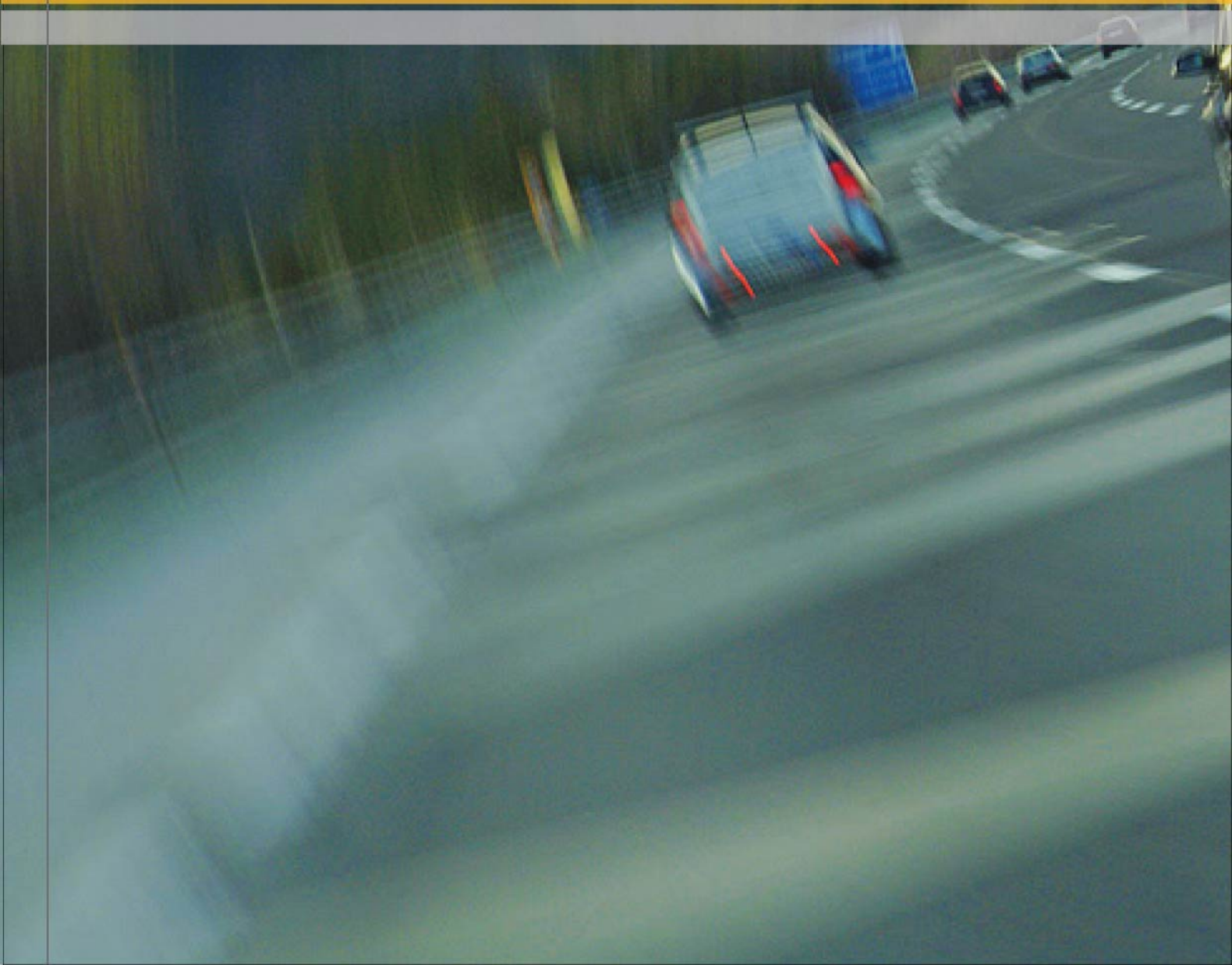
- Property Damage
- Business interruption
- Machinery breakdown
- Contractor All Risks (CAR)
- Erection All Risks (EAR)
- Third Party Liability (TPL)

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

- a) Pakistan Arab Refinery Limited (PARCO)
- b) Pak Arab Pipeline Company Limited (PARCO)
- c) Kot Addu Power Company Limited (KAPCO)
- d) Oil & Gas Development Company Limited (OGDC)

- i) Control of wells
- ii) Qadirpur
- iii) Dhodak Gas
- iv) UCH Gas

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Accident

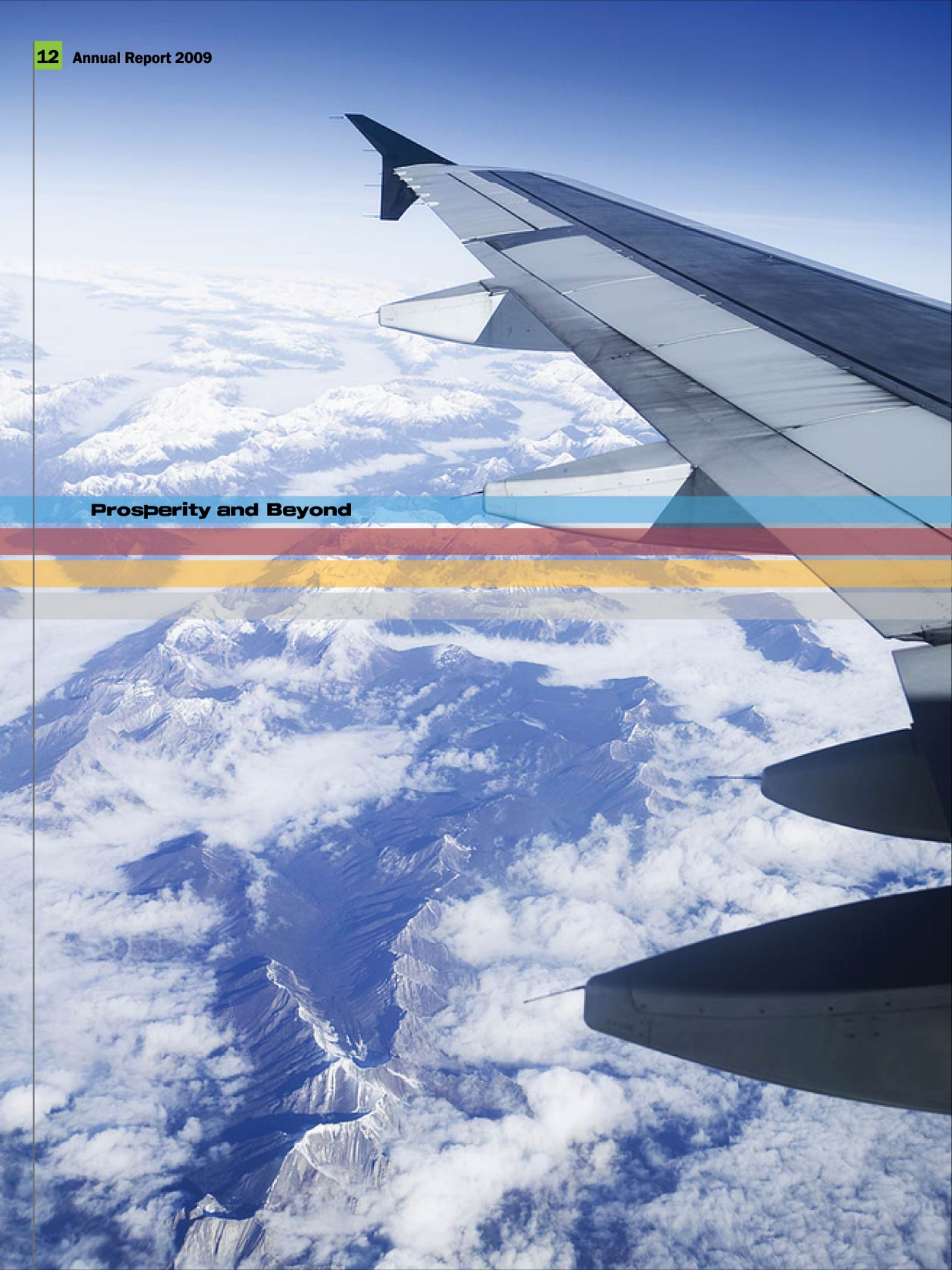
The accident department originated with the formation of the company. The department specializes in provision of reinsurance coverage to local insurance companies as well as foreign based companies accommodating the acceptance/ retro business.

Accident department of PRCL deals with Motor/Liabilities business and accept 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
- Employers 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 member of this department possess professional qualification 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.



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Aviation

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

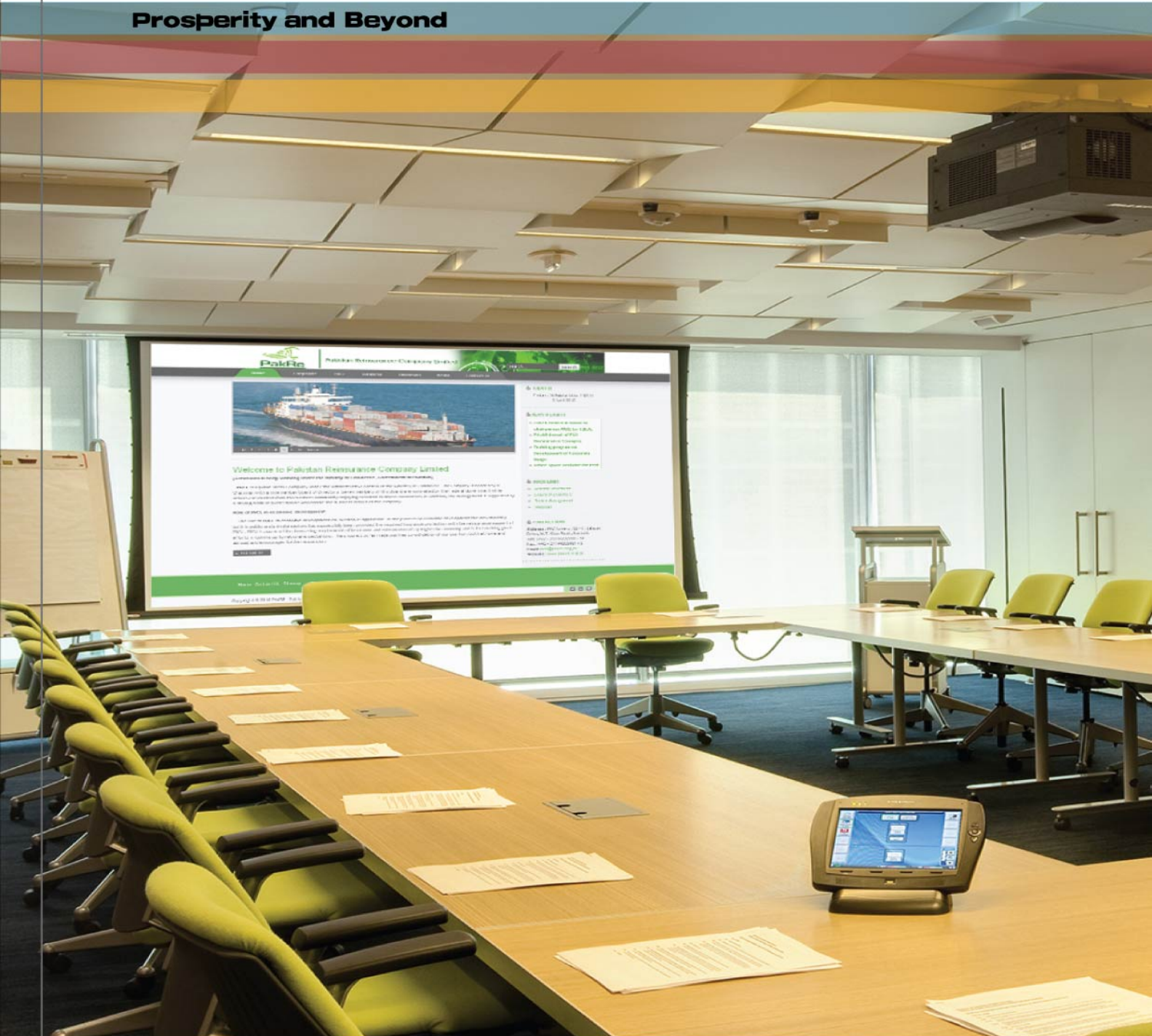
- Hull (Body of the Aircraft)
- Spares
- Liabilities
- Hull Deductible
- Cargo
- War Hi-jacking
- Hull and Spares War
- Loss of License
- P.A to Crew
- P.A to Passenger

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 bodies 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 Air International and all the Government chartered flights who are conducting Aviation Business in the country as well at international level.

Treaty & Business Development Department

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The main function of this department is to provide maximum reinsurance protection to the local insurance companies.

After completion of treaty arrangements, this department pursued the treaty agreement in depth and picks up the terms, conditions and important information. On the basis of these information, business-wise statement is prepared and transmitted to all underwriting departments as well as relative departments. The underwriting departments book the quarterly business on the basis of the information given in Master statement, that's why Treaty & Business Development Department is called the "back-bone" of the underwriting departments.

In order to enhance PRC's business and to resolve business related issues, the officers & staff of this department, headed by the Executive Director (Treaty/BD), make frequent visits to insurance companies and hold meetings with their senior officers. As a result of these meetings, PRC's business results 2009 are much better than previous years.

Another main function of this department is preparation of quarterly business closing schedule according to prescribed dates incorporated in gazette notification. All quarterly returns from insurance companies are received in this department and timely delivered to respective underwriting departments for booking on the basis of which PRC Accounts are made.

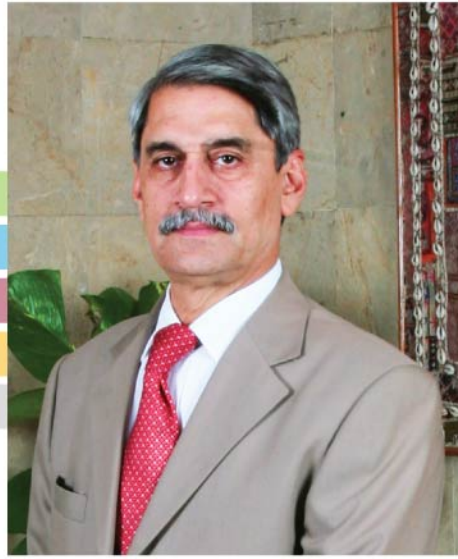
Correspondence with Ministry of Commerce and SECP regarding their references/ queries relating to insurance/ reinsurance matters is made by this department.

In addition to this, Treaty & Business Development Department arranges reinsurance training programs on insurance/ Reinsurance and other general related matters both for PRC's employees and local insurance industry. This department also shares the latest development of the developed world for betterment of insurance protection to the insured.

Board of Directors



Mrs. Rukhsana Saleem
Chairperson



Mr. Fazal-i-Qadar
Director



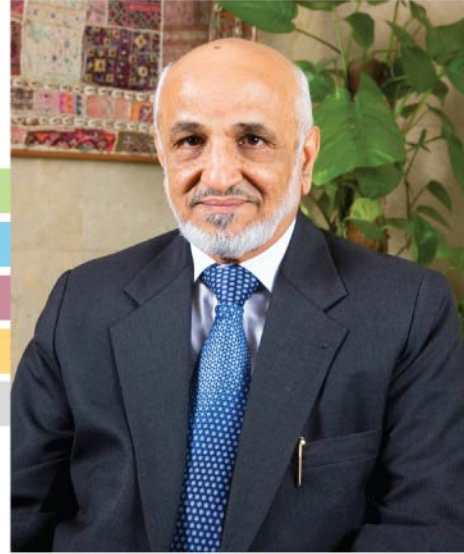
Mr. Zafar Iqbal
Director



Dr. Masooma Hassan
Director



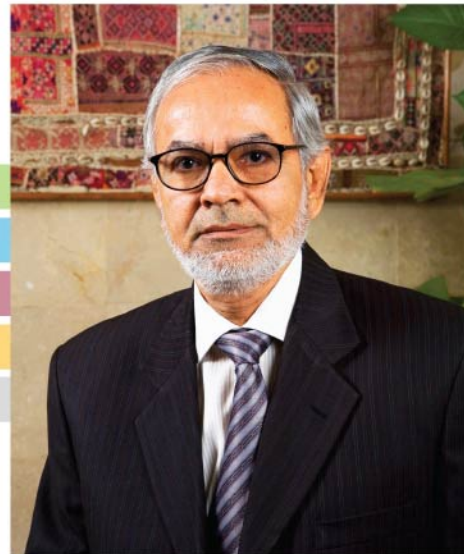
Mr. Syed Arshad Ali
Director



MR. Saifuddin N. Zoomkawala
Director



Mr. Javed Syed
Director



Mr. Abdul Hamid Dagia
Director

Senior Management



Mrs. Rukhsana Saleem
Chairperson



Mrs. Farzana Munaf
Chief Financial Officer



Mr. Ayaz Hussain M. Gad
Executive Director Business
Development / Re & Director (ECO)



Mr. Fida Hussain Samoo
Executive Director (Re)



Mrs. Ghazala Imran
Regional Director
Northern Zone



Mr. Shahzad Farooq Lodhi
Company Secretary



Mr. Asghar Imam Khalid
Chief Internal Auditor

Human Resource Department

The forward thinking human resource department at PRCL views employees, as an asset to the enterprise whose value will be enhanced by development. It is devoted to providing effective policies, procedures, and people-friendly guidelines and support within PRCL. Additionally, the human resource function serves to make sure that PRCL's mission, vision, values, and the factors that keep PRCL guided toward success are optimized.

Staffing

The Human Resource Department at PRCL works in collaboration with units seeking to hire staff, with a view to ensuring that new recruits correspond as closely as possible to the profiles required and are available as needed.

Performance appraisals

At PRCL we foster an environment that motivates and rewards exemplary performance. This is done through a formal review on a periodic basis known as a performance appraisal or performance evaluation.

The performance appraisals help in rewarding employees through bonuses, promotions, and so on; providing feedback and noting areas of improvement; and identifying training and development needs in order to improve the individual's performance on the job.

Compensation and benefits

At PRCL we try to ensure that the designed compensation and benefits structure conforms not only to industry norms but also rewards initiative and productivity from our employees.

Training and development

The Human Resource Department's primary focus is on growth and employee development, It emphasizes developing individual potential and skills. Thus, the selection, training and development process of the selected individuals is of immense importance to PRCL. Leveraging best practices for the development and training of its employees is PRCL's key to successfully increasing business value.

Finance and Accounts Department

The accounting system used by Pakistan Reinsurance Company Limited is designed to enhance financial strength of the company and ensure the compliance of state insurance rule and regulations. The finance department of PRCL is headed by Chief Financial Officer.

This department comprises of three main sections:

Technical Wing

Assist the Manager, Technical Accounts in discharging and fulfilling reinsurance technical accounting functions.

Responsibilities

Facultative technical accounting

- Checking of Premium Closings for Assumed Business;
- Ensure accuracy of the Technical Bookings in the Reinsurance System;
- Ensure timely Monthly and Financial Year end Technical Closing.

Treaty technical accounting

- Checking of Statement of Accounts, Premium and Profit Commission Statements, Sliding Scale Commission Statements.
- Monitor outstanding closings, statements of accounts, premium adjustments, profit commissions, Sliding Scale Commission Statements.
- Ensure accuracy of the Technical Bookings in the Reinsurance System.
- Ensure timely Monthly and Financial Year end Technical Closing.
- Checking of outstanding loss figures provided in treaty statement of accounts.

Financial Wing

- Assist the Manager, Finance to process Finance matters and liaise with Lahore Office counterparts on all Finance issues.
- Responsibilities
- Assist to handle the day-to-day accounting function, including but not limited to preparing payment voucher and processing check payment.
- Improve internal control system.
- Prepare full set of accounts, reconcile bank account and inter-company billing/balances.
- Verify and ensure accurate loading of interface files linked between underwriting system to accounting system.
- Prepare quarterly and annual statutory returns to Insurance Authority.
- Assist in maintaining accounting records and control system.
- Assist in preparing accounting policies and procedures.
- Liaise with IT department for accounting data loading.

Investment department

- Assist the CFO, to implement the guidance of Investment Committee about the asset allocation, to ensure financial liquidity, security and diversification.

Responsibilities

- Assist to utilize funds without draining capital and surplus amount.
- Assist to achieve a consistent high real rate of return, comprising both income and capital growth, whilst operating within acceptable risk parameters set by the Board
- Deliver a regular income stream for shareholders in the form of franked dividends
- Preserve and protect the capital of the Company.
- Place special emphasis in generating a significant portion of its Investment Income from sustainable sources such as interest income and dividends.
- Appropriate risk management practices are adopted with an objective to manage risk arising out of duration, market credit, legal and operations.
- Analyze performance of all assets classes and total portfolio relative to appropriate benchmark.

Internal Audit Department

The Internal Audit Department provides to the management and the Audit Committee of the Board of Trustees with assurance that the management control systems throughout PRCL are adequate and operating effectively. It also provides an independent and objective appraisal of activity for management and furnishes them with analyses, recommendations, counsel, and information concerning the activities reviewed. This includes promoting effective controls at a reasonable cost.

The Internal Audit Department provides valuable support in maintaining the public's confidence by performing independent and objective reviews and reporting to the Audit Committee and responsible administrative officers on their findings so that corrective actions can be taken.

The Internal Audit Department assists the management in achieving PRCL's financial and operating goals by evaluating controls to ensure systems function adequately, by identifying weaknesses, and by providing recommendations. Through complete and unrestricted access to records, property, and personnel, Internal Audit provides PRCL with an additional resource in meeting these goals. With the support of PRCL management and the Audit Committee, the Internal Audit Department provides the highest quality of auditing services, thus enhancing fiscal control at PRCL.

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 Guideline	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

The data processing department has been instilled with the functions of processing data in the most efficient and effective way.

It is crafted around various modules and systems which PRCL uses to perform its operations of all kind. Some of the various projects that the Data Processing Department is working on are listed as under:

Implemented Modules / Systems

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

- Acceptance system
- Retrocession system
- Accounting system
- Payroll system
- Loan & Advances
- Develop and generate MIS reports for top management
- PRCL Employees Fund System
- Preliminary Loss Advice (PLA) system
- Develop customized reports for users 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
- Management of PC server (Domain Controller, ISA and anti virus)
- Managing Help Desk System to support Hardware and Software problems of end users
- Overall management of LAN and Internet infrastructure of PRCL

Achievements of the Year 2009

- Completion of first phase of Reinsurance Management System (RMS) comprises Treaty Arrangement.
- Facultative Acceptance & Claim Module
- Extension in Local Area Network (LAN), more users added in the network.
- Purchase of another UPS (10KVA) 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 down time
- To establish link (connectivity) between Karachi office with Lahore office.

Corporate Social Responsibility

PRCL is well aware of its social obligations and responsibilities. The company 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, enriching the lives of the less privileged members of this society.

Community:

At PRCL we are generous in contributing to charities and community projects to help improve the quality of life of the less privileged members of our society.

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, 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 hominoids, 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 improving access to health services in Pakistan and protecting all members of the society. Thus, in order to combat these harmful diseases PRCL provides vaccination to employees and their dependants. PRCL also 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.

Prosperity and Beyond

Cash Award on outstanding performance in Education (2009)

An event was organized by PRCL constituting of PRCL Employees welfare fund to acknowledge by the chairperson performance in education by children of PRCL employees. The event was headed by the chairman of PRCL Mrs. Rukhsana Saleem, Cash awards were given to PRCL employees children securing A1 grades in HSC for the year 2008.



Spiritual Endeavor

Hajj:

Hajj, the solidarity and bonding of Muslim people, and their submission to Allah, is the fifth pillar of Islam. It is the largest annual pilgrimage in the world and is a religious obligation that must be carried out at least once in the lifetime of every able-bodied Muslim who can afford to do so.

In 2009, PRCL, through balloting, gave an opportunity to five employees (two officers and three staff members) to perform the spiritual ritual of Hajj.

Milad:

Milad – An annual event of PRCL celebrated Eid Milad un Nabi, an Islamic Festival with religious fervor in 2009.

Picnic:

A picnic was organized at Hawkes Bay for the PRCL Staff members and their families. It was thoroughly enjoyed by all and helped staff members and families to socialize and spend some quality time with each other.

The Signing Ceremony of Agreement for the Establishment of ECO Reinsurance Co.

The signing Ceremony of the Articles of Agreement for the Establishment of ECO Reinsurance Company was held in Ministry of Commerce, Islamabad on 10th February 2010. The authorized delegates who signed the Articles of Agreement on behalf of their respective governments were Dr. Javed Farshbaf Maherian from Islamic Republic of Iran, Mr. Ayaz Hussain M. Gad, Executive Director, Pakistan Reinsurance Company Limited and H.E. Mustafa Babur Hizlan, the Ambassador of Republic of Turkey to Pakistan. Mr. Zafar Mahmood, Secretary Commerce and Mr. Waqar Ahmed Shah, Director ECO Secretariat, Iran were also present at the occasion.



E.C.O. Insurance Centre Workshop on Leadership held on 10th Dec, 2007

Fostering Bonds

Lunch in honor of Chief Executives of NZ based Insurance Companies (26th Jan, 2010)

Pakistan Reinsurance Company Limited hosted a lunch in honor of Chief Executive of Northern Zone based Insurance Companies at Sun Fort Hotel, Lahore, on January 26, 2010. The Chief Executives of all Companies attended the lunch. Mrs. Ghazala Imran, Regional Director, Mr. Ayaz Hussain M Gad, Executive Director (BD/Re), and Mr. Fida Hussain Samoo, Executive Director (Re), were present at the Hotel to greet the guests. The Executive Officers of PRCL mixed freely with the guests and held discussions with them for further enhancing the Business relations.

The Regional Director thanked the guests for participating in the lunch.



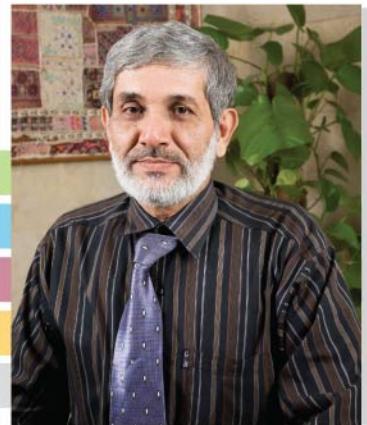
Lunch hosted in honour of Chairperson PRCL by C.B.A. (9th March, 2010)



PRCL Staff Union



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Corporate Information

BOARD OF DIRECTORS

MRS. RUKHSANA SALEEM
CHAIRPERSON

MR. FAZAL-I-QADAR
DIRECTOR

DR. MASOOMA HASSAN
DIRECTOR

SYED ARSHAD ALI
DIRECTOR

MR. JAVED SYED
DIRECTOR

MR. SAIFUDDIN NOORUDDIN
ZOOMKAWALA
DIRECTOR

MR. ZAFAR IQBAL
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. Javed Syed
Member

Mrs. Rukhsana Saleem
Member

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

HUMAN RESOURCE COMMITTEE

Mr. Javed Syed
Chairman

Mr. Fazal-i-Qadar
Member

Dr. Masooma Hassan
Member

Mrs. Rukhsana Saleem
Member

Mr. Shahzad F. Lodhi,
Member/
Secretary of the Committee

LEGAL ADVISORS

Mr. Yasir A. Shah

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

SHARE REGISTRAR

Central Depository Company of
Pakistan Limited (CDC)

CDC House

99-B, Block B, SMCHS

Main Shahra-e-Faisal

Karachi-74400, Pakistan.

Ph: (92-21) 111-111-500

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) -99202908-15

Telex: 20428 PAKRE PK,

Telefax: (92-21) -99202920-22

Email: prcl@pakre.org.pk

Website: www.pakre.org.pk

Zonal Office

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

Notice of the 10th Annual General Meeting

Notice is hereby given that 10th Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on Friday the 30th April, 2010 at 11:00 a.m. at Marriott Hotel, 9 Abdullah Haroon 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 30th May, 2009.
2. To consider and adopt the audited annual Accounts of the Company for the year ended 31st December, 2009 and the reports of Directors and Auditors thereon.
3. To consider and approve the payment of final dividend @ (30%). That is Rupees 3.00 per ordinary share of Rupees Ten (10) for the year ended December 31, 2009.
4. To consider the appointment of auditors for the year ending December 31, 2010 and fix their remuneration. The retiring auditors M/s. Anjum Asim Shahid Rehman, Chartered Accountants, being eligible, offer themselves for re-appointment.
5. To fix and approve directors' fee for attending the meeting of the Board of Directors.
6. To consider any other business with the permission of the Chair.

SPECIAL BUSINESS:

7. To consider and amend Article 63 of the Articles of Association of the Company.

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

To bring the impact of the remuneration of directors in Articles 63, the Articles of Association is required to be amended from time to time. In order to bring efficiency in the process, it has been decided by the Board of Directors to amend Article 63 of the Articles of Association in accordance with the law. In this regard, the following Special Resolution is proposed to be passed by the shareholders:

Resolved further that Article 63 of the Articles of Association of the Company be and is hereby substituted to be read as under:

63. The remuneration to be paid to the Directors for attending the meeting of the Board shall from time to time be determined by the Board of Directors of the Company.

Resolved further that the Company Secretary be and is hereby authorized to do all acts to effect the Special Resolution for the purpose of the amendment to be made in the Articles of Association of the Company and to comply with all the necessary requirements of the law in this behalf.

By Order of the Board

**(Shahzad F. Lodhi)
Company Secretary**

Place: Karachi.
Dated: 09/04/2010

NOTES:

1. The share transfer books of the company shall remain closed for eight days i.e. from 23rd April, 2010 to 30th April, 2010 (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 Accounts holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

- i. In the 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 Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
- ii. In the 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 the case of individuals, the account holder or sub-account holder and/or the person whose securities are in a group and their registration details are uploaded as per the 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 the case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier along with proxy form to the Company).
4. Shareholders are requested to communicate to CDC (Share Registrar) any change in their address and provide the Zakat Declaration/Tax exception certificate (if any) immediately along with contact details.

Directors' Report

For The Year Ended December 31, 2009

The Shareholders,
Pakistan Reinsurance Co. Ltd.,

Dear Shareholders,

Your directors are pleased to present the 10th Annual Report of the company together with the audited financial statements and Auditors' Report thereon for the year ended 31st December, 2009.

Economic Overview

The year 2009 was a difficult year both at the local as well as global economic front. The global recession and the stagnant domestic economy during 2009 had an impact on the General insurance industry of Pakistan. 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 unfavorable conditions prevailing in the capital markets.

Adoption of New and Revised International Financial Reporting standards

In the current year, the Company has adopted the new and revised standards and interpretations issued by the International Financial Reporting Standard (IFRS-4) that are relevant to the Company's operations and effective for annual reporting periods beginning on January 1, 2009.

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 fifth 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 2009, 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, 2009 are as under:-

	Dec. 31, 2009	Dec. 31, 2008
	<i>(Rupees in million)</i>	
Gross Premium	5,839	4,555
Retrocession	<u>(3,274)</u>	<u>(2,703)</u>
Net Retention	2,565	1,851
Premium Reserve	<u>(394)</u>	<u>44</u>
Net Premium	2,171	1,896
Net Commission	(553)	(478)
Net Claims	(905)	(962)
Management expenses	<u>(232)</u>	<u>(250)</u>
Underwriting Profit	481	206
Investment Income	1099	846
Exchange gain, rental & other income	152	148
Gen. & Admn. Expense	(35)	(38)
Workers Welfare Fund	<u>23</u>	<u>(23)</u>
Profit before tax	1,720	1,139
Impairment	<u>(1,402)</u>	<u>0</u>
Profit after tax	<u>318</u>	<u>1,139</u>
Taxation	<u>(48)</u>	<u>(253)</u>
Profit after Impairment	<u>270</u>	<u>886</u>

The Gross Premium of the company was Rs.5839 million in the year 2009 as compared to Rs.4,555 million for the year 2008. The details are as follows:

	<i>(Rs. In Million)</i>	
Facultative Premium	2009	2008
Fire	726	667
Marine Cargo	29	43
Marine Hull	30	40
Accident	88	44
Aviation	1,694	1,267
Engineering	<u>956</u>	<u>732</u>
	3,523	2,793
Treaty Premium Bal .	<u>2,316</u>	<u>1,762</u>
	<u>5,839</u>	<u>4,555</u>

The main reason for increase in gross premium is due to higher acceptance of facultative business in Fire, Engineering and Aviation. The treaty business mainly increase due to induction of new treaty business such as Health and Micro Health, Crop/ Agriculture & Terrorism.

Net premium of the company was Rs.2,171 million in the year 2009 as compared to Rs.1,896 million in the corresponding period last year showing an increase of Rs.275 million. This improvement is due favourable movement of Premium reserve.

	(Rupees in Millions)	
Particulars	2009	2008
Premium Return	5,839	4,555
Reinsurance Ceded	<u>(3,274)</u>	<u>(2,704)</u>
Net Retention	2,565	1,851
Premium Reserve	<u>(394)</u>	<u>45</u>
Net Premium	<u>2,171</u>	<u>1,896</u>

Net claims of the company for the year 2009 were Rs.905 million as compared to Rs.962 million in the corresponding period last year showing decrease of Rs.57 million. However, the percentage of Net Claim to the Net Premium also decreases as this is 42% in the year 2009 as compared to 51% in the year 2008.

The commission expenses of the company for the year 2009 were Rs.553 million as compared to Rs.478 million in the corresponding period last year. The reason for increase was mainly due to increase in business.

The investment income in the year 2009 increased to Rs.1,099 million as compared to Rs.846 million in the year 2008. Investment income mainly comprises of realized capital gain on Available for sale and Held for trading investments, profit on government securities, fixed income securities and dividend income.

The main reasons for increase in Investment Income is realization of capital gain amounting to Rs.402.268 million from AFS portfolio and Rs. 22 million from HFT portfolio through transaction in certain listed securities in which the market prices were significantly higher than their holding costs. This became possible due to continuous monitoring of Investment Portfolio and market situation and timely decision were taken under the guidance and support of Investment Committee of the Board.

Investment Activities

The profit before tax was Rs.318.280 million and after making provision for taxation of Rs.48 million, the profit after tax works out to Rs.269.910 million, as compared to profit after tax of Rs.886 million in the year 2008.

This represent unrealized impairment loss in the investment Portfolio accounted for to comply with the requirement of IAS-39. As at December 31, 2008 impairment loss worked at Rs.2,650 million which was considered as temporary and therefore not accounted for in financial statements for the year ended December 31,2008 as allowed under SECP's circular February 16,2009.

The value of available for sale investment-write off after taking into effect of price movements during the recognizing year December 31,2009, worked out to Rs.1,430 million as explained in the note 19.2.2 in the financial statements.

The decisions of management not to recognized impairment loss of Rs.2,650 in the financial year ending 31st December, 2008 have been favarouable for the company because as expected that the market decline in 2008 is due to the result of non fundamental factors which had eventually to be improved as soon as other influence factors would have got resolved. The stock market restore in the year 2009 due to a significant extent and the impairment in investment which works out to Rs 2.650 million reduced to Rs. 1,403 million in the year 2009 which has been fully recognized..

Appropriations:

Profit before taxation and impairment	1,720
Less: Taxation	<u>(48)</u>
Profit after taxation and before impairment	<u>1,672</u>
Impairment	<u>(1,402)</u>
Profit after taxation and impairment	<u>270</u>
Add: Unappropriated profit brought forward	2,207
Less: Final cash dividend 2008 @ 25%	<u>(750)</u>
Unappropriated profit carried forward	<u>1,727</u>

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 mini-computer, a latest IBM (X Series) Server has also been acquired to upgrade Network Environment.

Pension, Gratuity and Provident Funds

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

	(Rs. in million)
Gratuity Fund	
- GPF	0.404
Pension	
- Employees	251.131
- Officer	131.745

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 along with 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:-

- a) The financial statements, prepared by the management of the company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity.
- b) The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984, except as qualified by the external auditor in their report to members.
- c) The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes where made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgement.
- d) Financial statements have been prepared by the company in accordance with the International Accounting Standards, as applicable in Pakistan, requirement of Companies Ordinance, 1984, Insurance Ordinance, 2000, and the Securities and Exchange Commission (Insurance) Rules, 2002.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.
- 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

In the year 2009 during the year, four 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	Syed Arshad Ali	4
3	Mr. Abdul Hamid Dagia	4
4	Mr. Fazal-i-Qadar	4
5	Dr. Masuma Hasan	4
6	Mr. Javed Syed	4
7	Mr. Saifuddin N. Zoomkawala	4
8	Mr. Zafar Iqbal	1
9	Mr. Sikandar Hayat Jamali (Late) w.e.f. July 25, 2009	Not attended any Board Meeting in 2009
10	Mr. Munaf Ibrahim (Alternate Director in Place of Mr. Ali Jahangir Siddique)	Not attended any Board Meeting Mr. Ali Jahangir Siddique, Director (Resigned from the Directorship of PRCL) w.e.f. June 17, 2009

The Board places on record its sincerest appreciation to the outgoing Directors Mr. Ali Jahangir Siddique and Mr. Munaf Ibrahim (Alternate Director) to whom we are indebted for their prudent, professional and diligent guidance that helped in achieving such tremendous performance in making our investment activities related decision.

In the year 2009 Mr. Zafar Iqbal and Dr. Masuma Hasan join PRCL as a new member on the Board of Director.

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
Syed Arshad Ali	Member
Mr. Shahzad F. Lodhi	Secretary

Performance of the company during the last six years

(Rs. in million)

	2009	2008	2007 (Restated)	2006	2005	2004
Gross Premium	5,839	4,555	4,750	4,499	4,159	5,241
Net Premium	2,171	1,896	1,693	1,415	2,005	2,289
Net Commission	553	478	400	367	620	774
Net Claims	905	962	931	777	823	1,329
Management Expenses	231	250	154	146	171	134
Underwriting Profit/(Loss)	482	206	208	125	391	51
Investment Income	1,099	846	3,689	772	465	360
Profit before Tax	318	1,139	3,858	783	782	391
Profit after Tax	270	886	3,725	672	594	326

Auditor's Report:

The auditors have qualified their report for the year ended December 31, 2009 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 by 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 30% for the year 2009.

Earning per share

The earning per share of the Company before recognition of unrealized impairment loss on investment worked out to Rs 5.58 per share despite a huge capital base of Rs 3 billion. However after taking the effect of unrealized impairment loss the EPS of the Company was Rs.0.90 for the year 2009 as compared to Rs.2.95 in the year 2008.

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:

<u>Name</u>	<u>No. of Shares</u> (CDC)
Mr. Abdul Hamid Dagia, Director	5,555 **
Ms. Farzana Munaf, C.F.O.	1,100

** Represent Bonus shares issued by PRCL.

Appointment of Auditors

The present auditors M/s. Anjum Asim Shahid Rahman Chartered Accountants being eligible have offered themselves for re appointment. The audit Committee has recommended appointment of M/s. Anjum Asim Shahid Rahman Chartered Accountants to conduct the audit of the company for the year 2010 at a fee to be mutually agreed.

Pattern of shareholding

The statement of pattern of shareholding is separately shown in the report.

During the year 2009, the government of Pakistan announced Benazir Employees Stock Option Scheme (BESOS) to transfer 12% of its shareholding to employees, which would now held by PRCL Employees Empowerment Trust (PEET).

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.

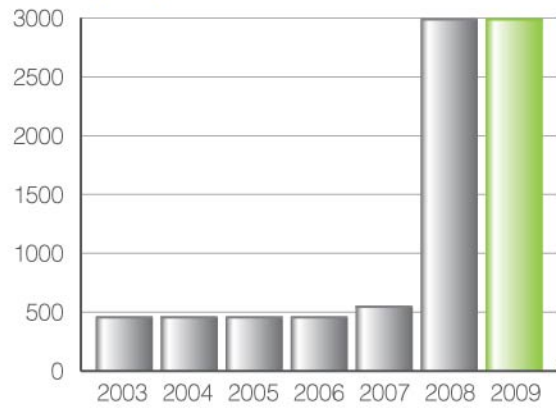
(Rukhsana Saleem)
Chairperson

Six Year Performance at a Glance

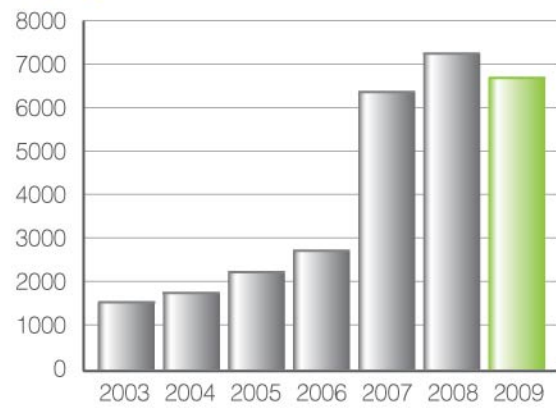
	(Rs. in million)						
	2009	2008	2007	2006	2005	2004	2003
Financial Data							
Paid up capital	3,000	3,000	540	450	450	450	450
General & Capital Reserves	3,786	4,265	5,839	2,280	1,788	1,306	1,093
Equity	6,786	7,265	6,379	2,730	2,238	1,756	1,543
Investment	5,482	5,458	6,412	3,588	2,872	2,719	1,885
Fixed Assets	48	40	30	28	31	33	35
Cash & Bank Deposits	1,834	2,836	1,021	209	271	314	549
Total Assets	12,373	12,528	11,497	6,464	5,633	6,613	6,225
Total liabilities	5,586	5,262	5,117	3,733	3,395	4,857	4,681
Operating Data							
Gross Premium	5,839	4,555	4,750	4,499	4,159	5,241	4,697
Net Premium	2,171	1,895	1,693	1,415	2,005	2,289	2,133
Net Claims	905	961	931	777	823	1,329	1,011
Net Commission	553	478	400	367	620	774	219
Underwriting Results	481	206	207	125	391	51	76
Total Management Expenses	231	250	154	146	171	134	140
Investment Income	1,099	846	3,689	772	465	360	333
Profit Before Tax	318	1,138	3,859	783	782	391	366
Profit After Tax	270	886	3,725	672	594	326	297
Share Information and Payouts							
No of shares (In millions)	300	300	54	45	45	45	45
Highest Share Price During year (Rs)	69.94	774.95	449.4	177	87.00	76.25	102.65
Cash dividend %	30.0	25.0	-	20.0	40.0	25.0	25.0
Bonus Shares %	-	-	455.55	20.0	-	-	-
Total Dividend %	30.0	25.0	455.55	40.0	40.0	25.0	25.0
Financial Ratio Analysis							
Claims ratio	41.69	50.71	54.99	54.91	41.05	58.06	47.40
Total Assets Turnover (Times)	0.47	0.36	0.41	0.70	0.74	0.79	0.75
Total Liabilities / equity (%)	82.32	72.43	80.22	136.74	151.70	276.59	303.37
Paid up Capital / Total Assets (%)	24.25	23.95	4.70	6.96	7.99	6.80	7.23
Equity / Total Assets (%)	54.85	57.99	55.48	42.23	39.73	26.55	24.79

Financial Review

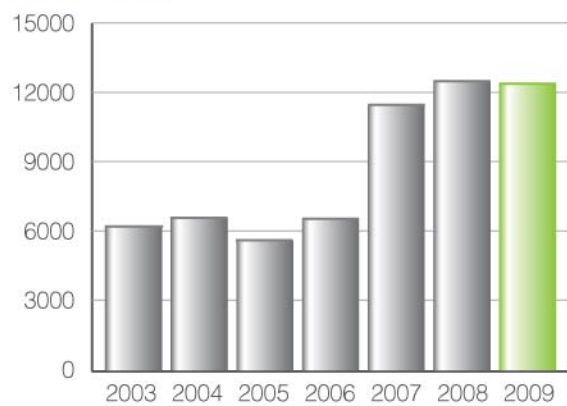
Paid-up Capital



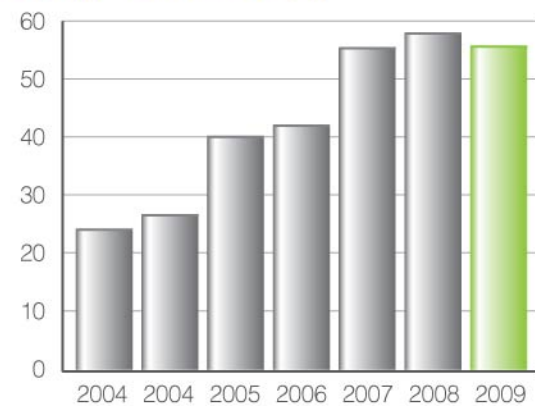
Equity



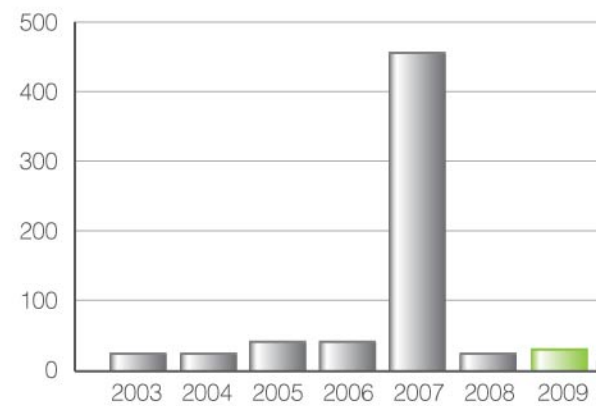
Total Asset



Equity/ Total Assets (%)



Total Dividend (%)



Statement of Compliance with the Code of Corporate Governance

Pakistan Reinsurance Company Limited

Year Ended December 31, 2009

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No. 35 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 31.12.2008 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, no director, his or her spouse is engaged in the business of stock brokerage.
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 along with 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 board has set up an effective internal control audit function. The company is subject to audit. All the internal audit reports are accessible to the board audit committee and important points arising out of audit are reviewed by the board audit committee and important points requiring board attention are brought into their notice.
8. The meetings of the Board were presided over by the Chairperson. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated normally 07 days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
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 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.

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Syed Arshad Ali
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 Karachi and Lahore 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's 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 are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls and the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi and Lahore Stock Exchanges require the company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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.

Karachi
Date: 6th April, 2010

Anjum Asim Shahid Rahman
Chartered Accountants

Auditor's Report to the Members

We have audited the annexed financial statements comprising:

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

of **Pakistan Reinsurance Company Limited** ("the Company") as at December 31, 2009 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 Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on the 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 misstatements. 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 the management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

- i. Due from other persons and bodies carrying on insurance business includes Rs. 1,368 million [net of provision amounting to Rs. 982 million (refer note 22)] and due to other persons and bodies carrying on insurance business includes Rs. 340 million (refer note 13). Further, the company has reversed certain claims that have been lodged by other insurance companies amounting to Rs. 38 million due to the reason that appropriate documents for substantiating these claims were not provided. The company is in process to reconcile the above balances. Due to pending confirmations/reconciliation relating to above balances, resultant adjustments and consequential impact thereof, if any, on the accounts remains unascertained; and
- ii. The financial statements reflects the balances in respect of premium and claim reserves retained by cedants amounted to Rs. 44 million and balances in respect of premium and claim reserves retained from retrocessioners amounted to Rs. 44 million. These balances have not been confirmed by respective insurance companies. Consequently, we are unable to verify these balances (refer note 14 and 22).

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

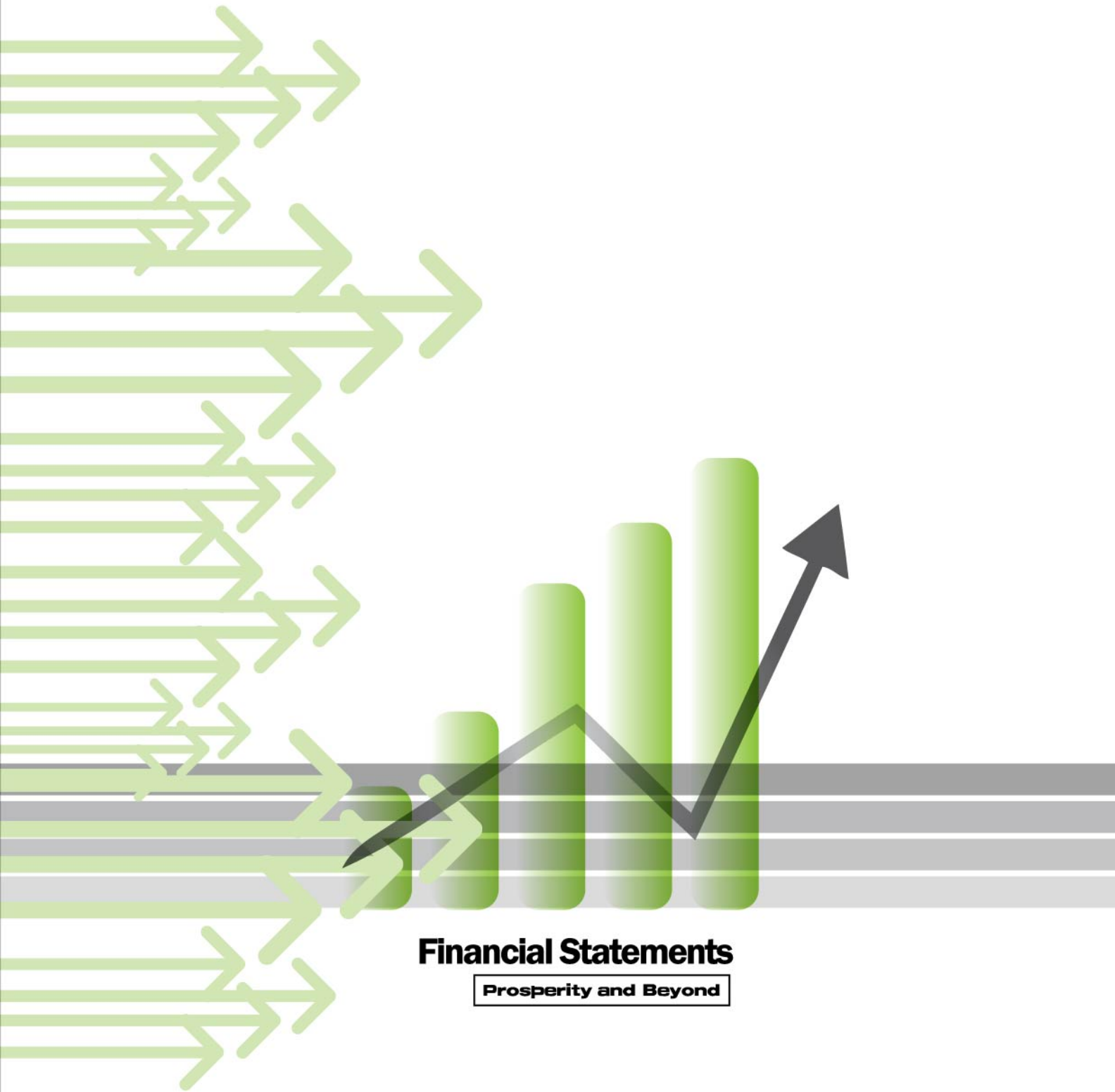
- a) Proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) The financial statements together with the notes thereon have been drawn upon in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the change in accounting policies as mentioned in note 3.1 to the financial statements, with which we concur;
- c) The financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2009 and of the profit, its comprehensive income, 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

Zakat deductible at source under the under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Company for the year ended December 31, 2008 were audited by another firm of Chartered Accountants whose report dated May 07, 2009 contained a qualified opinion in respect of the matters set out in paragraph (i) and (ii) above.

Karachi
Date: 6th April, 2010

Anjum Asim Shahid Rahman
Chartered Accountants



Financial Statements

Prosperity and Beyond

Balance Sheet

As at December 31, 2009

	Note	2009 Rupees	2008 Rupees
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
2,500,000,000 (2008: 2,500,000,000)			
Ordinary shares of Rs.10 each		<u>25,000,000,000</u>	<u>25,000,000,000</u>
Share capital	6	3,000,000,000	3,000,000,000
Retained earnings		1,727,236,175	2,207,325,305
Reserve for exceptional losses	7	281,000,000	281,000,000
General reserve		1,777,419,085	1,777,419,085
		<u>3,785,655,260</u>	<u>4,265,744,390</u>
Shareholders' equity		<u>6,785,655,260</u>	<u>7,265,744,390</u>
LIABILITIES			
Underwriting provisions			
Provision for outstanding claims			
(including IBNR)	8	586,553,657	886,971,628
Provision for unearned premium	9	3,347,263,018	2,719,013,239
Commission income unearned	10	34,607,727	28,967,567
Total underwriting provisions		<u>3,968,424,402</u>	<u>3,634,952,434</u>
Deferred liability - employee benefits	11	120,868,000	94,652,000
Long term deposits	12	18,574,022	18,492,361
Creditors and accruals			
Amount due to other persons and bodies			
carrying on insurance business	13	1,271,081,957	1,237,841,171
Premium and claim reserves retained			
from retrocessionaires	14	44,558,376	35,883,859
Other creditors and accruals	15	48,902,700	63,214,130
Accrued expenses		4,820,925	2,153,494
Taxation - net		90,394,980	163,273,005
Retention money payable		6,415,433	6,413,383
		<u>1,466,174,371</u>	<u>1,508,779,042</u>
Other liabilities			
Dividend payable		11,706,756	4,625,108
Surplus profit payable		1,212,602	1,213,842
		<u>12,919,358</u>	<u>5,838,950</u>
Total liabilities		<u>5,586,960,153</u>	<u>5,262,714,787</u>
TOTAL EQUITY AND LIABILITIES		<u>12,372,615,413</u>	<u>12,528,459,177</u>
CONTINGENCIES AND COMMITMENTS			
	16		

	Note	2009 Rupees	2008 Rupees
ASSETS			
Cash and bank deposits			
Cash and other equivalents		65,470	40,567
Current and other accounts		1,231,881,356	789,891,017
Deposits maturing within 12 months		601,700,000	2,046,700,000
	17	1,833,646,826	2,836,631,584
Loans to employees	18	53,667,662	53,006,109
Investments	19	5,481,883,357	5,458,934,939
Investment properties	20	44,947,601	47,753,289
Deferred taxation	21	150,889,654	151,660,579
Current assets - others			
Amount due from other persons and bodies carrying on insurance business	22	2,009,718,017	1,539,015,089
Premium and claim reserves retained by cedants	23	44,891,953	45,822,333
Accrued investment income	24	66,017,556	52,601,260
Sundry receivables	25	265,724,006	205,001,473
Prepayments	26	2,070,607,461	1,834,247,687
Deferred commission expense		301,608,849	262,891,638
Stock of stationery		347,320	224,511
		4,758,915,162	3,939,803,991
Fixed assets			
Tangible			
Land and building	27	22,519,315	22,849,153
Furniture, fixture, books and office equipment		14,487,000	14,117,603
Motor vehicles		11,658,836	3,701,930
		48,665,151	40,668,686
Assets relating to Bangladesh	28	-	-
TOTAL ASSETS		12,372,615,413	12,528,459,177

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

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Profit and Loss Account

For the year ended December 31, 2009

	Note	Fire	Marine cargo	Marine hull	Accident	Aviation	Engineering	Treaty	2009 Aggregate	2,008 Aggregate
Revenue account										
Net premium revenue		370,254,452	22,869,780	34,706,221	52,603,988	100,250,801	211,601,923	1,378,662,659	2,170,949,824	1,895,574,584
Less:										
Net claims		80,485,727	1,974,345	1,244,229	2,812,442	25,720,975	15,122,050	777,439,389	904,799,157	961,692,233
Expenses	29	7,967,516	5,811,672	1,980,249	5,311,538	5,989,339	5,356,112	198,993,664	231,410,090	250,091,008
Net commission		81,759,586	4,668,579	5,552,523	7,503,855	(1,108,553)	3,481,840	451,383,771	553,241,601	477,654,941
Underwriting results		200,041,623	10,415,184	25,929,220	36,976,153	69,649,040	187,641,921	(49,154,165)	481,498,976	206,136,402
Investment income-net										
Rental income-net	30									
Exchange gain / (loss)										
Other income	31									
General and administration expenses	32									
Reversal / (Provision) for workers' welfare fund										
Impairment on investments - written off	19.2.2									
Profit before tax										
Income tax expense	33									
- Current										
- Deferred										
Profit after tax										
Profit and loss appropriation account										
Balance at the commencement of year										
Profit after tax for the year										
Transfers to general reserve										
Final cash dividend for the year 2008 Rs. 2.50 @ 25% (2007: Nil) per share										
Final bonus for the year 2008 Nil (2007: 455.554670783%) per share										
Balance of unappropriated profit at the end of year										
Earnings per share - basic and diluted	34									

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

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Comprehensive Income

For the year ended December 31, 2009

	2009 Rupees	2008 Rupees
Profit for the year	269,910,870	886,225,039
Other comprehensive income	-	-
Total comprehensive income for the year	269,910,870	886,225,039

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

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Changes in Equity

For the year ended December 31, 2009

	Share capital		Reserves			Total
	Issued subscribed and paid-up	Reserve for exceptional losses	Revenue reserves		Total reserves	
			Retained earnings	General reserve		
-----Rupees-----						
Balance as at December 31, 2007	540,000,860	281,000,000	3,781,099,406	1,777,419,085	5,558,518,491	6,379,519,351
Total comprehensive income for the year	-	-	886,225,039	-	886,225,039	886,225,039
Transactions with owners						
Final bonus 2007 @ 455.554670783%	2,459,999,140	-	(2,459,999,140)	-	(2,459,999,140)	-
Balance as at December 31, 2008	<u>3,000,000,000</u>	<u>281,000,000</u>	<u>2,207,325,305</u>	<u>1,777,419,085</u>	<u>3,984,744,390</u>	<u>7,265,744,390</u>
Total comprehensive income for the year	-	-	269,910,870	-	269,910,870	269,910,870
Transactions with owners						
Final cash dividend paid 2008 Rs. 2.50 (2007: Nil) per share	-	-	(750,000,000)	-	(750,000,000)	(750,000,000)
Balance as at December 31, 2009	<u><u>3,000,000,000</u></u>	<u><u>281,000,000</u></u>	<u><u>1,727,236,175</u></u>	<u><u>1,777,419,085</u></u>	<u><u>3,504,655,260</u></u>	<u><u>6,785,655,260</u></u>

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

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Cash Flows

For the year ended December 31, 2009

	Note	2009 Rupees	2008 Rupees
Operating cash flows			
Underwriting activities			
Premium received		5,368,676,293	4,471,345,709
Reinsurance premium paid		(3,273,831,065)	(2,743,336,996)
Claims paid		(1,999,882,021)	(2,539,976,194)
Reinsurance and other recoveries received		794,664,893	1,789,721,595
Commission paid		(663,221,537)	(559,801,617)
Commission received		76,902,885	56,376,205
Premium and claim reserves retained from retrocessionaires/withheld by ceding companies		9,604,897	(15,529,144)
Expenses paid		(231,410,090)	(252,457,009)
Net cash inflows from underwriting activities		81,504,255	206,342,549
Other operating activities			
Income tax paid		(120,476,675)	(237,577,408)
General administration expenses paid		(35,178,235)	(31,575,027)
Loans disbursed		(661,553)	(10,341,911)
Other receipts / (payments)- sundry debtors		(60,845,341)	70,982,829
Other payments - staff contribution		12,944,926	(16,857,000)
Net cash (outflow) from other operating activities		(204,216,878)	(225,368,517)
Total cash (outflow) from all operating activities		(122,712,623)	(19,025,968)
Investment activities			
Fixed capital expenditure	27	(14,999,304)	(13,575,237)
Sale proceeds of fixed assets	27.1	1,618,000	373,800
Acquisition of investments		(4,325,162,021)	(1,538,176,972)
Rental income received - net of expenses		56,514,417	44,017,568
Dividend income received		314,659,821	533,827,378
Interest income on bank deposits		131,750,750	152,714,407
Investment income received - net of expenses		229,092,881	41,846,387
Sale proceeds of investments		3,469,172,913	2,613,507,072
Total cash (outflow) / inflow from investment activities		(137,352,543)	1,834,534,403
Financing activities			
Surplus paid		(1,240)	(166)
Dividend paid		(742,918,352)	(404)
Total cash (outflow) from financing activities		(742,919,592)	(570)
Net cash (outflow) / inflow from all activities		(1,002,984,758)	1,815,507,865
Cash and cash equivalents at beginning of the year		2,836,631,584	1,021,123,719
Cash and cash equivalents at end of the year	17	1,833,646,826	2,836,631,584

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Cash Flows

For the year ended December 31, 2009

Reconciliation to profit and loss account	Note	2009	2008
		Rupees	Rupees
Operating cash flows		(122,712,623)	(19,025,968)
Depreciation expense	32	(9,369,275)	(6,610,099)
Exchange gain		48,931,906	85,413,283
Reversal of provisions		44,230,139	-
Rental income	30	60,412,168	53,101,543
Pension officers expenses	29	(63,156,000)	(20,593,253)
Pension staff expenses	29	-	(52,151,189)
Medical expenses	29	(29,379,694)	(18,776,000)
Gratuity expenses	29	(49,000)	31,203,432
Compensated absences	29	(8,205,266)	(11,180,894)
Income on transfer of assets to pension fund	29	52,213,809	-
Reversal of excess contribution	29	30,951,000	-
Provision for outstanding claims		(300,417,971)	(211,437,634)
Provision for unearned premium		(628,249,779)	(38,217,143)
Prepaid reinsurance premium ceded		(233,651,447)	82,571,657
Provision for employee benefits		26,216,000	(16,857,000)
Dividend income		307,376,841	534,886,079
Investment income		225,547,329	323,626,960
Interest income		155,898,342	-
Amortization of premium		(1,228,027)	(8,201,322)
Gain on sale of investment		425,228,019	1,350,000
Increase in operating assets other than cash		236,700,327	104,644,868
(Increase) / Decrease in operating liabilities		(19,483,028)	90,020,707
		197,803,770	903,768,027
Other adjustments			
(Increase) in provision for diminution in value of investments		-	(2,345,568)
Income tax paid		120,476,675	237,577,408
		120,476,675	235,231,840
Profit before taxation		318,280,445	1,138,999,867
Provision for taxation		(48,369,575)	(252,774,828)
Profit after taxation		269,910,870	886,225,039

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	65,470	40,567
Current and other accounts	1,231,881,356	789,891,017
Deposit maturing within 12 months	601,700,000	2,046,700,000
	1,833,646,826	2,836,631,584

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

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Premiums

For the year ended December 31, 2009

Class	Premiums written (A)		Unearned premium reserve (B)		Premiums earned (D=A+B-C)		Reinsurance ceded (E)		Prepaid reinsurance premium ceded (F)		Reinsurance expense (H=E+F-G)		Net premium revenue (I=D-H)	
	Opening	Closing	Opening	Closing	Opening	Closing	Opening	Closing	Opening	Closing	2009	2008	2009	2008
	(B)	(C)	(B)	(C)	(D=A+B-C)	(D=A+B-C)	(E)	(E)	(F)	(G)	(H=E+F-G)	(H=E+F-G)	(I=D-H)	(I=D-H)
Business underwritten inside Pakistan														
Facultative														
Fire	726,150,369	342,691,806	357,297,525	342,691,806	740,756,088	393,626,818	132,904,991	156,030,173	370,501,636	370,254,452	292,900,627	370,254,452	292,900,627	
Marine cargo	29,282,454	3,076,414	7,403,730	3,076,414	33,609,770	8,536,478	2,203,512	-	10,739,990	22,869,780	37,357,152	22,869,780	37,357,152	
Marine hull	29,914,426	16,717,529	21,509,324	16,717,529	34,706,221	-	-	-	-	34,706,221	30,759,752	34,706,221	30,759,752	
Accident	88,424,365	63,232,288	27,411,911	63,232,288	52,603,988	-	-	-	-	52,603,988	40,512,918	52,603,988	40,512,918	
Aviation	1,693,685,438	1,389,037,721	1,097,006,029	1,389,037,721	1,401,653,746	1,530,261,700	1,027,041,783	1,255,900,538	1,301,402,945	100,250,801	63,042,362	100,250,801	63,042,362	
Engineering	955,479,617	573,254,971	467,648,684	573,254,971	849,873,330	745,360,493	329,535,667	436,624,753	638,271,407	211,601,923	154,203,189	211,601,923	154,203,189	
Total	3,522,936,669	2,388,010,729	1,978,277,203	2,388,010,729	3,113,203,143	2,677,785,489	1,491,685,955	1,848,555,464	2,320,915,978	792,287,165	618,776,000	792,287,165	618,776,000	
Treaty	2,316,442,552	959,252,289	740,736,036	959,252,289	2,097,926,299	596,045,576	342,462,234	219,244,170	719,263,640	1,378,662,659	1,276,798,584	1,378,662,659	1,276,798,584	
Grand total	5,839,379,221	3,347,263,018	2,719,013,239	3,347,263,018	5,211,129,442	3,273,831,065	1,834,148,187	2,067,799,634	3,040,179,618	2,170,949,824	1,895,574,584	2,170,949,824	1,895,574,584	

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

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Claims

For the year ended December 31, 2009

Class	Claims paid (A)		Provision for outstanding claims		Claims expenses (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 expense	
	Opening (B)	Closing (C)	Opening (F)	Closing (G)			2009 (I=D-H)	2008			
Business underwritten inside Pakistan											
Facultative											
Fire	187,770,203	219,062,746	80,485,727	-	68,968,099	-	-	-	80,485,727	229,071,446	
Marine cargo	7,321,303	9,456,228	1,722,495	-	251,850	(251,850)	-	-	1,974,345	21,459,915	
Marine hull	558,903	12,002,165	1,244,229	-	-	-	-	-	1,244,229	4,294,113	
Accident	7,386,877	2,584,382	2,812,442	-	-	-	-	-	2,812,442	2,700,741	
Aviation	381,585,684	65,844,331	273,449,908	352,616,639	168,337,024	247,728,933	63,449,318	247,728,933	25,720,975	26,521,764	
Engineering	138,548,834	44,808,296	19,416,524	120,544,474	116,250,000	4,294,474	-	4,294,474	15,122,050	118,179,334	
Total	723,171,804	353,758,148	379,131,325	473,161,113	353,806,973	132,417,417	251,771,557	127,359,768	402,227,313		
Treaty	1,276,710,217	981,138,554	642,548,959	321,503,780	1,067,367,838	610,973,628	(134,890,430)	777,439,389	559,464,920		
Grand total	1,999,882,021	1,334,896,702	1,021,680,284	794,664,893	1,421,174,811	743,391,045	116,881,127	904,799,157	961,692,233		

-----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

Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Expenses

For the year ended December 31, 2009

Class	Commission paid or payable		Deferred Commission		Net commission expenses (D=A+B+C)	Other management expenses (E)	Underwriting expenses (F=D+E)	Commission from reinsurers (G)	Commission income unearned		Net commission retrocession (J=G+H-I)	Net underwriting expense 2009 (K=F-J)	Net underwriting expense 2008
	(A)	(B)	Opening (B)	Closing (C)					Opening (H)	Closing (I)			
Business underwritten inside Pakistan													
Facultative													
Fire	93,796,833	55,564,844	49,285,979	100,075,698	7,967,516	108,043,214	22,554,191	4,397,181	8,635,260	18,316,112	89,727,102	62,544,879	
Marine cargo	5,398,508	939,255	719,061	5,618,702	5,811,672	11,430,374	784,859	165,264	-	950,123	10,480,251	10,198,722	
Marine hull	4,992,139	3,412,982	2,852,598	5,552,523	1,980,249	7,532,772	-	-	-	-	7,532,772	6,330,012	
Accident	15,298,834	3,574,382	11,369,361	7,503,855	5,311,538	12,815,393	-	-	-	-	12,815,393	9,467,607	
Aviation	3,416,602	1,512,231	1,568,870	3,359,963	5,989,339	9,349,302	4,049,062	1,861,565	1,442,111	4,468,516	4,880,786	3,816,096	
Engineering	37,432,579	24,059,217	20,395,720	41,096,076	5,356,112	46,452,188	43,406,373	18,253,712	24,045,849	37,614,236	8,837,952	689,220	
Total	160,335,495	89,062,911	86,191,589	163,206,817	32,416,426	195,623,243	70,794,485	24,677,722	34,123,220	61,348,987	134,274,256	93,046,536	
Treaty	502,886,042	173,828,727	215,417,260	461,297,509	198,993,664	660,291,173	6,108,400	4,289,845	484,507	9,913,738	650,377,435	634,699,413	
Grand total	663,221,537	262,891,638	301,608,849	624,504,326	231,410,090	855,914,416	76,902,885	28,967,567	34,607,727	71,262,725	784,651,691	727,745,949	

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

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Statement of Investment Income

For the year ended December 31, 2009

	2009	2008
	Rupees	Rupees
Income from trading investments		
Held-for-trading	22,959,078	-
Available-for-sale	402,268,941	1,350,000
Dividend income	307,376,841	534,886,079
	732,604,860	536,236,079
Income from non-trading investments		
<i>Held-to-maturity</i>		
Return on Government Securities	137,277,316	98,357,215
Return on other fixed income securities and deposits	155,898,342	152,714,407
Income on treasury bills	88,270,013	72,555,338
Amortization of premium on Pakistan Investment Bond	(1,228,027)	(8,201,322)
	380,217,644	315,425,638
Gain / (loss) on revaluation of investments		
Held-for-trading	(9,880,015)	-
Available-for-sale	-	7,823,582
Provision for impairment in value of investments		
Available-for-sale	-	(13,000,000)
Held-for-trading	-	2,830,850
	1,102,942,489	849,316,149
Less: Investment related expenses	(3,545,552)	(2,921,697)
Net investment income	1,099,396,937	846,394,452

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

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Notes to the Financial Statements

For the year ended December 31, 2009

1 STATUS AND NATURE OF BUSINESS

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

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

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 December 12, 2002.

The financial statements are prepared and presented in Pakistani Rupees, which is the company's functional and presentation currency.

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 (IASB) 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

The financial statements have been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair value or amortized cost as applicable.

These financials have been prepared following accrual basis of accounting except for cash flow information.

3 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

3.1 Change in accounting policies

The accounting policies adopted are consistent with those of the previous financial year, except as follows:

The Company has adopted the following new and amended IFRS during the year:

IAS 1 - Presentation of Financial Statements (Revised)

IFRS 4 - Insurance Contracts

IFRS 7 - Financial Instruments: Disclosures

IFRS 8 - Operating Segments

IAS 1 - Presentation of Financial Statements (Revised) - This standard requires an entity to present all owner changes in equity and all non-owner changes to be presented in either in one statement of comprehensive income or in two separate statements of income and comprehensive income. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Company has elected to present comprehensive income in two separate statements of income and comprehensive income. Information about the individual components of comprehensive income have been disclosed statement of comprehensive.

IFRS 4 - Insurance Contracts - The IFRS requires a company to assess at each reporting date adequacy of its insurance liabilities by objective evidence. Further, it requires additional disclosure relating to identification and explanations of amounts in the financial statements arising from insurance contracts and the amount, timing and uncertainty of future cash flows from insurance contracts. The required information has been disclosed in notes to these financial statements.

IFRS 7 - Financial Instrument: Disclosures (effective from April 28, 2008) supersedes *IAS 30 - Disclosure in the Financial Statements of Banks and Similar Financial Institutions* and disclosure requirements of *IAS 32 - Financial Instruments: Disclosure and Presentation*. The application of the standard did not have significant impact on the company's financial statements other than increased disclosures.

IFRS 8 - Operating Segments - The new standard, which replaced *IAS 14 Segment Reporting*, requires a 'management approach' under which segment information is presented on the same basis that is used for internal reporting purposes provided to the chief operating decision-maker of the Company. Disclosures required under *IFRS 8* are shown in note 38 to the financial statements.

3.2 Improvements to International Financial Reporting Standards (issued in 2008)

In May 2008, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the amendments resulted in changes to accounting policies, but did not have any impact on the financial position or performance of the Company.

The following amendments and interpretation became effective in 2009, but did not have any impact on the accounting policies, financial position or performance of the Company:

IFRS 2 - Share-based Payment

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

IAS 23 - Borrowing Costs

IAS 32 - Financial Instruments: Presentation and IAS - 1 Puttable Financial Instrument and Obligation Arising on Liquidation (Amendment)

IAS 39 - Financial Instruments: Recognition and Measurement

IAS 40 - Investment Property

IFRIC 9 - Reassessment of Embedded Derivatives

IFRIC 13 - Customer Loyalty Programmes

IFRIC 16 - Hedge of a Net Investment in a Foreign Operation

3.3 IASB standards and interpretations issued but not adopted

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Company:

IFRIC 17 - Distributions of Non-Cash Assets to Owners, effective for financial periods beginning on or after July 1, 2009.

Improvements to International Financial Reporting Standards (issued in 2009), effective for financial periods beginning on or after January 1, 2010

IAS 39 - Financial Instruments: Recognition and Measurement – Eligible Hedged Items (Amendments), effective for financial periods beginning on or after July 1, 2009

IFRS 9 - Financial Instruments, effective for financial periods beginning on or after January 1, 2013

IAS 24 - Related Party Disclosures (Revised), effective for financial periods beginning on or after 2011

IAS 32 - Classification of Right Issues (Amendments), effective for financial periods beginning on or after February 1, 2010

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments, effective for financial periods beginning on or after July 1, 2010

The application of the above standards and interpretations is not expected to have a material impact on the financial position or performance of the Company, except IFRS 9, which will result in changes to the accounting policies regarding financial instruments. The management does not intend to early adopt the standard. It has not been practical to reliably assess the effect of such changes at this stage.

4 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgments / 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 claims incurred but not reported (IBNR), impairment of assets, premium deficiency reserves, provision for income taxes, classification of investments, impairment, recoveries from reinsurers, staff retirement benefits and useful lives of assets and methods of depreciation.

Judgments

In process of applying Company's accounting policies, management has made following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held-to-maturity, held-for-trading, or available-for-sale.

For those debts instruments deemed held to maturity, management ensures that the requirements of IAS 39 are met and in particular the Company has the intention and ability to hold these to maturity.

Investments typically bought with the intention to sell in the near future are classified as held-for-trading.

As the Company's objective is to maintain an investment portfolio that can generate a constant return in terms of dividend and capital appreciation and not for the purpose of making short term profit from market volatility, all other debt, investment funds, and equity investment securities are classified as available-for-sale.

Impairment of investments

The Company treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for outstanding claims

Considerable judgment by management is required in the estimation of amounts due to contract holders and third parties arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying and possible significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the end of the reporting period. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions, for reported claims and claims incurred but not reported, on a quarterly basis.

Reinsurance

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

Unearned premium reserve

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

Premium deficiency reserve

The Company is required to estimate a provision for premium deficiency reserve for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance recoveries, and other supplementary expenses expected to be incurred after the balance sheet date in respect of unexpired policies in that class at the balance sheet date.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

Useful life of property and equipment

The Company's estimate of useful economic lives of its property and equipment takes into account the renovation frequency of the asset and the future plans of the Company.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Investments

Recognition

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

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

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, 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 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, 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).

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 the International Accounting Standard (IAS) 40 "Investment Property" and S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan.

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

- Leasehold land is stated at cost.
- Building on leasehold land is depreciated to its estimated salvage value on reducing balance method over its useful life.
- Installations forming a part of building on leasehold land but having separate useful lives are depreciated at the rate of 20 percent under the reducing balance method.

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

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

5.3 Insurance contracts

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

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

5.4 Premium due but unpaid

These are recognized when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired. The Company reduces the carrying amount of the receivable accordingly and recognizes that impairment loss in the profit and loss account.

5.5 Liability adequacy test

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

5.6 Reinsurance ceded

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

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

Reinsurance assets are not offset against related insurance liabilities. Incomes or expenses from reinsurance contract are not offset against expenses or incomes from related insurance assets. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expired.

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

5.7 Claims expense

Insurance claims including all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

5.8 Commission expense, other acquisition costs and commission income

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

5.9 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.

5.10 Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the company. This liability is calculated by applying the 1/24 method as specified in the SEC (Insurance) Rules, 2002.

5.11 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 in the profit and loss account.

5.12 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.

5.13 Staff retirement benefits**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 December 31, 2009 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).

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.

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.

5.14 Taxation*Current*

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

Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and amount used for the taxation purposes. A deferred tax asset is recognized only to the extent that is probable that future taxable profits will be available and the credits can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

5.15 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 assets 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.

5.16 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.

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

Investments

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

Profit / interest income on investments securities are recognized on effective interest method.

Profit on bank accounts are accounted for on accrual 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.

5.17 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.

5.18 Derivative financial instruments

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

5.19 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.

5.20 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.

5.21 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 December 12, 2002.

5.22 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.

5.23 Segment reporting

For management purposes, the Company is organized into seven business segments fire, marine cargo, marine hull, accident, aviation, engineering and treaty.

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

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

5.24 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.

5.25 Provision for doubtful debts

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

5.26 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.

Prosperity and Beyond**6 SHARE CAPITAL**

2009	2008		2009	2008
Number of shares			Rupees	Rupees
8	8	Ordinary shares of Rs. 10 each fully paid in cash	80	80
5,000,000	5,000,000	Ordinary shares of Rs. 10 each issued for consideration other than cash	50,000,000	50,000,000
294,999,992	294,999,992	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	2,949,999,920	2,949,999,920
<u>300,000,000</u>	<u>300,000,000</u>		<u>3,000,000,000</u>	<u>3,000,000,000</u>

The Government of Pakistan (GoP) through Ministry of Commerce (MoC) holds 51% (2008: 51%) of shares of the Company.

	2009	2008
	Rupees	Rupees
7 RESERVE FOR EXCEPTIONAL LOSSES	<u>281,000,000</u>	<u>281,000,000</u>

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. Accordingly the Company has ceased to set aside such reserve.

	2009	2008
	Rupees	Rupees
8 PROVISION FOR OUTSTANDING CLAIMS (including IBNR)		
Facultative business		
Fire	150,094,647	257,379,123
Marine cargo	9,456,228	14,803,186
Marine hull	12,002,165	11,316,839
Accident	2,584,382	7,158,817
Aviation	2,395,013	5,643,083
Engineering	44,808,296	47,690,606
	<u>221,340,731</u>	<u>343,991,654</u>
Treaty	365,212,926	542,979,974
	<u>586,553,657</u>	<u>886,971,628</u>

This 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 (refer note 8.1) 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).

		2009	2008
		Rupees	Rupees
8.1	Facultative		
	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
9	PROVISION FOR UNEARNED PREMIUM		
	Facultative business		
	Fire	342,691,806	357,297,525
	Marine cargo	3,076,414	7,403,730
	Marine hull	16,717,529	21,509,324
	Accident	63,232,288	27,411,911
	Aviation	1,389,037,721	1,097,006,029
	Engineering	573,254,971	467,648,684
		2,388,010,729	1,978,277,203
	Treaty	959,252,289	740,736,036
		3,347,263,018	2,719,013,239
10	COMMISSION INCOME UNEARNED		
	Facultative business		
	Fire	8,635,260	4,397,181
	Marine cargo	-	165,264
	Aviation	1,442,111	1,861,565
	Engineering	24,045,849	18,253,712
		34,123,220	24,677,722
	Treaty	484,507	4,289,845
		34,607,727	28,967,567
11	DEFERRED LIABILITY	2009	2008
	- EMPLOYEE BENEFITS	Rupees	Rupees
	Defined benefit obligations		
	Post retirement medical benefits	37.1.1 81,757,000	59,222,000
	Compensated absences	37.1.1 39,111,000	35,430,000
		120,868,000	94,652,000
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	2009	2008
		Rupees	Rupees
	Amount due to other persons and bodies carrying on insurance business	22.2 1,271,081,957	1,237,841,171

**14 PREMIUM AND CLAIM RESERVES
RETAINED FROM
RETROCESSIONAIRES**

Premium reserve withheld	233,501	519,673
Losses reserve withheld	17,706,438	18,690,995
Cash losses received from retrocessionaires	26,618,437	16,673,191
	<u>44,558,376</u>	<u>35,883,859</u>

This represents Company's retention of deposits withheld against the total amount retroceded to other companies.

15 OTHER CREDITORS AND ACCRUALS

	Note	2009 Rupees	2008 Rupees
Provision for litigation		16,075,253	16,075,253
Workers' welfare fund payable		-	20,446,550
Advance rent		9,996,596	8,397,470
Payable against capital expenditure		-	9,720,686
Pension fund payable	37.1.1	4,018,000	-
Payable to stock broker		10,273,556	5,496,849
Others		8,539,295	3,077,322
		<u>48,902,700</u>	<u>63,214,130</u>

16 CONTINGENCIES AND COMMITMENTS

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. 642.013 million (2008: Rs. 133.541 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 of these balances on balance sheet and profit and loss account could not presently be quantified.

16.2 The Company has reversed certain claims lodged by insurance companies estimated at Rs. 38.39 million 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.

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 a case amounting to Rs. 30.52 (2008: 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.

- 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 December 31, 2009 amounted to Rs. 1.721 million.

Currently, stay is operating in favor of PRCL and matter is pending before the court of III Senior Judge Karachi, West, for the issue and hearing of application. The matter is currently being contested by both parties and there has been no negotiation to settle the matter out of court. Most likely outcome of the case, may be in accordance with the market rate in the vicinity.

- 16.7 There is no commitment as on the balance sheet date.

		2009	2008
		Rupees	Rupees
17 CASH AND BANK DEPOSITS	Note		
Cash and other equivalents		65,470	40,567
Current and other accounts	17.1	1,231,881,356	789,891,017
Deposits maturing within 12 months		601,700,000	2,046,700,000
		<u>1,833,646,826</u>	<u>2,836,631,584</u>

- 17.1 These represent interest bearing accounts carrying interest rates as disclosed in note 35.6.

		2009	2008
		Rupees	Rupees
18 LOANS TO EMPLOYEES (considered good)	Note		
- secured		44,649,612	45,289,160
- unsecured		9,018,050	7,716,949
	18.1	<u>53,667,662</u>	<u>53,006,109</u>

18.1 Maturity of loans

Receivable within one year		18,718,260	13,887,604
Receivable after one year		34,949,402	39,123,820
		<u>53,667,662</u>	<u>53,011,424</u>
Provision against impaired loan		-	(5,315)
		<u>53,667,662</u>	<u>53,006,109</u>

- 18.2 Loans to employees represent mark-up free loans except house building and motor car loans (markup rate 10%) 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.

		2009	2008
		Rupees	Rupees
19 INVESTMENTS	Note		
Available-for-sale			
Ordinary shares - listed	19.1	1,024,810,579	1,779,257,172
National Investment Trust Units	19.2	1,954,181,343	2,769,200,429
Ordinary shares - unlisted	19.3	617,613	617,613
		<u>2,979,609,535</u>	<u>4,549,075,214</u>
Held-to-maturity			
Defence Saving Certificates	19.4	157,654,953	418,733,328
Pakistan Investment Bonds	19.5	988,840,566	491,126,397
Treasury Bills (1 year)	19.6	1,112,568,013	-
		<u>2,259,063,532</u>	<u>909,859,725</u>
Held-for-trading			
Ordinary shares - listed	19.7	243,210,290	-
		<u>5,481,883,357</u>	<u>5,458,934,939</u>

As mentioned in note 5.1 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 December 31, 2009 would have been higher by Rs. 756 (2008: lower by Rs. 1,903) million, and the net equity would have been higher by Rs. 756 (2008: lower by Rs. 1,903) million.

Prosperity and Beyond

19.1	Investment in listed companies - available-for-sale	Note	2009	2008
			Rupees	Rupees
	Cost of investment in listed companies	19.1.1	1,037,873,142	1,792,319,735
	Less: Provision for diminution in value			
	Balance brought forward from last year		13,062,563	20,886,145
	Provision (reversed) / made during the year		-	(7,823,582)
			13,062,563	13,062,563
			1,024,810,579	1,779,257,172

19.1.1 Book values and market values of investment in listed companies classified as available-for-sale are:

Name of company	2009			2008		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		-----Rupees-----			-----Rupees-----	
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	83,337	8,565	79,326	70,833
	8,565	79,326	83,337	1,088,491	100,079,326	106,648,730
Close-End Mutual Funds						
JS Value Fund Limited	346,204	2,267,483	1,945,666	346,204	2,978,100	1,554,456
Pakistan Premier Fund Limited	18,712	111,336	111,336	18,712	209,095	37,798
PICIC Growth Fund	30,406,721	519,131,480	433,599,841	30,406,721	836,877,603	169,973,570
PICIC Investment Fund	17,246	100,372	100,372	17,246	263,864	35,009
JS Growth Fund	28,348	140,039	140,039	28,348	385,533	84,477
	30,817,231	521,750,710	435,897,255	30,817,231	840,714,195	171,685,310
Modarabas						
Investec Modaraba 1st	-	-	-	265	238	2,080
Investment Banks						
Escort Investment Bank	16,846	66,542	66,542	16,846	285,540	79,345
Commercial Banks						
Allied Bank Limited	-	-	-	109,168	529,820	3,419,142
Askari Bank Limited	28,703	770,659	783,592	22,963	1,175,958	334,571
Bank Al-Falah Limited	5,994	82,538	82,537	5,328	159,151	89,137
Faysal Bank Limited	34,664	607,660	607,660	30,143	1,637,409	346,946
MCB Bank Limited	230,010	55,357,113	50,528,597	209,100	79,650,686	26,306,871
National Bank of Pakistan	3,419,503	7,254,553	254,308,438	4,479,586	11,387,971	225,412,768
N.I.B Bank Limited	28,535,050	57,058,787	136,968,240	46,139,850	92,261,408	215,473,099
Royal Bank of Scotland Limited	7,106	127,908	127,908	7,106	405,042	150,150
Silk Bank Limited	5,999	57,222	28,435	5,999	101,821	30,055
The Bank of Punjab Limited	30,080	586,561	586,560	30,080	1,570,197	397,056
United Bank Limited	931	4,350	54,417	847	4,350	31,263
	32,298,040	121,907,351	444,076,384	51,040,170	188,883,813	471,991,058
Insurance						
Adamjee Insurance Company Limited	449,365	55,427,467	55,406,705	408,514	153,037,294	41,603,066
Asia Insurance Company Limited	24,980	249,800	419,664	25,000	250,000	367,250
Central Insurance Company Limited	-	-	-	335,598	50,000	24,985,271
Crescent Star Insurance Company Limited	604,491	5,862,508	5,440,419	604,991	5,867,357	9,347,111
Habib Insurance Company Limited	8,211	1,724	131,376	1,012,182	256,787	28,017,198
Pakistan Guarantee Insurance Company Limited	22,029	132,340	107,942	22,029	173,000	107,942
PICIC Insurance Company Limited	855,790	4,450,108	4,450,108	855,790	10,707,155	10,260,922
Sterling Insurance Company Limited	23,250	188,906	162,750	23,250	232,500	162,750
Union Insurance Company of Pakistan Limited	56,227	500,000	-	56,227	500,000	1,459,091
United Insurance Company of Pakistan Limited	149,121	166,165	1,416,650	357,919	455,000	6,059,569
	2,193,464	66,979,018	67,535,613	3,701,500	171,529,093	122,370,170
Textile Spinning						
Brothers Textile Mills Limited	353	229	229	353	1,059	349
Crescent Fibers Limited	-	-	-	51,711	462,167	258,555
Khurshid Spinning Mills Limited	7,600	5,700	5,700	7,600	13,300	9,500
Regent Textile Mills Limited	5,000	50,000	-	5,000	50,000	130,000
Sahrish Textile Mills Limited	13,510	15,579	-	13,510	23,643	12,159
	26,463	71,508	5,929	78,174	550,169	410,563
Textile Weaving						
Nakshbandi Industries Limited	-	-	-	463	4,425	3,463
Yousaf Weaving Mills Limited	227	930	772	228	1,414	239
	227	930	772	691	5,839	3,702

Name of company	2009			2008		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		-----Rupees-----			-----Rupees-----	
Textile Composite						
Colony Mills Limited	149,762	1,139,691	1,076,789	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	141,589	141,589	15,820	192,017	240,306
Kohinoor Industries Limited	11,681	23,362	23,362	11,681	155,750	18,690
Muhammad Farooq Textile Mills	4,100	7,093	7,093	4,100	26,445	10,250
Taj Textile Mills	5,600	2,072	2,072	5,600	14,560	1,960
Towellers Limited	315,759	5,999,421	6,315,180	315,790	6,000,010	7,184,223
Usman Textile Mills	300	2,006	-	300	3,888	1,014
	503,022	7,315,234	7,566,085	517,344	7,823,236	10,329,763
Synthetic & Rayon						
Pakistan Synthetics Limited	2,846	21,252	24,903	2,846	24,760	7,400
Jute						
Crescent Jute Products Limited	157,314	157,314	157,314	157,314	1,250,055	86,523
Sugar and Allied Industries						
Bawany Sugar Mills Limited	11,000	24,262	22,550	59,574	131,400	201,956
Colony Sugar Mills Limited	39,924	399,240	480,286	39,925	399,250	1,916,400
Crescent Sugar Mills Limited	287,084	1,687,798	1,593,316	290,484	1,720,486	2,483,638
Fecto Sugar Mills Limited	1,927	17,183	21,197	1,927	17,183	13,874
Kohinoor Sugar Mills Limited	26,451	235,671	203,673	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	475,000	475,000	100,000	1,337,000	689,000
Sakrand Sugar Mills Limited	11,900	26,291	23,681	11,900	35,700	16,779
Shahtaj Sugar Mills Limited	400	2,996	43,792	2,217	16,607	213,941
Sind Abadgar Sugar Mills Limited	98,500	980,921	1,083,500	98,500	1,276,150	1,004,700
	577,186	3,849,362	3,946,995	695,682	5,966,295	8,589,534
Cement						
Dada Bhoj Cement Industries Limited	17,300	27,853	27,853	17,300	124,560	34,600
Fauji Cement Company Limited	5,238	32,266	32,266	5,238	107,379	24,619
Gharibwal Cement Limited	-	-	-	53,352	219,530	941,129
Javedan Cement Limited	59	536	4,261	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
D.G Khan Cement Limited	10,000	343,999	325,600	-	-	-
Zeal Pak Cement Factory Limited	39,130	1,360,268	-	39,130	1,360,268	20,348
	71,727	1,764,922	389,980	139,429	2,735,446	2,901,580
Tobacco						
Lakson Tobacco Company Limited	21,206	36,893	5,656,913	21,206	36,893	7,287,866
Pakistan Tobacco Company Limited	70,140	234,209	7,364,700	70,140	234,209	7,455,882
	91,346	271,102	13,021,613	91,346	271,102	14,743,748
Refinery						
National Refinery Limited	502,363	28,312,467	88,827,826	407,184	6,275,195	38,747,629
Power Generation and Distribution						
The Hubpower Company Limited	582,085	10,773,636	18,091,202	451,885	6,697,419	6,367,060
Karachi Electric Supply Company Limited	385,548	863,418	1,025,558	1,623,450	3,635,645	3,360,542
Kot Addu Power Company Limited	30,000	1,481,678	1,376,100	10,000	430,500	315,600
Southern Electric Power Company Limited	13,963	58,697	55,712	13,963	83,778	40,353
	1,011,596	13,177,429	20,548,572	2,099,298	10,847,342	10,083,555
Oil and Gas Marketing Companies						
Pakistan State Oil Company Limited	5,132	371,225	1,526,462	90,271	6,529,784	13,051,381
Sui Southern Gas Company	9,671,792	36,461,488	129,892,167	9,671,792	36,461,488	101,650,534
Sui Northern Gas Pipelines Limited	7,530,913	17,110,611	186,766,642	7,530,913	17,110,611	161,613,393
	17,207,837	53,943,324	318,185,271	17,292,976	60,101,883	276,315,308

* 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 April 13, 2005, as the same form part of the strategic shareholding under the control of the GoP. As a result, the Company is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus/right shares in respect thereof.

Prosperity and Beyond

Name of company	2009			2008		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		-----Rupees-----			-----Rupees-----	
Oil and Gas Exploration Companies						
Oil and Gas Development Company Limited	-	-	-	10,761	1,536,671	537,942
Pakistan oilfields Limited	-	-	-	7,768	2,199,542	796,142
Pakistan Petroleum Limited	238,440	32,652,927	45,205,840	3,872	802,880	389,601
	238,440	32,652,927	45,205,840	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 Cooperation Limited	-	-	-	3,492	32,369	234,593
Pakistan Engineering Company Limited	43,776	364,738	13,132,800	43,776	364,738	8,459,274
	43,776	364,738	13,132,800	204,037	2,324,351	13,893,091
Automobile Assembler						
Ghandhara Industries Limited	173,658	1,248,601	1,248,601	173,658	1,644,988	4,515,108
Pak Suzuki Motor Company Limited	-	-	-	1,134	14,780	90,278
	173,658	1,248,601	1,248,601	174,792	1,659,768	4,605,386
Automobile Parts & Accessories						
Dewan Automotive Engineering Limited	52,333	39,249	39,250	52,333	299,630	26,167
Transport						
Pakistan International Airlines Corporation "A" Class Shares	2,497,778	6,519,200	6,519,201	2,497,778	9,875,646	8,767,201
Technology and Communication						
Pakistan Telecommunication Company Limited	-	-	-	438,246	6,957,078	7,401,975
Worldcall Telecom Limited	3,672	13,586	13,586	3,672	46,634	10,906
	3,672	13,586	13,586	441,918	7,003,712	7,412,881
Fertilizer						
Fauji Fertilizer Bin Qasim Limited	20,035	452,878	523,515	20,035	559,978	258,452
Fauji Fertilizer Company Limited	-	-	-	71,246	8,478,274	4,184,278
	20,035	452,878	523,515	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	140,745	1,100	154,000	124,102
ICI Pakistan Limited	461,800	53,494,880	77,808,682	864,276	102,306,432	59,384,404
Pakistan PTA Limited	1,426,324	4,447,611	11,168,117	2,365,949	10,620,633	3,761,859
Sardar Chemical Industries	500	950	950	500	10,000	1,875
	1,889,724	58,097,441	89,118,494	3,231,825	113,091,065	63,272,240
Paper and Board						
Packages Limited	821,714	118,326,816	118,326,816	821,714	246,495,386	66,714,960
Security Papers Limited	644,924	195,915	31,020,844	918,429	279,000	52,276,979
	1,466,638	118,522,731	149,347,660	1,740,143	246,774,386	118,991,939
Vanaspati & Allied Industries						
Universal Oil Mills	30,000	262,500	240,000	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	31,500	31,500	5,250	53,787	52,500
	91,907,377	1,037,873,142	1,705,754,836	116,645,265	1,792,319,735	1,459,777,507

19.2 The Company holds 51,328,425 NIT units (2008: 51,328,425 units). The cost ranges from Rs. 53.95 to Rs. 54.50 per unit. The units repurchase price as at December 31, 2009 was Rs. 30.45 per unit.

19.2.1 Market value of quoted available-for-sale investments (listed shares and NIT units) is Rs. 3,512 (2008: Rs. 2,658) million.

19.2.2 During the year, the company has write-off impairment loss of Rs. 1,402,427,326 after taking account the effect of price movement during each quarter on available-for-sale investments as required by SECP Circular No. 3/2009 dated February 16, 2009.

19.3 Investment in unlisted companies

Cost of investment in unlisted companies
Less: Provision for diminution in value
Balance brought forward from last year
Provision (reversed)/made during the year

Note	2009	2008
	Rupees	Rupees
19.3.1	2,608,105	2,608,105
	1,990,492	1,990,492
	-	-
	1,990,492	1,990,492
	617,613	617,613

19.3.1 Cost of investment in unlisted companies

Name of company

Banks

Industrial Development Bank of Pakistan
(Break-up value is Rs. Nil per share based on financial statements for the year ended June 30, 2009)
Chairman/Managing Director: Jamal Nasim

State Bank of Pakistan
(Break-up value is Rs. 398,900 per share based on financial statements for the year ended June 30, 2009)
Governor: Saleem Raza

Mutual Funds

National Investment Trust Limited
(Break-up value is Rs. 10,498 per share based on financial statements for the year ended June 30, 2009)
Managing Director & Chairman: Mr. Tariq Iqbal Khan

Insurance

Indus Assurance Limited

Cotton and Textile

Afsar Textile Mill
Kohinoor Cotton Mill Limited

Chemical

Synthetic Chemical Limited

Vanaspati and Allied Industries

Burma Oil Limited
Burma Soap Limited

Miscellaneous

Arag Industries Limited

	2009	
	Number of shares / certificates	Book Value Rupees
	6,213	618,227
	4,900	517,614
	11,113	1,135,841
	79,200	100,000
	25,000	250,000
	1,000	9,950
	22,397	219,801
	20,000	200,000
	861	6,470
	64	640
	133,333	685,403
	202,655	1,372,264
19.3.2	292,968	2,608,105

Prosperity and Beyond

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	2009	2008
							Carrying value -----Rupees-----	
	Defence Saving Certificates	10 Years	40,000,000	March 16, 2010	On maturity	15.01%	157,654,953	418,733,328

19.4.1 Market value of Defence Saving Certificates is Rs. 140.8 (2008: Rs. 391.6) million.

19.5	Pakistan Investment Bonds	Tenure	Face value	Maturity date	Profit repayment frequency	Coupon rate	2009	2008
							Carrying value -----Rupees-----	
	Pakistan Investment Bonds	3 to 10 Years	1,000,990,000	September 3, 2012 to August 30, 2018	Semi-annually	8% to 12%	988,840,566	491,126,397

19.5.1 Pakistan Investment bonds having face value of Rs. 300 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. 1,019.87 (2008: 412.57) million.

19.6	Treasury bills	Tenure	Face value	Maturity date	Profit repayment frequency	Effective interest rate	2009	2008
							Carrying value -----Rupees-----	
	Treasury bills	1 year	1,150,000,000	February 11, 2010 to September 30, 2010	On maturity	9.00%	1,112,568,013	-

19.7 Investment in listed companies - held-for-trading

Cost of investment in listed companies

2009	2008
Rupees	Rupees
253,090,305	-

Less: Provision for diminution in value
Balance brought forward from last year
Provision (reversed) / made during the year

-	-
9,880,015	-
9,880,015	-
243,210,290	-

19.7.1

19.7.1 Book values and market values of investment in listed companies classified as held-for-trading are:

Name of company	2009			Number of shares	2008	
	Number of shares	Book value	Market value		Book value	Market value
		-----Rupees-----			-----Rupees-----	
Cement						
Attock Cement Limited	193,200	13,155,198	10,046,400	-	-	-
Commercial Banks						
National Bank of Pakistan	1,840,105	142,328,975	136,852,490	-	-	-
Power Generation and Distribution						
The Hubpower Company Limited	160,000	4,895,874	4,972,800	-	-	-
Oil and Gas Exploration Companies						
Oil and Gas Development Company Limited	70,000	7,404,257	7,742,700	-	-	-
Technology and Communication						
Pakistan Telecommunication Company Limited	490,000	9,223,645	8,648,500	-	-	-
Fertilizer						
Fauji Fertilizer Company Limited	300,000	30,263,880	30,879,000	-	-	-
Chemicals						
ICI Pakistan Limited	235,000	40,671,450	39,583,400	-	-	-
Engro Polymer and Chemicals Limited	250,000	5,147,026	4,485,000	-	-	-
	485,000	45,818,476	44,068,400			
	3,538,305	253,090,305	243,210,290			

20 INVESTMENT PROPERTIES

	2009									
	C O S T				Depreciation			December 31, 2009	Book value	Rate (%)
	As at January 01, 2009	Addition / (Disposal)	Transfer in / Transfer out	As at December 31, 2009	As at January 01, 2009	Transfer in / (Transfer out)	For the year / (disposal)			
	Rupees									
PRC Building -Karachi	150,302	-	-	150,302	45,338	-	5,248	50,586	99,716	5
Lease hold land	572,406	-	-	572,406	-	-	-	-	572,406	-
Building	89,151,323	-	-	89,151,323	45,053,036	-	2,204,914	47,257,950	41,893,373	5
Electrical installation	18,995,068	-	-	18,995,068	18,152,247	-	168,564	18,320,811	674,257	20
Air conditioning	26,556,830	-	-	26,556,830	25,356,980	-	239,970	25,596,950	959,880	20
Lift	21,085,825	-	-	21,085,825	20,150,864	-	186,992	20,337,856	747,969	20
	156,511,754	-	-	156,511,754	108,758,465	-	2,805,688	111,564,153	44,947,601	

	2008									
	C O S T				Depreciation			December 31, 2008	Book value	Rate (%)
	As at January 01, 2008	Addition / (Disposal)	Transfer in / Transfer out	As at December 31, 2008	As at January 01, 2008	Transfer in / (Transfer out)	For the year / (disposal)			
	Rupees									
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
	156,511,754	-	-	156,511,754	105,687,572	-	3,070,893	108,758,465	47,753,289	

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.

The market value of the investment properties is Rs. 854.84 million, as per valuation carried out by an independent valuer in 2009.

21 DEFERRED TAXATION

	Note	2009 Rupees	2008 Rupees
Provision for doubtful debts		429,619,410	433,315,940
Accelerated depreciation		1,493,888	-
		431,113,298	433,315,940
Tax rate		35%	35%
		150,889,654	151,660,579

22 AMOUNT DUE FROM OTHER PERSONS AND BODIES CARRYING ON INSURANCE BUSINESS

		2009 Rupees	2008 Rupees
Amount due from other persons and bodies carrying on insurance business	22.1	2,395,718,017	1,925,015,089
Provision for doubtful balances		(386,000,000)	(386,000,000)
		2,009,718,017	1,539,015,089

22.1 This includes Rs. 1,165,558,744 (2008: Rs. 1,032,017,018) due from related parties.

22.2 During the year, management has carried out an exercise of reconciliations for parties representing due from balance of Rs. 982.236 million and due to (note 13) balance of Rs. 340.079 million. These reconciliations highlighted unresolved net differences of Rs. 642.013 million.

Prosperity and Beyond

		2009	2008	
		Rupees	Rupees	
23	PREMIUM AND CLAIMS RESERVES RETAINED BY CEDANTS			
	Premium reserve withheld by ceding companies	12,895,777	20,268,932	
	Losses reserve withheld by ceding companies	36,932,810	41,053,516	
	Cash losses paid to ceding companies	12,063,366	1,499,885	
	Provision for doubtful deposits	(17,000,000)	(17,000,000)	
		<u>44,891,953</u>	<u>45,822,333</u>	
23.1	This represents the retention of deposits by the ceding companies from the total amount ceded by them to the Company.			
24	ACCRUED INVESTMENT INCOME	Note		
		Rupees	Rupees	
	Dividend receivable	2,707,577	9,990,557	
	Interest accrued	36,754,662	12,607,070	
	Accrued rental income	28,552,851	32,001,168	
		<u>68,015,090</u>	<u>54,598,794</u>	
	Provision for dividend receivable	(1,997,534)	(1,997,534)	
		<u>66,017,556</u>	<u>52,601,260</u>	
25	SUNDRY RECEIVABLES			
	Gratuity fund	37.1.1	182,000	211,000
	Export Credit Guarantee Schemes	25.1	56,142,435	56,964,435
	Receivable against National Co-insurance Scheme		4,939,471	4,939,470
	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 Organization (ECO) Reinsurance Pool		28,098,371	23,485,389
	Employees Provident Fund		5,333,870	5,333,870
	Others		1,711,860	1,340,744
	Advances		8,206,621	3,605,240
	Security deposits		2,709,514	2,632,334
	Receivable from Investment Corporation of Pakistan		4,565,000	4,565,000
	Government Provident Fund		34,578	213,633
	Employees General Provident Fund		2,076,417	6,459,937
	Employees Pension Fund	37.1.1	156,832,000	79,043,000
	Officers Pension fund		-	26,260,000
	Employees Welfare Fund		1,247,918	-
			<u>290,345,882</u>	<u>233,319,879</u>
	Provision for doubtful debts		(24,621,876)	(28,318,406)
			<u>265,724,006</u>	<u>205,001,473</u>

- 25.1** 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 (ECGS) 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 August 21, 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 ADRC therefore concluded that they would refer the matter to the FBR for providing a legal expert to the ADRC or to re-constitute the ADRC by including therein the legal expert who can interpret and decide on the applicability of the Article 165A of the Constitution of Pakistan in this case.

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

26	PREPAYMENTS	Note	2009	2008
			Rupees	Rupees
	Prepaid reinsurance ceded	26.1	2,067,799,634	1,834,148,187
	Others		2,807,827	99,500
			2,070,607,461	1,834,247,687
26.1	Facultative business			
	Fire		156,030,173	132,904,991
	Marine cargo		-	2,203,512
	Aviation		1,255,900,538	1,027,041,783
	Engineering		436,624,753	329,535,667
			1,848,555,464	1,491,685,953
	Treaty		219,244,170	342,462,234
			2,067,799,634	1,834,148,187

27 FIXED ASSETS

Particulars	2009									
	C O S T				Depreciation				Book value December 31, 2009	Rate (%)
	As at January 01, 2009	Additions	Disposal / Transfer	As at December 31, 2009	As at January 01, 2009	For the year	Disposal / Transfer	December 31, 2009		
Rupees										
Tangible										
PRC House - Karachi	2,693,186	-	-	2,693,186	812,434	94,038	-	906,472	1,786,714	5
Lift (fully depreciated)	146	-	-	146	-	-	-	-	146	20
	2,693,332	-	-	2,693,332	812,434	94,038	-	906,472	1,786,860	
PRC Towers										
Leasehold land	223,622	-	-	223,622	-	-	-	-	223,622	-
Building	36,403,250	-	-	36,403,250	17,631,809	938,572	-	18,570,381	17,832,869	5
Electrical installation	7,502,125	324,048	-	7,826,173	7,115,407	115,484	-	7,230,891	595,282	20
Air conditioning plant	11,279,866	967,886	-	12,247,752	10,058,654	400,626	-	10,459,280	1,788,472	20
Lift	8,237,624	-	-	8,237,624	7,872,362	73,052	-	7,945,414	292,210	20
	63,646,487	1,291,934	-	64,938,421	42,678,232	1,527,734	-	44,205,966	20,732,455	
Furniture and fixture	10,083,480	517,170	-	10,600,650	8,847,298	158,964	-	9,006,262	1,594,388	10
Office equipment	2,746,035	1,069,017	-	3,815,052	947,570	356,446	-	1,304,016	2,511,036	15
	12,829,515	1,586,187	-	14,415,702	9,794,868	515,410	-	10,310,278	4,105,424	
Motor vehicles	9,891,920	10,519,160	3,273,000	17,138,080	6,189,990	2,123,002	2,833,748	5,479,244	11,658,836	20
Books	268,830	52,624	-	321,454	43,010	24,973	-	67,983	253,471	10
Computers	12,831,593	1,549,399	-	14,380,992	1,974,457	2,278,430	-	4,252,887	10,128,105	20
	22,992,343	12,121,183	3,273,000	31,840,526	8,207,457	4,426,405	2,833,748	9,800,114	22,040,412	
	102,161,677	14,999,304	3,273,000	113,887,981	61,492,991	6,563,587	2,833,748	65,222,830	48,665,151	

Particulars	2008									
	C O S T				Depreciation				Book value December 31, 2009	Rate (%)
	As at January 01, 2009	Addition	Disposal / Transfer	As at December 31, 2009	As at January 01, 2009	For the year	Disposal / Transfer	December 31, 2009		
Rupees										
Tangible										
PRC House - Karachi	2,693,186	-	-	2,693,186	713,447	98,987	-	812,434	1,880,752	5
Lift (fully depreciated)	146	-	-	146	-	-	-	-	146	20
	2,693,332	-	-	2,693,332	713,447	98,987	-	812,434	1,880,898	
PRC Towers										
Leasehold land	223,622	-	-	223,622	-	-	-	-	223,622	-
Building	34,828,850	1,574,400	-	36,403,250	16,662,819	968,990	-	17,631,809	18,771,441	5
Electrical installation	7,502,125	-	-	7,502,125	7,018,728	96,679	-	7,115,407	386,718	20
Air conditioning plant	10,379,488	900,378	-	11,279,866	9,790,867	267,787	-	10,058,654	1,221,212	20
Lift	8,237,624	-	-	8,237,624	7,781,046	91,316	-	7,872,362	365,262	20
	61,171,709	2,474,778	-	63,646,487	41,253,460	1,424,772	-	42,678,232	20,968,255	
Furniture and fixture	9,618,883	474,506	9,909	10,083,480	8,727,254	120,044	-	8,847,298	1,236,182	10
Office equipment	1,624,180	1,121,855	-	2,746,035	773,201	174,369	-	947,570	1,798,465	15
	11,243,063	1,596,361	9,909	12,829,515	9,500,455	294,413	-	9,794,868	3,034,647	
Motor vehicles	11,478,412	34,200	1,620,692	9,891,920	6,822,578	926,881	1,559,469	6,189,990	3,701,930	20
Books	136,974	132,331	475	268,830	26,542	16,468	-	43,010	225,820	10
Computers	3,494,026	9,337,567	-	12,831,593	1,196,772	777,685	-	1,974,457	10,857,136	20
	15,109,412	9,504,098	1,621,167	22,992,343	8,045,892	1,721,034	1,559,469	8,207,457	14,784,886	
	90,217,516	13,575,237	1,631,076	102,161,677	59,513,254	3,539,206	1,559,469	61,492,991	40,668,686	

27.1 Disposal of fixed assets

Particulars of the assets	Sold to Outsiders	Cost	Accumulated Depreciation	Book value	Sale proceeds	Mode of disposal
2009						
Toyota corolla GA 0873	Muhammad Arif	675,000	650,128	24,872	380,000	Tender
Suzuki Margalla GA 089	Syed Zia Hyder Kazmi	499,000	480,612	18,388	205,000	Tender
Suzuki Khyber GA 0913	Umer Shah	344,000	331,393	12,607	125,000	Tender
Suzuki Cultus GA 9496	Rawa Jan	585,000	457,205	127,795	250,000	Tender
Suzuki Cultus GA 9497	Muhammad Zubair	585,000	457,205	127,795	345,000	Tender
Suzuki Cultus GA 9498	Khurram Ayub	585,000	457,205	127,795	313,000	Tender
		3,273,000	2,833,748	439,252	1,618,000	
2008						
Nissan Sunny GA 0267	Ahmed Jan	353,000	346,820	6,180	116,000	Tender
Nissan Sunny GA 0737	Ahmed Jan	633,846	605,896	27,950	119,000	Tender
Nissan Sunny GA 0772	Ahmed Jan	633,846	606,753	27,093	121,000	Tender
Other assets with book value of less than Rs. 50,000	Muhammad Nasir	10,384	-	10,384	17,800	Negotiation
		1,631,076	1,559,469	71,607	373,800	

**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
- Furniture and fixtures

Investments - Stock and shares
- Debentures

Less: Liabilities for outstanding claims
Other liabilities

Less: Provision for loss on net assets in Bangladesh

	2009	2008
Note	Rupees	Rupees
	8,608,000	8,608,000
	4,000	4,000
	8,612,000	8,612,000
	7,112,000	7,112,000
	250,000	250,000
	7,362,000	7,362,000
	15,974,000	15,974,000
8	4,952,000	4,952,000
	809,000	809,000
	5,761,000	5,761,000
	10,213,000	10,213,000
	10,213,000	10,213,000
	-	-

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

Retirement benefits

- Pension

Officer

Staff

- Medical

- Gratuity

- Compensated absences

Travelling and conveyance

Entertainment

Subscription and membership

Legal fee

Communication expense

Insurance

Utilities

Printing and stationery

Repairs and renewal

Medical expenses

Rent, rates, and taxes

Computer related expenses

Consultancy/ Professional service charges

Newspapers and periodicals

Others

Transfer of assets to pension fund

Expense allocated to rental income

Expense allocated to investment income

	2009	2008
Note	Rupees	Rupees
	158,686,631	126,813,777
	63,156,000	20,593,253
	(30,951,000)	52,151,189
	29,379,694	18,776,000
	49,000	(31,203,432)
	8,205,266	11,180,894
	6,638,709	7,955,335
	3,064,223	2,526,228
	264,942	215,158
	950,100	862,924
	2,446,231	534,319
	3,684,430	891,370
	23,543,119	27,726,521
	1,497,891	825,802
	2,258,386	1,557,291
	9,879,704	7,310,507
	2,100,217	1,371,618
	899,525	1,776,887
	3,032,394	1,092,917
	2,043,102	1,689,118
	2,087,830	3,130,652
	292,916,394	257,778,328
	(52,213,809)	-
30	(5,746,942)	(4,765,623)
	(3,545,552)	(2,921,697)
	231,410,090	250,091,008

Prosperity and Beyond

30	RENTAL INCOME - net		2009	2008
		Note	Rupees	Rupees
	Rental income		60,412,168	53,101,543
	Investment property related expenditure	29	(5,746,942)	(4,765,623)
			<u>54,665,226</u>	<u>48,335,920</u>
	The rental income represents income from letting out of PRC Towers.			
31	OTHER INCOME		2009	2008
		Note	Rupees	Rupees
	Interest on deposits held by ceding companies		2,696,543	3,329,584
	Interest on loans		30,841	17,430
	Management fee - ECO Reinsurance Pool		-	8,942,930
	Miscellaneous income		1,220,543	2,141,561
	Provision written back		44,230,139	-
			<u>48,178,066</u>	<u>14,431,505</u>
32	GENERAL AND ADMINISTRATION EXPENSES			
	Depreciation			
	Investment property	20	2,805,688	3,070,893
	Fixed assets	27	6,563,587	3,539,206
	Directors' meetings expenses		1,449,397	1,801,110
	Auditors' remuneration	32.1	690,000	690,000
	Advertisement and business promotion		3,060,876	1,099,061
	Training and research		88,118	1,302,541
	Mark-up / Interest		210,881	281,676
	Donation	32.2	2,525,000	50,000
	Repairs and maintenance		8,010,119	9,594,354
	Bonus shares issue expenses		-	12,221,435
	Shares transaction costs		7,283,821	2,887,454
	Others		2,520,748	1,929,070
			<u>35,208,235</u>	<u>38,466,800</u>
32.1	Auditors' remuneration			
	Audit fee	32.1.1	600,000	600,000
	Out of pocket expenses		60,000	60,000
	Other certifications		30,000	30,000
			<u>690,000</u>	<u>690,000</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 INCOME TAX EXPENSE

Tax provision for current year of Rs. 47.598 million has been made on the basis of minimum tax on turnover u/s 113 of 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. The company has filed tax returns upto tax year 2009 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 August 21, 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 25.1.

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.

	2009	2008
	Rupees	Rupees
33.1 Provision for taxation		
Current	47,598,650	252,774,828
Deferred	770,925	-
	<u>48,369,575</u>	<u>252,774,828</u>
33.2 Relationship between tax expenses and accounting profit		
Profit before tax	318,280,445	1,138,999,867
Tax at the applicable rate of 35%	111,398,156	398,649,954
Permanent differences - Capital gain	(140,794,129)	(472,500)
Tax effect of temporary differences on which deferred tax asset has been recognized	770,925	-
Tax effect of expenses that are not deductible in determining the taxable profit	22,024,796	-
Tax effect of dividend income taxed at lower rate	(76,844,210)	(133,613,672)
Tax effect of property income being taxed separately	(27,150,476)	(12,048,980)
Tax effect of (income) / loss that are deductible in determining the taxable profit	(17,126,167)	-
Minimum tax at the rate of 0.5% of turnover	(10,854,749)	-
Others	187,006,768	260,026
Charge for the year	<u>48,430,914</u>	<u>252,774,828</u>

Prosperity and Beyond**34 EARNINGS PER SHARE - basic and diluted**

	2009	2008
	Rupees	Rupees
Profit after tax for the year	269,910,870	886,225,039
-----Numbers-----		
Weighted average number of ordinary shares	300,000,000	300,000,000
Earnings per share	0.90	2.95

There were no convertible dilutive potential shares outstanding on December 31, 2009.

35 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**35.1 Financial risk management objectives and policies**

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

35.2 Credit risk and concentration of credit risk

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

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the Company's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

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

	Note	2009	2008
		(Rupees in '000)	
Bank deposits	17	1,833,581	2,836,591,017
Loans to employees	18	53,667,662	53,006,109
Investments	19	5,481,883,357	5,458,934,939
Amount due from other insurers / reinsurers	22	2,009,718	1,539,015
Premium and claim reserves retained by cedants	23	44,891,953	45,822,333
Accrued investment income	24	66,018	52,601
Reinsurance recoveries against outstanding claims		743,391	1,421,175
Sundry receivables	25	265,724	205,001
		5,585,361,404	8,397,572,191

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

The age analysis of receivables is as follows:

	2009	2008
	(Rupees in '000)	
Upto 1 year	1,695,466	1,102,817
1 - 2 years	382,152	511,201
2 - 3 years	45,748	25,122
Over 3 years	272,349	285,875
	2,395,715	1,925,015

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

	Rating			2009	2008
	Short term	Long term	Rating agency		
				(Rupees in '000)	
National Bank of Pakistan	A1+	AAA	JCR-VIS	584,329	810,195
Bank Al-Habib Limited	A1+	AA+	PACRA	1,187,727	1,270,846
United National Bank Limited - London	A1+	AA+	JCR-VIS	3,544	2,953
Atlas Bank Limited	A2	A-	PACRA	6,281	5,897
Muslim Commercial Bank Limited	A1+	AA+	PACRA	1,700	301,700
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	200,000
Bank Al-Falah Limited	A1+	AA	PACRA	-	245,000
Dubai Islamic Bank	A-1	A	JCR-VIS	50,000	-
				1,833,581	2,836,591

35.3 Liquidity risk

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

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

	2009			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	----- Rupees in '000 -----			
Financial liabilities				
Provision for outstanding claims	586,554	-	586,554	-
Long term deposits	18,574	-	-	18,574
Amount due to other persons and bodies carrying on insurance business	1,271,082	-	1,271,082	-
Premium and claim reserves retained from retrocessionaires	44,558	-	44,558	-
Other creditors and accruals	48,903	-	48,903	-
Accrued expenses	4,821	-	4,821	-
Retention money payable	6,415	-	6,415	-
Dividend payable	11,707	-	11,707	-
Surplus profit payable	1,213	-	1,213	-
	1,993,827	-	1,975,253	18,574

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	2008			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	----- Rupees in '000 -----			
Financial liabilities				
Provision for outstanding claims	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	35,884	-	35,884	-
Other creditors and accruals	63,214	-	63,214	-
Accrued expenses	2,153	-	2,153	-
Retention money payable	6,413	-	6,413	-
Dividend payable	4,625	-	4,625	-
Surplus profit payable	1,214	-	1,214	-
	<u>2,256,808</u>	<u>-</u>	<u>2,238,316</u>	<u>18,492</u>

35.4 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, 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.

Sensitivity analysis

The table below summarizes Company's equity price risk as of December 31, 2009 and 2008 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in company's equity investment portfolio because of the nature of equity markets.

	Hypothetical price change	Fair value	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase / (decrease) in profit / (loss) before tax
		----- Rupees in '000 -----			
December 31, 2009	10% increase	1,948,986	2,143,885	-	194,899
	10% decrease		1,754,087	-	(194,899)
December 31, 2008	10% increase	2,658,000	2,923,800	-	265,800
	10% decrease		2,392,200	-	(265,800)

35.5 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for equity and debt instruments held whose fair values have been disclosed in their respective notes to these financial statements.

35.6 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:

	2009					None interest / mark-up bearing financial instruments	Total
	Effective rate % per annum	Interest / mark-up bearing financial instruments			Sub total		
		Maturity upto one year	Maturity over one year to five years	Maturity more than five years			
-----Rupees in '000-----							
Financial assets							
Cash and bank deposits	5% - 13.5%	1,833,581			1,833,581	65	1,833,646
Loans to employees	10%	90	191	-	281	53,387	53,668
Investment	8% - 15.97%	1,270,398	312,738	676,102	2,259,238	3,222,645	5,481,883
Amount due from other persons and bodies carrying on Insurance business		-	-	-	-	2,009,718	2,009,718
Premium and claim reserves retained by cedants	3%	44,892	-	-	44,892	-	44,892
Accrued investment income		-	-	-	-	66,018	66,018
Sundry receivables		-	-	-	-	265,724	265,724
Total		3,148,961	312,929	676,102	4,137,992	5,617,557	9,755,549
Financial liabilities							
Provision for outstanding claims - net		-	-	-	-	586,554	586,554
Long term deposits		-	-	-	-	18,574	18,574
Amount due to other persons and bodies carrying on insurance business		-	-	-	-	1,271,082	1,271,082
Premium and claim reserves retained from retrocessionaires	3.5%	44,558	-	-	44,558	-	44,558
Other creditors and accruals		-	-	-	-	48,903	48,903
Accrued expenses		-	-	-	-	4,821	4,821
Retention money payable		-	-	-	-	6,415	6,415
Dividend payable		-	-	-	-	11,707	11,707
Surplus profit payable		-	-	-	-	1,213	1,213
Total		44,558	-	-	44,558	1,949,269	1,993,827
Interest risk sensitivity gap		3,104,403	312,929	676,102	4,093,434		
Cumulative interest risk sensitivity gap		3,104,403	3,417,332	4,093,434			

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	2008						Total
	Effective rate % per annum	Interest / mark-up bearing financial instruments				None interest / mark-up bearing financial instruments	
		Maturity upto one year	Maturity over one year to five years	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 to employees	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		-	-	-	-	205,001	205,001
Total		3,365,535	137,292	289,806	3,792,633	6,398,378	10,191,011
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	3.5%	35,884	-	-	35,884	-	35,884
Other creditors and accruals		-	-	-	-	63,214	63,214
Accrued expenses		-	-	-	-	2,153	2,153
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	2,220,924	2,256,808
Interest 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			

Sensitivity analysis

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

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

	Profit and loss 100 bps	
	Increase	Decrease
	(Rupees in '000)	
As at December 31, 2009		
Cash flow sensitivity - Variable Rate Financial Liabilities	425	(425)
Cash flow sensitivity - Variable Rate Financial Assets	39,963	(39,963)
As at December 31, 2008		
Cash flow sensitivity - Variable Rate Financial Liabilities	1,428	(1,428)
Cash flow sensitivity - Variable Rate Financial Assets	35,318	(35,318)

35.7 Foreign currency risk

Foreign currency risk is the risk that the value of financial instrument will fluctuate due to change in foreign exchange rates. The management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the company does not hedge its foreign currency exposure.

35.8 Insurance risk

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

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

Frequency and severity of claims

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

The concentration of risk by type of contracts is summarized below by reference to liabilities.

	Gross sum insured		Reinsurance		Net	
	2009	2008	2009	2008	2009	2008
	-----Rupees in millions-----					
Fire	403,235	347,637	88,620	127,807	314,615	219,830
Marine cargo	26,073	11,221	4,700	2,962	21,373	8,259
Marine hull	6,870	7,462	-	-	6,870	7,462
Accident	3,513	6,112	-	-	3,513	6,112
Aviation	113,346	55,382	-	-	113,346	55,382
Engineering	540,721	395,367	291,335	307,764	249,386	87,603
	<u>1,093,758</u>	<u>823,181</u>	<u>384,655</u>	<u>438,533</u>	<u>709,103</u>	<u>384,648</u>

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

Uncertainty in the estimation of future claims payment

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

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

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

Key assumptions

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

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

Class	Assumed net	Assumed net loss
	loss ratio	ratio
	2009	2008
	%	%
Fire	96%	120%
Marine cargo	65%	65%
Marine hull	25%	36%
Accident	81%	93%
Aviation	43%	45%
Engineering	69%	52%

Sensitivity analysis

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

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

	Pre tax profit		Shareholders' equity	
	2009	2008	2009	2008
	Rupees in '000		Rupees in '000	
10% increase in loss	(90,480)	(96,169)	(58,812)	(62,510)
10% decrease in loss	90,480	96,169	58,812	62,510

35.9 Claims development

The development of claims against insurance contracts issued is not disclosed as uncertainty about the amount and timing of claim settlement is usually resolved within one year.

35.10 Reinsurance arrangements

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.

An analysis of all reinsurance assets recognized by the rating of the entity from which it is due are as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2009	2008
-----Rupees in '000 -----					
A or above	1,784,768	743,391	2,067,800	4,595,959	4,586,113
BBB	20,745	-	-	20,745	17,376
Others	590,205	-	-	590,205	576,849
Total	<u>2,395,718</u>	<u>743,391</u>	<u>2,067,800</u>	<u>5,206,909</u>	<u>5,180,338</u>

36 Capital management

Capital requirements are set and regulated by Securities and Exchange Commission of Pakistan (SECP). These requirements are put in place to ensure sufficient solvency margins. Further, objective set by the company to maintain a strong credit rating and healthy capital ratios in order to support business objectives and maximize shareholders value.

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 complies the externally imposed capital requirements during the reported financial year and no change were made to it's objectives, policies and procedures from the previous year.

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 December 31, 2009.

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 December 31, 2009.

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.

37.1.1 Reconciliation of payable to / (receivable) from defined benefit plan	Note	Pension		Gratuity	Medical	Compensated absences	2009 Total	2008
		Officer	Employees					
-----Rupees in millions-----								
Present value of defined benefit obligation	37.1.3	214.500	206.653	0.358	117.046	39.111	577.668	480.486
Fair value of plan assets	37.1.5	(131.745)	(251.131)	(0.404)	-	-	(383.280)	(264.395)
Net actuarial gains / (losses) not recognized		(73.393)	(104.867)	(0.135)	(35.289)	-	(213.684)	(210.914)
Past service cost - Non-vested		(5.344)	(7.487)	-	-	-	(12.831)	(16.039)
	37.1.4	4.018	(156.832)	0.182	81.757	39.111	(32.127)	(10.862)

37.1.2 Charge / (prepaid) for defined benefit plan	Note	Pension		Gratuity	Medical	Compensated absences	2009 Total	2008
		Officer	Employees					
-----Rupees in millions-----								
Current service cost		3.095	5.632	0.014	0.987	1.826	11.554	5.926
Interest cost		21.843	24.908	0.047	15.510	4.960	67.268	36.514
Expected return on plan assets		(15.145)	(29.133)	(0.047)	-	-	(44.325)	(37.081)
Actuarial (gains) / losses recognized		12.546	5.251	0.035	13.495	1.419	32.746	17.741
Past service cost - Vested		40.817	1.872	-	-	-	42.689	61.463
Curtailement Loss		-	(39.481)	-	-	-	(39.481)	(13.065)
Total charge		63.156	(30.951)	0.049	29.992	8.205	70.451	71.498

37.1.3 Reconciliation of the present value of the defined benefit obligations

Present value of obligation as at January 1, 2009	156.018	177.914	0.337	110.787	-	445.056	339.412
Current service cost	3.095	5.632	0.014	0.987	-	9.728	4.956
Interest cost	21.843	24.908	0.047	15.510	-	62.308	33.941
Benefits paid	(21.962)	(5.540)	(0.020)	(7.458)	-	(34.980)	(23.898)
Past service cost - Vested	39.481	(39.481)	-	-	-	-	61.463
Past service cost - Non Vested	-	-	-	-	-	-	16.039
Employee liability transferred from gratuity fund	-	-	-	-	-	-	(34.836)
Actuarial (gain) or loss on obligation (Balancing Figure)	16.025	43.220	(0.020)	(2.780)	-	56.445	47.979
	214.500	206.653	0.358	117.046	-	538.557	445.056

37.1.4 Movement in net liability / (assets) recognized

Opening net liability	(26.260)	(79.043)	(0.211)	59.222	35.430	(10.862)	(56.989)
Expenses recognized	63.156	(30.951)	0.049	29.993	8.205	70.452	71.499
Contributions to the Fund / benefits paid during the year	-	-	-	-	-	-	(1.480)
Payment made on behalf of fund	(21.962)	(5.540)	(0.020)	(7.458)	(4.524)	(39.504)	(23.892)
Assets transferred from Gratuity Fund	(10.916)	(41.298)	-	-	-	(52.214)	-
Closing net liability	4.018	(156.832)	(0.182)	81.757	39.111	(32.128)	(10.862)

37.1.5 Movement in fair value of plan assets

Note	Pension		Gratuity	Medical	Compensated absences	2009 Total	2008
	Officer	Employees					
	-----Rupees in millions-----						
Fair value at the beginning of the year	97.264	166.794	0.337	-	-	264.395	37.814
Expected return on plan assets	15.145	29.133	0.047	-	-	44.325	37.081
Contributions to the Fund	-	-	-	-	-	-	-
Payment made on behalf of fund	21.962	5.540	0.200	-	-	27.702	22.000
Benefits paid	(21.962)	(5.540)	(0.200)	-	-	(27.702)	(22.000)
Assets transferred from	10.916	41.298	-	-	-	52.214	-
Actuarial gain / (loss) on plan assets	8.420	13.906	0.020	-	-	22.346	(143.500)
Fair value at the end of the year	131.745	251.131	0.404	-	-	383.280	(68.605)

37.1.6 Actual return on plan assets

Expected return on plan assets	(15.145)	(29.133)	(0.047)	-	-	(44.325)	(37.081)
Actuarial gain / (loss) on plan assets recognized	(12.546)	(5.251)	(0.035)	-	-	(17.832)	(1.180)
	(27.691)	(34.384)	(0.082)	-	-	(62.157)	(38.261)

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

	Officers' Pension Fund				
	2009	2008	2007	2006	2005
	-----Rupees in millions-----				
Present value of defined benefit obligation	214.500	156.018	124.163	95.959	87.781
Fair value of plan assets	(131.745)	(97.264)	(56.951)	(43.351)	(41.047)
(Surplus) / deficit	82.755	58.754	67.212	52.608	46.734
Experience adjustments on plan liabilities	16.025	19.990	(30.404)	(6.238)	(23.264)
Experience adjustments on plan assets	8.420	(36.588)	9.698	(7.891)	14.522

Prosperity and Beyond

Employees' Pension Fund					
2009	2008	2007	2006	2005	
-----Rupees in millions-----					
Present value of defined benefit obligation	206.653	177.914	91.933	90.353	89.825
Fair value of plan assets	(251.131)	(166.794)	(117.694)	(93.854)	(88.415)
(Surplus) / deficit	(44.478)	11.120	(25.761)	(3.501)	1.410
Experience adjustments on plan liabilities	43.220	16.713	(41.278)	8.869	5.040
Experience adjustments on plan assets	13.906	(43.869)	15.394	(8.482)	8.857

Gratuity Fund					
2009	2008	2007	2006	2005	
-----Rupees in millions-----					
Present value of defined benefit obligation	0.358	0.337	35.385	24.911	22.553
Fair value of plan assets	(0.404)	(0.337)	(196.169)	(153.243)	(146.359)
(Surplus) / deficit	(0.046)	-	(160.784)	(128.332)	(123.806)
Experience adjustments on plan liabilities	(0.020)	(4.726)	(10.880)	(0.866)	(2.283)
Experience adjustments on plan assets	0.020	(63.043)	(29.134)	(8.068)	6.565

	2009		Gratuity	Medical	Compensated absences
	Pension	Employees			
Government securities	-	24.83%	75.51%	-	-
Equity securities	27.86%	17.73%	24.41%	-	-
Others (including cash and bank balances)	72.14%	57.43%	0.08%	-	-
	100.00%	100.00%	100.00%	-	-

Expected contributions to the Funds in the next financial year					
Expected charge for the year ending December 31, 2010	29.627	10.080	0.031	29.360	7.521

	2009		Gratuity	Medical	Compensated absences
	Pension	Employees			
Valuation discount rate	14%	14%	14%	14%	14%
Expected return in plan assets	14%	14%	14%	14%	14%
Salary increase rate	12%	12%	12%	12%	12%
Indexation in pension	8%	8%	8%	8%	8%
Increase in cost of medical benefits	8%	8%	8%	8%	8%
Exposure inflation rate	3%	3%	3%	3%	3%

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.

38 SEGMENT REPORTING

Following are the segment assets, liabilities, revenue and expenses of the Company:

(a) Segment by class of business	2009							
	Fire	Marine cargo	Marine hull	Accident	Aviation	Engineering	Treaty	Total
	-----Rupees in '000-----							
Net premium	370,254	22,870	34,706	52,604	100,251	211,602	1,378,663	2,170,950
Net claims	80,486	1,974	1,244	2,812	25,721	15,122	777,439	904,798
Management expenses	7,968	5,812	1,980	5,312	5,989	5,356	198,994	231,411
Net commission	81,760	4,669	5,553	7,504	(1,109)	3,482	451,384	553,243
Underwriting result	200,040	10,415	25,929	36,976	69,650	187,642	(49,154)	481,498
Segment assets								
Prepaid reinsurance ceded	156,030	-	-	-	1,255,901	436,624	219,244	2,067,799
Deferred commission expense	49,285	719	2,853	11,369	1,569	20,396	215,417	301,608
	205,315	719	2,853	11,369	1,257,470	457,020	434,661	2,369,407
Unallocated corporate assets								10,003,208
Total assets								12,372,615
Segment liabilities								
Provision for unearned premium	342,692	3,076	16,718	63,232	1,389,038	573,255	959,252	3,347,263
Commission income unearned	8,635	-	-	-	1,442	24,046	485	34,608
Provision for outstanding claims	150,095	9,456	12,002	2,584	2,395	44,808	365,213	586,553
	501,422	12,532	28,720	65,816	1,392,875	642,109	1,324,950	3,968,424
Un-allocated corporate liabilities								1,618,536
Total liabilities								5,586,960

(a) Segment by class of business	2008							
	Fire	Marine Cargo	Marine Hull	Accident	Aviation	Engineering	Treaty Compulsory	Total
	-----Rupees in '000-----							
Net premium	292,901	37,357	30,760	40,513	63,042	154,203	1,276,799	1,895,575
Net claims	229,071	21,460	4,294	2,701	26,522	118,179	559,465	961,692
Management expenses	6,603	4,045	1,516	4,064	4,098	3,852	225,913	250,091
Net commission	55,942	6,154	4,814	5,404	(282)	(3,163)	408,787	477,656
Underwriting result	1,285	5,698	20,136	28,344	32,704	35,335	82,634	206,136
Segment assets								
Prepaid reinsurance ceded	132,905	2,203	-	-	1,027,042	329,536	342,462	1,834,148
Deferred commission expense	55,565	940	3,413	3,574	1,512	24,059	173,829	262,892
	188,470	3,143	3,413	3,574	1,028,554	353,595	516,291	2,097,040
Unallocated corporate assets								10,431,419
Total assets								12,528,459
Segment liabilities								
Provision for unearned premium	357,297	7,404	21,509	27,412	1,097,006	467,649	740,736	2,719,013
Commission income unearned	4,397	165	-	-	1,862	18,254	4,290	28,968
Provision for outstanding claims	254,997	14,068	10,582	6,792	5,276	47,324	547,932	886,971
	616,691	21,637	32,091	34,204	1,104,144	533,227	1,292,958	3,634,952
Un-allocated corporate liabilities								1,627,763
Total liabilities								5,262,715

(b) Geographical segment

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

Locations	2009		2008	
	Lahore	Karachi	Lahore	Karachi
	-----Rupees-----			
Revenue - net premium	374,418,356	1,796,531,468	252,101,268	1,643,473,316
Total assets	616,377	12,371,823,781	523,257	12,527,935,920
Total liabilities	143,343,718	5,443,616,435	110,764,723	5,151,950,064

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:

	2009	2008
	(Rupees in '000)	
Balance at the beginning	68,700,807	144,691,259
Insurance premium written during the year	454,185,680	658,428,247
Premium received	(394,820,134)	(695,996,095)
Balance at the end	128,066,353	107,123,411
Insurance commission paid	34,254,842	26,896,462
Insurance claims paid	748,587,542	696,846,384
Premium (paid) / claims received - net	(2,433)	(18,796)
Insurance commission received	(810)	58,872
Insurance claims received	(752,806)	(7,102,474)
Dividend income	10,560,000	57,047,553
Contributions / provision for retirement benefit plans	-	17,636,013

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

Profit oriented state-controlled entity

	2009	2008
	Rupees	Rupees
Balance at the beginning	924,893,607	848,903,155
Insurance premium written during the year	2,951,397,620	2,221,264,307
Premium received	(2,838,798,836)	(2,145,273,855)
Balance at the end	1,037,492,391	924,893,607
Insurance claims paid	296,101,170	690,779,131
Insurance commission paid	64,893,200	163,955,844
Premium (paid) / claims received - net	98	4

40 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Total	
	2009	2008	2009	2008	2009	2008
	Rupees in '000					
Managerial remuneration	619,081	546,330	6,374,926	4,374,229	6,994,007	4,920,559
Bonus	159,240	174,002	967,504	948,625	1,126,744	1,122,627
Retirement benefits	151,116	125,905	225,005	213,532	376,121	339,437
House rent	539,335	396,704	2,909,535	3,012,349	3,448,870	3,409,053
Utilities	85,245	92,574	311,320	240,869	396,565	333,443
Medical expenses	53,800	85,300	447,284	600,096	501,084	685,396
Others	558,090	405,973	4,272,939	2,708,495	4,831,029	3,114,468
	2,165,907	1,826,788	15,508,513	12,098,195	17,674,420	13,924,983
Number of persons	1	1	11	12	12	13

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 6th April 2010 have recommended a final cash dividend of Rs. 3.0 per share (2008: Rs. 2.5 per share) for the approval of the members in the Annual General Meeting to be held on 30th April 2010.

42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 6th April 2010 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	Note	Rupees
Other creditors and accruals	Accrued expenses	15	2,153,494
Advances, deposits, and prepaid	Advances	25	3,605,240
	Security deposits	25	2,632,334
	Prepayments	26	99,499
Prepaid reinsurance premium ceded	Prepayments	26	1,834,148,187
Others	Salaries, wages and benefits	29	2,051,375
	Insurance	29	891,370
	Communication	29	534,319
	Entertainment	29	761,554
	Legal fee	29	100,000
	Newspapers and periodicals	29	1,639,118
	Medical expenses	29	89,238

44 GENERAL

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

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Syed Arshad Ali
Director

Pattern of Shareholding

As at 31st December, 2009

No. of Shareholders		No. of Share			Total Shares held
941	From	001	To	100	65,525
2132	From	101	To	500	801,727
1901	From	501	To	1000	1,681,665
2826	From	1001	To	5000	7,344,990
695	From	5001	To	10000	5,325,601
223	From	10001	To	15000	2,809,227
143	From	15001	To	20000	2,610,226
80	From	20001	To	25000	1,869,233
59	From	25001	To	30000	1,652,198
46	From	30001	To	35000	1,530,081
28	From	35001	To	40000	1,077,657
17	From	40001	To	45000	726,177
29	From	45001	To	50000	1,420,259
17	From	50001	To	55000	893,542
13	From	55001	To	60000	771,568
07	From	60001	To	65000	442,749
12	From	65001	To	70000	820,621
12	From	70001	To	75000	877,868
07	From	75001	To	80000	548,061
06	From	80001	To	85000	499,787
07	From	85001	To	90000	619,131
03	From	90001	To	95000	274,273
07	From	95001	To	100000	696,186
04	From	100001	To	105000	406,733
04	From	105001	To	110000	431,166
01	From	110001	To	115000	111,999
03	From	115001	To	120000	357,329
01	From	120001	To	125000	122,900
01	From	125001	To	130000	126,510
03	From	130001	To	135000	399,694
04	From	135001	To	140000	544,840
01	From	140001	To	145000	140,509
05	From	145001	To	150000	739,462
02	From	155001	To	160000	315,999
01	From	160001	To	165000	163,905
01	From	165001	To	170000	166,000
04	From	170001	To	175000	692,919
02	From	175001	To	180000	357,777
01	From	180001	To	185000	182,888
01	From	185001	To	190000	186,054
01	From	190001	To	195000	192,100
02	From	195001	To	200000	399,235
01	From	200001	To	205000	201,000
03	From	205001	To	210000	624,426
02	From	210001	To	215000	426,704
02	From	220001	To	225000	447,599
01	From	235001	To	240000	237,592
02	From	245001	To	250000	495,172
01	From	255001	To	260000	260,000
02	From	260001	To	265000	525,720
01	From	265001	To	270000	267,500
01	From	270001	To	275000	274,799
01	From	285001	To	290000	286,843
01	From	290001	To	295000	294,923
02	From	295001	To	300000	599,999
01	From	305001	To	310000	306,770
01	From	315001	To	320000	319,199
01	From	345001	To	350000	349,500
02	From	365001	To	370000	736,000
01	From	370001	To	375000	372,308
01	From	380001	To	385000	383,999
01	From	390001	To	395000	391,727
01	From	395001	To	400000	395,999

No. of Shareholders		No. of Share		Total Shares held	
01	From	415001	To	420000	419,878
01	From	42500	To	430000	427,904
02	From	460001	To	465000	922,443
01	From	495001	To	500000	500,000
01	From	500001	To	505000	502,000
01	From	510001	To	515000	511,109
01	From	515001	To	520000	515,137
02	From	775001	To	780000	1,557,775
01	From	955001	To	960000	960,000
01	From	985001	To	990000	989,570
01	From	1020001	To	1025000	1,024,000
01	From	2725001	To	2730000	2,728,995
01	From	2795001	To	2800000	2,800,000
01	From	374,5001	To	3750000	3,747,882
01	From	6565001	To	6570000	6,567,200
01	From	73230001	To	7325000	73,232,201
01	From	1529955001	To	15300000	152,999,756
9301					300,000,000

**Categories of Shareholders
as per Code of Corporate Governance**

	Numbers	Share held	Percentage
Directors, Chief Executive Officer and their spouse and minor children	8	440	0
Public Sector and Corporations			
National Bank of Pakistan	1	100,000	0.03
State Life Ins. Corp. of Pakistan	1	73,232,201	24.41
Saudi Pak Invt. Co.	1	1,024,000	0.34
Banks, Development Financial Institution			
Non Banking Financial Institution	9	3,213,488	1.07
Insurance Companies	16	11,324,054	3.77
Modarabas & Mutual Funds	16	853,377	0.28
Shareholders holding 10%			
Government of Pakistan	1	152,999,756	51.00*
General Public			
a) Local	9078	48,191,756	16.06
b) Foreign	3	265,676	0.09
Others			
a) Joint Stock Companies	156	8,313,716	2.77
b) Charitable Trusts	1	223	0.00
c) Miscellaneous (Provident Fund, Pension Funds)	10	481,253	0.16
Total	9301	300,000,000	100.00

* Out of which 12% share transferred to PRCL Employee Empowerment Trust (PEET)

Additional Information regarding PRC Shares as at December 31, 2009

Directors of PRCL Board (Govt. of Pakistan)

S.No	Name	No. of Shares of Rs. 10 /-each	
1	Mrs. Rukhsana Saleem (Chief Executive PRCL)		
2	Mr. Fazal-i-Qadir	55	
3	Syed Arshad All	55	
4	Mr. Abdul Hamid Dagia	55	
5	Mr. Saifuddin N. Zoomkawala	55	
6	Mr. Zafar Iqbal	55	
7	Mr. Sikandar Hayat Jamali	55	
8	Dr. Masooma Hassan	55	
	Total		440

Public Sector Companies

Insurance Companies

1	M/s. Adamjee Insurance Company Ltd.	286,843	
2	M/s. Alpha Insurance Company Ltd.	177,777	
3	M/s. Askari General Insurance Co. Ltd.	16,500	
4	M/s. Atlas Insurance Limited	91,221	
5	M/s. Asia Care Health & Life Insurance Co. Ltd.	32,000	
6	M/s. Crescent Star Insurance Co. Ltd.	8,499	
7	M/s. Cooperative Insurance	779,998	
8	M/s. EFU General Insurance Co. Ltd.	6,567,200	
9	M/s. EFU Life Assurance Co. Ltd.	2,728,995	
10	M/s. Habib Insurance Co. Ltd.	225,000	
11	M/s. Premier Insurance Company Ltd.	262,799	
12	M/s. Reliance Insurance Co. Ltd.	42,222	
13	M/s. Shaheen Insurance Company Ltd.	30,000	
14	M/s. Shaheen Insurance Company Ltd.	30,000	
15	M/s. Saudi Pak Insurance Company Ltd.	25,000	
16	M/s. Silver Star Insurance Co. Ltd.	20,000	
			11,324,054

1	The Secretary/ Ministry of Commerce, Government of Pakistan.	152,999,756	152,999,756
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Public Sector Companies

1	National Bank of Pakistan	100,000	
2	State Life Insurance Corp. of Pakistan	73,232,201	
3	Saudi Pak Inv. Co.	1,024,000	
			74,356,201

Banks, DFIs & NBFIs

1	Silk Bank Limited	25,000	
2	Askari Bank Limited	2,800,000	
3	Bank Al Falah Limited (LES Branch)	45,555	
4	Arif Habib Bank Limited	267,500	
5	Orix Leasing Pakistan Limited	53,600	
6	First Dawood Investment Bank Limited	5,676	
7	Innovative Investment Bank Limited	15,000	
8	Escorts Investment Bank Limited	1,102	
9	Invest Capital Investment Bank Limited	55	
			3,213,488

Modarabas & Mutual Funds

1	First Equity Modaraba	20,000	
2	First Prudential Modaraba	1,000	
3	First Alonoor Modaraba	9,788	
4	First Pak Modaraba	30,000	
5	First Prudential Modaraba	20,000	
6	CDC-Trustee First Dawood Mutual Fund	391,727	
7	CDC-Trustee Faysal Balanced Growth Fund	100,088	
8	CDC - Trustee AKD Index Tracker Fund	19,269	
9	Trustee - UPT A30+ Fund	9,105	
10	FDIBL- NAMCO Balanced Fund	160,000	
11	CDC - Trustee KASB Stock Market Fund	5,000	
12	CDC - Trustee KASB Stock Balanced Fund	5,000	
13	First Capital Mutual Fund Limited	66,000	
14	CDC - Trustee NIT-Equity Market	15,379	
15	CDC - Trustee CROSBY Dragon Fund	21	
16	Pakistan Asian Fund	1,000	
			853,377
9078	General Public - Local	48,191,756	48,191,756
3	General Public - Foreign	265,676	265,676
156	Others - Joint Stock Companies	8,313,776	8,313,776
1	Others - Chairtable Trusts	223	223
12	Other Miscellaneous (Staff Providend Fund Abandoned Properties Organization)	481,253	481,253
9303			300,000,000

Proxy Form

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 10th Annual General Meeting of the Company to be held on Friday the 30th April, 2010 at 11.00 a.m. and at any adjournment thereof.

Signed this _____ day of April, 2010



Signature of Member(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: _____ |
| CNIC or
Passport No. _____ | CNIC 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 confirm to the specimen signature filed with the Company.
5. CDC Shareholders and their proxies are each requested to attach attested photocopy of their Computerized 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 Computerized 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



PAKISTAN REINSURANCE COMPANY LIMITED

PRC Towers, 32-A, Lalazar Drive, M. T. Khan Road, Karachi. P. O. Box 447, Sindh, Pakistan.
website: www.pakre.org.pk **email:** prcl@pakre.org.pk

