



Pakistan Reinsurance Company Limited



# ANNUAL REPORT | 2016

Commitment To Excellence

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## *Vision*

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

## *Mission*

*To provide secure reinsurance capacity and outstanding risk management advice in a profitable manner and to conduct 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.

## **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.

## **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

PRCL is a public sector company under the administrative control of the Ministry of Commerce. The Company is being headed by a Chairman, 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 provides reinsurance protection to the local insurance industry by way of treaty and facultative business as well as managing insurance schemes assigned by the Federal Government of Pakistan.

### PRCL's Role in Economic Development

PRCL plays a significant role in economic development of Pakistan by providing reinsurance capacity to the local insurance industry. Risk sharing and risk transfer mechanism provides confidence amongst the insurers. The effect trickles down to industry and commerce and business activities takes place with "Peace of Mind" that in case of any fortuitous event there will be a cushion to fall back on fostering economic growth.

A local reinsurance support is also beneficial to the economy as local players can retain larger shares within the country plugging the outflow of valuable foreign reserves.

### 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 dated 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 at least 35% of their surplus to PRCL.

PRCL being a progressive entity, always keeps itself engaged by taking part in 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 standard of insurance and reinsurance services in the Region .

PRCL is also one of the pioneering and founding members of (FAIR).

## Fire Department

**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 companies of Pakistan.
- To manage and supervise, treaty portfolios of the insurance industries.
- To assess and process claims and if necessary their recovery from the excess of loss reinsurers' participants.
- To guide and assist its clients in complex reinsurance 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 clients of this department include local insurance companies in Pakistan and also foreign reinsurance brokers/ companies i.e M/s Aon insurance Broker, M.S Marsh, Munich Re, Swiss Re and Wills Faber Al Futtaim 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

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 departments 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 Boats
- Third Party Liability

## Engineering Department

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/Boiler
- 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 Company Limited (PARCO)
  - b) Pak Arab Pipeline Company Limited (PAPCO)
  - c) Kot Addu Power Company Limited (KAPCO)
  - d) Oil & Gas Development Company Limited (OGDC)
- i. Control of wells
  - ii. Qadirpur Gas Plant
  - iii. UCH Gas
  - iv. Sarhad Hydel Power Project
  - v. Chashma Nuclear Power Project

## Accident Department

**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.

## Aviation & Aerospace Department

**The aviation department is a part of PRCL since It's origin. It specializes in the aviation reinsurance arrangement to private insurance companies as well as to NICL. It offers Expertise for the coverage in the following risk areas;**

- Hull (Body of the Aircraft)
- Spares
- Liabilities
- Hull Deductible
- Cargo
- Hi-jacking and terrorism
- Hull and Spares War
- Loss of License /Additional Loss of License
- Personal Accident to Crew
- Personal Accident to Passenger

Above mentioned risks, due covers for the risks are arranged in the International Aviation Market most beneficiary. Out of all the accounts maintained in the Aviation Department, PIA Fleet account is the biggest. It comprises 40 aircrafts at present. Among them are 19 Boeings, 12 Airbuses and 7 ATR 42-500 aircrafts. Following risks are covered by five main reinsurance policies for PIA Fleet:-



- a) Hull All Risks/Spares/Liabilities
- b) Primary Cargo
- c) Hull War
- d) Hull Deductible
- e) AVN 52 E (Extended Coverage endorsement against Hijacking and Terrorism)

## Treaty & Business Development Department

The main function of this department is to provide maximum reinsurance protection to the local insurance companies as highlighted below:-

On receipt of terms, proposals and other required information/data the department analyzes this information for PRC participation in the treaties of the companies. The matter of payment of outstanding dues at the time of treaty renewal is taken up and substantial amount is recovered from the companies before finalizing treaty arrangements. The department recommends acceptance of share in those companies which have generally good payment record.

- After finalization of treaty arrangements, this department perused the treaty agreements in depth and picks up the terms, conditions and important information. On the basis of this information, business-wise statements are prepared and transmitted to all underwriting departments. The underwriting departments book the quarterly business on the basis of the information given in “Master Statement”. The preparation of Master Statement is very important job of Treaty & Business Development Department which contains all the terms / conditions of the treaties of the companies on the basis of which returns are booked / tallied. The department is therefore 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 the department, headed by Executive Director (BD-Re) make frequent visits to insurance companies and hold meetings with their senior officers to sort out problems. As a result of these meetings, PRC’s business results 2015 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 accounts are prepared.
- Correspondence with Ministry of Commerce, SECP, IAP, Pakistan Insurance Institute regarding their references/queries relating to insurance/reinsurance is made by this department.
- In addition to this, the department arranges reinsurance training programs on insurance/reinsurance and other general related matters both for PRC’s employees and local insurance industry. The department also shares the latest development of the developed world for betterment of insurance protection to the insured.
- The department imparted/completed 6 months training program in insurance and reinsurance of two batches each batch contains 20 trainees under Benazir Bhutto Shaheed Youth Development Program (BBSYDP) in collaboration of Sports & Youth Affairs, Government of Sindh.

## 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 individuals 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 rules and regulations. The finance department of PRCL is headed by Chief Financial Officer.

**This department comprises 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 cheque 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.
- 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 during the period.
- 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 confidence by performing independent, 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 installed 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 various operations. Some of the projects that 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:

- Reinsurance Management System
  - > Acceptance System
  - > Retrocession system
- Accounting/Cash & Bank System
- Payroll system
- Loan & Advances System
- PRCL Employee Fund/Pension System
- PAKRE Investment Management System (PIMS)
- Help desk ticketing system

## Reporting

Data Processing department provides following reporting services:

- Customized reporting on management's requirement
- Quarterly reporting for end users
- IT systems & procedure reporting in compliance to auditors

## PRCL Website

- Content Management
- Uploading of accounts, tenders & news

## Internet & Email

IBM Smart Cloud Notes (hybrid solution) is deployed in PRCL that allows email integration between an on-premises server and cloud.

## Hardware & Networking

- Maintaining help desk ticketing system
- Maintaining antivirus & windows updates
- Managing firewall policies
- Preparation of technical and financial analysis for hardware/software
- Maintaining inventory of computers (PCs), printers, toners and computer related accessories
- VPN connectivity for applications (between Head office & Lahore office)

## Management of LAN and intranet infrastructure of PRCL

- Server management (Domain Controller, ISA, Antivirus server, hardware firewall etc.)
- Providing help desk support for hardware problems
- Extending LAN connectivity
- Software license management
- Support for intranet applications & VPN
- Backup of servers & configuration

## Achievements of 2016

- Documentation of security policies and procedures
- Training (IT security awareness)
- Helpdesk portal (Online Ticketing System)
- Deployment of Firewall Security restrictions
- Upgradation of enterprise antivirus
- Deployment of Windows update server

## Future Goals

- Establishing IT disaster recovery & business continuity plan
- Software development of new modules
- Upgradation of server hardware
- Upgradation of database server
- Acquiring business intelligence tools for customized reporting
- Revamping of network infrastructure
- Implementation of security controls
- Upgradation of internet bandwidth

## Corporate Information

### **BOARD OF DIRECTORS OF PRCL**

Mr. Mumtaz Ali Rajper	Chairman Board of Directors
Mr. Muhammad Siddique Memon	CEO / Director
Mr. Taufique Habib	Director
Mr. Abdul Sami Kehar	Director
Syed Arshad Ali	Director
Dr. Kausar Ali Zaidi	Director
Mr. Etrat H. Rizvi	Director
Mr. Shoaib Mir	Director
Mr. Faisal Mumtaz	Director

### **COMPANY SECRETARY**

Mr. Shams-ud-Din

### **AUDIT COMMITTEE**

Mr. Etrat H. Rizvi	Chairman of the Committee
Syed Arshad Ali	Member of the Committee
Dr. Kausar Ali Zaidi	Member of the Committee
Mr. Taufique Habib	Member of the Committee
Mr. Jamil Ahmed, Chief Financial Officer	Member of the Committee
Mr. Muhammad Khurshid, Chief Internal Auditor	Member of the Committee
Mr. Shams-ud-Din, Company Secretary	Secretary of the Committee

### **INVESTMENT COMMITTEE**

Mr. Abdul Sami Kehar	Chairman of the Committee
Mr. Mumtaz Ali Rajper	Member of the Committee
Dr. Kausar Ali Zaidi	Member of the Committee
Mr. Etrat H. Rizvi	Member of the Committee
Mr. Shahzad Farooq Lodhi, ED (HR)	Member of the Committee
Mr. Jamil Ahmed, CFO	Secretary of the Committee

### **UNDERWRITING COMMITTEE**

Mr. Faisal Mumtaz	Member of the Committee
Mr. Jamil Ahmed, CFO	Member of the Committee
Mr. Muhammad Junaid Moti, ED (U/W)	Secretary of the Committee

### **CLAIM SETTLEMENT COMMITTEE**

Mr. Etrat H. Rizvi	Chairman of the Committee
Syed Arshad Ali	Member of the Committee
Mr. Jamil Ahmed, CFO	Member of the Committee
Mr. Muhammad Junaid Moti, ED (U/W)	Secretary of the Committee

### **REINSURANCE / CO-INSURANCE COMMITTEE**

Mr. Faisal Mumtaz	Member of the Committee
Mr. Jamil Ahmed, CFO	Member of the Committee
Mr. Muhammad Junaid Moti, ED (U/W)	Secretary of the Committee

### **REMUNERATION / HR COMMITTEE**

Mr. Mumtaz Ali Rajper	Chairman of the Committee
Mr. Abdul Sami Kehar	Member of the Committee
Mr. Shahzad Farooq Lodhi, ED (HR)	Member of the Committee
Mr. Jamil Ahmed, CFO	Member of the Committee
Mr. Shamsuzzaman Rajpar	Secretary of the Committee

### **ETHICS AND COMPLIANCE COMMITTEE**

Mr. Abdul Sami Kehar	Chairman of the Committee
Mr. Mumtaz Ali Rajper	Member of the Committee
Mr. Shahzad Farooq Lodhi, ED (HR)	Member of the Committee
Mr. Shams-ud-Din, Company Secretary	Secretary of the Committee

### **RISK MANAGEMENT COMMITTEE**

Syed Arshad Ali	Chairman of the Committee
Dr. Kausar Ali Zaidi	Member of the Committee
Mr. Jamil Ahmed, CFO	Member of the Committee
Mr. Muhammad Junaid Moti, ED (U/W)	Secretary of the Committee

### **NOMINATION COMMITTEE**

Mr. Taufique Habib	Chairman of the Committee
Mr. Faisal Mumtaz	Member of the Committee
Mr. Shahzad Farooq Lodhi, ED(HR)	Member of the Committee
Mr. Shams-ud-Din, Company Secretary	Secretary of the Committee

### **PROCUREMENT COMMITTEE**

Syed Arshad Ali	Chairman of the Committee
Mr. Faisal Mumtaz	Member of the Committee
Mr. Shahzad Farooq Lodhi, ED (HR)	Secretary of the Committee



## **SENIOR MANAGEMENT**

Mr. Muhammad Siddique Memon  
Mr. Shahzad Farooq Lodhi  
Mr. Muhammad Khurshid  
Mr. Jamil Ahmed  
Mr. Shams-ud-Din  
Mr. Saleem Abdul Razzaq  
Mrs. Rana Muneer Ahmed  
Mr. Shamsuzzaman Rajpar  
Mr. Farmanullah Zarkoon  
Mr. Zohaib Hasan

Chief Executive Officer  
Executive Director (HR)  
Chief Internal Auditor  
Chief Financial Officer  
Company Secretary / Compliance Officer  
General Manager (NZO)  
General Manager (NZO)  
General Manager (Admn)  
General Manager (Business Development)  
General Manager (DPD)

## **AUDITORS**

Mr. Zulfikar Ali Causer  
Engagement Partner  
BDO Ebrahim & Co.  
Chartered Accountants  
2nd Floor, Block-C, Lakson Square Building # 01  
Sarwar Shaheed Road  
Karachi. – 74200

## **BANKERS**

National Bank of Pakistan  
Bank Al-Habib Limited

## **SHARE REGISTRAR**

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

## **REGISTERED OFFICE**

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

## **ZONAL OFFICE**

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





## Notice of the 17th Annual General Meeting

Notice is hereby given that the 17th Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on Saturday, the 29th April, 2017 at 11:30 am, at Jasmine Hall, Ground Floor, Beach Luxury Hotel, Karachi to transact the following business:-

### ORDINARY BUSINESS:

1. To confirm the minutes of the last Extraordinary General Meeting of the company held on 30th April 2016.
2. To consider and adopt the audited annual Accounts of the Company for the year ended 31st December, 2016 and the reports of Directors and Auditors thereon.
3. To consider and approve the payment of final dividend @ 30%. That is Rs. 3.00 per ordinary share of Rupees Ten (10.00) for the year ended 31st December 2016.
4. To appoint M/s. BDO Ebrahim & Co. (Chartered Accountants) as Auditors of the Company for the year ending 31st December 2017 and fix their remuneration.
5. To consider any other business with the permission of the Chair.

### SPECIAL BUSINESS:

6. To fix and approve directors' fee for attending the meetings of Board of Directors.
7. To consider and ratify the extra allowance for CEO.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984 REGARDING THE SPECIAL BUSINESS.

**By Order of the Board**

**(Shams-ud-Din)  
Company Secretary**

Place: Karachi.

Dated: 08/04/2017

## NOTES:

1. The share transfer books of the company shall remain closed for eight days i.e. from 21st April 2017 to 28th April 2017 (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 Accountholders 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/her identity by showing his/her 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 Regulation, 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 Company's Share Registrar, M/s. CDC Pakistan Limited, CDC House, 99-B, Block-B, SMCHS, Main Shahrah-e-Faisal, Karachi, in case of any change in their address and provide the Zakat Declaration / Tax exemption certificate (if any), immediately along with contact details..



## **Directors' Report on the Working of PRCL**

For the year ended December 31, 2016

The Directors of your company are pleased to present the 17th Annual Report of the Company together with the Audited Financial Statements and Auditors' Report thereon for the year ended 31st December, 2016.

### **ECONOMIC OVERVIEW**

Pakistan's economy continues to maintain its growth momentum for the 3rd year in a row with real GDP growing at 4.71 percent in FY 2016 which is the highest in eight years. GDP posted a reasonable growth over last year despite a major setback in agriculture growth on account of massive decline in cotton production. However, the loss to some extent is compensated by remarkable growth in industrial and services sector as both these sectors crossed their targets growth, while other key macroeconomic indicators like inflation, fiscal and current account balance recorded improvement.

### **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.4 billion to Rs.25 billion and Paid-up Capital from Rs.540 million to Rs.3 billion with a view to strengthen the equity base as the company has been planning to expand locally as well as abroad.

PRCL has continuously been trying through strategic and concerted efforts to avoid outflow of foreign exchange from the country and improve the performance of insurance sector in Pakistan. The Company's business strategy would continue to focus on providing prompt services to insurance companies with reference to facultative business.

The salient features of the business operations during the year, 2016 are as under:-

	<b>(Rs in millions)</b>	
	<b>2016</b>	<b>2015</b>
Gross Premium	8,807	8,135
Retrocession	(2,952)	(2,763)
Net Retention	5,855	5,372
Premium Reserve	(53)	(153)
Net Premium	5,802	5,219
Net Commission	(1,264)	(1,101)
Net Claims	(3,336)	(2,775)
Management expenses	(657)	(621)
Underwriting Profit	545	722
Investment Income	961	935
Rental & other income	142	47
General & Admin. Expenses	(54)	(38)
Exchange Gain/(Loss)	(1)	106
Other charge	(166)	0
Profit before tax	1,427	1,772
Taxation	(453)	(395)
Profit after Tax	974	1,377

During the period under review, Company has underwritten Rs.8,807 million as compared to Rs.8,135 million in the year ended December 31, 2015. The break-up is as follow:

	<b>(Rs. in millions)</b>	
<b>Facultative Premium</b>	<b>2016</b>	<b>2015</b>
Fire	1,594	1,572
Marine Cargo	31	37
Marine Hull	112	117
Accident and others	148	169
Aviation.	1,163	1,070
Engineering	1,443	971
<b>Total Facultative</b>	<b>4,491</b>	<b>3,936</b>
Treaty Premium	4,316	4,199
<b>Total Premium</b>	<b>8,807</b>	<b>8,135</b>

During the period under review, the net premium of the Company was Rs.5,802 million showing an increase of Rs.583 million (11%) over the corresponding year. This was mainly due to acceptance of more business from local insurance companies, as shown below.

	<b>(Rs. in millions)</b>	
<b>Particulars</b>	<b>2016</b>	<b>2015</b>
Premium Written	8,807	8,135
Reinsurance Ceded	(2,952)	(2,763)
Net Retention	5,855	5,372
Premium Reserve	(53)	(153)
Net Premium	5,802	5,219

The commission expenses of the company during the year ended December 31, 2016 were Rs.1,264 million as compared to Rs.1,101 million during the year December 31, 2015, showing an increase of Rs.163 million (15%) due to increase in business.

Net claims of the company for the year 2016 were Rs.3,336 million as compared to Rs.2,775 million in the year ended December 31, 2015 showing an increase of Rs.561 million (20%) as shown below.

<b>Particulars</b>	<b>(Rs. in millions)</b>	
	<b>2016</b>	<b>2015</b>
Facultative Claims	692	876
Treaty Claims	2,644	1,899
<b>Total</b>	<b>3,336</b>	<b>2,775</b>

### **INVESTMENT INCOME**

The investment income in the year 2016 was Rs.961 million as compared to Rs.935 million in the year 2015. The breakup is as follows:-

<b>Particulars</b>	<b>(Rs. in millions)</b>	
	<b>2016</b>	<b>2015</b>
Capital gain	3	-
Dividend Income	418	378
Return on Government Securities	418	429
Return on other fixed income securities and deposits	97	135
Gain on revaluation on investments	35	2
Investment related expenses	(10)	(9)
<b>Total</b>	<b>961</b>	<b>935</b>

### **PROFIT AFTER TAX**

The profit after tax is Rs.974 million as compared to Rs.1,377 million of last year, showing decrease of Rs.403 million.

### **APPROPRIATIONS**

	<b>(Rs. in millions)</b>
Profit before tax	<b>1,427</b>
Less: Tax	<b>453</b>
Profit after tax	<b><u>974</u></b>
Add: Unappropriated profit brought forward	<b>1,880</b>
Add: Comprehensive Income	<b>1,215</b>
Less: Final cash dividend 2015 @ 25%	<b><u>(750)</u></b>
Unappropriated profit carried forward	<b><u>2,345</u></b>

## **CREDIT RATING**

M/s. PACRA Credit Rating Company Limited has reaffirmed the Insurer Financial Strength (IFS) rating of Pakistan Reinsurance Company Limited at “AA” (Double A). Outlook on the assigned rating has also been maintained as “Stable”.

## **INFORMATION TECHNOLOGY**

The company is fully aware of the importance of information technology and undertaken to implement ERP for which initial work has been started. In the interim period existing network was upgraded and disaster recovery plan is under implementation.

## **CORPORATE SOCIAL RESPONSIBILITY**

The Company had in place a welfare fund to provide welfare facilities to its employees whereby 5 employees are sent for Hajj every year. Besides, cash awards to the Employees’ Children who are Hafiz-e-Quran and secure A-I grade in Secondary Education & Higher Education, retirement grants to the retiring employees having long association with the company, Burial & compensation packages for family of employees who die during service. To encourage healthy activities in house sports and recreation facilities are provided.

## **BOARD STRUCTURE AND COMMITTEES**

The Board structure is in accordance with the Code of Corporate Governance 2012, Public Sector Companies (Code of Corporate Governance) Rules, 2013 and Code of Corporate Governance for Insurers, 2016, issued by the Securities and Exchange Commission of Pakistan.

In order to ensure effective implementation of sound internal control system and compliance with the Code of Corporate Governance, the Board has constituted various committees which are ten (10) in number. The composition of the Board committees is separately shown in the report under the section of Corporate Information.

## **FUTURE PROSPECTS**

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, facultative business and profitable retrocession by gradually increasing its retention capacity and adoption of risk management measures.

## **WINDOW RE-TAKAFUL OPERATION**

Takaful, the Islamic alternative to conventional insurance has grown from a regional business to a global one, over the past 5 years. The gross Takaful contributions nearly doubled during this period. The Takaful industry worldwide has enjoyed growth rates between 15% and 20% which is much higher than the worldwide growth observed for conventional insurance.



According to the annual results of 2015, the market share of Takaful by gross contributions in the industry is around 5%. With only three dedicated General Takaful companies present in the industry having a complete monopoly on Takaful for over 7 years, the penetration of Takaful is still limited.

The entrance of the window Takaful operators in Pakistan has continuously been demanding a local Re-Takaful operator because the Takaful Rules place a condition that the Takaful business can only be ceded to the Re-Takaful Operators whereas no such local Re-Takaful operator is available in Pakistan. Due to this condition and absence of any local Re-Takaful operator, many foreign Re-Takaful operators are taking advantage of the current situation and they have entered into the market and got all the business from Pakistan upon their own monopolistic terms and conditions.

In view of this continuous market loss, the PRCL has initiated the exercise to establish a Window Retakaful function in the Company. This plan has been approved by the PRCL Board of Directors in its 118<sup>th</sup> Meeting held on 2<sup>nd</sup> December, 2016. Consequently approval from shareholders has been obtained in the Extraordinary General Meeting held on 31-12-2016. The rest of the operational steps are actively in process and will hopefully completed by the end of half year.

#### **STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAME WORK**

PRCL being a Listed Company adheres to Code of Corporate Governance and all listing regulations. The Company is also public sector enterprise and operates under the framework of Public Sector Companies (Code of Corporate Governance Rules), 2013 and Code of Corporate Governance for Insurers, 2016. The Directors confirm compliance with all reporting and disclosure requirements as envisaged in the Companies Ordinance 1984, Insurance Ordinance 2000, and Rules, made thereunder. The Directors confirm compliance with the corporate and Financial Reporting Framework of the SECP Code of Corporate Governance for the following:-

- a) The financial statements, prepared by the management of the company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity;
- b) The Company has maintained proper books of accounts;
- c) The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes have been adequately disclosed and accounting estimates are made on the basis of prudent and reasonable judgement;
- d) Financial statements have been prepared by the company in accordance with the International Accounting Standards, as applicable in Pakistan, requirements of Companies Ordinance, 1984, Insurance Ordinance, 2000, and the Securities and Exchange Commission (Insurance) Rules, 2002;
- e) The system of internal control is in place and internal audit department is in the process of strengthening;
- f) There are no doubts upon the Company's ability to continue as a going concern;
- g) There is no material departure from the best practices of Code of Corporate Governance, as laid down in the listing regulations and Public Sector Companies (Code of Corporate Governance) Rules, 2013, and Code of Corporate Governance for Insurers, 2016;



- h) The directors are qualified under directors Training Programme;
- i) Presentation was given to newly appointed Directors to acquaint them with the relevant laws and their responsibilities;
- j) The Company has 8.34% (of the paid-up capital) share-holding of National Investment Trust Limited (NITL) and as such has its representation on the Board of NITL by one of its Directors. Currently the PRCL board approved the name of CEO (Mr. Muhammed Siddique Memon) to represent the Company on NITL Board.
- k) The appointment of the Chairman and other members of the Board and the terms of their appointment along with the remuneration policy are adopted in the best interests of the Company as well as in line with the best practices;
- l) The Non-executive Directors do not have fixed remuneration and are being paid a fixed fee for each meeting attended. Disclosure on remuneration of Chief Executives, Directors and Executives as applicable is separately shown in the report;
- m) Summarised key operating and financial data of the last 6 years is separately shown in the report;
- n) The statement of pattern of shareholding is separately shown in the report;
- o) The value of investment in pension, gratuity and provident fund is as follows:

	<b>(Rs. in millions)</b>
Pension and Gratuity Fund	<u>943.124</u>
General Provident Fund / Provident Fund	<u>491.531</u>

## **BOARD MEETINGS AND ATTENDANCE**

In the year 2016, the Board formed various Committees, the detail of the meetings held and the attendance of each director is given hereunder:-

		Board of Directors	Audit Committee	Remuneration / HR Committee	Underwriting Committee	Claim Settlement Committee	Ethics and Compliance Committee	Risk Management Committee	Nomination Committee	Investment Committee	Reinsurance / Co-insurance Committee
<b>No. of Meetings</b>		14	5	12	1	1	2	3	-	6	1
Sl.	Name Of Directors	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended	Attended
1	Mr. Mumtaz Ali Rajpar	14	-	12	-	-	2	2	-	6	-
2	Mr. Muhammed Siddique Memon, CEO	1	-	-	-	-	-	-	-	-	-
3	Mr. Abdul Sami Kehar*	13	2	11	-	-	2	-	-	6	-
4	Mr. Taufique Habib	14	5	1	-	-	-	-	-	2	-
5	Syed Arshad Ali	10	4	1	-	1	-	3	-	2	-
6	Dr. Kausar Ali Zaidi	9	3	-	-	-	-	1	-	4	-
7	Mr. Etrat H. Rizvi	9	3	-	-	1	-	-	-	3	-
8	Mr. Iftikhar Ahmed	8	-	-	1	-	-	-	-	-	1
9	Mr. Faisal Mumtaz	11	-	8	1	-	-	2	-	-	1
10	Mr. Shoaib Mir**	4	-	-	-	-	-	-	-	-	-

\* *Mr. Abdul Sami Kehar resigned December, 2016 from Directorship of PRCL.*

\*\* *Mr. Shoaib Mir appointed as Director by SLIC in October, 2016 in place of Mr. Iftikhar Ahmed.*

In addition to the above Committees, the Board also formed a Procurement Committee however; no meeting of the Committee could be convened during the year.

Leave of absence was granted by board to the Directors who could not attend some of the meetings and intimated the board in advance.

## **CHANGE IN THE BOARD OF DIRECTORS**

The Board places on record its sincere appreciation to the outgoing Director Mr. Faisal Mumtaz to whom the Board indebted for their prudent, professional and diligent guidance.

The Board welcomed the new CEO of the Company Mr. Muhammad Siddique Memon, Messrs Shoaib Mir, Etrat H. Rizvi, Dr. Kausar Ali Zaidi on their joining the board during the year.



## **CONTRIBUTION TO NATIONAL EXCHEQUER**

Your Company contributed an amount of Rs.552.809 million into the government treasury on account of Taxes, Levies and other duties.

## **COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

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

## **AUDIT COMMITTEE**

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

## **PERFORMANCE OF THE COMPANY DURING THE LAST SIX YEARS**

	<b>(Rs. in millions)</b>					
	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Gross Premium	<b>8,807</b>	8,135	8,661	8,659	8,153	6,893
Net Premium	<b>5,802</b>	5,219	4,784	4,724	4,096	3,535
Net Commission	<b>(1,264)</b>	(1,101)	(950)	(937)	(868)	(785)
Net Claims	<b>(3,336)</b>	(2,775)	(2,793)	(2,831)	(2,217)	(2,018)
Management Expenses	<b>(657)</b>	(621)	(526)	(503)	(448)	(353)
Underwriting Profit/(Loss)	<b>545</b>	722	515	453	563	379
Investment Income	<b>961</b>	935	1,079	1,101	918	891
Profit before Tax	<b>1,427</b>	1,772	1,565	1,706	1,537	1,258
Profit after Tax	<b>974</b>	1,377	1,244	1,321	1,160	845

## **PROPOSED DIVIDEND**

The Board of Directors proposed a Cash dividend of Rs.3.00 per share (30%) subject to the approval of shareholders.

## **EARNING PER SHARE**

The earning per share of the Company was Rs. 3.25 for the year 2016 as compared to Rs.4.59 in the year 2015.



## **TRADING IN THE COMPANY SHARES**

Trading in the shares of the Company by directors, executives, their spouses and minor Children, if any, has been disclosed in the pattern of shareholding.

## **APPOINTMENT OF AUDITORS**

Based on the consent received from the company's existing auditors M/s BDO Ibrahim and Co., Chartered Accountants, to continue to act as auditors of the company, the Audit Committee has recommended their name to be appointed as external auditors of the company for the year-2017.

The external auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, and that the firm and all their partners are compliant with the International Federation of Accountants' (IFAC) Guidelines on Code of Ethics, as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under all applicable laws.

## **ACKNOWLEDGEMENT**

In the end, your directors would like to thank all insurance companies, Securities and Exchange Commission of Pakistan and Pakistan Stock Exchange for their support and guidance. We also acknowledge the hard work and dedication of the officers and staff of Company.

For and on behalf  
of the Board of Directors.

Chairman / Director  
\*\*\*\*\*

## ڈائریکٹر کی پی آر سی ایل کی کارکردگی کی رپورٹ

برائے سال جس کا اختتام 31 دسمبر 2016 کو ہوا

آپ کی کمپنی کے ڈائریکٹر کمپنی کی سترہویں سالانہ رپورٹ بمع تصدیق شدہ مالیاتی گوشواروں اور آڈیٹر کی رپورٹ برائے سال جس کا اختتام 31 دسمبر 2016 کو ہوا، پیش کرتے ہوئے خوشی محسوس کرتے ہیں

### معاشی جائزہ

سال 2016 میں مجموعی قومی پیداوار (GDP) کی 4.71 فیصد ترقی کی رفتار، جو آٹھ سالوں میں سب سے زیادہ ہے، کے ساتھ پاکستان کی معیشت نے ترقی کی وزنی حرکت (momentum) کا تسلسل تیسرے سال بھی برقرار رکھا۔ کپاس کی پیداوار میں بہت زیادہ کمی کی وجہ سے زراعت کی ترقی کو میں پہنچنے والے دھچکے کے باوجود مجموعی قومی پیداوار نے سال کے دوران معقول حد تک ترقی دکھائی۔ تاہم نقصان کا کسی حد تک ازالہ صنعتی اور خدمات کے شعبے کی غیر معمولی نمونے کر دیا کیونکہ، دونوں شعبہ اپنی ترقی کے اہداف عبور کر چکے ہیں جبکہ دیگر کلیدی میکر وکانک کے اشاروں افراط زر، اقتصادی اور جاری کھاتے کے بقایا جات نے بہتری دکھائی۔

### کمپنی کی کارکردگی

سال 2001 میں PRCL کو کمپنی میں تبدیل کر دیا گیا اور اب وہ انشورنس آرڈیننس 2000 اور کمپنیز آرڈیننس 1984 کے تحت کام کر رہی ہے۔ کمپنی ملک کی واحد ری - انشورنس کمپنی ہے۔ کمپنی کے کاروبار میں مقامی اور بین الاقوامی منڈیوں میں توسیع کی منصوبہ بندی اور ایکویٹی کی بنیاد کو مضبوط کرنے اور کمپنی کو تجارتی بنیاد پر چلانے کے لیے بہت سارے اقدامات اٹھائے جا چکے ہیں جن میں شامل ہیں منظور شدہ سرمایہ کو 4 ارب روپے سے بڑھا کر 25 ارب اور ادا شدہ سرمایہ کو 540 ملین روپے سے بڑھا کر 3 ارب روپے کر دیا گیا ہے۔

پی آر سی ایل اس بات کی مسلسل کوشش کر رہی ہے کہ وہ حکمت عملی اور مشترکہ کوششوں سے غیر ملکی زرمبادلہ کی ملک سے بیرونی ترسیل کو روکا جاسکے اور بیمہ کی صنعت کی کارکردگی کو پاکستان میں بہتر کیا جاسکے۔ اختیاری کاروبار کے حوالے سے کمپنی کی حکمت عملی کا مرکز نگاہ بیمہ کمپنیوں کو مسلسل فوری خدمات کی فراہمی ہو گا۔

سال 2016 میں برنس آپریشن کے چیدہ چیدہ نکات درج ذیل ہیں؛

(روپے ملین میں)

2015	2016	
8,135	8,807	مجموعی پر بیمہ
(2,763)	(2,952)	ریٹرو سیشن (پسپائی)
5,372	5,855	خالص برقراری کی حالت (retention)
(153)	(53)	پر بیمہ کے ذخائر
5,219	5,802	خالص پر بیمہ
(1,101)	(1,264)	خالص کمیشن
(2,775)	(3,336)	خالص دعوے
(621)	(657)	انتظامیہ کے اخراجات
722	545	ضمانتی بیمہ (underwriting) کا منافع
935	961	سرمایہ کاری سے آمدنی
47	142	کرایہ اور دیگر آمدنی
106	(1)	مبادلہ کا (خسارہ)/فائدہ
(38)	(54)	عام انتظامی اخراجات
0	(166)	دیگر Charges
1,772	1,427	منافع قبل از محصول
(395)	(453)	محصول
1,377	974	منافع بعد از محصول

زیر غور مدت کے دوران کمپنی نے 8,807 ملین روپے کا اضافتی بیمہ کیا جبکہ 31 دسمبر 2015 کو اختتام پذیر سال میں اس کی مالیت 8,135 ملین روپے تھی جس کی تفصیل درج ذیل ہے؛

(روپے ملین میں)

2015	2016	اختیاری پر بیمہ
1,572	1,594	آگ
37	31	بحری ترسیل بار برداری
117	112	بحری جہاز (ہر قسم کا) ڈھانچہ
169	148	حادثات و دیگر
1,070	1,163	ہوا بازی
971	1,443	انجینئرنگ
3,936	4,491	کل اختیاری
4,199	4,316	معاداتی پر بیمہ
8,135	8,807	کل پر بیمہ

زیر غور مدت کے دوران کمپنی کا خالص پر بیمہ 5,802 ملین روپے تھا جو گذشتہ سال کے مقابلے میں 583 ملین روپے (11 فیصد) زیادہ رہا۔ اس کی اصل وجہ مقامی انشورنس کمپنیوں سے زیادہ کاروبار کا حصول ہے جیسا کہ نیچے دکھایا گیا ہے؛

(روپے ملین میں)

2015	2016	تفصیلات
8,135	8,807	پر بیمہ تحریر شدہ
(2,763)	(2,952)	ری انشورنس ادا کیا
5,372	5,855	خالص برقراری کی حالت (retention)
(153)	(53)	پر بیمہ کے ذخائر
5,219	5,802	خالص پر بیمہ

خالص پر بیمہ میں بہتری کی وجہ سے کمیشن کے اخراجات 31 دسمبر 2015 کو اختتام پذیر سال کے دوران 1,101 ملین روپے تھے اور اس کے مقابلے میں 31 دسمبر 2016 کو اختتام پذیر سال کے دوران 161 ملین روپے (15 فیصد) اضافہ دکھاتے ہوئے 1,262 ملین روپے رہے۔

کمپنی کے خالص دعوے 31 دسمبر 2016 کو اختتام پذیر سال کے دوران 3,336 ملین روپے تھے جبکہ اس کے مقابلے میں 31 دسمبر 2015 کو ان کی مالیت 2,775 ملین روپے تھی جس میں سال کے دوران 561 ملین روپے (20 فیصد) اضافہ دکھایا جیسا کہ نیچے جدول میں دکھایا گیا ہے۔

(روپے ملین میں)

2015	2016	تفصیلات
876	692	اختیاری دعوے
1,899	2,644	معاهداتی دعوے
2,775	3,336	کل

### سرمایہ کاری سے آمدنی

سرمایہ کاری سے آمدنی سال 2015 میں 935 ملین روپے تھی اس کے مقابلے میں سال 2016 میں 961 ملین روپے رہی جس کی تفصیل درج ذیل ہے۔

(روپے ملین میں)

2015	2016	تفصیلات
-	3	سرمایہ جاتی فائدہ
378	418	منقسم آمدنی
429	418	حکومتی تمسکات پر آمدن
135	97	دیگر غیر متغیر تمسکات اور ڈیازٹس پر رٹرن (بچت)
2	35	سرمائے کی از سر نو قدر پذیری (revaluation) سے فائدہ
(9)	(10)	سرمایہ سے متعلق اخراجات
935	961	کل

### منافع بعد از محصول

گذشتہ سال کے 1,377 ملین روپے کا منافع بعد از محصول کے مقابلے میں موجودہ سال 403 ملین روپے کی کمی کے ساتھ 974 ملین روپے رہا؛



## مختصتات (Appropriations)

(روپے ملین میں)	
1,427	منافع قبل از محصول
453	نفی: محصول
974	منافع بعد از محصول
1,880	جمع: غیر مختص شدہ پچھلا منافع جو آگے بڑھایا گیا
1,215	جمع: مجموعی آمدن
(750)	نفی: حتمی نقد منقسمہ منافع 2105 @ 25%
2,345	غیر مختص شدہ منافع جو آگے بڑھایا گیا

### کریڈٹ درجہ بندی

میسرز PACRA کریڈٹ ریٹنگ کمپنی لمیٹڈ نے پاکستان ری انشورنس کمپنی لمیٹڈ کی بطور بیمہ کار کی مالیاتی قوت (IFS) درجہ بندی کی "AA" (ڈبل اے) دوبارہ توثیق کی ہے۔ اس تفویض شدہ درجہ بندی پر کمپنی کے بارے میں امید مستقبل (outlook) مستحکم برقرار رکھی ہے

### انفارمیشن ٹیکنالوجی

کمپنی انفارمیشن ٹیکنالوجی کی اہمیت سے مکمل طور سے آگاہ ہے ERP کے نفاذ کا بیڑا اٹھایا ہے جس کے لیے ابتدائی کام شروع کیا جا چکا ہے۔ درمیانی مدت میں موجودہ نیٹ ورک کو بہتر کر دیا گیا ہے اور ڈیٹا کی تباہی کی صورت میں اس کی بحالی کے منصوبہ کے نفاذ کا عمل جاری ہے۔

### اداراتی سماجی ذمہ داری

کمپنی کا پاس اپنے ملازمین کی فلاح و بہبود کی سہولیات فراہم کرنے کے لیے بہبود کا فنڈ موجود تھا جس کے تحت ہر سال 5 ملازمین حج پر بھیجے جاتے ہیں۔ اس کے علاوہ، ملازمین کے بچے جو حافظ قرآن ہیں اور سیکنڈری تعلیم اور اعلیٰ تعلیم میں اے-1 گریڈ حاصل کے لیے نقد انعام، کمپنی سے طویل مدت تک وابستہ رہنے والے ملازمت سے سبکدوش ہونے والے ملازمین کے لیے اختتام ملازمت پر عطیہ، دوران ملازمت انتقال کرنے والے ملازمین کے خاندان کے تدفین اور تلافی ٹیکنیج۔ صحت مند سرگرمیوں کی حوصلہ افزائی کے لیے کمپنی میں کھیل اور تفریح کی سہولیات فراہم کی گئی ہیں۔

### بورڈ کا ڈھانچہ اور کمیٹیاں

بورڈ کا ڈھانچہ ادارتی گورننس کا ضابطہ 2012، پبلک سیکٹر کمپنیز (اداراتی گورننس کا ضابطہ) قوانین 2013 اور سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردی ادارتی گورننس برائے انشورنس کرنے والی کمپنیوں کے 2016 کے عین مطابق ہے۔

ایک اندرونی نگرانی کا مضبوط نظام اور ادارتی گورننس کے ضابطے کی تعمیل کو یقینی بنانے کے لیے بورڈ نے متعدد کمیٹیاں تشکیل دی ہیں جن کی تعداد دس (10) ہیں۔ ان بورڈ کمیٹیوں کی ساخت کو ادارتی معلومات کے حصے میں عرصہ سے بیان کیا گیا ہے۔

### مستقبل کے امکانات

کمپنی کے قلیل المدت اور طویل المدت مقاصد کے حصول کے لیے اس کی حکمت عملی کی توجہ کا مرکز انشورنس کمپنیوں فوری خدمات کی فراہمی ہے خاص طور پر اختیاری (facultative) پیشکشوں کے سلسلے میں۔ PRCL اپنے مستحکم مالیاتی گوشواروں اور بڑھی ہوئی ایکویٹی کے ڈھانچے کے ساتھ اس کی توجہ معیاری معاہدے، اختیاری کاروبار اور منافع بخش رجعتی (retrocession) کو بتدریج برقراری کی حالت (retention) کی استعداد بڑھانے اور رسک مینجمنٹ کے لئے اقدامات کو اختیار کرنے پر رہے گی۔

### ونڈوری۔ تکافل آپریشن

گذشتہ پانچ سالوں میں تکافل، جو روایتی انشورنس کا اسلامی متبادل ہے وہ ایک علاقائی کاروبار سے بڑھ کر عالمی کاروبار بن چکا ہے۔ اس مدت کے دوران تکافل کا مجموعی حصہ تقریباً دوگنا ہو گیا ہے۔ دنیا بھر میں تکافل کی صنعت کی شرح نمو 15 سے 20 فیصد رہی جو روایتی انشورنس کی دنیا بھر میں دیکھی گئی ترقی سے بہت زیادہ ہے۔ 2015 کے سالانہ نتائج کے مطابق انشورنس کی صنعت میں تکافل کا مجموعی حصہ تقریباً 5 فیصد ہے۔ صنعت میں تکافل کمپنیوں کی تین دہائیوں سے موجودگی کے بعد 7 سالوں سے زیادہ کے عرصے میں تکافل پر اس کی اجارہ داری ہے لیکن اس کا نفوذ ابھی تک محدود ہے۔

پاکستان میں ونڈو تکافل آپریٹرز کی آمد سے مقامی ری۔ تکافل آپریٹرز کی ضرورت محسوس کی جا رہی تھی کیونکہ تکافل کے قوانین ایک پابندی لگاتے ہیں تکافل کے کاروبار کو صرف ری۔ تکافل آپریٹرز کے سپرد کر سکتا ہے جبکہ پاکستان میں ایسا کوئی مقامی ری۔ تکافل آپریٹرز موجود نہیں ہے۔ اس پابندی اور مقامی ری۔ تکافل آپریٹرز کی عدم موجودگی کی وجہ سے متعدد غیر ملکی ری۔ تکافل آپریٹرز موجودہ صورتحال کا فائدہ اٹھاتے ہوئے منڈی میں داخل ہو گئے ہیں اور پاکستان میں تمام کاروبار پر اجارہ داری شرائط و ضوابط کو حاصل کر لیا ہے۔

منڈی کے اس مسلسل نقصان دہ صورتحال کو مد نظر رکھتے ہوئے PRCL میں کمپنی میں ونڈوری۔ تکافل فنکشن کی تشکیل کے لیے کارروائی کا آغاز کیا جا چکا ہے۔ اس منصوبے کو بورڈ آف ڈائریکٹرز نے 118 ویں اجلاس منعقدہ 2 دسمبر 2016 کو منظور کر دیا ہے۔ اس کے نتیجے میں حصص یافتگان کے غیر معمولی عام اجلاس منعقدہ 31 دسمبر 2016 میں اس کی منظوری لی جا چکی ہے۔ اس سلسلے میں باقی عملی اقدامات لیے جا رہے ہیں اور امید ہے کہ وہ پہلی ششماہی کے اختتام تک مکمل ہو جائیں گے۔

### اداراتی اور مالیاتی رپورٹنگ ڈھانچے کا بیان

PRCL ایک لسٹڈ کمپنی ہے ادارتی گورننس کے ضابطے اور تمام لسٹنگ قواعد کی پابندی کرتی ہے۔ کمپنی پبلک سیکٹر ادارہ بھی ہے اور پبلک سیکٹر کمپنیز (اداراتی گورننس ضابطے) قوانین 2013 اور ادارتی گورننس کا ضابطہ برائے انشوررز 2016 کے تحت کام کرتی ہے۔ ڈائریکٹرز تمام رپورٹنگ اور معلومات کو افشا کرنے کی ضروریات جو کمپنی آرڈیننس 1984، انشورنس آرڈیننس 2000 اور ان کے تحت بنائے گئے قوانین کی تعمیل کی تصدیق کرتے ہیں۔ ڈائریکٹرز SECP کے ادارتی گورننس کے ضابطے کے ادارتی اور مالیاتی رپورٹنگ کے مندرجہ ذیل ڈھانچے کی تعمیل کی تصدیق کرتے ہیں:-

1. کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے اسکے معاملات کی حالت، عملی امور کے نتائج، کیش فلو اور ملکیت (ایکوٹی) میں تبدیلی بہتر طور پر پیش کرتے ہیں۔
2. کمپنی نے موزوں کھاتوں کی کتابیں (Books of Accounts) قائم رکھی ہوئی ہیں۔
3. کمپنی نے مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب عملی یکساں طور پر اپنائی گئی ہے، انحراف کو مناسب طور پر ظاہر کیا گیا ہے اور اکاؤنٹنگ تخمینوں کی بنیاد معقول اور محتاط پر رکھی ہے۔
4. پاکستان میں قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیار، کمپنیز آرڈیننس 1984، انشورنس آرڈیننس 2000 اور سیکیورٹیز ایکچینج کمیشن (انشورنس) قوانین 2002 کی ضروریات کے مطابق عمل کرتے ہوئے مالیاتی گوشوارے تیار کئے گئے ہیں۔
5. اندرونی کنٹرول کا نظام موجود ہے انٹرنل آڈٹ ڈیپارٹمنٹ مستحکم کرنے کے مراحل میں ہے۔
6. کمپنی کے کاروبار کے جاری رہنے والے ادارے کے طور پر کوئی ابہام نہیں ہے۔
7. ادارتی گورننس کے ضابطے
8. لسٹنگ کے ضوابط اور پبلک سیلٹر کمپنیز (اداراتی گورننس کا ضابطہ) قوانین 2013، ادارتی گورننس کا ضابطہ برائے انشوررز 2016 میں درج بہترین پریکٹسز سے کسی قسم کا مادی انحراف نہیں کیا گیا ہے۔
9. ڈائریکٹرز کے تربیتی پروگرام کے تحت تمام ڈائریکٹرز تعلیم یافتہ ہیں۔
10. نو منتخب ڈائریکٹرز کو متعلقہ قوانین اور ان کی ذمہ داریوں کے بارے اگاہی کا تعارفی پروگرام کیا گیا تھا۔
11. کمپنی کی نیشنل انویسٹمنٹ ٹرسٹ لمیٹڈ (NITL) میں 8.34 فیصد (اداشدہ کمیٹیٹل) کا حصصی شرکت داری ہے اور اس طرح سے اس کے ڈائریکٹرز میں سے ایک کے ذریعے سے NITL کے بورڈ میں اس کی نمائندگی ہے۔ NITL کے بورڈ میں کمپنی کی نمائندگی کے لیے موجودہ بورڈ CEO (جناب محمد صدیق میمن) کے نام کی منظوری دے چکا ہے۔
12. چیئرمین اور دیگر بورڈ کے ارکان کے انتخاب اور ان کے انتخاب کی شرائط کے ساتھ ساتھ ان کے مشاہرہ پالیسی کو کمپنی کے بہترین مفاد اور بہترین پریکٹسز کو مد نظر رکھتے ہوئے اختیار کیا گیا ہے۔
13. نان ایکزیکوٹیو ڈائریکٹرز کا متعین معاوضہ نہیں ہے اور ان کو ہر اجلاس میں شرکت کی ایک متعین فیس ادا کی جاتی ہے۔ چیف ایکزیکوٹیو، ڈائریکٹرز اور ایکزیکوٹیو زپر لاگو معاوضے علیحدہ سے رپورٹ میں دیے گئے ہیں۔
14. گذشتہ 6 سالوں کے کلیدی آپریٹنگ اور مالیاتی اعداد و شمار کا خلاصہ علیحدہ سے اس رپورٹ میں شامل ہے۔
15. حصص رکھنے کے رجحان کا بیان علیحدہ سے اس رپورٹ میں شامل ہے۔
16. پینشن، گریجویٹ اور پراویڈینٹ فنڈ کی سرمایہ کاری کی مالیت درج ذیل ہے؛

(روپے ملین میں)

943.124

491.531

پینشن اور گریجویٹ فنڈ

عام پراویڈینٹ فنڈ / پراویڈینٹ فنڈ

سال 2016 میں بورڈ نے متعدد کمیٹیاں تشکیل دیں، ان کے اجلاس کے انعقاد اور ہر ڈائریکٹر کی حاضری کی تفصیلات درج ذیل ہیں:

ری-انٹرنس/اوانٹورس کمیٹی	سرمایہ کاری کمیٹی	نانزدگی کمیٹی	ضابطہ اخلاق اور تعمیل کمیٹی	دعوت کے تھفید کی کمیٹی	رئسک مینجمنٹ کمیٹی	انڈر رائٹنگ کمیٹی	مشاورہ/انسائیڈ مسائل کمیٹی	آڈٹ کمیٹی	بورڈ آف ڈائریکٹرز	اجلاس کی تعداد	نمبر شہ	ڈائریکٹرز کے نام
1	6	-	2	1	3	1	12	5	14			
-	6	-	2	-	2	-	12	-	14		1	جناب ممتاز علی راجپر
-	-	-	-	-	-	-	-	-	1		2	جناب محمد صدیق مین CEO
-	6	-	2	-	-	-	11	2	13		3	جناب عبدال سمیع کیسر ☆
-	2	-	-	-	-	-	1	5	14		4	جناب توفیق حبیب
-	2	-	-	1	3	-	1	4	10		5	سید ارشد علی
-	4	-	-	-	1	-	-	3	9		6	ڈاکٹر کوثر علی زیدی
-	3	-	-	1	-	-	-	3	9		7	جناب عمرت ایچ رضوی
1	-	-	-	-	-	1	-	-	8		8	جناب افتخار احمد
1	-	-	-	-	2	1	8	-	11		9	جناب فیصل ممتاز
-	-	-	-	-	-	-	-	-	4		10	جناب شعیب میر ☆☆

☆ جناب عبدال سمیع کیسر دسمبر 2016 میں PRCL کی ڈائریکٹر شپ سے مستعفی ہو گئے

☆☆ اکتوبر 2016 کو SLIC کی جانب سے جناب شعیب میر کو جناب افتخار احمد کی جگہ منتخب کر لیا گیا۔

ان کمیٹیوں کے علاوہ بورڈ نے پروکیورمنٹ کمیٹی بھی تشکیل دی ہے، تاہم سال کے دوران کمیٹی کا کوئی بھی اجلاس منعقد نہ ہو سکا۔

جو ڈائریکٹرز اجلاس میں شرکت نہ کر سکے اور انہوں نے اس کی پیشگی اطلاع دے دی تھی، بورڈ نے ان کی اجلاس سے غیر حاضری کی رخصت کی منظوری دے دی تھی۔

### بورڈ آف ڈائریکٹرز کی تبدیلی

بورڈ رخصت ہونے والے ڈائریکٹر جناب فیصل ممتاز جن کی محتاط، پیشہ ورانہ اور مستقل مزاجی سے رہنمائی کا بورڈ احسان مند ہے اور ان کے لیے ستائش کو رکارد پر لانا چاہتا ہے۔

بورڈ کمپنی کے نئے CEO جناب محمد صدیق مین، جناب شعیب میر، عترت ایچ رضوی، ڈاکٹر کوثر علی زیدی صاحبان کی سال کے دوران بورڈ میں شمولیت پر خوش آمدید کہتا ہے۔

### قومی خزانے میں حصہ

آپ کی کمپنی نے محصولات، لیویز اور ڈیوٹیز کی مد میں گورنمنٹ کے خزانے میں 552.809 ملین روپے جمع کروائے۔

### اداراتی گورننس کے ضابطے کی تعمیل

نگرانی کرنے کے حکام کی جانب سے جاری کردہ ادارتی گورننس کے ضوابط کی تعمیل کی گئی ہے۔

### آڈٹ کمیٹی

بورڈ نے ادارتی گورننس کے ضابطے کی پابندی کرتے ہوئے ایک آڈٹ کمیٹی تشکیل دے دی ہے اور اس کے قواعد و ضوابط منظور کئے جا چکے ہیں۔ کمیٹی کے ارکان کے نام ادارتی معلومات کے سیکشن میں دئے گئے ہیں۔

### گذشتہ چھ سالوں میں کمپنی کی کارکردگی

(روپے ملین میں)

2011	2012	2013	2014	2015	2016	
6,893	8,153	8,659	8,661	8,135	8,807	مجموعی پریمیوم
3,535	4,096	4,724	4,784	5,219	5,802	خالص پریمیوم
(785)	(868)	(937)	(950)	(1,101)	(1,262)	خالص کمیشن
(2,018)	(2,217)	(2,831)	(2,793)	(2,775)	(3,336)	خالص دعوے
(353)	(448)	(503)	(526)	(621)	(657)	انتظامی اخراجات
379	563	453	515	722	547	انڈر رائٹنگ - نفع/نقصان
891	918	1,101	1,079	935	961	سرمایہ کاری سے آمدنی
1,258	1,537	1,706	1,565	1,772	1,735	نفع قبل از محصول
845	1,160	1,321	1,244	1,377	1,213	نفع بعد از محصول

## تجویز کردہ منقسمہ منافع

بورڈ آف ڈائریکٹرز نے حصص یافتگان کی منظوری سے مشروط 3.00 روپے فی حصص کا نقد منقسمہ منافع تجویز کیا ہے۔

## آمدنی فی حصص

سال 2015 کے میں کمپنی کی آمدنی فی حصص 4.59 روپے کے مقابلے میں سال 2016 میں کمپنی کی آمدنی فی حصص کی 3.25 روپے رہی۔  
کمپنی کے حصص کی تجارت

ڈائریکٹرز، ایگزیکٹو ٹیوز، ان کے شرکاء حیات اور نابالغ بچوں کا کمپنی کے حصص کے لین دین، اگر کوئی ہے تو، حصص کی ملکیت رکھنے کے رجحان میں ظاہر کی گئیں ہیں۔

## آڈیٹرز کا انتخاب

کمپنی کے موجودہ آڈیٹرز میسرز BDO ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، کی بطور آڈیٹرز کام کو جاری رکھنے کی آمادگی موصول ہونے کے بعد، آڈٹ کمیٹی نے ان کی ان کا نام سال 2017 کے لیے بطور بیرونی آڈیٹرز انتخاب کے لیے تجویز کیا ہے۔

بیرونی آڈیٹرز نے اس بات کی توثیق کی ہے کہ انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان کے معیار کی نگرانی کے جائزہ پروگرام کے تحت ان اطمینان بخش درجہ بندی دی گئی ہے اور اس کے تمام شرائط داروں انٹرنیشنل فیڈریشن آف اکاؤنٹینٹس (IFAC) کے ضابطہ اخلاق، جس انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹینٹس آف پاکستان نے بھی اپنا رکھا ہے، کو ان میں دی گئی ہدایات کی تعمیل کرنے والے ہیں۔

## ستائش

آخر میں آپ کے ڈائریکٹرز تمام انشورنس کمپنیوں، سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور پاکستان اسٹاک ایکسچینج کا ان کی حمایت اور رہنمائی کا شکریہ ادا کرنا چاہتے ہیں۔ ہم کمپنی کے افسران اور اسٹاف کی لگن کو بھی سراہتے ہیں۔

بورڈ آف ڈائریکٹرز کے لیے اور ان کی جانب سے

چیرمین / ڈائریکٹر

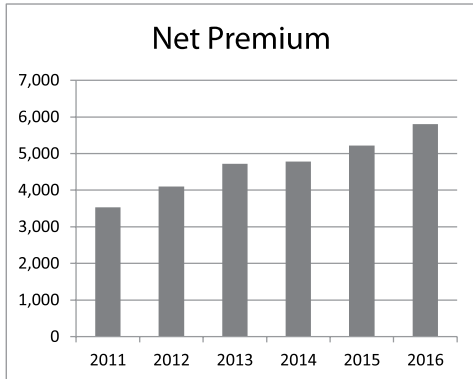
## Six Year Performance at a Glance

Rupees in millions

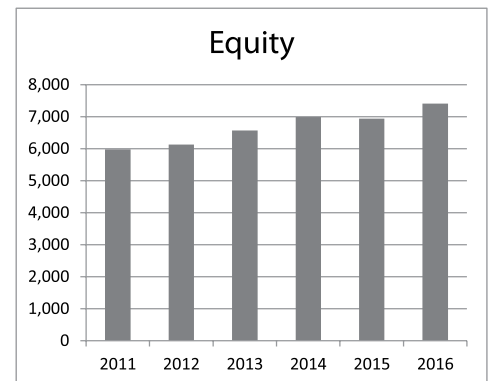
S.No.	PARTICULARS	2016	2015	2014	2013	2012	2011
						(Restated)	(Restated)
	<b>FINANCIAL DATA</b>						
1	Paid up capital	3,000	3,000	3,000	3,000	3,000	3,000
2	General & Capital Reserves	4,403	3,938	3,987	3,571	3,122	2,982
3	Equity	7,403	6,938	6,987	6,571	6,122	5,982
4	Investment	6,625	6,318	6,650	6,513	6,434	5,793
5	Fixed Assets	39	44	49	56	53	49
6	Cash & Bank Deposits	2,680	3,285	3,081	2,706	2,014	1,597
7	Total Assets	19,907	17,388	17,621	16,306	15,766	14,474
8	Total liabilities	12,504	10,450	10,633	9,734	9,644	8,492
	<b>OPERATING DATA</b>						
1	Gross Premium	8,807	8,135	8,661	8,659	8,153	6,893
2	Net Premium	5,802	5,219	4,784	4,724	4,096	3,535
3	Net Claims	3,336	2,775	2,793	2,831	2,217	2,018
4	Net Comission	1,264	1,101	950	937	868	785
5	Underwriting Results	545	722	515	453	563	379
6	Total Management Expenses	657	621	523	503	448	353
7	Investment Income	961	935	1,079	1,101	918	891
8	Profit Before Tax	1,427	1,772	1,565	1,706	1,537	1,257
9	Profit After Tax	974	1,377	1,244	1,321	1,160	845
	<b>SHARE INFORMATION &amp; PAYOUTS</b>						
1	No of shares (In million)	300	300	300	300	300	300
2	Cash dividend %	25	25	25	25	25	30
3	Bonus Shares %	-	-	-	-	-	-
4	Total Dividend %	25	25	25	25	25	30
	<b>FINANCIAL RATIO ANALYSIS</b>						
1	Claims ratio	57.50	53.17	58.38	59.93	54.13	57.09
2	Total Assets Turnover (Times)	0.44	0.47	0.49	0.53	0.52	0.53
3	Total Liabilities / equity (%)	168.90	150.62	152.18	148.14	157.53	102.60
4	Paid up Capital / Total Assets (%)	15.07	17.25	17.03	18.40	19.03	23.30
5	Equity / Total Assets (%)	37.19	39.90	39.65	40.30	38.83	49.36

# Financial Review

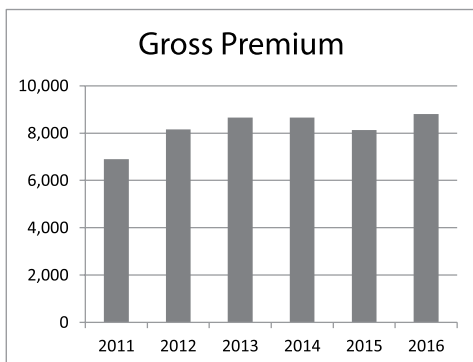
Year	2011	2012	2013	2014	2015	2016
Net Premium	3,535	4,096	4,724	4,784	5,219	5,802



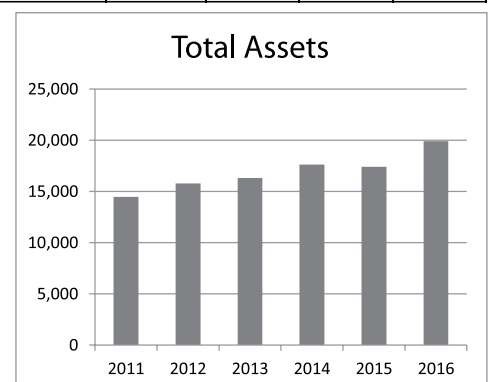
Year	2011	2012	2013	2014	2015	2016
Equity	5,982	6,122	6,571	6,987	6,938	7,403



Year	2011	2012	2013	2014	2015	2016
Gross Premium	6,893	8,153	8,659	8,661	8,135	8,807



Year	2011	2012	2013	2014	2015	2016
Total Assets	14,474	15,766	16,306	17,621	17,388	19,907





## Statement of Compliance with the Code of Corporate Governance 2012, Public Sector Companies (Corporate Governance) Rules, 2013, and Code of Corporate Governance for Insurers, 2016.

**Name of company** PAKISTAN REINSURANCE COMPANY LIMITED  
**Name of the line ministry** COMMERCE  
**For the year ended** DECEMBER 31, 2016

- i. This statement is being presented to comply with the Code of Corporate Governance 2012 (CCG) contained in the Clause No. 5.19 of Pakistan Stock Exchange Limited Regulations, Public Sector Companies (Corporate Governance) Rules, 2013 and the Code of Corporate Governance for Insurers, 2016 (CCG Insurer) (hereinafter called “the Codes”) issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance. In case where there is inconsistency with the CCG and CCG Insurers, the provisions of Public Sector Companies (Corporate Governance) Rules, 2013 (“Rules”) shall prevail.
- ii. The company has complied with the provisions of the Rules in the following manner:

Sr. No.	Provision of the Rules	Rule No.	Y / N																									
			Tick the relevant box																									
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	Y																									
2.	The Board has the requisite percentage of independent directors. At present the board includes: <table border="1" data-bbox="327 1312 970 1617"> <thead> <tr> <th>Category</th> <th>Name</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Independent Director</td> <td>Mr. Mumtaz Ali Rajper</td> <td>31-12-2013</td> </tr> <tr> <td>Mr. Taufique Habib</td> <td>31-12-2013</td> </tr> <tr> <td>Mr. Sami Kehar</td> <td>11-08-2015</td> </tr> <tr> <td>Mr. Etrat H. Rizvi</td> <td>23-02-2016</td> </tr> <tr> <td>Executive Director</td> <td>Mr. Muhammed Siddique Memon, CEO, PRCL</td> <td>15-12-2016</td> </tr> <tr> <td rowspan="4">Non-Executive Director</td> <td>Syed Arshad Ali</td> <td>18-02-2015</td> </tr> <tr> <td>Dr. Kausar Ali Zaidi</td> <td>13-06-2016</td> </tr> <tr> <td>Mr. Faisal Mumtaz</td> <td>19-02-2015</td> </tr> <tr> <td>Mr. Shoaib Mir</td> <td>28-10-2016</td> </tr> </tbody> </table>	Category	Name	Date of Appointment	Independent Director	Mr. Mumtaz Ali Rajper	31-12-2013	Mr. Taufique Habib	31-12-2013	Mr. Sami Kehar	11-08-2015	Mr. Etrat H. Rizvi	23-02-2016	Executive Director	Mr. Muhammed Siddique Memon, CEO, PRCL	15-12-2016	Non-Executive Director	Syed Arshad Ali	18-02-2015	Dr. Kausar Ali Zaidi	13-06-2016	Mr. Faisal Mumtaz	19-02-2015	Mr. Shoaib Mir	28-10-2016	3(2)	Y	
Category	Name	Date of Appointment																										
Independent Director	Mr. Mumtaz Ali Rajper	31-12-2013																										
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	Mr. Shoaib Mir	28-10-2016																										
3	A casual vacancy occurring on the board was filled up by the directors within ninety days.	3(4)		N																								

4	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	Y	
5	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)	Y	
6	The chairman of the board is working separately from the chief Executive of the Company.	4(1)	Y	
7	The chairman has been elected from amongst the independent directors.	4(4)	Y	
8	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. However, the same was not considered by Ministry which appointed a civil officer as CEO in December 2016.	5(2)	Y	
9	(a) The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (www.pakre.org.pk)  (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	Y	
10	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	Y	
11	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b) (ii)		N
12	The Board has developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the company.	5(5)(b) (vi)		N
13	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.  (b) The Board Human Resource committee has been formed to investigate deviations from the company's code of conduct.	5(5)(c) (ii)	Y	
14	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the PPRA Rules.	5(5)(c) (iii)	Y	

15	The board has developed a vision or mission statement, 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.	5(6)		N
16	The board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	Not applicable	
17	(a) The board has met at least four times during the year.  (b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.  (c) The minutes of the meetings were appropriately recorded and circulated.	6(1)  6(2)  6(3)	Y	
18	The board has carried out performance evaluation of its members, including the chairman and the chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management on annual basis.	8	Y	
19	The board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	Y	
20	The board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end, and has placed the annual financial statements on the company's website. Monthly accounts were also prepared and circulated amongst the board members.	10	Y	
21	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	Y	

22	<p>(a) The board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p>	12	Y																																													
	<table border="1" data-bbox="347 590 1023 1056"> <thead> <tr> <th>Sr. No.</th> <th>Committees</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Audit Committee</td> <td>Five</td> <td>Mr. Etrat H. Rizvi</td> </tr> <tr> <td>2</td> <td>Investment Committee</td> <td>Five</td> <td>Mr. Abdul Sami Kehar</td> </tr> <tr> <td>3</td> <td>Underwriting Committee</td> <td>Three</td> <td>Mr. Iftikhar Ahmed*</td> </tr> <tr> <td>4</td> <td>Claim Settlement Committee</td> <td>Three</td> <td>Mr. Etrat H. Rizvi</td> </tr> <tr> <td>5</td> <td>Remuneration / Human Resource Committee</td> <td>Four</td> <td>Mumtaz Ali Rajper</td> </tr> <tr> <td>6</td> <td>Ethics and Compliance Committee</td> <td>Three</td> <td>Mr. Abdul Sami Kehar</td> </tr> <tr> <td>7</td> <td>Risk Management Committee</td> <td>Three</td> <td>Syed Arshad Ali</td> </tr> <tr> <td>8</td> <td>Nomination Committee</td> <td>Three</td> <td>Mr. Taufique Habib</td> </tr> <tr> <td>9</td> <td>Reinsurance/Co-insurance Committee</td> <td>Three</td> <td>Mr. Faisal Mumtaz</td> </tr> <tr> <td>10</td> <td>Procurement Committee</td> <td>Three</td> <td>Syed Arshad Ali</td> </tr> </tbody> </table> <p><i>*The SLIC has withdrawn the nomination of Mr. Iftikhar Ahmed in place of Mr. Shoaib Mir. Chairman, SLIC in October, 2016.</i></p>	Sr. No.	Committees	Number of Members	Name of Chair	1	Audit Committee	Five	Mr. Etrat H. Rizvi	2	Investment Committee	Five	Mr. Abdul Sami Kehar	3	Underwriting Committee	Three	Mr. Iftikhar Ahmed*	4	Claim Settlement Committee	Three	Mr. Etrat H. Rizvi	5	Remuneration / Human Resource Committee	Four	Mumtaz Ali Rajper	6	Ethics and Compliance Committee	Three	Mr. Abdul Sami Kehar	7	Risk Management Committee	Three	Syed Arshad Ali	8	Nomination Committee	Three	Mr. Taufique Habib	9	Reinsurance/Co-insurance Committee	Three	Mr. Faisal Mumtaz	10	Procurement Committee	Three	Syed Arshad Ali			
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9	Reinsurance/Co-insurance Committee	Three	Mr. Faisal Mumtaz																																													
10	Procurement Committee	Three	Syed Arshad Ali																																													
23	The board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13/14	Y																																													
24	The company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of subsection (3) of section 234 of the Ordinance.	16	Y																																													
25	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.	17	Y																																													
26	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.	18	Y																																													
27	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the company contains criteria and details of remuneration of each director.	19	Y																																													
28	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board.	20	Y																																													

29	The board has formed an audit committee, with defined and written terms of reference, and having the following members:																							
	<table border="1"> <thead> <tr> <th>S.No.</th> <th>Name of Member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Mr. Etrar H. Rizvi</td> <td>Independent</td> <td>MBA, LLB.</td> </tr> <tr> <td>2</td> <td>Syed Arshad Ali</td> <td>Non-executive</td> <td>Ex-Civil Servant</td> </tr> <tr> <td>3</td> <td>Dr. Kausar Ali Zaidi</td> <td>Non-executive</td> <td>Joint Secretary (MoC)</td> </tr> <tr> <td>4</td> <td>Mr. Taufique Habib</td> <td>Independent</td> <td>Investment marketing</td> </tr> </tbody> </table>	S.No.	Name of Member	Category	Professional Background	1	Mr. Etrar H. Rizvi	Independent	MBA, LLB.	2	Syed Arshad Ali	Non-executive	Ex-Civil Servant	3	Dr. Kausar Ali Zaidi	Non-executive	Joint Secretary (MoC)	4	Mr. Taufique Habib	Independent	Investment marketing	21		N
S.No.	Name of Member	Category	Professional Background																					
1	Mr. Etrar H. Rizvi	Independent	MBA, LLB.																					
2	Syed Arshad Ali	Non-executive	Ex-Civil Servant																					
3	Dr. Kausar Ali Zaidi	Non-executive	Joint Secretary (MoC)																					
4	Mr. Taufique Habib	Independent	Investment marketing																					
	The chief executive and chairman of the Board are not members of the audit committee.																							
30	The board has set up an effective internal audit function which has an audit charter, duly approved by the audit committee, and which worked in accordance with the applicable standards.	22	Y																					
31	The company has appointed its external auditors in line with the requirements envisaged under the Rules.	23	Y																					
32	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	Y																					
33	The external auditors have not been appointed to provide services other than the audit services and the auditors have confirmed that they have observed applicable guidelines issued by IFAC in this regard.	23(5)	Y																					
34	The company / has complied with all the corporate and financial reporting requirements of the Rules.		Y																					

**Certain additional disclosures as required under Code of Corporate Governance (CCG) 2012:**

35. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a Developing Financial Institution (DFI) or a Non-Banking Financial Institution (NBFI) or, being a member of stock exchange, has been declared as defaulter. No director or his/her spouse is engaged in the business of stock brokerage.
36. All the powers of the board are exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executives and non-executive directors, have been taken by the board/shareholders.
37. The board has arranged Certified Directors training (approved by SECP) for Mr. Iftikhar Ahmed during the year.
38. The meeting 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 followed and advised as per the spirit of Code.

39. The “closed period”, prior to the announcement of interim/final results and business decisions, which may materially affect the market price of Company’s securities, was determined and intimated to directors, officers and stock exchange in time.
40. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

#### **Further disclosures as required under Code of Corporate Governance for Insurers 2016:**

41. The Board has formed the following management committees. However, the Management Committees will be reconstituted as per the requirements of Code of Corporate Governance for Insurers, 2016 within six months from the date of coming into effect of this Code.

#### **Underwriting Committee**

<b>Name of the Member</b>	<b>Category</b>
Mr. Iftikhar Ahmed*	Non-executive
Mr. Faisal Mumtaz	Non-executive
Mr. Jamil Ahmed, CFO	Chief Financial Officer
Mr. Muhammad Junaid Moti, ED (Underwriting / Reinsurance)	Secretary of the Committee

*\*The SLIC has withdrawn the nomination of Mr. Iftikhar Ahmed in place of Mr. Shoaib Mir, Chairman, SLIC in October, 2016*

#### **Claim Settlement Committee**

<b>Name of the Member</b>	<b>Category</b>
Mr. Etrat H. Rizvi	Independent
Syed Arshad Ali	Non-executive
Mr. Jamil Ahmed, CFO	CFO
Mr. Muhammad Junaid Moti, ED (Underwriting / Reinsurance)	Secretary of the Committee

#### **Reinsurance & Co-insurance Committee**

<b>Name of the Member</b>	<b>Category</b>
Mr. Faisal Mumtaz	Non-executive
Mr. Iftikhar Ahmed*	Non-executive
Mr. Jamil Ahmed, CFO	Chief Financial Officer
Mr. Muhammad Junaid Moti, ED (Underwriting / Reinsurance)	Secretary of the Committee

*\*The SLIC has withdrawn the nomination of Mr. Iftikhar Ahmed in place of Mr. Shoaib Mir, Chairman, SLIC in October, 2016*

### Risk Management Committee

Name of the Member	Category
Syed Arshad Ali	Non-executive
Dr. Kausar Ali Zaidi	Non-executive
Mr. Jamil Ahmed	Chief Financial Officer
Mr. Muhammad Junaid Moti	Executive Director (Underwriting)

2. The Board has formed the following Board Committees. However, the Board Committees will be reconstituted as per the requirements of Code of Corporate Governance for Insurers, 2016 within six months from the date of coming into effect of this Code.

Ethics and Compliance Committee	
Name of the Member	Category
Mr. Abdul Sami Kehar	Independent
Mr. Mumtaz Ali Rajper	Independent
Mr. Shahzad Farooq Lodhi	ED (HR)
Mr. Shams-ud-Din, Company Secretary	Secretary of the Committee

Nomination Committee (if constituted):	
Name of the Member	Category
Mr. Taufiqe Habib	Independent
Mr. Faisal Mumtaz	Non-executive
Mr. Shahzad Farooq Lodhi	Executive Director (HR)
Mr. Shams-ud-Din, Company Secretary	Secretary of the Committee

### Investment Committee

Name of the Member	Category
Mr. Abdul Sami Kehar	Independent
Mr. Mumtaz Ali Rajper	Independent
Dr. Kausar Ali Zaidi, JS, MoC	Non-executive
Mr. Etrat H. Rizvi	Independent
Mr. Shahzad Farooq Lodhi	Executive Director (HR)
Mr. Jamil Ahmed, CFO	Secretary of the Committee

### Remuneration / HR Committee

Name of the Member	Category
Mr. Mumtaz Ali Rajper	Independent
Abdul Sami Kehar	Independent
Mr. Shahzad Farooq Lodhi,	ED (HR)
Mr. Jamil Ahmed,	CFO
Mr. Shamsuzzaman Rajpar, GM (HR)	Secretary of the Committee

42. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the insurer and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.
43. The Board has set up an effective internal audit function through competent personnel who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the insurer and they are involved in the internal audit function on a regular basis.
44. The Chief Executive Officer and the Head of Internal Audit possess such qualifications and experience as is required under the Code of Corporate Governance for Insurers, 2016. However, the position of Compliance Officer is vacant and has not been filled up as yet. The charge of Compliance Officer has been given to Company Secretary by Board till the appointment of Compliance Officer by Ministry. However, the revised Code of Corporate Governance 2016 has relaxed the appointment till May 2017. The appointed actuary of the insurer also meets the conditions as laid down in the said Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No.XXXIX of 2000). Moreover, Grievance department is required for an insurer where policy holders are from general public, whereas PRCL is a reinsurer and the policy holders are corporate entities.

Name of the Person	Designation
1. Mr. Muhammed Siddique Memon	Chief Executive Officer
2. Mr. Jamil Ahmed	Chief Financial Officer
3. Mr. Shams-ud-Din	Company Secretary/ Compliance Officer*
4. Mr. Muhammad Khurshid	Chief Internal Auditor
5. Mr. Muhammad Junaid Moti	Head of Underwriting/ Reinsurance
6. Mr. Farmanullah Zarkoon	Head of Claims
7. Vacant	Head of Risk Management
---	Head of Grievance Deptt.**
* The charge of Compliance Officer has been given to Company Secretary by Board till the appointment of Compliance Officer by Ministry. However, the revised Code of Corporate Governance 2016 has relaxed the appointment till May 2017.	
** Grievance department is required for an insurer where policy holders are from general public, whereas PRCL is a reinsurer and the policy holders are corporate entities.	

45. The statutory auditors of the insurer have been appointed from the panel of auditors approved by the Commission in terms of section 48 on the Insurance Ordinance, 2000 (Ordinance No.XXXIX of 2000). The statutory auditors 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 insurer and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines of code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

46. The Appointed of the Insurer has confirmed that that he or his spouse and minor children do not hold shares of the insurer.
47. The Board ensured that the appointed actuary complies with the requirement set out for him in Code of Corporate Governance for Insurers, 2016.
48. The Board ensures that the investment policy of the insurer is drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016 and within the timeline enshrined in the Code.
49. The Board ensures that the risk management department/function of the insurer is in place as per the requirements of the Code of Corporate Governance for Insurers, 2016. However, the position of the Head of Risk Management is currently vacant.
50. The Insurer has set up a risk management function/department, which carries its task as covered under the Code of Corporate Governance for Insurers, 2016. However, the position of the Head of Risk Management is currently vacant.
51. The Board ensures that as part of the risk management system, the insurer gets itself rated from PACRA (credit rating agency) which is being used by its risk management function/department and the respective Committee as a risk monitoring tool. The rating assigned for the year 2016 by the said rating agency is "AA" with "Stable" outlook.
52. The Board has not set up a grievance department/function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016, since the company is not an insurer but a reinsurer whose policy holders are not for the public but are the insurance companies themselves.

CHIEF EXECUTIVE OFFICER

CHAIRMAN

## Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

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

Sr. No.	Rule/Sub-rule No.	Reason for non-compliance	Future of Course of Action
1	3(4)	The appointment of CEO was authorized by Prime Minister’s Secretariat which took time in the course of approval.	Not applicable
2	5(5)(b)(ii)	All the employees (staff and officers), CEO and Board members have signed a Code of Conduct statement. The statement considerably covers the possibility of conflict of interest.	Not applicable
3	5(5)(b)(iv)	The policy is currently under approval of board.	These policies will preferably be made by June 2017.
4	5(6)	Significant policies have been formulated and Board approval has been sought subsequent to the year end.	Not applicable.
5	21	Majority of the members of audit committee are not independent.	50% of members are independent, whereas in future committee majority of members will be independent.
<b>Code of Corporate Governance for Insurers, 2016</b>			
6	xx	The Board has not set up a grievance department / function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016, since the company is not an insurer but a reinsurer whose policy holders are not for the public but are the insurance companies themselves.	Not applicable.

Chief Executive Officer

Chairman



## REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE, PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013 AND CODE OF CORPORATE GOVERNANCE FOR INSURERS, 2016

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

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

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

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

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 aspects, with the best practices contained in the Codes as applicable to the Company for the year ended December 31, 2016.

Further, we highlight below instances of non-compliance with the requirements of the Codes and reflected in the paragraphs 3, 11, 12, 15, 29 and 53 where these are stated in the Statement of Compliance.

S.NO	REFERENCE	DESCRIPTION
<b>Public Sector Companies (Corporate Governance) Rules, 2013</b>		
1	3(4)	Casual vacancy of Chief Executive Officer was not filled up by the directors and competent authority within the stipulated time.
2	5(2)	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. However, the same was not considered by Ministry which appointed a civil officer as CEO in December 2016.
3	5(5)(b)(ii)	The Board has not developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.
4	5(5)(b)(vi)	The Board has not developed and implemented a policy on anticorruption to minimize actual or perceived corruption in the company.
5	5(6)	The Board has not developed and approved significant policies of the company.
6	21	Majority of the members of Audit Committee are not Independent Non-Executive Directors.
<b>Code of Corporate Governance for Insurers, 2016</b>		
7	xx	The Board has not set up a grievance department/function, which fully complies with the requirements of the Code of Corporate Governance for Insurers, 2016.

**KARACHI**

**DATED: 6th April, 2017**

**CHARTERED ACCOUNTANTS**

Engagement Partner: Zulfikar Ali Causer

## AUDITORS' REPORT TO THE MEMBERS

### Introduction

We have audited the accompanying:

- balance sheet;
- profit and loss account;
- statement of comprehensive income;
- statement of changes in equity;
- statement of cash flows;
- statement of premiums;
- statement of claims;
- statement of expenses; and
- statement of investment income

of **PAKISTAN REINSURANCE COMPANY LIMITED** (“the Company”) as at December 31, 2016 together with the notes forming part thereof, for the year then ended.

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

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

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

However, we have noted that the Company is not following the guidelines of aforesaid Circular No. 9 of 2016 and no separate estimation for IBNR claims reserve has been recorded as management is of the view that the Company records the outstanding claims on the basis of returns received from ceding insurance companies and data / information required for separate estimation of IBNR could not be available or expected to be made available.

2. As on December 31, 2016, the balance under the head “Amount due from other insurers / reinsurers” include an amount of Rs. 1,492.238 million in respect of which balance confirmation has not been received. Management has recorded a provision amounting to Rs. 235.968 million in respect of these balances. In the absence of an independent confirmation we are unable to confirm the existence and valuation related to this amount. The Company is in process of reconciling all balances with ceding companies as detailed in note 22. Due to pending confirmation/reconciliation relating to the above balances, resultant adjustment and consequential impact therefore, if any, on the financial statements remain unascertained.

Except for the adjustments in respect of matters stated above, in our opinion:

- a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company’s affairs as at December 31, 2016 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved International Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980(XVIII of 1980), was deducted by the Company and deposited in the central Zakat Fund established under Section 7 of that Ordinance.



Without further modifying our opinion, we draw attention to the following:

1. Note 17.4 to the financial statements which provides details regarding orders passed by Sindh Revenue Board demanding the amount of sales tax liability on re-insurance services provided / rendered by the Company for the years 2011, 2012 and 2013. The Company has not recorded provision against the orders and has disclosed the amounts as contingent liabilities. Further, SRB recovered an amount of Rs. 442.424 million from the Company's bank accounts under section 66 of Sindh Sales Tax Act 2011 which has been recorded as receivable as management is confident on the basis of advise received from its legal advisors that the decision will be in the favour of the Company. However, in the event the matter is decided against the Company, the charge to profit and loss account would amount to Rs. 3,299.453 million pertaining to the years 2011, 2012 and 2013 this excludes any additional and penalty. Further, in the event of adverse decision, the Company would also have to record sales tax liability on re-insurance services with a corresponding charge to profit and loss accounts for the years 2014, 2015 and 2016. The financial impact for these tax years remains unascertained.
2. Note 17 to these financial statements which provides details regarding contingencies in respect of which decisions are pending.
3. Note 13.1 and 22.2 to the financial statements which inter-alia provides details regarding Reconciliation Committee formed by the Audit Committee of the Board in prior year to reconcile and recover balances from insurance companies. The Company continues to follow up and reconcile these balances and record adjustments wherever considered necessary.

**KARACHI**

**DATED: 6th April, 2017**

**CHARTERED ACCOUNTANTS**

Engagement partner: Zulfikar Ali Causer

## ANNUAL CERTIFICATE OF COMPLIANCE WITH SECTION 11 AND SECTION 12 OF THE INSURANCE ORDINANCE, 2000

This is to certify that PAKISTAN REINSURANCE COMPANY LIMITED, bearing insurance registration No.0041092 dated 30th March, 2000, as at all times complied with the following provisions of the Insurance Ordinance, 2000 (XXXIX of 2000) during the period January 01, 2016 till December 31, 2016:

- (a) the provisions of the Ordinance relating to minimum paid-up share capital requirements;
- (b) the provisions of the Ordinance relating to minimum statutory deposits;
- (c) the provisions of the Ordinance relating to minimum solvency requirements;
- (d) the provisions of the Ordinance relating to the obtaining of reinsurance arrangements;

It is further certified that PAKISTAN REINSURANCE COMPANY LIMITED,

- (a) is, and is likely to continue to be, able to meet its liabilities;
- (b) meets, and is likely to continue to meet, criteria for sound and prudent management including without limitation those set out in section 12;
- (c) has appointed an auditor from the panel of approved auditors formed by the Commission;
- (d) undertakes to abide by the decisions of the small disputes resolution committee(s) constituted under section 117 of the Ordinance;
- (e) The annual supervision fee is not applicable to, or payable by the company as the company is a reinsurer and not an insurer. Every year the legal opinion is furnished to the Commission in response to the circular advising for annual supervision fee
- (f) has chief executive officer, directors and officers; who are fit and proper person to hold the positions that they hold such that:
  - (i) they possess experience and qualification as are appropriate for the duties for which they are responsible, and they conduct those duties with due diligence and skill;
  - (ii) their association with the insurer is not and is not likely to be detrimental to the interest of the insurer or of its policy holders;





- (g) is directed and managed by sufficient number of persons who are fit and proper persons to hold the positions which they hold;
- (h) maintains adequate accounting and other records of its business such that:
  - (i) it enables its business of the insurer to be prudently managed; and
  - (ii) it enables the insurer to comply with the obligations imposed on it by or under this Ordinance.
- (i) maintains adequate systems of control of its business and records as the persons who are responsible for the direction and management of the insurer hold responsibilities for those systems;
- (j) is conducting its business in a sound and prudent manner giving due regards to the interests of policy holders and potential policy holders;
- (k) is conducting its business in a sound and prudent manner by:
  - (i) satisfying obligations to which it is subject by virtue of the Ordinance; and
  - (ii) supervising the activities of its subsidiary with due care and diligence and without detriment to its own business,
- (l) has not appointed a managing agent for the conduct of its business.

Dated: 6th April, 2017

We hereby undertake that the annual certificate of compliance filled in above, is true to the best of our knowledge, information and belief and nothing has been concealed or misstated therein.

(Muhammed Siddique Memon)  
Chief Executive Officer

Director

Director

*Financial  
Statement*  
of

Pakistan Reinsurance Company Limited  
for the year ended  
December 31, 2016



## Balance Sheet | as at December 31, 2016

	Note	December 31, 2016 Rupees	December 31, 2015 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital			
2,500,000,000 (2015: 2,500,000,000)			
Ordinary shares of Rs. 10/- each		<u>25,000,000,000</u>	<u>25,000,000,000</u>
Issued subscribed and paid up capital			
300,000,000 (2015: 300,000,000)			
Ordinary shares of Rs. 10/- each	6	3,000,000,000	3,000,000,000
Retained earnings		2,345,041,499	1,880,106,301
Reserve for exceptional losses	7	281,000,000	281,000,000
General reserve		1,777,419,085	1,777,419,085
		<u>4,403,460,584</u>	<u>3,938,525,386</u>
<b>Shareholders' equity</b>		<u>7,403,460,584</u>	<u>6,938,525,386</u>
<b>LIABILITIES</b>			
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)	8	4,590,671,732	3,093,187,482
Provision for unearned premium	9	4,420,092,072	4,111,141,130
Commission income unearned	10	24,177,478	18,763,334
<b>Total underwriting provisions</b>		9,034,941,282	7,223,091,946
<b>Deferred liability - employee benefits</b>	11	1,296,307,190	1,486,579,674
<b>Long term deposits</b>	12	16,299,040	12,681,380
<b>Creditors and accruals</b>			
Amount due to other insurers and reinsurers	13	1,964,346,423	1,497,163,484
Premium and claim reserves retained from retrocessionaires	14	19,063,743	19,063,743
Other creditors and accruals	15	26,026,662	49,038,959
Accrued expenses		19,909,377	17,597,350
Retention money payable		6,368,183	6,368,183
		2,035,714,388	1,589,231,719
<b>Other liabilities</b>			
Dividend payable		119,430,677	137,227,342
Surplus profit payable	16	1,212,602	1,212,602
		120,643,279	138,439,944
<b>Total liabilities</b>	17	12,503,905,179	10,450,024,663
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>19,907,365,763</u>	<u>17,388,550,049</u>

## Balance Sheet | as at December 31, 2016

	Note	December 31, 2016 Rupees	December 31, 2015 Rupees
<b>ASSETS</b>			
<b>Cash and bank deposits</b>			
Cash and other equivalents		44,264	51,422
Current and other accounts		2,239,958,104	2,684,243,452
Deposits maturing within 12 months		440,000,000	600,670,200
	18	<u>2,680,002,368</u>	<u>3,284,965,074</u>
<b>Loans to employees</b>	19	72,949,886	71,079,742
<b>Investments</b>	20	6,624,839,230	6,317,718,882
<b>Investment properties</b>	21	31,425,711	32,107,170
<b>Current assets - others</b>			
Amount due from other insurers and reinsurers	22	4,533,411,877	3,668,040,093
Premium and claim reserves retained by cedants	23	11,685,818	168,098,008
Accrued investment income	24	190,210,728	190,216,722
Reinsurance recoveries against outstanding claims	25	2,732,782,143	1,406,544,395
Deferred commission expense	26	598,286,396	586,924,395
Prepayments	27	1,768,270,301	1,510,443,584
Taxation - net		114,406,208	14,280,941
Sundry receivables	28	509,927,721	92,827,896
Stock of stationery		240,905	1,729,147
		<u>10,459,222,097</u>	<u>7,639,105,181</u>
<b>Fixed assets</b>			
<b>Tangible</b>			
Land and building		14,580,764	16,379,337
Furniture, fixture, books and office equipment		10,150,776	9,737,668
Electrical installations, air conditioning plant and lifts		8,053,291	10,066,726
Motor vehicles		6,141,640	7,390,269
	29.5	<u>38,926,471</u>	<u>43,574,000</u>
Assets relating to Bangladesh	30	-	-
<b>TOTAL ASSETS</b>		<u><u>19,907,365,763</u></u>	<u><u>17,388,550,049</u></u>

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

# Profit & Loss Account | for the year ended December 31, 2016



Note	Rupees						2015 Aggregate		
	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering		Treaty	2016 Aggregate
<b>Revenue account</b>									
Net premium revenue	1,106,310,676	33,739,206	54,238,803	144,334,846	146,342,765	499,629,124	3,817,252,479	5,801,847,899	5,218,941,690
Less:									
Net claims	360,055,953	12,042,622	24,582,873	87,410,368	65,598,873	141,607,409	2,644,261,721	3,335,559,819	2,774,829,237
Expenses	130,359,109	11,345,898	8,073,495	22,238,521	27,537,386	60,200,153	397,333,696	657,088,258	621,390,801
Net commission	204,640,061	5,875,877	1,578,059	16,940,467	(2,511,113)	52,290,664	985,652,682	1,264,466,697	1,100,863,220
<b>Underwriting results</b>	<b>411,255,553</b>	<b>4,474,809</b>	<b>20,004,376</b>	<b>17,745,490</b>	<b>55,717,619</b>	<b>245,530,898</b>	<b>(209,995,620)</b>	<b>544,733,125</b>	<b>721,858,432</b>
Investment income - net									
Rental income - net									
Exchange (loss) / gain									
Other income									
Other charges									
General and administration expenses									
<b>Profit before tax</b>									
<b>Income tax expense</b>									
Current									
Prior year tax									
<b>Profit after tax</b>									
<b>Profit and loss appropriation account</b>									
<b>Balance at the commencement of year</b>									
Total comprehensive income for the year									
Final cash dividend 2015 for Rs. 2.50 @ 25% (2014: Rs. 2.50 @ 25%) per share									
<b>Balance of unappropriated profit at the end of the year</b>									
Earnings per share - basic and diluted									

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR



## Statement of Comprehensive Income | for the year ended December 31, 2016

	<b>2016</b> <b>Rupees</b>	<b>2015</b> <b>Rupees</b>
Profit for the year	974,263,198	1,376,697,009
Other comprehensive income		
Items that may not be reclassified to profit and loss account subsequently		
Remeasurement of defined benefit obligations - net	240,672,000	(675,584,000)
Total comprehensive income for the year	<u>1,214,935,198</u>	<u>701,113,009</u>

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

## Statement of Cash Flows | for the year ended December 31, 2016

	2016 Rupees	2015 Rupees
<b>Operating cash flows</b>		
<b>Underwriting activities:-</b>		
Premium received	7,941,282,377	7,504,629,173
Reinsurance premium paid	(2,485,140,139)	(2,838,019,155)
Claims paid	(3,417,460,379)	(4,324,539,375)
Reinsurance and other recoveries received	253,147,062	1,663,323,660
Commission paid	(1,332,651,825)	(1,247,949,152)
Commission received	62,237,271	57,494,193
Premium and claim reserves retained from retrocessionaires/withheld by ceding companies - net	156,412,190	39,285,477
Expenses paid	(482,177,258)	(621,390,801)
Net cash inflows from underwriting activities	<u>695,649,299</u>	<u>232,834,020</u>
<b>Other operating activities</b>		
Income tax paid	(552,809,868)	(421,883,791)
General management expenses paid	(46,035,123)	(38,083,492)
Payment under defined benefit obligation	(124,511,484)	(145,345,345)
Loans disbursed	(1,870,144)	(459,006)
Other (payments) / receipts - net	(415,837,050)	3,516,956
Net cash used in other operating activities	<u>(1,141,063,669)</u>	<u>(602,254,678)</u>
Total cash used in all operating activities	<u>(445,414,370)</u>	<u>(369,420,658)</u>
<b>Investment activities</b>		
Addition to fixed assets	(3,870,955)	(1,421,407)
Acquisition of investments	(3,400,625,165)	(2,726,259,831)
Rental income received - net of expenses	51,361,667	59,780,003
Dividend income received	415,999,985	377,581,257
Interest income on bank deposits	98,463,411	134,744,515
Investment income received - net of expenses	304,832,364	393,367,763
Proceeds on sale / maturity of investments	3,142,087,022	3,072,500,000
Total cash inflow from investment activities	<u>608,248,329</u>	<u>1,310,292,300</u>
<b>Financing activities</b>		
Dividend paid	(767,796,665)	(737,276,837)
Total cash outflow from financing activities	<u>(767,796,665)</u>	<u>(737,276,837)</u>
Net cash (used in) / generated from all activities	<u>(604,962,706)</u>	<u>203,594,805</u>
Cash and cash equivalents at beginning of the year	<u>3,284,965,074</u>	<u>3,081,370,269</u>
Cash and cash equivalents at end of the year	<u><u>2,680,002,368</u></u>	<u><u>3,284,965,074</u></u>

## Statement of Cash Flows | for the year ended December 31, 2016

	2016 Rupees	2015 Rupees
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	(445,414,370)	(369,420,658)
Depreciation on fixed assets	(5,963,255)	(7,039,894)
Depreciation on investment properties	(1,724,245)	(1,785,208)
Exchange (loss) / gain	(694,372)	105,962,395
Other charges	(166,705,510)	-
Rental income	55,779,280	47,783,138
Reduction /(charge) for deferred liability-employee benefits	190,272,484	(682,246,276)
Investment income	961,156,893	934,709,691
Reinsurance recoveries against outstanding claims	1,326,237,748	203,824,301
Provision for outstanding claims	(1,497,484,250)	(90,210,779)
Provision for unearned premium	(308,950,942)	(411,495,370)
Prepaid reinsurance	255,773,386	(564,813,252)
Increase in operating assets other than cash	979,038,022	1,965,515,847
(Increase) / decrease in operating liability other than cash	(467,182,939)	219,606,153
	<u>874,137,931</u>	<u>1,350,390,088</u>
<b>Other adjustments:</b>		
Income tax paid	552,809,868	421,883,791
	<u>552,809,868</u>	<u>421,883,791</u>
Profit before taxation	1,426,947,799	1,772,273,879
Provision for taxation	(452,684,601)	(395,576,870)
<b>Profit after taxation</b>	<u><u>974,263,198</u></u>	<u><u>1,376,697,009</u></u>

### Definition of cash

Cash comprises of cash in hand, policy stamps, postage stamps, revenue stamp, bank balances and other deposit which are readily convertible to cash in hand and which are used in the cash management function on day-to-day basis.

Cash for the purpose of the statement of cash flow consist of:

Cash and cash equivalents:

Cash and other equivalents	44,264	51,422
Current and other accounts	2,239,958,104	2,684,243,452
Deposit maturing within 12 months	440,000,000	600,670,200
	<u><u>2,680,002,368</u></u>	<u><u>3,284,965,074</u></u>

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR



## Statement of Changes in Equity | for the year ended December 31, 2016

	Share capital		Reserves			Total
	Issued subscribed and paid-up	Reserve for exceptional losses	Revenue reserves		Total reserves	
			Retained earnings	General reserve		
	----- Rupees -----					
<b>Balance as at January 01, 2015</b>	3,000,000,000	281,000,000	1,928,993,292	1,777,419,085	3,706,412,377	6,987,412,377
Total comprehensive income for the year ended December 31, 2015						
Profit for the year	-	-	1,376,697,009	-	1,376,697,009	1,376,697,009
Remeasurement of defined benefit obligations - net	-	-	(675,584,000)	-	(675,584,000)	(675,584,000)
Transactions with owners	-	-	701,113,009	-	701,113,009	701,113,009
Final cash dividend paid for the year 2014 at Rs. 2.50 per share	-	-	(750,000,000)	-	(750,000,000)	(750,000,000)
<b>Balance as at December 31, 2015</b>	3,000,000,000	281,000,000	1,880,106,301	1,777,419,085	3,657,525,386	6,938,525,386
Total comprehensive income for year ended December 31, 2016						
Profit for the year	-	-	974,263,198	-	974,263,198	974,263,198
Remeasurement of defined benefit obligations - net	-	-	240,672,000	-	240,672,000	240,672,000
Transactions with owners	-	-	1,214,935,198	-	1,214,935,198	1,214,935,198
Final cash dividend paid for the year 2015 at Rs. 2.50 per share	-	-	(750,000,000)	-	(750,000,000)	(750,000,000)
<b>Balance as at December 31, 2016</b>	3,000,000,000	281,000,000	2,345,041,499	1,777,419,085	4,122,460,584	7,403,460,584

The annexed notes from 1 to 50 form an integral part of these financial statements.

CHAIRMAN

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DIRECTOR

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# Statement of Premiums | for the year ended December 31, 2016

Class	Premiums written (A)		Unearned premium reserve		Premiums earned (D=A+B-C)		Reinsurance ceded (E)		Prepaid reinsurance		Reinsurance expense (H=E+F+G)		Net premium revenue	
	Opening (B)	Closing (C)	Opening (B)	Closing (C)	Opening (B)	Closing (C)	Opening (F)	Closing (G)	Opening (F)	Closing (G)	2016 (I=D-H)	2015		
Rupees														
<b>Business underwritten inside Pakistan Facultative</b>														
Fire	1,594,380,517	693,320,157	1,589,955,474	442,876,223	117,644,360	76,875,785	483,644,798	1,106,310,676	947,387,323					
Marine cargo	30,850,784	6,027,126	33,739,206	-	-	-	-	33,739,206	33,956,612					
Marine hull	111,941,317	40,914,442	127,967,463	61,102,413	20,627,855	8,001,608	73,728,660	54,238,803	62,449,704					
Accident and others	148,258,776	77,846,163	146,635,538	3,399,278	1,025,963	2,124,549	2,300,692	144,334,846	189,516,824					
Aviation	1,162,515,855	890,657,879	1,080,034,816	1,010,040,535	783,154,022	859,502,506	933,692,051	146,342,765	180,060,206					
Engineering	1,442,832,148	492,361,818	1,144,400,490	1,003,392,557	206,730,186	565,351,377	644,771,366	499,629,124	502,157,940					
<b>Total</b>	<b>4,490,779,397</b>	<b>2,201,702,542</b>	<b>4,122,732,987</b>	<b>2,520,811,006</b>	<b>1,129,182,386</b>	<b>1,511,855,825</b>	<b>2,138,137,567</b>	<b>1,984,595,420</b>	<b>1,915,528,609</b>					
<b>Treaty</b>	<b>4,315,874,764</b>	<b>1,909,438,588</b>	<b>4,374,970,232</b>	<b>4,30,817,700</b>	<b>377,625,857</b>	<b>250,725,804</b>	<b>557,717,753</b>	<b>3,817,252,479</b>	<b>3,303,413,081</b>					
<b>Grand total</b>	<b>8,806,654,161</b>	<b>4,111,141,130</b>	<b>8,497,703,219</b>	<b>2,951,628,706</b>	<b>1,506,808,243</b>	<b>1,762,581,629</b>	<b>2,695,853,320</b>	<b>5,801,847,899</b>	<b>5,218,941,690</b>					

CHAIRMAN

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DIRECTOR

DIRECTOR



# Statement of Claims | for the year ended December 31, 2016

Class	Provision for outstanding claims			Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries in respect of outstanding claims		Net claims expense		
	Claims paid (A)	Opening (B)	Closing (C)	Claims expense (D=A+C-B)	Reinsurance and other recoveries received (E)	Opening (F)	Closing (G)	Reinsurance and other recoveries revenue (H=E+G-F)	2016 (I=D-H)	2015
<b>Business underwritten inside Pakistan</b>										
<b>Facultative</b>										
Fire	469,557,435	1,176,519,816	994,479,472	287,517,091	-	584,588,099	512,049,237	(72,538,862)	360,055,953	554,433,005
Marine cargo	713,644	24,075,610	35,404,588	12,042,622	-	-	-	-	12,042,622	5,190,481
Marine hull	22,478,603	49,471,639	79,759,482	52,766,446	9,453,295	1,341,479	20,071,757	28,183,573	24,582,873	23,640,149
Accident and others	31,556,755	136,486,011	192,339,624	87,410,368	-	-	-	-	87,410,368	52,282,439
Aviation	87,140,642	69,731,952	1,261,479,243	1,278,887,933	146,798,650	56,399,014	1,122,889,424	1,213,289,060	65,598,873	63,648,603
Engineering	190,058,532	176,962,050	220,017,329	233,113,811	-	-	91,506,402	91,506,402	141,607,409	176,543,601
<b>Total</b>	801,505,611	1,633,247,078	2,783,479,738	1,951,738,271	156,251,945	642,328,592	1,746,516,820	1,260,440,173	691,298,098	875,738,278
<b>Treaty</b>	2,615,954,768	1,464,892,404	1,812,143,994	2,963,206,358	96,895,117	764,215,803	986,265,323	318,944,637	2,644,261,721	1,899,090,959
<b>Grand total</b>	3,417,460,379	3,098,139,482	4,595,623,732	4,914,944,629	253,147,062	1,406,544,395	2,732,782,143	1,579,384,810	3,335,559,819	2,774,829,237

Rupees

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DIRECTOR

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# Statement of Expenses | for the year ended December 31, 2016

Class	Commission paid or payable (A)		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 (H=G+H-I)		Net underwriting expense	
	Opening (B)	Closing (C)	Opening (B)	Closing (C)	Opening (B)	Closing (C)	Opening (E)	Closing (E)	Opening (F)	Closing (F)	Opening (G)	Closing (G)	Opening (H)	Closing (I)	2016 (K=F-I)	2015		
<b>Business underwritten inside Pakistan</b>																		
Facultative																		
Fire	239,492,109	124,714,997	114,826,562	124,714,997	229,603,674	229,603,674	130,359,109	130,359,109	359,962,783	359,962,783	24,728,594	4,501,963	4,501,963	4,266,944	334,999,170	282,221,306		
Marine cargo	5,380,295	653,118	1,148,700	653,118	5,875,877	5,875,877	11,345,898	11,345,898	17,221,775	17,221,775	-	-	-	-	17,221,775	23,074,215		
Marine hull	10,871,226	1,803,517	4,633,416	1,803,517	13,701,125	13,701,125	8,073,495	8,073,495	21,774,620	21,774,620	9,822,842	3,643,408	3,643,408	1,343,184	9,651,554	14,797,439		
Accident and others	15,829,849	8,426,354	9,594,489	8,426,354	16,997,984	16,997,984	22,238,521	22,238,521	39,236,505	39,236,505	84,982	25,649	25,649	53,114	39,178,988	52,317,141		
Aviation	2,575,393	1,328,262	1,860,888	1,328,262	3,108,019	3,108,019	27,537,386	27,537,386	30,645,405	30,645,405	13,326,734	3,455,670	3,455,670	11,163,272	25,026,273	34,294,325		
Engineering	61,789,712	29,061,745	30,451,962	29,061,745	63,179,929	63,179,929	60,200,153	60,200,153	123,380,082	123,380,082	11,882,855	5,270,861	5,270,861	6,264,451	112,490,817	92,262,159		
<b>Total</b>	335,938,584	165,987,993	162,516,017	165,987,993	332,466,608	332,466,608	259,754,562	259,754,562	592,221,170	592,221,170	59,846,007	16,897,551	16,897,551	23,090,965	538,568,577	498,966,585		
Treaty	996,713,241	432,298,403	424,408,378	432,298,403	988,823,216	988,823,216	397,333,696	397,333,696	1,386,156,912	1,386,156,912	2,391,264	1,865,783	1,865,783	1,086,513	1,382,986,378	1,223,287,436		
<b>Grand total</b>	1,332,651,825	598,286,396	586,924,395	598,286,396	1,321,289,824	1,321,289,824	657,088,258	657,088,258	1,978,378,082	1,978,378,082	62,237,271	18,763,334	18,763,334	24,177,478	1,921,554,955	1,722,254,021		

— Rupees



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DIRECTOR

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## Statement of Investment Income | for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>Income from trading investments</b>			
Dividend income		10,855,802	8,187,909
		<u>10,855,802</u>	<u>8,187,909</u>
<b>Income from non-trading investments</b>			
<b>Held-to-maturity</b>			
Return on Government Securities		362,412,221	365,860,689
Return on other fixed income securities and deposits		97,065,736	134,774,820
Income on treasury bills		45,950,716	66,859,983
Amortization of discount / (premium) on Pakistan Investment Bonds		10,321,070	(4,321,280)
		<u>515,749,743</u>	<u>563,174,212</u>
<b>Available-for-sale</b>			
Gain on disposal of available-for-sale investments		3,090,237	5,900
Dividend income on available-for-sale investments		406,679,675	370,247,278
		<u>409,769,912</u>	<u>370,253,178</u>
<b>Gain on revaluation of investments</b>			
Held-for-trading	20.6	27,502,994	2,251,485
<b>Gain on reversal of impairment</b>			
Available-for-sale		7,667,902	-
<b>Less: Investment related expenses</b>		<u>(10,389,460)</u>	<u>(9,157,093)</u>
<b>Net investment income</b>		<u><u>961,156,893</u></u>	<u><u>934,709,691</u></u>

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR



## Notes to the Financial Statements | for the year ended December 31, 2016

### 1 STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Reinsurance Company Limited (the Company) was incorporated in Pakistan as a public limited company on March 30, 2000. The Company is engaged in providing of reinsurance and other insurance business. The shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at PRC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi.

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.

- 1.2 The Company has not yet commenced Re-Takaful business. The Risk Management Committee in their meeting held on November 27, 2015 was informed that the potential loss of business due to absence of re-takaful window would be unrecoverable if further delayed. It was mentioned that many companies have applied for the license of Takaful windows and few have already started their Takaful operations. In the absence of the Company's re-takaful window, potential opportunities for growing business under re-takaful window operations will be lost. "Business Plan for Window Retakaful Operations of the Company was presented in the Board meeting no. 111 held on June 13, 2016 and the Board principally gave approval to the management to take necessary steps which are essential to obtain the necessary permissions.

In this regard, a corporate consultancy firm is to be hired by following PPRA rules who will prepare / assist the Company in preparing different requisite documents, advise in matters of segregation of funds, advise in the development of IT system for Window Re-takaful Operations and assist the Company in completing various other formalities.

In this regards Company filed petition under section 21 of Companies Ordinance, 1984 seeking confirmation of Special Resolution passed by the Company on December 31, 2016 to insert a new sub-clause 2(a) after the existing sub-clause 2 under the object clause III of the Memorandum of Association. The newly sub-clause 2(a) shall be read, as "to undertake and carry on all kinds of General Re-Takaful business in Pakistan and/or in any part of the world".

## Notes to the Financial Statements | for the year ended December 31, 2016

The above mentioned alteration is permissible under Section 21(1)(a) and there are no creditors to object to the proposed alteration. Accordingly, the special resolution passed is confirmed by the Companies Registration Office through order dated March 08, 2017.

### 2 BASIS OF PREPARATION

These financial statements have been prepared on the formats of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through the Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002] vide SRO 938(1) dated December 12, 2002.

#### 2.1 Statement of compliance

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

The SECP has allowed the insurance companies to defer the application of International Accounting Standard – 39 (IAS-39) “Financial Instruments: Recognition and Measurement” in respect of valuation of “available for sale investments”. Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements.

#### 2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except certain investments which have been measured at fair value. No adjustment for the effect of inflation has been accounted for in the financial statements.

#### 2.3 Functional and presentation currency

These financial statements have been presented in Pak Rupees, which is the functional and presentation currency of the Company.

## Notes to the Financial Statements | for the year ended December 31, 2016

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

#### 3.1 Standards or interpretations that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 10	Consolidated Financial Statements - Amendments regarding application of the consolidation exception	January 01, 2016
IFRS 11	Joint Arrangements - Amendments regarding the accounting for acquisitions of an interest in a joint operation	January 01, 2016
IFRS 12	Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 1	Presentation of Financial Statements - Amendments resulting from the disclosure initiative	January 01, 2016
IAS 16	Property, Plant and Equipment - Amendments regarding the clarification of acceptable methods of depreciation and amortisation and amendments bringing bearer plants into the scope of IAS 16	January 01, 2016
IAS 27	Separate Financial Statements (as amended in 2011) - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements	January 01, 2016
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the application of the consolidation exception	January 01, 2016
IAS 38	Intangible Assets - Amendments regarding the clarification of acceptable methods of depreciation and amortisation	January 01, 2016
IAS 41	Agriculture - Amendments bringing bearer plants into the scope of IAS 16	January 01, 2016



## Notes to the Financial Statements | for the year ended December 31, 2016

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2012 – 2014) Cycle:

IFRS 5	Non-current Assets Held for Sale and Discontinued Operations	
IFRS 7	Financial Instruments: Disclosures	
IAS 19	Employee Benefits	
IAS 34	Interim Financial Reporting	
		<b>Effective date (annual periods beginning on or after)</b>

### 3.2 Amendments not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

IFRS 2	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment	January 01, 2018
IFRS 4	Insurance Contracts - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2018
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture Disclosure of Interests in Other Entities - Amendments regarding the application of the consolidation exception	Deferred indefinitely
IAS 7	Statement of Cash Flows - Amendments resulting from the disclosure initiative	January 01, 2017
IAS 12	Income Taxes - Amendments regarding the recognition of deferred tax assets for unrealised losses	January 01, 2017
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture and the application of the consolidation exception	Deferred indefinitely

## Notes to the Financial Statements | for the year ended December 31, 2016

	<b>Effective date (annual periods beginning on or after)</b>
IAS 40            Investment Property - Amendments to clarify transfers or property to, or from, investment property	January 01, 2018

The Annual Improvements to IFRSs that are effective from the dates mentioned below against the respective standard are as follows:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

IFRS 1            First-time Adoption of International Financial Reporting Standards	January 01, 2018
IFRS 12           Disclosure of Interests in Other Entities	January 01, 2017
IAS 28            Investments in Associates and Joint Ventures	January 01, 2018

### 3.3 Standards or interpretations not yet effective

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

IFRS 1            First Time Adoption of International Financial Reporting Standards
IFRS 9            Financial Instruments
IFRS 14           Regulatory Deferral Accounts
IFRS 15           Revenue from Contracts with Customers
IFRS 16           Leases

The effects of IFRS 15 - Revenues from Contracts with Customers and IFRS 9 - Financial Instruments are still being assessed, as these new standards may have a significant effect on the Company's future financial statements.

The Company expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

## Notes to the Financial Statements | for the year ended December 31, 2016

### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on periodic basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

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

#### 4.1 Classification of investments

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

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

Investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity, changes in interest rates, equity prices or exchange rates are classified as available for sale. Subsequent to the initial recognition at cost, quoted investments are stated at the lower of cost or market value (in accordance with the requirements of SRO 938 issued by the SECP in December 12, 2002).

#### 4.2 Income tax

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

## Notes to the Financial Statements | for the year ended December 31, 2016

### 4.3 Fixed assets and depreciation

In making estimates of the depreciation method, the management uses method which reflects pattern in which economic benefits are expected to be consumed by the Company. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimate in accordance with International Accounting Standard 8 "Changes in Accounting Policies, Changes in accounting Estimates and Errors".

### 4.4 Impairment in available for sale investments

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

### 4.5 Premium deficiency reserve

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

### 4.6 Outstanding claims including incurred but not reported (IBNR)

The Company estimates the liability for claims, which include amounts relating to unpaid, reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future pattern of reporting of claims and the claims actually reported subsequent to the balance sheet date.

### 4.7 Reinsurance

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

## Notes to the Financial Statements | for the year ended December 31, 2016

### 4.8 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.

## 5 SIGNIFICANT ACCOUNTING POLICIES

### 5.1 Insurance contracts

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

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

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

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

#### 5.1.1 Premiums

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

#### Provision for unearned premium

The portion of premium written relating to the unexpired period of coverage is recognized as unearned premium by the Company. The unearned portion of premium income is recognized as a liability. The liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002.

## Notes to the Financial Statements | for the year ended December 31, 2016

### Administration surcharge

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum amounting to Rs. 2,000 per policy.

### Premiums due but unpaid

Receivables under insurance contracts 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.

### 5.1.2 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. Income for expenses from reinsurance contracts are not offset against expenses or income 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.

### 5.1.3 Claims expense

General insurance claims include 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.

## Notes to the Financial Statements | for the year ended December 31, 2016

The Company recognizes liability in respect of all claims incurred up to the balance sheet date, which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

### 5.1.4 Reinsurance recoveries against outstanding claims

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

### 5.1.5 Commission

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

#### a) Commission income

Commission income is being taken to profit and loss account on a time proportion basis in accordance with the pattern of recognition of reinsurance premium to comply with the requirements of SEC (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002.

#### b) Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with unearned premium that will be recognized in the subsequent reporting period to comply with the requirements of SEC (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002.

### 5.1.6 Premium deficiency reserve

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

## Notes to the Financial Statements | for the year ended December 31, 2016

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

### 5.2 Investments

#### 5.2.1 Recognition

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

#### 5.2.2 Measurement

##### (a) Investment at fair value through profit or loss - 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.

##### (c) Available-for-sale

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



## Notes to the Financial Statements | for the year ended December 31, 2016

### 5.2.3 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 SEC (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002. Moreover, section 16(a) of the Securities and Exchange (Insurance) Rules, 2002 for available for sale - fixed income investments redeemable at a given date and where the cost is different from the redemption value, require such difference to be amortised uniformly between the date of acquisition and the date of maturity. The Company uses stock exchange quotations at the balance sheet date to determine the market value.

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, 2016 would have been higher by Rs. 6,351.680 million (2015: higher by Rs. 7,182.876 million), and the net equity would have been higher by Rs. 6,351.680 million (2015: higher by 7,182.876 million).

### 5.2.4 Unquoted

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

### 5.2.5 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.

### 5.3 Investment properties

Investment properties are accounted for under the cost model in accordance with the International Accounting Standard (IAS) 40 "Investment Property" and SEC (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002.

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.

## Notes to the Financial Statements | for the year ended December 31, 2016

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.

### 5.4 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.

#### 5.4.1 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.

#### 5.4.2 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.

#### 5.4.3 Reinsurance

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.

## Notes to the Financial Statements | for the year ended December 31, 2016

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances 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.

### 5.4.4 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.

The Company recognizes liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for IBNR is based on the management's significant estimate which takes into account the past trends net of exceptional claims.

### 5.4.5 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.

## Notes to the Financial Statements | for the year ended December 31, 2016

### 5.4.6 Provision for outstanding claims

A liability is recognized for outstanding claims incurred up to 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 up to 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.

### 5.4.7 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 vide SRO 938(1) dated December 12, 2002.

### 5.4.8 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.

### 5.4.9 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.

## 5.5 Staff retirement benefits

### 5.5.1 Defined benefits plan

#### 5.5.1.1 Post employment benefits - Retirements benefits and other post-employment benefits

The Company operates approved gratuity and pension scheme for all its permanent employees who are entitled / have opted for either of the above schemes. The Company makes contributions or record liability in respect of defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries and in line with the provisions of the Income Tax Ordinance, 2001. The latest actuarial valuations were carried out as of December 31, 2016 using the Projected Unit Credit Method based on the significant assumptions stated in note 41.1.9 for valuation of the funds as at December 31, 2016.

## Notes to the Financial Statements | for the year ended December 31, 2016

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

### 5.5.1.2 Other long term employment benefits - Compensated absences

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

The Company makes periodic provisions in the financial statements for its liability towards defined encashment of leaves up to maximum of 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.

### 5.5.2 Defined contribution plan

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

## 5.6 Taxation

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

### 5.6.1 Current

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

### 5.6.2 Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary difference arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. A deferred tax asset is generally recognized and only to the extent that is probable that future taxable profits will be available and the credits can be utilized. There are no temporary differences on account of tax depreciation with respect to accounting depreciation.

## Notes to the Financial Statements | for the year ended December 31, 2016

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

### 5.7 Fixed assets - tangibles

#### Owned

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

Depreciation is charged to income applying the reducing balance method. The rates of depreciation are stated in note 29.5 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.

### 5.8 Revenue recognition

#### 5.8.1 Premium

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

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

## Notes to the Financial Statements | for the year ended December 31, 2016

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

### 5.8.2 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.

Gains or losses on investments on remeasurement of these investments held for trading are recognized in profit and loss account.

Profit on bank accounts are accounted for on accrual basis.

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

### 5.8.3 Rental income

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

### 5.9 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.

### 5.10 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.

### 5.11 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Significant exchange rates applied during the year are provided in note 38.7. 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.

## Notes to the Financial Statements | for the year ended December 31, 2016

### 5.12 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.

### 5.13 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 SRO 938(1) dated December 12, 2002.

### 5.14 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.

### 5.15 Segment reporting

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

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

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

### 5.16 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.



## Notes to the Financial Statements | for the year ended December 31, 2016

### 5.17 Provision for doubtful debts

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

### 5.18 Financial instruments

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

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

### 5.19 Dividend and other appropriations

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

### 5.20 Earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. However, there were no dilutive potential ordinary shares in issue at December 31, 2016.

		2016 Rupees	2015 Rupees								
<b>6</b>	<b>ISSUED SUBSCRIBED PAID UP CAPITAL</b>										
	<table border="0"> <tr> <td style="text-align: center;"><b>2016</b></td> <td style="text-align: center;"><b>2015</b></td> <td></td> <td></td> </tr> <tr> <td colspan="2" style="text-align: center;">(Number of shares)</td> <td></td> <td></td> </tr> </table>	<b>2016</b>	<b>2015</b>			(Number of shares)					
<b>2016</b>	<b>2015</b>										
(Number of shares)											
	8	8	Ordinary shares of Rs.10/- each fully paid in cash								
		80	80								

## Notes to the Financial Statements | for the year ended December 31, 2016

2016 (Number of shares)	2015		2016 Rupees	2015 Rupees
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 share	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>

### 7 RESERVES FOR EXCEPTIONAL LOSSES

The reserves for exceptional losses was set aside prior to 1979 and was charged to income with the provision of Income Tax Act of 1922 (repealed). The Company has ceased to set aside such reserves.

### 8 PROVISION FOR OUTSTANDING CLAIMS (INCLUDING IBNR)

Facultative business			
Fire		994,479,472	1,176,519,816
Marine cargo		35,404,588	24,075,610
Marine hull		79,759,482	49,471,639
Accident and others		192,339,624	136,486,011
Aviation		1,261,479,243	69,731,952
Engineering		220,017,329	176,962,050
		<u>2,783,479,738</u>	<u>1,633,247,078</u>
Treaty		<u>1,812,143,994</u>	<u>1,464,892,404</u>
		<u>4,595,623,732</u>	<u>3,098,139,482</u>
Claims related to Bangladesh, adjusted in note 30	8.2	<u>(4,952,000)</u>	<u>(4,952,000)</u>
		<u>4,590,671,732</u>	<u>3,093,187,482</u>

8.1 No provision for IBNR has been made in these financial statements because the Company required the outstanding claims on the basis of returns received from ceding insurance companies and data / information required for separate information of IBNR could not be available or expected to be made available.

#### 8.2 Claims related to Bangladesh

Facultative business			
Fire		2,382,000	2,382,000
Marine		1,470,000	1,470,000
Miscellaneous		1,100,000	1,100,000
		<u>4,952,000</u>	<u>4,952,000</u>

## Notes to the Financial Statements | for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>9</b>	<b>PROVISION FOR UNEARNED PREMIUM</b>		
Facultative business			
Fire		698,320,157	693,895,114
Marine cargo		3,138,704	6,027,126
Marine hull		24,888,296	40,914,442
Accident and others		79,469,401	77,846,163
Aviation		973,138,918	890,657,879
Engineering		790,793,476	492,361,818
		<u>2,569,748,952</u>	<u>2,201,702,542</u>
Treaty		<u>1,850,343,120</u>	<u>1,909,438,588</u>
		<u>4,420,092,072</u>	<u>4,111,141,130</u>
<b>10</b>	<b>COMMISSION INCOME UNEARNED</b>		
Facultative business			
Fire		4,266,944	4,501,963
Marine hull		1,343,184	3,643,408
Accident and others		53,114	25,649
Aviation		11,163,272	3,455,670
Engineering		6,264,451	5,270,861
		<u>23,090,965</u>	<u>16,897,551</u>
Treaty		<u>1,086,513</u>	<u>1,865,783</u>
		<u>24,177,478</u>	<u>18,763,334</u>
<b>11</b>	<b>DEFERRED LIABILITY-EMPLOYEE BENEFITS</b>		
<b>Defined benefit obligations of</b>			
<b>Post employee benefits</b>			
Employee's pension fund	40.1	169,335,600	184,259,351
Officer pension benefits	40.1	503,875,359	698,344,000
Gratuity fund	40.1	6,496,130	8,172,000
<b>Other post employment benefits</b>			
Post retirement medical benefits	40.1	506,908,928	488,947,000
<b>Other long term employment benefits</b>			
Compensated absences	40.1	109,691,173	106,857,323
		<u>1,296,307,190</u>	<u>1,486,579,674</u>
<b>12</b>	<b>LONG TERM DEPOSITS</b>		

This represents deposits received from tenants in connection with letting of PRC Towers and earnest money deposits for the purpose of securing tenders of suppliers and contractors.

## Notes to the Financial Statements | for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>13</b>	<b>AMOUNT DUE TO OTHER INSURERS</b>		
		190,752,854	133,145,281
		<u>1,773,593,569</u>	<u>1,364,018,203</u>
	13.1	<u><u>1,964,346,423</u></u>	<u><u>1,497,163,484</u></u>
13.1	These balances are based on underlying information and returns submitted by insurers/reinsurers periodically. During the prior year, a Reconciliation Committee has been formed via Office Order No. 169 as approved by the Audit Committee of the Board during its meeting held on August 25, 2015 to reconcile and agree the balances relating to other insurer / reinsurer to ensure that the balances are accurate and complete in respect of information available. The provision held is also subject to review as a part of this exercise.		
<b>14</b>	<b>PREMIUM AND CLAIMS RESERVES RETAINED FROM RETOCESSIONARIES</b>		
		230,628	230,628
		17,190,994	17,190,994
		<u>1,642,121</u>	<u>1,642,121</u>
	14.1	<u><u>19,063,743</u></u>	<u><u>19,063,743</u></u>
14.1	This represents the Company's retention of deposits withheld against the total amount retroceded to other companies.		
<b>15</b>	<b>OTHERS CREDITORS AND ACCRUALS</b>		
		-	16,075,253
		373,124	373,124
		88,668	82,230
		1,436,516	1,962,508
		<u>24,128,354</u>	<u>30,545,844</u>
		<u><u>26,026,662</u></u>	<u><u>49,038,959</u></u>
<b>16</b>	<b>SURPLUS PROFIT PAYABLE</b>		
	This represents the amount set aside for the shareholders in accordance with the requirements of Pakistan Insurance Corporation Act, 1952 (repealed).		

## Notes to the Financial Statements | for the year ended December 31, 2016

### 17 CONTINGENCIES AND COMMITMENTS

- 17.1 The Company has certain disputes with National Construction Company Limited (NCC) and other consultants, over the certification of final bills in relation to the construction of the PRC Towers. The Company filed a claim against the NCC amounting to Rs. 105.9 million for breach of the contract. The NCC has filed a counter claim amounting to Rs. 133.6 million against the Company for financial loss and loss of goodwill. In relation to the dispute with the consultants / contractors, the total work as certified by the Company's consultants amounted to Rs. 200.76 million against the total contract price amounting to Rs. 208.94 million and the asset capitalized amounted to Rs. 191.92 million. There has been no further proceeding in the case since last year.
- 17.2 Decree had been awarded to National Bank of Pakistan against the Company in a case amounting to Rs. 36.55 million (2015: Rs. 36.55 million), pertaining to the default of Adamjee Insurance Company Limited for the advance payment guaranteed by the Company. The matter was last fixed in January 2010 but the Board was discharged and the matter was adjourned. The decree holder has not filed execution application within the prescribed limitation period, the management therefore considers it as time barred and the Company has a strong position in this case.
- 17.3 The Company has disputed the unilateral increase in rentals of its lease hold land by Karachi Port Trust (KPT) being exorbitant and unreasonable, a view supported by the Company's legal advisor. The amount not acknowledged as payable in this regard as at December 31, 2016 amounts to Rs. 6.417 million (2015: Rs. 8.217 million).

Currently, stay is operating in favour of the Company and the matter is pending before the Honorable Court of 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 the court. Most likely outcome of the case, may be in accordance with the market rate in the vicinity. The case is pending in the Honorable High Court of Sindh and there has been no further proceedings in this case since last year.

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

## Notes to the Financial Statements | for the year ended December 31, 2016

In aforementioned tribunal orders, the SRB is being directed to reconcile and separate the sales tax liability on reinsurance premium generated within the province of Sindh and rest of Pakistan. Therefore, during the year, the Company has received two orders in pursuance of Appellate Tribunal (SRB) Order in Appeal No. AT-02/2013 and AT-109/2015 dated May 23, 2016 from Sindh Revenue Board (SRB) demanding the amount of sales tax liability on re-insurance services provided / rendered by the Company in Sindh from the period from July 2011 to November 2011 and for the period from December 2011 to December 2012 which is worked out and calculated by SRB amounting to Rs. 372.200 million and Rs. 1,118.094 million respectively. The Company has filed reference in the Honorable High Court of Sindh, dated April 18, 2016 against the Orders of Appellant Tribunal. On May 31, 2016, SRB recovered an amount of Rs. 442.424 million from the Company's bank accounts under section 66 of Sindh Sale Tax Act, 2011. On June 03, 2016, the Honorable High Court of Sindh granted stay to the Company in respect of this matter which restrained SRB from proceeding against the Company. The case is still pending before the Honorable High Court of Sindh.

The amount of Rs. 442.424 million recovered by SRB has been recorded as "Other receivables" in the financial statements. Moreover, the Company has not recorded provision against the orders passed by SRB in pursuance of Appellate Order dated February 01, 2016 in Appeal No. AT-02/2013 and order dated February 03, 2016 in Appeal No. AT-109/2015.

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

Based on the legal opinion from legal advisor, management is confident that strong grounds exist to contest the case. The management believes that eventual outcomes will come in favor of the Company. Accordingly, no provision for sales tax liability for the years 2011 to 2016 has been recorded in these financial statements. However, in the event the matter is decided against the Company, the charge to profit and loss account would amount to Rs. 3,299.453 million pertaining to the years 2011, 2012 and 2013. Further, in the event of adverse decision, the Company would also have to record sales tax liability on re-insurance services with a corresponding charge to profit and loss accounts for the years 2014, 2015 and 2016, the financial impact of which on the financial statements has remain unascertained.

## Notes to the Financial Statements | for the year ended December 31, 2016

17.5 The Company has received a notice from the Regional Director of Employee Old Age Benefit Institution vide letter dated October 31, 2009 that Pakistan Reinsurance Company Limited is required to be registered with EOBI. The Company is of the view that since PRCL is a statutory body corporate under the management and control of Ministry of Commerce, Government of Pakistan and have its own pensioner rules and limitation and therefore provisions of EOBI Act, 1976 is not applicable. Suit was filed with the Honorable Civil Court Judge Karachi East in 2011 where the judgment has come against the Company. Further the Company has filed suit in the Honorable High Court of Sindh and there has been no further proceeding in this case and the Management expects a favorable outcome. The financial impact to the financial statements is currently not quantifiable. Therefore, no provision has been made in these financial statements.

17.6 The National Investment Trust (NIT) has deducted Zakat on dividend income of the Company amounting to Rs. 113,721,805 from 1980 to 2000 under the Zakat & Ushr Ordinance, 1980. The Company has filed constitutional petition in the Honorable High Court of Sindh stated that Company is not Sahib-i-Nisab as defined in section 2(xxiii) of the Zakat and Ushr ordinance, 1980. On March 09, 2004 the Honorable High Court of Sindh in its judgment exempts Company from the deduction of Zakat under the Zakat & Ushr Ordinance, 1980. Further, in its judgment the Honorable High Court of Sindh directed to Administrator General Zakat and General Zakat Council to refund amount of Rs. 3,707,141 deducted as Zakat on the NIT Units.

Further, the Administrator General Zakat and Central Zakat Council have filed suit in the Honorable Supreme Court of Pakistan contesting that the Company does not qualify the exemption from Sahib-i-Nisab. The Honorable Supreme Court of Pakistan in its judgment on February 15, 2016 exempts Company from the charge and collection of Zakat under the Zakat & Ushr Ordinance, 1980.

During the year, the Company has received amounting to Rs. 3,707,141 from Ministry of Religious Affairs and Interfaith Harmony on account of refund of deducted Zakat from NIT Units vide judgement of constitutional petition No. 794/89 dated May 28, 2004 passed by the Honorable High Court of Sindh.

Subsequent to year end, the Company has written to the Ministry of Law and Justice Division for refund of amount of zakat deducted on NIT Units from 1984 to 2000 amounting to Rs. 110,014,664.

17.7 Contingencies related to income tax are presented in note 36.

17.8 There is no commitment as on the balance sheet date (2015: Nil).

## Notes to the Financial Statements | for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>18 CASH AND BANK DEPOSITS</b>			
Cash and other equivalents		44,264	51,422
Current and other accounts		2,239,958,104	2,684,243,452
Deposits maturing within 12 months	18.1	<u>440,000,000</u>	<u>600,670,200</u>
		<u><u>2,680,002,368</u></u>	<u><u>3,284,965,074</u></u>
18.1	This represents Term Deposits Receipts (TDR) in local currency carrying effective interest rates of ranging between 6.52% to 6.55% (2015: 7.15% to 7.31%) per annum. These deposits are due to mature within 12 months of the year end.		
<b>19 LOANS TO EMPLOYEES</b>			
Loans to employees - secured	19.1	<u>72,949,886</u>	<u>71,079,742</u>
19.1 <b>Loans to employees - secured</b>			
Long term portion of the loan		69,900,328	43,393,890
Current portion of the loan		<u>3,049,558</u>	<u>27,685,852</u>
		<u><u>72,949,886</u></u>	<u><u>71,079,742</u></u>
19.2	No loan has been advanced to the directors of the Company. Details of loans to Executives of the Company is as under:		
Balance at the beginning of the year		1,325,211	1,325,211
Add: Disbursements during the year		1,261,347	1,350,000
(Less): Repayments / adjustments during the year		<u>(1,747,731)</u>	<u>(1,310,620)</u>
Balance at the end of the year		<u><u>838,827</u></u>	<u><u>1,364,591</u></u>
19.3	Loans to employees represent mark-up free loans except motor car loans, and are secured against retirement benefits of respective employees including, where applicable, documents of assets for which the loan has been given. Motor car loans carry mark-up at a rate of 10% (2015: 10%) per annum. None of the amount is either past due or impaired, consequently no provision for bad or doubtful loans has been made.		
19.4	The maximum month-end amount of these loan during the year has been amounting to Rs. 80,105,483 (2015: Rs. 74,852,001).		



## Notes to the Financial Statements | for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>20 INVESTMENTS</b>			
<b>Available-for-sale</b>			
Ordinary shares - listed	20.2	428,078,189	421,028,207
Mutual fund units	20.3	1,957,007,894	1,957,007,894
Ordinary shares - unlisted	20.4	617,613	617,613
		<u>2,385,703,696</u>	<u>2,378,653,714</u>
<b>Held-to-maturity</b>			
Pakistan Investment Bonds	20.5	2,978,233,840	3,117,912,770
Treasury bills	20.5	1,127,806,300	715,560,000
		4,106,040,140	3,833,472,770
<b>Held-for-trading</b>			
Ordinary shares - listed	20.6	133,095,394	105,592,398
		<u>6,624,839,230</u>	<u>6,317,718,882</u>

# Notes to the Financial Statements | for the year ended December 31, 2016

## 20.1 Investments in related parties

### 20.1.1 Available for sale

Name of company	2016			2015		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
<b>Listed</b>						
National Bank of Pakistan	6,359,119	6,824,793	476,234,422	6,359,119	6,824,793	343,646,791
National Refinery Limited	502,363	28,312,467	286,909,557	502,363	28,312,467	112,107,327
Pakistan State Oil Company Limited	8,127	371,225	3,528,825	8,127	371,225	2,647,533
Pakistan Petroleum Limited	396,000	27,388,953	74,519,280	396,000	27,388,953	48,236,760
Sui Southern Gas Company Limited	12,694,227	36,461,488	463,339,286	12,694,227	36,461,488	474,129,378
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	709,512,419	8,698,203	17,110,611	209,104,800
	28,658,039	116,469,537	2,014,043,789	28,658,039	116,469,537	1,189,872,589
<b>Unlisted</b>						
State Bank of Pakistan	4,900	517,613	-	4,900	517,613	-
National Investment Trust Limited	79,200	100,000	-	79,200	100,000	-
	84,100	617,613	-	84,100	617,613	-
	28,742,139	117,087,150	2,014,043,789	28,742,139	117,087,150	1,189,872,589

### 20.1.2 Held to maturity

	2016	2015
	Book value	
	Rupees	
Pakistan investment Bonds		2,978,233,840
Treasury bills		3,117,912,770
		1,127,806,300
		715,560,000
		4,106,040,140
		3,833,472,770

### 20.1.3 Held for trading

Name of company	2016			2015		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
<b>Listed</b>						
National Bank of Pakistan	399,266	17,147,638	29,901,031	399,266	17,147,638	21,576,335

## 20.2 Investment in listed companies - available-for-sale

	Note	2016 Rupees	2015 Rupees
Cost of investment in listed companies	20.2.1	433,472,850	434,090,770
Less: Provision for diminution in value		(13,062,563)	(13,062,563)
Balance brought forward from last year		7,667,902	-
Provision reversed during the year		(5,394,661)	(13,062,563)
	20.2.1	428,078,189	421,028,207

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

Name of the Company	2016			2015		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
<b>Financial Services</b>						
Escort Investment Bank	16,846	25,269	67,384	16,846	25,269	39,588
	16,846	25,269	67,384	16,846	25,269	39,588
<b>Banks</b>						
Askari Bank Limited	7,276	101,907	181,536	7,276	101,906	158,180
Bank Al-Falah Limited	9,232	147,079	350,447	9,232	147,079	266,066
Faysal Bank Limited	70,045	391,273	1,525,580	70,045	391,273	1,080,794
MCB Bank Limited	370,432	55,357,113	88,096,138	370,432	55,357,113	80,328,179
National Bank of Pakistan	6,359,119	6,824,793	476,234,422	6,359,119	6,824,793	343,646,791
N.I.B Bank Limited	28,420,050	51,440,290	51,440,291	28,420,050	56,828,787	53,998,095
Silk Bank Limited	24,656	45,614	45,614	24,656	51,778	44,874
The Bank of Punjab Limited	30,080	175,667	530,912	30,080	175,667	277,037
United Bank Limited	1,024	4,350	244,634	1,024	4,350	158,669
	35,291,914	114,488,086	618,649,573	35,291,914	119,882,746	479,958,685
<b>Balance carried forward</b>	35,308,760	114,513,355	618,716,957	35,308,760	119,908,015	479,998,273

# Notes to the Financial Statements | for the year ended December 31, 2016

Name of company	2016			2015		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
<b>Balance brought forward</b>	35,308,760	114,513,355	618,716,957	35,308,760	119,908,015	479,998,273
<b>Insurance</b>						
Adamjee Insurance Company Limited	1,398,536	32,124,622	103,687,459	1,398,536	32,124,622	79,031,269
Asia Insurance Company Limited	33,104	224,800	615,734	24,480	244,800	526,320
Crescent Star Insurance Company Limited	604,491	1,208,982	6,359,245	604,491	1,208,982	7,852,338
Habib Insurance Company Limited	12,700	1,724	241,300	12,700	1,724	254,635
Pakistan Guarantee Insurance Company Limited	22,029	-	-	22,029	-	-
PICIC Insurance Company Limited	855,790	4,450,108	4,818,097	855,790	4,450,108	7,702,110
Sterling Insurance Company Limited	23,250	-	-	23,250	-	-
Union Insurance Company of Pakistan Limited	56,227	-	-	56,227	-	-
United Insurance Company of Pakistan Limited	768,265	166,165	17,116,944	556,714	166,165	12,052,858
	3,774,392	38,176,401	132,838,780	3,554,217	38,196,401	107,419,530
<b>Personal Goods</b>						
Brothers Textile Mills Limited	353	229	2,122	353	229	1,850
Khurshid Spinning Mills Limited	7,600	-	-	7,600	-	-
Sahrish Textile Mills Limited	13,510	-	-	13,510	-	-
Pakistan Synthetics Limited	2,846	21,252	100,606	2,846	21,252	48,268
Crescent Jute Products Limited	157,314	64,498	651,280	157,314	64,498	482,954
Usman Textile Mills Limited	300	-	-	300	-	-
Colony Textile Limited	118,552	149,762	688,787	118,552	149,762	356,842
Kohinoor Industries Limited	11,681	10,513	92,981	11,681	10,513	41,468
Muhammad Farooq Textile Mills Limited	4,100	2,255	17,466	4,100	2,255	13,530
Taj Textile Mills Limited	5,600	-	-	5,600	-	-
	321,856	248,509	1,553,241	321,856	248,509	944,912
<b>General Industries</b>						
Packages Limited	821,714	90,388,540	698,867,757	821,714	90,388,540	478,327,937
Hashmi Can Company Limited	5,250	-	-	5,250	-	-
	826,964	90,388,540	698,867,757	826,964	90,388,540	478,327,937
<b>Household Goods</b>						
Hussain Industries Limited	15,820	-	-	15,820	-	-
Towelers Limited	241,759	1,953,413	8,340,686	315,759	2,551,333	12,946,119
	257,579	1,953,413	8,340,686	331,579	2,551,333	12,946,119
<b>Food Producers</b>						
Imperial Sugar Mills Limited	39,924	71,863	353,727	39,924	71,863	199,620
Kohinoor Sugar Mills Limited	26,451	92,579	1,658,478	26,451	92,579	413,958
Pangrio Sugar Mills Limited	100,000	277,000	480,000	100,000	277,000	288,000
Sakrand Sugar Mills Limited	11,900	10,948	91,273	11,900	10,948	38,556
Shahtaj Sugar Mills Limited	397	2,974	14,204	397	2,974	26,921
Sind Abadgar Sugar Mills Limited	98,500	492,500	2,413,250	98,500	492,500	2,423,100
Universal Oil Mills Limited	30,000	-	-	30,000	-	-
	307,172	947,864	5,010,932	307,172	947,864	3,390,155
<b>Construction and Materials</b>						
Akzo Nobel Pakistan Limited	154,518	17,899,449	36,160,302	154,518	17,899,449	33,522,680
Dada Bhoj Cement Industries Limited	17,300	27,853	-	17,300	27,853	-
Fauji Cement Company Limited	5,238	17,286	236,129	5,238	17,286	192,863
Javedan Cement Limited	118	1,126	4,004	118	1,126	3,853
D.G Khan Cement Limited	12,000	228,360	2,660,760	12,000	228,360	1,771,080
Zeal Pak Cement Factory Limited	39,130	-	-	39,130	-	-
	228,304	18,174,074	39,061,195	228,304	18,174,074	35,490,476
<b>Tobacco</b>						
Philip Morris (Pakistan) Limited	21,206	36,893	57,673,110	21,206	36,893	35,736,351
Pakistan Tobacco Company Limited	70,140	234,209	100,511,321	70,140	234,209	78,149,287
	91,346	271,102	158,184,431	91,346	271,102	113,885,638
<b>Balance carried forward</b>	41,116,373	264,673,258	1,662,573,979	40,970,198	270,685,838	1,232,403,040

# Notes to the Financial Statements | for the year ended December 31, 2016

Name of company	2016			2015		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
<b>Balance brought forward</b>	41,116,373	264,673,258	1,662,573,979	40,970,198	270,685,838	1,232,403,040
<b>Oil and Gas</b>						
National Refinery Limited	502,363	28,312,467	286,909,557	502,363	28,312,467	112,107,327
Pakistan State Oil Company Limited	8,127	371,225	3,528,825	8,127	371,225	2,647,533
Pakistan Petroleum Limited	396,000	27,388,953	74,519,280	396,000	27,388,953	48,236,760
	906,490	56,072,645	364,957,662	906,490	56,072,645	162,991,620
<b>Electricity</b>						
The Hub Power Company Limited	582,085	10,773,636	71,875,856	582,085	10,773,636	59,721,921
K-Electric Limited						
	385,548	863,418	3,612,585	385,548	863,418	2,868,477
Kot Addu Power Company Limited	30,000	1,481,678	2,364,000	30,000	1,481,678	2,430,000
Southern Electric Power Company Limited	13,963	9,774	-	13,963	9,774	44,123
	1,011,596	13,128,506	77,852,441	1,011,596	13,128,506	65,064,521
<b>Gas Water and Multiutilities</b>						
Sui Southern Gas Company Limited	12,694,227	36,461,488	463,339,286	12,694,227	36,461,488	474,129,378
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	709,512,419	8,698,203	17,110,611	209,104,800
	21,392,430	53,572,099	1,172,851,704	21,392,430	53,572,099	683,234,178
<b>Engineering</b>						
Dewan Automotive Engineering Limited	52,333	39,249	-	52,333	39,249	-
Pakistan Engineering Company Limited	43,776	364,738	14,927,616	43,776	364,738	8,317,440
	96,109	403,987	14,927,616	96,109	403,987	8,317,440
<b>Fixed Line Telecommunication</b>						
Worldcall Telecom Limited	3,672	3,672	10,135	3,672	3,672	5,581
	3,672	3,672	10,135	3,672	3,672	5,581
<b>Forestry and Paper</b>						
Security Papers Limited	928,689	195,915	91,605,883	928,690	195,915	81,826,876
	928,689	195,915	91,605,883	928,690	195,915	81,826,876
<b>Chemicals</b>						
Fauji Fertilizer Bin Qasim Limited	20,035	452,878	1,025,992	20,035	452,878	1,055,444
ICI Pakistan Limited	307,281	35,595,431	305,354,348	307,281	35,595,431	148,730,150
Lotte Chemical Pakistan Limited						
	1,206,602	3,874,321	10,038,929	1,206,602	3,874,321	7,842,913
Linde Pakistan Limited	1,100	105,477	214,907	1,100	105,478	127,875
	1,535,018	40,028,107	316,634,176	1,535,018	40,028,108	157,756,382
<b>Total</b>	<b>66,990,377</b>	<b>428,078,189</b>	<b>3,701,413,596</b>	<b>66,844,203</b>	<b>434,090,770</b>	<b>2,391,599,638</b>

**\* Frozen shares**

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

## Notes to the Financial Statements | for the year ended December 31, 2016

20.3 Book values and market values of investment in certificates and units of mutual funds classified as available-for-sale are:

Name of company	2016			2015		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
<b>Open-End Mutual Funds</b>						
Pakistan Capital Market Fund	20,767	79,326	277,239	20,767	79,326	214,317
National Investment Unit Trust 20.3.1	46,328,425	1,455,639,114	4,055,590,325	46,328,425	1,455,639,114	2,929,809,597
JS Value Fund Limited	40,949	2,267,483	10,529,626	40,949	2,267,483	7,731,954
Pakistan Stock Market Fund Limited	6,779	111,336	786,974	6,745	111,336	541,966
JS Growth Fund	3,496	140,039	780,132	3,496	140,039	554,365
	46,400,416	1,458,237,298	4,067,964,296	46,400,382	1,458,237,298	2,938,852,199
<b>Close-End Mutual Funds</b>						
PICIC Growth Fund	30,406,721	498,670,224	926,188,722	30,406,721	498,670,224	685,063,424
PICIC Investment Fund	17,246	100,372	239,719	17,246	100,372	197,122
	30,423,967	498,770,596	926,428,441	30,423,967	498,770,596	685,260,546
	76,824,383	1,957,007,894	4,994,392,737	76,824,349	1,957,007,894	3,624,112,745

20.3.1 The Company holds 46,328,425 NIT units (2015: 46,328,425 units). The cost ranges from Rs. 63.24 to Rs. 66.03 (2015: Rs. 53.95 to Rs. 54.50) per unit. The units repurchase price as at year end was Rs. 90.00 (2015: Rs. 63.24) per unit.

20.3.2 Market value of quoted available for sale investment (unlisted share and NIT unit) is Rs. 5,008 million (2015: Rs. 5,321 million).

20.4 Investment in unlisted companies	Note	2016	2015
		Rupees	Rupees
Cost of investment in unlisted companies	20.4.1	2,608,105	2,608,105
Less: Provision for diminution in value		(1,990,492)	(1,990,492)
Balance brought forward from last year		-	-
Provision made during the year		(1,990,492)	(1,990,492)
		617,613	617,613

20.4.1 Cost of investment in unlisted companies

Name of company	2016		2015	
	Number of shares / certificates	Book Value (Rupees)	Number of shares / certificates	Book Value (Rupees)
<b>Banks</b>				
State Bank of Pakistan (Break-up value is Rs. 619,975 per share based on financial statements for the year ended June 30, 2016) Governor: Mr. Ashraf Mahmood Wathra	4,900	517,614	4,900	517,614
Industrial Development Bank of Pakistan * / ** (Break-up value is Rs. Nil per share based on financial statements for the year ended June 30, 2012) Chairman/Managing Director: Mr. Jamal Nasim	6,213	618,227	6,213	618,227
	11,113	1,135,841	11,113	1,135,841
<b>Mutual Funds</b>				
National Investment Unit Trust Limited (Break-up value is Rs. 12,027 per share based on financial statements for the year ended June 30, 2016) Managing Director & Chairman: Mr. Shahid Ghaffar	79,200	100,000	79,200	100,000
<b>Insurance</b>				
Indus Assurance Limited *	25,000	250,000	25,000	250,000
<b>Cotton and Textile</b>				
Afsar Textile Mills Limited *	1,000	9,950	1,000	9,950
Kohinoor Cotton Mill Limited *	22,397	219,801	22,397	219,801
	23,397	229,751	23,397	229,751
<b>Chemical</b>				
Synthetic Chemical Limited *	20,000	200,000	20,000	200,000
<b>Vanaspati and Allied Industries</b>				
Burma Oil Limited *	861	6,470	861	6,470
Burma Soap Limited *	64	640	64	640
	925	7,110	925	7,110
<b>Miscellaneous</b>				
Arag Industries Limited *	133,333	685,403	133,333	685,403
	292,968	2,608,105	292,968	2,608,105

## Notes to the Financial Statements | for the year ended December 31, 2016

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

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

	2016	2015	2016	2015
	Treasury bills		Pakistan Investment Bonds	
Rupees				
<b>20.5 Held-to-maturity - secured</b>	<u>1,127,806,300</u>	<u>715,560,000</u>	<u>2,978,233,840</u>	<u>3,117,912,770</u>
Tenure	3 months to 1 year	3 months to 1 year	3 years to 10 year	3 years to 10 year
Face value - Rupees in million	1,147	738	3,000	3,150
Market value - Rupees in million	1,133	733	3,240	3,474
Maturity dates	January 2017 to May 2017	January 2016 to March 2016	July 2016 to March 2025	July 2016 to March 2025
Profit repayment - frequency	On maturity	On maturity	On maturity	Semi-annually
Principal repayment - frequency	On maturity	On maturity	On maturity	On maturity
Effective interest rate / coupon rate - per annum	5.85% to 5.94%	5.46% to 6.38%	8.75% to 12.00%	6.38% to 12.00%

20.5.1 The amount of Pakistan Investment Bonds include Rs. 308 million (2015: Rs. 300 million) deposited with the State Bank of Pakistan as required by section 29 of the Insurance Ordinance, 2000.

	Note	2016 Rupees	2015 Rupees
<b>20.6 Investment in listed companies - held-for-trading</b>			
Cost of investment in listed companies	21.6.1	58,502,720	58,502,720
Prior year gain		47,089,678	44,838,192
Gain for the current year		27,502,996	2,251,486
Gain on revaluation of investments		74,592,674	47,089,678
		<u>133,095,394</u>	<u>105,592,398</u>

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

Name of company	2016			2015		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
<b>Cement</b>						
Attock Cement Limited	57,500	4,990,500	19,334,950	57,500	4,990,500	9,645,625
<b>Commercial Banks</b>						
National Bank of Pakistan	399,266	17,147,638	29,901,031	399,266	17,147,638	21,576,335
<b>Electricity</b>						
The Hubpower Company Limited	100,004	4,524,181	12,348,494	100,004	4,524,181	10,260,410
<b>Technology and Communication</b>						
Pakistan Telecommunication Company Limited	319,500	5,543,325	5,489,010	319,500	5,543,325	5,268,555
<b>Chemicals</b>						
Fauji Fertilizer Company Limited	60,000	7,028,400	6,262,200	60,000	7,028,400	7,078,800
Engro Fertilizer Company Limited	17,078	1,019,533	1,160,962	17,078	1,019,533	1,436,772
Engro Corporation Limited	170,786	15,719,143	53,983,747	170,786	15,719,143	47,715,901
Engro Polymer and Chemicals Limited	250,000	2,530,000	4,615,000	250,000	2,530,000	2,610,000
	497,864	26,297,076	66,021,909	497,864	26,297,076	58,841,473
	<u>1,374,134</u>	<u>58,502,720</u>	<u>133,095,394</u>	<u>1,374,134</u>	<u>58,502,720</u>	<u>105,592,398</u>

## Notes to the Financial Statements | for the year ended December 31, 2016

### 21 INVESTMENT PROPERTIES

2016	PRC Building, Karachi	PRC House	Lease hold land	PRC Towers, Karachi	Electrical installation	Air conditioning plant	Lift	Total
Rupees								
<b>As at January 01, 2016</b>								
Cost	150,302	-	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(76,932)	-	-	(58,325,706)	(18,815,110)	(26,300,641)	(20,886,195)	(124,404,584)
<b>Book value</b>	<b>73,370</b>	<b>-</b>	<b>572,406</b>	<b>30,825,617</b>	<b>179,958</b>	<b>256,189</b>	<b>199,630</b>	<b>32,107,170</b>
<b>December 31, 2016</b>								
Opening net book amount	73,370	-	572,406	30,825,617	179,958	256,189	199,630	32,107,170
Additions	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-
Transfers in / out	-	-	-	-	-	-	-	-
Cost	-	1,885,230	-	319,156	-	-	-	2,204,386
Accumulated depreciation	-	(964,951)	-	(196,649)	-	-	-	(1,161,600)
	-	920,279	-	122,507	-	-	-	1,042,786
Depreciation charge for the year	(3,669)	(46,014)	-	(1,547,406)	(35,992)	(51,238)	(39,926)	(1,724,245)
<b>Book value</b>	<b>69,701</b>	<b>874,265</b>	<b>572,406</b>	<b>29,400,718</b>	<b>143,966</b>	<b>204,951</b>	<b>159,704</b>	<b>31,425,711</b>
<b>As at December 31, 2016</b>								
Cost	150,302	1,885,230	572,406	89,470,479	18,995,068	26,556,830	21,085,825	158,716,140
Accumulated depreciation	(80,601)	(1,010,965)	-	(60,069,761)	(18,851,102)	(26,351,879)	(20,926,121)	(127,290,429)
<b>Book value</b>	<b>69,701</b>	<b>874,265</b>	<b>572,406</b>	<b>29,400,718</b>	<b>143,966</b>	<b>204,951</b>	<b>159,704</b>	<b>31,425,711</b>
<b>Depreciation rate - percentage</b>	<b>5%</b>	<b>5%</b>	<b>0%</b>	<b>5%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	
Rupees								
<b>2015</b>								
<b>As at January 01, 2015</b>								
Cost	150,302	-	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(73,070)	-	-	(56,703,305)	(18,770,120)	(26,236,594)	(20,836,287)	(122,619,376)
<b>Book value</b>	<b>77,232</b>	<b>-</b>	<b>572,406</b>	<b>32,448,018</b>	<b>224,948</b>	<b>320,236</b>	<b>249,538</b>	<b>33,892,378</b>
<b>December 31, 2015</b>								
Opening net book amount	77,232	-	572,406	32,448,018	224,948	320,236	249,538	33,892,378
Additions	-	-	-	-	-	-	-	-
Depreciation charge for the year	(3,862)	-	-	(1,622,401)	(44,990)	(64,047)	(49,908)	(1,785,208)
<b>Book value</b>	<b>73,370</b>	<b>-</b>	<b>572,406</b>	<b>30,825,617</b>	<b>179,958</b>	<b>256,189</b>	<b>199,630</b>	<b>32,107,170</b>
<b>As at December 31, 2015</b>								
Cost	150,302	-	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(76,932)	-	-	(58,325,706)	(18,815,110)	(26,300,641)	(20,886,195)	(124,404,584)
<b>Book value</b>	<b>73,370</b>	<b>-</b>	<b>572,406</b>	<b>30,825,617</b>	<b>179,958</b>	<b>256,189</b>	<b>199,630</b>	<b>32,107,170</b>
<b>Depreciation rate - percentage</b>	<b>5%</b>	<b>5%</b>	<b>0%</b>	<b>5%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	

Buildings and 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 (refer note - 29, fixed assets) on the basis of floor space occupied for respective purposes.

The book value of the PRC Building, Karachi and PRC Towers, Karachi including portion attributable as owner-occupied property and all installations therein and excluding lease hold land is Rs. 69,556 million (2015: Rs. 73,370 million). The market value of the same amounted to Rs. 1,483.737 million (2015: Rs. 1,410) million. The valuation at both the year end have been carried out by M/s. M.J. Surveyors (Private) Limited, an independent valuer.

## Notes to the Financial Statements | for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>22</b>			
<b>AMOUNT DUE FROM OTHER INSURERS AND REINSURERS</b>			
Amount due from other insurers		4,824,648,843	3,725,659,944
Amount due from other reinsurers		233,397,326	328,380,149
	22.1 & 22.2	<u>5,058,046,169</u>	<u>4,054,040,093</u>
Less: Provision for doubtful debts	22.3	<u>(524,634,292)</u>	<u>(386,000,000)</u>
		<u><u>4,533,411,877</u></u>	<u><u>3,668,040,093</u></u>
22.1	This includes gross amount Rs. 1,398,248,084 (2015: Rs. 1,223,801,607) due from related party National Insurance Company Limited. The age analysis of amount due from related party is as follows:		
Upto 3 months		400,610,734	483,426,780
Over 3 months and above		997,637,350	740,374,827
		<u><u>1,398,248,084</u></u>	<u><u>1,223,801,607</u></u>
22.2	These balances are based on underlying information and returns submitted by insurers/reinsurers periodically. During the prior year, a Reconciliation Committee has been formed via Office Order No. 169 as approved by the Audit Committee of the Board during its meeting held on August 25, 2015 to reconcile and agree the balances relating to other insurer / reinsurer to ensure that the balances are accurate and complete in respect of information available. The provision held is also subject to review as a part of this exercise.		
<b>22.3</b>	<b>Provision for doubtful debts</b>		
Balance as at January 01		386,000,000	386,000,000
Provision made during the year		138,634,292	-
Balance as at December 31		<u><u>524,634,292</u></u>	<u><u>386,000,000</u></u>
<b>23</b>			
<b>PREMIUM AND CLAIMS RESERVES RETAINED BY CEDANTS</b>			
Premium reserves		1,085,599	2,059,909
Losses reserves		29,711,419	28,540,839
Cash losses (received) / paid to ceding companies		(2,111,200)	154,497,260
Less: Provision for doubtful debts		<u>(17,000,000)</u>	<u>(17,000,000)</u>
	23.1	<u><u>11,685,818</u></u>	<u><u>168,098,008</u></u>



## Notes to the Financial Statements | for the year ended December 31, 2016

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

	2016 Rupees	2015 Rupees
<b>24 ACCRUED INVESTMENT INCOME</b>		
Dividend receivable	4,386,956	2,851,464
Interest on held to maturity investments	152,417,559	156,452,991
Interest on deposits maturity within 12 months	236,640	1,634,315
Rentals receivable	35,167,107	31,275,486
	<u>192,208,262</u>	<u>192,214,256</u>
Provision for dividend receivable	(1,997,534)	(1,997,534)
	<u>190,210,728</u>	<u>190,216,722</u>
<b>25 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS</b>		
<b>Facultative business</b>		
Fire	512,049,237	584,588,099
Marine hull	20,071,757	1,341,479
Aviation	1,122,889,424	56,399,014
Engineering	91,506,402	-
	<u>1,746,516,820</u>	<u>642,328,592</u>
<b>Treaty</b>	986,265,323	764,215,803
	<u>2,732,782,143</u>	<u>1,406,544,395</u>
<b>26 DEFERRED COMMISSION EXPENSE</b>		
<b>Facultative business</b>		
Fire	124,714,997	114,826,562
Marine cargo	653,118	1,148,700
Marine hull	1,803,517	4,633,416
Accident and others	8,426,354	9,594,489
Aviation	1,328,262	1,860,888
Engineering	29,061,745	30,451,962
	<u>165,987,993</u>	<u>162,516,017</u>
<b>Treaty</b>	432,298,403	424,408,378
	<u>598,286,396</u>	<u>586,924,395</u>

## Notes to the Financial Statements | for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>27 PREPAYMENTS</b>			
<b>Prepayment reinsurance ceded-Facultative business</b>			
Fire		76,875,785	117,644,360
Marine hull		8,001,608	20,627,855
Accident and others		2,124,549	1,025,963
Aviation		859,502,506	783,154,022
Engineering		565,351,377	206,730,186
		<u>1,511,855,825</u>	<u>1,129,182,386</u>
<b>Prepayment reinsurance ceded-Treaty business</b>		<u>250,725,804</u>	<u>377,625,857</u>
		<u>1,762,581,629</u>	<u>1,506,808,243</u>
Other prepayments		<u>5,688,672</u>	<u>3,635,341</u>
		<u>1,768,270,301</u>	<u>1,510,443,584</u>
<b>28 SUNDRY RECEIVABLE</b>			
Employee welfare fund receivable		888,135	888,135
Export Credit Guarantee schemes	28.1	56,142,435	56,142,435
Receivable against National Co-insurance Scheme		4,939,471	4,939,471
Receivable against War Risk Insurance-Karachi	28.2	7,724,303	7,724,303
Receivable against War Risk Insurance-Lahore		10,541,524	10,541,524
Receivable From Economic Cooperation Organization (ECO) Reinsurance Pool	28.3	36,215,493	36,215,493
Receivable from Investment Corporation of Pakistan	28.4	4,565,000	4,565,000
Advances		5,539,389	5,093,570
Security deposits		4,901,855	3,349,514
Receivable from Sindh Revenue Board	17.4	442,424,338	-
Others		6,846,620	6,098,075
		<u>580,728,563</u>	<u>135,557,520</u>
Less: Provision for doubtful debts			
Balance brought forward from last year		(42,729,624)	(42,729,624)
Provision made during the year		(28,071,218)	-
		<u>(70,800,842)</u>	<u>(42,729,624)</u>
		<u>509,927,721</u>	<u>92,827,896</u>

## Notes to the Financial Statements | for the year ended December 31, 2016

- 28.1 This represents the total amount of income tax deposited by the Company since the year 1984-85 to the year 2001-02 in respect of Export Credits Guarantee scheme. 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 judgment 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.

FBR via letter No. 2(48) IT-Jud/2006-ADR/45098-R regretted the request for reconstitution of ADRC. Therefore the Company pursued its case with the Supreme Court of Pakistan which has already granted a leave to appeal against order of High Court has remanded back the case to the High Court of Sindh where the matter is still pending for date of hearing. During the year, the Company has made provision of amounting to Rs. 28.071 million in these financial statements.

- 28.2 Amount is receivable from Government of Pakistan against expenses for running the affairs of War Risk Insurance Department (the Department) working under the supervision of Pakistan Insurance Company (defunct). The Department was set up for insurance of losses which could have occurred due to war.
- 28.3 The amount represents the management fee receivable from Economic Cooperation Organization (ECO) in respect of arrangements of meetings in Pakistan in relation to ECO Reinsurance pool.
- 28.4 Investment Corporation of Pakistan (ICP) was amalgamated with and into Industrial Development Bank of Pakistan in terms of Scheme of Amalgamation-2006. All the shareholders of ICP (Defunct) were converted into creditors. The said amount represents receivable from ICP in this regard. The matter is still pending for recording of evidences from the defendant side (Investment Development Bank Pakistan Limited).

## Notes to the Financial Statements | for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
		Book Value	
<b>29</b>	<b>FIXED ASSETS</b>		
<b>29.1</b>	<b>Land and Building</b>		
	PRC House	374,685	1,314,685
	Lift	-	147
	PRC Tower-leasehold land	223,622	223,622
	PRC Tower-building	13,982,457	14,840,883
	29.5	<u>14,580,764</u>	<u>16,379,337</u>
<b>29.2</b>	<b>Furniture, fixtures, books, office equipments and computer</b>		
	Furniture and fixture	1,397,565	1,285,127
	Office equipment	1,882,666	1,474,005
	Books	337,337	310,391
	Computers	6,533,208	6,668,145
	29.5	<u>10,150,776</u>	<u>9,737,668</u>
<b>29.3</b>	<b>Electrical installation, air-conditioning and lifts</b>		
	Electrical installation	1,823,072	2,278,840
	Air-conditioning	4,737,166	5,921,570
	Lifts	1,493,053	1,866,316
	29.5	<u>8,053,291</u>	<u>10,066,726</u>
<b>29.4</b>	<b>Motor vehicles</b>	29.5	6,141,640
	29.5	<u>38,926,471</u>	<u>43,574,000</u>

# Notes to the Financial Statements | for the year ended December 31, 2016

29.5 The statement of operating fixed asset are as follows:

	Land and Building				Furniture, fixture, books and office equipment				Electrical installation, air-conditioning and lift				Total	
	PRC House	Lift	PRC Towers		Furniture and fixture	Office equipment	Books	Computers	Electrical installation	Air-conditioning	Lift	Motor vehicles		
			leasehold land	Building										
<b>2016</b>														
<b>As at January 01, 2016</b>														
Cost	2,693,186	147	223,622	38,663,647	11,196,262	4,741,934	558,786	22,889,415	12,659,713	23,032,657	11,405,548	18,143,900	146,208,817	
Accumulated depreciation	(1,378,501)	-	-	(23,822,764)	(9,911,135)	(3,267,930)	(248,395)	(16,221,269)	(10,380,873)	(17,111,177)	(9,539,232)	(10,753,631)	(102,634,907)	
<b>Book value</b>	1,314,685	147	223,622	14,840,883	1,285,127	1,474,004	310,391	6,668,146	2,278,840	5,921,480	1,866,316	7,390,269	43,574,000	
Opening net book amount	1,314,685	147	223,622	14,840,883	1,285,127	1,474,004	310,391	6,668,146	2,278,840	5,921,480	1,866,316	7,390,269	43,574,000	
Additions	-	-	-	-	251,600	686,695	61,470	1,228,690	-	-	-	-	1,642,500	3,870,955
Disposals	-	-	-	-	(30,000)	(42,000)	-	-	-	-	-	-	(5,392,500)	(5,464,500)
Accumulated depreciation	-	-	-	-	(2,095)	(6,800)	-	-	-	-	-	-	(3,889,043)	(3,952,148)
Transfers in / (out)	-	-	-	-	(2,095)	(6,800)	-	-	-	-	-	-	(1,503,457)	(1,512,352)
Cost	(1,885,230)	-	-	(319,156)	-	-	-	-	-	-	-	-	(2,204,386)	
Accumulated depreciation	964,951	-	-	196,649	-	-	-	-	-	-	-	-	1,161,600	
<b>Book value</b>	(920,280)	-	-	(122,507)	-	-	-	-	-	-	-	-	(1,042,786)	
Depreciation charge for the year	(19,720)	(147)	-	(733,919)	(137,067)	(271,233)	(34,524)	(1,363,628)	(455,768)	(1,184,314)	(373,263)	(1,387,672)	(5,963,255)	
<b>Book value</b>	374,685	-	223,622	13,982,457	1,397,565	1,882,666	337,337	6,533,208	1,823,072	4,737,166	1,493,053	6,141,640	38,926,471	
<b>As at December 31, 2016</b>														
Cost	807,956	147	223,622	38,344,491	11,417,862	5,386,629	620,256	24,118,105	12,659,713	23,032,657	11,405,548	14,393,900	142,410,885	
Accumulated depreciation	(433,271)	(147)	-	(24,362,034)	(10,020,297)	(3,503,963)	(282,919)	(17,584,897)	(10,836,641)	(18,295,491)	(9,912,495)	(8,252,260)	(103,484,414)	
<b>Book value</b>	374,685	-	223,622	13,982,457	1,397,565	1,882,666	337,337	6,533,208	1,823,072	4,737,166	1,493,053	6,141,640	38,926,471	
<b>Depreciation rate - percentage</b>	5%	20%	0%	5%	10%	15%	10%	20%	20%	20%	20%	20%	20%	
<b>2015</b>														
<b>Land and Building</b>														
PRC House														
Lift														
PRC Towers														
leasehold land														
Building														
<b>2015</b>														
<b>As at January 01, 2015</b>														
Cost	2,693,186	147	223,622	38,663,647	11,153,262	4,738,434	533,796	21,724,498	12,659,713	22,847,657	11,405,548	18,143,900	144,787,410	
Accumulated depreciation	(1,309,307)	-	-	(23,041,665)	(9,769,283)	(3,008,017)	(215,112)	(14,811,693)	(9,811,163)	(15,649,966)	(9,072,653)	(8,906,064)	(95,594,923)	
<b>Book value</b>	1,383,879	147	223,622	15,621,982	1,383,979	1,730,417	318,684	6,912,805	2,848,550	7,197,691	2,332,895	9,237,836	49,192,487	
Opening net book amount	1,383,879	147	223,622	15,621,982	1,383,979	1,730,417	318,684	6,912,805	2,848,550	7,197,691	2,332,895	9,237,836	49,192,487	
Additions	-	-	-	-	43,000	3,500	24,990	1,164,917	-	185,000	-	-	1,421,407	
Disposals / transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cost	(69,194)	-	-	(781,099)	(141,852)	(259,913)	(33,283)	(1,409,576)	(569,710)	(1,461,211)	(466,579)	(1,847,567)	(7,039,984)	
Accumulated depreciation	1,314,685	147	223,622	14,840,883	1,285,127	1,474,004	310,391	6,668,146	2,278,840	5,921,480	1,866,316	7,390,269	43,574,000	
Depreciation charge for the year	2,693,186	147	223,622	38,663,647	11,196,262	4,741,934	558,786	22,889,415	12,659,713	23,032,657	11,405,548	18,143,900	146,208,817	
Accumulated depreciation	(1,378,501)	-	-	(23,822,764)	(9,911,135)	(3,267,930)	(248,395)	(16,221,269)	(10,380,873)	(17,111,177)	(9,539,232)	(10,753,631)	(102,634,907)	
<b>Book value</b>	1,314,685	147	223,622	14,840,883	1,285,127	1,474,004	310,391	6,668,146	2,278,840	5,921,480	1,866,316	7,390,269	43,574,000	
<b>Depreciation rate - percentage</b>	5%	20%	0%	5%	10%	15%	10%	20%	20%	20%	20%	20%	20%	

## Notes to the Financial Statements | for the year ended December 31, 2016

### 29.6 Disposal / transfer of fixed assets

Particulars of items	Purchase price	Accumulated depreciation	Book value	Sale proceeds	Gain on disposal	Mode of disposal	Particular of purchaser
<b>During the year ended December 31, 2016</b>							
<b>Vehicles</b>							
Suzuki Cultus - AXB-584	990,000	(589,846)	400,154	400,154	-	Company policy	Mr. Rehmattullah Khilji
Suzuki Cultus - GP - 5813	834,000	(653,996)	180,004	180,004	-	Company policy	Mrs. Sobia Yaseen Ali
Suzuki Cultus - AXB- 561	990,000	(603,645)	386,355	386,355	-	Company policy	Syed Tahir Ali
Toyota Corolla - GP 5812	1,269,000	(995,109)	273,891	273,891	-	Company policy	Mrs. Farzana Munaf
Toyota Corolla - GP 5815	1,269,000	(1,019,135)	249,865	249,865	-	Company policy	Mrs. Ghazala Imran
<b>Total</b>	<b>5,352,000</b>	<b>(3,861,731)</b>	<b>1,490,269</b>	<b>1,490,269</b>	<b>-</b>		

There were no disposal during the year ended December 31, 2015.

## Notes to the Financial Statements | for the year ended December 31, 2016

	2016 Rupees	2015 Rupees
<b>30 ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)-NET</b>		
Assets relating to Bangladesh comprise of fixed assets and investments are as follows:		
Fixed assets		
Land and building	8,608,000	8,608,000
Furniture and fixture	4,000	4,000
	<u>8,612,000</u>	<u>8,612,000</u>
Investments		
Stock and shares	7,112,000	7,112,000
Debenture	250,000	250,000
	<u>7,362,000</u>	<u>7,362,000</u>
	<u>15,974,000</u>	<u>15,974,000</u>
Liabilities		
Outstanding claims	(4,952,000)	(4,952,000)
Other liabilities	(809,000)	(809,000)
	<u>(5,761,000)</u>	<u>(5,761,000)</u>
	<u>10,213,000</u>	<u>10,213,000</u>
Provision for loss on assets in Bangladesh	(10,213,000)	(10,213,000)
	<u>-</u>	<u>-</u>
<b>31 OTHER MANAGEMENT EXPENSES</b>		
Salaries, wages and benefits	396,657,978	384,985,917
Employee benefits		
Officers' pension	71,691,000	48,467,181
Employees' pension	23,251,000	(6,344,000)
Post retirement medical benefits	58,076,000	47,412,672
Gratuity fund	2,649,000	1,613,768
Compensated absences	19,244,000	60,858,000
	<u>174,911,000</u>	<u>152,007,621</u>
Travelling and conveyance	9,875,268	7,632,755
Entertainment	9,661,417	7,027,984
Subscription and membership	463,177	188,494
Legal fees	5,654,000	2,122,575
Communication	934,069	591,414
Insurance	4,716,356	5,456,122
Utilities	32,484,116	35,837,480
Printing and stationary	4,075,787	1,824,236

## Notes to the Financial Statements | for the year ended December 31, 2016

	2016 Rupees	2015 Rupees
Repairs and renewal	1,796,822	1,164,606
Medical	20,300,620	19,303,909
Rent, rates and taxes	9,855,774	4,554,662
Computer related expenses	2,661,167	1,881,230
Consultancy and professional charges	1,864,350	797,050
Newspaper and periodicals	7,569,544	4,976,181
Financial and CDC charges	484,291	597,386
Others	538,291	15,669,684
	<u>684,504,028</u>	<u>646,619,306</u>
Expenses allocated to rental income	(17,026,310)	(16,071,413)
Expenses allocated to investment income	<u>(10,389,460)</u>	<u>(9,157,093)</u>
	<u>657,088,258</u>	<u>621,390,800</u>

### 31.1 General Provident Fund

Size of the fund	<u>98,488,402</u>	<u>96,782,742</u>
Cost of investment made	<u>148,953,887</u>	<u>156,060,476</u>
Fair value of investment	<u>188,732,365</u>	<u>185,506,742</u>
Number of members	<u>205</u>	<u>218</u>
Composition of fund		
Special account in scheduled bank(s)	1,955,482	2,100,841
Government securities	139,068,850	139,030,080
National investment trust units	7,929,555	7,929,555
Term deposits receipts (TDRs)	-	7,000,000
	<u>148,953,887</u>	<u>156,060,476</u>

	Percentage	Percentage
Percentage of investments made in.		
Special account in scheduled bank(s)	1%	1%
Government securities	93%	89%
National investment trust units	5%	5%
Term deposits receipts (TDRs)	0%	4%

The investment out of provident fund have been made in accordance with provisions of section 227 of the Companies Ordinance, 1984.

31.1.1 The audit of the financial statements in progress and current year financial statements have not been finalized as of the date of issue of financial statements.



## Notes to the Financial Statements | for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>32 RENTAL INCOME</b>			
Rental income	32.1	72,805,590	63,854,551
Investment property related expenditures		(17,026,310)	(16,071,413)
		<u>55,779,280</u>	<u>47,783,138</u>
32.1	The rental income represents income from letting out of PRC Tower.		
<b>33 OTHER INCOME</b>			
Income from financial assets			
Interest on deposits		143,349	-
Interest on loans		11,347	16,689
Income from non-financial assets			
Miscellaneous income		3,578,214	27,026
Liabilities no longer payable written back		28,081,208	-
Due to foreign reinsurers no longer payable written back	33.1	54,586,075	-
Gain on disposal of fixed assets		812	-
		<u>86,401,005</u>	<u>43,715</u>
33.1	This represents balances in respect of due to various foreign reinsurers aggregating to Rs. 54.586 million written back on account of no activity and business with these parties for past five years.		
<b>34 OTHER CHARGES</b>			
Provision against amount due from other insurers and reinsurers	22.3	138,634,292	-
Provision against receivable of Export Credit Guarantee Scheme		28,071,218	-
		<u>166,705,510</u>	<u>-</u>
<b>35 GENERAL AND ADMINISTRATION EXPENSES</b>			
Depreciation-fixed assets		5,963,255	7,039,894
Depreciation - investment properties		1,724,245	1,785,208
Director's meetings		15,794,520	6,868,359
Advertisement and business promotion		3,579,523	1,771,202
Training and research		2,611,108	267,000
Repairs and maintenance		17,604,863	15,270,809
Shares transaction costs		7,271	6
Auditors' remuneration	35.1	726,000	726,000
Other certification		185,860	9,000
Others		5,525,978	4,346,014
		<u>53,722,622</u>	<u>38,083,492</u>

## Notes to the Financial Statements | for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>35.1 Auditors' remuneration</b>			
Audit fee		528,000	528,000
Interim review		132,000	132,000
Audit out of pocket		66,000	66,000
		<u>726,000</u>	<u>726,000</u>
<b>36 INCOME TAX EXPENSE</b>			
<b>36.1 Provision for taxation</b>			
Current		452,684,601	440,077,090
Prior		-	(44,500,220)
		<u>452,684,601</u>	<u>395,576,870</u>

36.2 The department had made add backs relating to assessment years 1984-85 to 2001-02 on account of income under Export Credit Guarantee Schemes (ECGS). The Company had filed appeal against this in Income Tax Appellate Tribunal (ITAT), however, the ITAT concluded the appeals against the Company for the assessment years 1984-85 to 1994-95. The Company had filed an appeal in the Honorable High Court against the add backs relating to assessment years 1984-89, however the judgment was made against the Company by the Honorable High Court. The Company has now filed an appeal in the Honorable Supreme Court of Pakistan against the said judgment of the Honorable High Court, the Honorable Supreme Court of Pakistan vide order dated August 21, 2007 has granted leave to file an appeal against the said judgment.

The Company had filed an appeal in the Honorable High Court against the add backs relating to assessment years 1995-96 to 2001-02. These cases are pending for finalization before the Honorable High Court.

The total amount of income tax deposited by the Company since the year 1984-85 to the year 2001-02 in respect of Export Credits Guarantee Scheme (ECGS) is now recorded as a receivable from the Ministry of Finance, Government of Pakistan. The matter was contested by the Ministry and was placed before Alternate Dispute Resolution Committee (ADRC). The hearing was held on May 17, 2008. The ADRC after hearing the arguments was of the view that the applicability of Article 165A of the Constitution of Pakistan in the case of ECGS income is required to be determined to decide the issue. The members of ADRC have observed that they would require assistance of a legal expert to determine the applicability of Article 165A of the Constitution of Pakistan.

The ADRC, therefore, concluded that they would refer the matter to the FBR for providing legal expert to the ADRC or to reconstitute the ADRC by including therein a legal expert who can interpret and decide on the applicability of the aforesaid Article. FBR via letter No. 2(48) IT-Jud/2006-ADR/45098-R regretted the request for reconstitution of ADRC.

## Notes to the Financial Statements | for the year ended December 31, 2016

Therefore, the Company needs to pursue its case with Supreme Court of Pakistan which has already granted a leave to appeal against order of High Court. The matter was last fixed on April 29, 2015 and the Honorable Supreme Court of Pakistan vide its order has remanded back the case to High Court. No provision has been made in the financial statements in respect of this matter.

- 36.3 The Assistant Commissioner of Inland Revenue (ACIR) has also issued show cause notices under section 161/205 and 122(5A) of the Income Tax Ordinance, 2001 for the Tax Years 2009, 2010, 2011, 2012, 2013, 2014, 2015 and 2016 for non-deduction of tax on commission paid to local reinsurance companies and disallowances of expenses. The tax demand against these show causes notices are amounting to Rs. 370,037,784, Rs. 97,552,694, Rs. 443,039,254, Rs. 468,371,794 Rs. 191,405,099, Rs. 542,653,355, Rs. 553,563,056 and Rs. 925,074,931 respectively. The Company filed appeals against the orders which have been decided against the Company before Appellate Tribunal Inland Revenue (ATIR) and Commissioner Inland Revenue Appeal (CIRA) which are still pending in ATIR and CIRA.

During the year, ATIR has passed order against the Company dated October 03, 2016 for tax demand under section 161, default surcharge under section 205 and penalty for default under section 182 for the period from January 01, 2013 to September 30, 2014 amounting to Rs. 260,214,169. The Company has challenged the order dated October 03, 2016 passed by ATIR in the Honorable High Court of Sindh.

Further, ATIR has passed the order in favor of the Company through a single order dated December 19, 2016, against tax demands by Commissioner Inland Revenue for Tax Year 2008 and 2009 under section 122(5A) amounting to Rs. 217.443 million and Rs. 252.776 million respectively. However, appeal effect order is still awaited. The Company has not recorded provision in this regard with the consultation of tax advisor as it is confident that the case will be decided in the Company's favor.

The Company has filed an appeal contesting the Federal Board of Revenue stance on the basis that the Company do not pay any such amount but such amounts are adjusted and the net amount of premium is received by the Company and it is in accordance with current industry practice. The Company has not made provision in this regard with consultation of tax advisor as it is confident that the case will be decided in the Company's favor.

- 36.4 Notice has been issued by the authority for Tax Year 2003, however, assessment proceedings are pending before the Honorable High Court. Further, a relief of Rs. 41,567,000 was allowed to the Company by the Commissioner Inland Revenue (Appeal) for Tax Year 2004, which was also confirmed by Appellate Tribunal Inland Revenue. The Income Tax department has filed an ITRA against the said relief. The said ITRA is considered doubtful as it relates to miscellaneous application for rectification and has not challenged the main order. The Company has not made provision in this regard as it is confident that the case will be decided in the Company's favour.

## Notes to the Financial Statements | for the year ended December 31, 2016

36.5 The Additional Commissioner of Inland Revenue (FBR) have issued show cause notices and orders under section 122(5A) of the Income Tax Ordinance, 2001 (the Ordinance) related to preceding tax year, by initiating the concept of single/one basket income to insurance industry, i.e., clubbing all other sources of income (e.g. dividend and rental income) into business income for charging the business rate of tax under Fourth Schedule of the Ordinance.

The Commissioner Appeals of Inland Revenue (FBR) passed an order No.15/A-1 dated March 18, 2016 in favor of M/s EFU General Insurance Limited. As per Company tax advisor, after EFU decision the cases against company are now becoming Infructuous, which is further evident by the recent amendment in Finance Act 2016. After which prospectively, the dividend income and capital gain of insurance companies would be taxed at corporate rate, the Company has incorporated the same tax changes in its financial statements for the year ended December 31, 2016. Currently, the cases of various previous tax years on single basket issue are pending before Appellate Tribunal Inland Revenue for verdict. The Company has not recorded provision in this regard with the consultation of tax advisor as it is confident that the case will be decided in the Company's favor.

	2016 Rupees	2015 Rupees
<b>36.6 Relationship between tax expenses and accounting profit</b>		
Profit before tax	<u>1,426,947,799</u>	<u>1,772,273,879</u>
Tax at the applicable rate of 31% (2015: 32%)	442,353,818	567,127,641
Tax effect of dividend income taxed at lower rate	-	(83,257,039)
Tax effect of property income being taxed separately	-	(10,577,290)
Tax effect of income that are deductible in determining the taxable profit	<u>10,330,783</u>	<u>(33,216,222)</u>
Charge for the year	<u>452,684,601</u>	<u>440,077,090</u>
<b>37 EARNINGS PER SHARE - basic and diluted</b>		
Profit after tax for the year - Rupees	<u>974,263,198</u>	<u>1,376,697,009</u>
Weighted average number of ordinary shares	<u>300,000,000</u>	<u>300,000,000</u>
Earnings per share - Rupees - basic and diluted	<u>3.25</u>	<u>4.59</u>

37.1 No figure for diluted earnings per share has been presented as the Company has not issued any instrument which when exercised would have an impact on earnings per share, i.e. there were no convertible dilutive potential shares outstanding on December 31, 2016.

## Notes to the Financial Statements | for the year ended December 31, 2016

### 38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 38.1 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 (the Board) has overall responsibility to the establishment and oversight of company's risk management framework. The Board is also responsible for developing the company's risk management policies.

#### 38.2 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:

	<b>2016</b>	<b>2015</b>
	<b>Rupees</b>	<b>Rupees</b>
Bank deposits	2,679,958,104	3,284,913,652
Investments	2,518,799,090	2,484,246,112
Amount due from other insurers and reinsurers	4,533,411,877	3,668,040,093
Premium and claim reserves retained by cedants	11,685,818	168,098,008

## Notes to the Financial Statements | for the year ended December 31, 2016

	<b>2016</b>	<b>2015</b>
	<b>Rupees</b>	<b>Rupees</b>
Accrued investment income	37,793,169	33,763,731
Reinsurance recoveries against outstanding claims	2,732,782,143	1,406,544,395
Sundry receivables	509,927,721	92,827,896
	<u>13,024,357,922</u>	<u>11,138,433,887</u>

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 comprising 'amount due from other insurers' and 'amount due from other reinsurers' is as follows:

	<b>2016</b>	<b>2015</b>
	<b>Rupees in thousand</b>	
Upto three months	785,382	885,023
Over three months but upto one year	1,958,524	2,306,133
Over one year but upto two year	950,668	394,397
Over two years but upto three year	544,804	107,501
Over three years	818,667	360,986
	<u>5,058,045</u>	<u>4,054,040</u>
Provision against amount due from other insurers and reinsurers	(524,634)	(386,000)
	<u>4,533,411</u>	<u>3,668,040</u>

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

	<b>Rating</b>			<b>2016</b>	<b>2015</b>
	<b>Short term</b>	<b>Long term</b>	<b>Rating agency</b>	<b>Rupees in thousand</b>	
National Bank of Pakistan	A-1+	AAA	JCR-VIS	8,029	27,467
Bank Al-Habib Limited	A-1+	AA+	JCR-VIS	2,648,191	2,861,075
United National Bank Limited, London	A-1+	AAA	JCR-VIS	5,472	5,104
Bank Alfalah Limited	A-1+	AA+	PACRA	16,306	15,577
Faysal Bank Limited		AA-	JCR-VIS	21	21
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	-	375,670
				<u>2,678,019</u>	<u>3,284,914</u>

## Notes to the Financial Statements | for the year ended December 31, 2016

### 38.3 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:

	Carrying amount	Contractual cash flows	Maturity in one year	Maturity exceeding one year
Rupees in thousand				
<b>December 31, 2016</b>				
Provision for outstanding claims	4,590,672	4,590,672	4,590,672	-
Amount due to other insurers / reinsurers	1,964,346	1,964,346	1,964,346	-
Premium and claim reserves retained from retrocessionaires	19,064	19,064	-	19,064
Other creditors and accruals	26,027	26,027	26,027	-
Accrued expenses	19,909	19,909	19,909	-
Retention money payable	6,368	6,368	6,368	-
Unclaimed dividend	119,431	119,431	119,431	-
Surplus profit payable	1,213	1,214	1,213	-
	<u>6,747,028</u>	<u>6,747,029</u>	<u>6,727,965</u>	<u>19,064</u>
<b>December 31, 2015</b>				
Provision for outstanding claims	3,093,187	3,093,187	3,093,187	-
Amount due to other insurers / reinsurers	1,497,163	1,497,163	1,497,163	-
Premium and claim reserves retained from retrocessionaires	19,064	19,064	-	19,064
Other creditors and accruals	49,039	49,039	49,039	-
Accrued expenses	17,597	17,597	17,597	-
Retention money payable	6,368	6,368	6,368	-
Unclaimed dividend	137,227	137,227	137,227	-
Surplus profit payable	1,213	1,213	1,213	-
	<u>4,820,859</u>	<u>4,820,859</u>	<u>4,801,795</u>	<u>19,064</u>

### 38.4 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.

## Notes to the Financial Statements | for the year ended December 31, 2016

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

### Sensitivity analysis

The table below summarizes company's equity price risk as of December 31, 2016 and 2015 and shows the effects of a 10% increase and a 10% decrease in market prices as at the year end. The selected change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in company's equity investment portfolio because of the nature of equity markets.

	Fair value	Estimated fair value after change in prices	Increase / (decrease) in	
			Shareholders' equity	Profit / before tax
Rupees in thousands				
<b>December 31, 2016</b>				
10% increase	8,828,902	9,711,792	582,708	882,890
10% decrease		7,946,012	(582,707)	(882,890)
<b>December 31, 2015</b>				
10% increase	6,121,305	6,733,435	404,006	612,130
10% decrease		5,509,174	(404,006)	(612,131)

### 38.5 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.

### 38.6 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:



## Notes to the Financial Statements | for the year ended December 31, 2016

	2016						Total
	Effective rate per annum (percentage)	Interest / mark-up bearing financial instruments			Sub total	Non-interest / mark-up bearing financial instruments	
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years			
		Rupees in thousand					
<b>Financial assets</b>							
Cash and bank deposits	5.00 to 8.00	2,588,486	-	-	2,588,486	91,516	2,680,002
Loans to employees	10	3,050	69,900	-	72,950	-	72,950
Investment	5.46 to 12	2,518,799	441,967	1,145,274	4,106,040	2,518,799	6,624,839
Amount due from other insurers / reinsurers	-	-	-	-	-	4,533,412	4,533,412
Premium and claim reserves retained by cedants	-	-	-	-	-	11,686	11,686
Accrued investment income	-	-	-	-	-	190,211	190,211
Reinsurance recoveries against outstanding claims	-	-	-	-	-	2,732,782	2,732,782
Sundry receivables	-	-	-	-	-	509,928	509,928
<b>Total</b>		<b>5,110,335</b>	<b>511,867</b>	<b>1,145,274</b>	<b>6,767,476</b>	<b>10,588,334</b>	<b>17,355,810</b>
<b>Financial liabilities</b>							
Provision for outstanding claims	-	-	-	-	-	4,590,672	4,590,672
Deferred liability - employee benefits	-	-	-	-	-	1,296,307	1,296,307
Long term deposits	-	-	-	-	-	16,299	16,299
Amount due to other insurers / reinsurers	-	-	-	-	-	1,964,346	1,964,346
Premium and claim reserves retained from retrocessionaires	-	-	-	-	-	19,064	19,064
Other creditors and accruals	-	-	-	-	-	26,027	26,027
Accrued expenses	-	-	-	-	-	19,909	19,909
Retention money payable	-	-	-	-	-	6,368	6,368
Unclaimed dividend	-	-	-	-	-	119,431	119,431
Surplus profit payable	-	-	-	-	-	1,214	1,213
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,059,637</b>	<b>8,059,636</b>
Interest risk sensitivity gap		<u>5,110,335</u>	<u>511,867</u>	<u>1,145,274</u>	<u>6,767,476</u>		
Cumulative interest risk sensitivity gap		<u>5,110,335</u>	<u>5,622,202</u>	<u>6,767,476</u>			
		2015					
		Rupees in thousand					
<b>Financial assets</b>							
Cash and bank deposits	5.00 to 8.00	2,968,156	-	-	2,968,156	316,809	3,284,965
Loans to employees	10	27,686	43,394	-	71,080	-	71,080
Investment	5.46 to 12	2,484,246	203,953	1,145,274	3,833,473	2,484,246	6,317,719
Amount due from other insurers / reinsurers	-	-	-	-	-	3,668,040	3,668,040
Premium and claim reserves retained by cedants	-	-	-	-	-	168,098	168,098
Accrued investment income	-	-	-	-	-	190,217	190,217
Reinsurance recoveries against outstanding claims	-	-	-	-	-	1,406,544	1,406,544
Sundry receivables	-	-	-	-	-	92,828	92,828
<b>Total</b>		<b>5,480,088</b>	<b>247,347</b>	<b>1,145,274</b>	<b>6,872,709</b>	<b>8,326,782</b>	<b>15,199,491</b>
<b>Financial liabilities</b>							
Provision for outstanding claims	-	-	-	-	-	3,093,187	3,093,187
Deferred liability - employee benefits	-	-	-	-	-	1,486,580	1,486,580
Long term deposits	-	-	-	-	-	12,681	12,681
Amount due to other insurers / reinsurers	-	-	-	-	-	1,497,163	1,497,163
Premium and claim reserves retained from retrocessionaires	-	-	-	-	-	19,064	19,064
Other creditors and accruals	-	-	-	-	-	49,039	49,039
Accrued expenses	-	-	-	-	-	17,597	17,597
Retention money payable	-	-	-	-	-	6,368	6,368
Unclaimed dividend	-	-	-	-	-	137,227	137,227
Surplus profit payable	-	-	-	-	-	1,213	1,213
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,320,119</b>	<b>6,320,119</b>
Interest risk sensitivity gap		<u>5,480,088</u>	<u>247,347</u>	<u>1,145,274</u>	<u>6,872,709</u>		
Cumulative interest risk sensitivity gap		<u>5,480,088</u>	<u>5,727,435</u>	<u>6,872,709</u>			

## Notes to the Financial Statements | for the year ended December 31, 2016

### Sensitivity analysis

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

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

	2016		2015	
	Increase in profit / decrease (loss) upon change of 100 bps		Increase in profit / decrease (loss) upon change of 100 bps	
	Rupees in thousand			
Cash flow sensitivity - Variable Rate Financial Liabilities	-	-	-	-
Cash flow sensitivity - Variable Rate Financial Assets	67,675	(67,675)	68,727	(68,727)

### 38.7 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 Company principal transactions are carried out in Pakistani Rupee and its exposure to foreign exchange risk arises primarily with respect to US Dollar and UK Pound. Financial assets exposed to foreign exchange risk amounted to Rs. 2,042.115 million (2015: Rs. 2,243.307 million) and Rs. 0.338 million (2015: Rs. 0.408 million) respectively at the end of the year.

The following significant exchange rates were applied during the year:

	2016	2015	2016	2015
	Rupees per US Dollars		Rupees per UK Pound	
Average rate	102.37	102.37	156.50	156.50
Reporting date rate	104.60	104.60	155.04	155.04

## Notes to the Financial Statements | for the year ended December 31, 2016

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

	2016	2015
	<b>Gross sum insured</b>	
	<b>Rupees in thousands</b>	
Fire	4,058,662	5,107,389
Marine cargo	779,512	943,542
Marine hull	759,000	1,000,000
Accident and others	2,621,250	3,070,833
Aviation	15,871,987	174,433,786
Engineering	8,645,000	8,401,000
	<b>32,735,411</b>	<b>192,956,550</b>

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	2016	2015
	Assumed net loss ratio	
	Percentage	
Fire	33%	67%
Marine cargo	36%	15%
Marine hull	45%	22%
Accident and others	61%	27%
Aviation	45%	3%
Engineering	28%	17%

## Notes to the Financial Statements | for the year ended December 31, 2016

### 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 of claims paid on profit before tax net of reinsurance recoveries.

	Profit before tax		Shareholders' equity	
	2016	2015	2016	2015
	Rupees in thousand		Rupees in thousand	
10% increase in loss	333,556	277,483	220,147	183,139
10% decrease in loss	(333,556)	(277,483)	(220,147)	(183,139)

### 38.9 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.

### 38.10 Reinsurance and retrocession arrangements

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

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

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

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

## Notes to the Financial Statements | for the year ended December 31, 2016

	2016	2015
	Rupees in thousand	
A or above	3,137,246	3,681,705
BBB	81,435	246,632
Others	1,839,365	125,704
Total	5,058,046	4,054,041

### 39 Capital management

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

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

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.







# Notes to the Financial Statements | for the year ended December 31, 2016

## Notes to the Financial Statements | for the year ended December 31, 2016

### 40.1.6 Composition of fair value of plan assets

	2016			2015		
	Pension - officers' Amount Rupees	Pension - employees' Amount Rupees	Gratuity Amount Rupees	Pension - officers' Amount Rupees	Pension - employees' Amount Rupees	Gratuity Amount Rupees
<b>Assets with an active market</b>						
Open ended mutual funds units / Equity	225,755,962	225,755,962	198,955,226	132,958,000	265,882,000	136,416,000
Term Finance certificates	-	-	-	-	-	-
	21.34%	340.60%	7878.92%	16.02%	318.51%	5638.07%
	0.00%	0.00%		0.00%	0.00%	
<b>Assets with no active market</b>						
Term deposit receipts	86,421,920	295,025,901	7,576,357	84,902,000	153,430,000	7,075,000
Others (including cash and bank balances)	745,664,095	(454,499,375)	(204,006,424)	612,008,000	(335,635,000)	(141,080,000)
Liabilities	-	-	-	-	-	-
	70.49%	445.10%	300.03%	73.75%	183.80%	293.45%
	0.00%	0.00%	-8078.95%	0.00%	-402.31%	-5851.51%
			0.00%			0.00%
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	1,057,841,977	66,282,488	2,525,150	829,868,000	83,477,000	2,411,000

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

### 40.1.8 Expected change to the Funds for the year ending December 31, 2017

	Officer	Employees	Other long term employment benefits	Other post-employment benefits	Other long term employment benefits
Expected change to the Funds for the year ending December 31, 2017	43,499	17,801	2,941	42,471	10,309

### 40.1.9 Actuarial valuation assumptions

	2016			2015		
	Pension Officers	Employees	Medical	Pension Officers	Employees	Medical
Valuation discount rate	8.00%	8.00%	8.00%	10.00%	10.00%	10.00%
Expected return in plan assets	8.00%	8.00%	-	10.00%	10.00%	-
Salary increase rate	8.00%	8.00%	8.00%	10.00%	10.00%	10.00%
Indexation in pension	5.00%	5.00%	-	7.00%	7.00%	-
Exposure inflation rate	-	-	6.00%	-	-	-
Medical inflation rate	-	-	8.00%	-	-	8.00%

40.1.10 The effect of one percentage movement in the assumptions (rates) would have following effects:

	Rupees in millions		
	Original	1% Increase	1% Decrease
Valuation discount rate			
Present value of obligation - other than medical	1,806,358	1,788,294	1,824,422
Financial impact on present value of obligation		(18,064)	18,064
Valuation discount rate %	8.00%	9.00%	7.00%
Salary increase rate			
Present value of obligation - other than medical	1,806,358	1,788,294	1,824,422
Financial impact on present value of obligation		(18,064)	18,064
Salary increase rate %	8.00%	9.00%	7.00%
Medical inflation rate			
Present value of obligation - medical	506,911	501,842	511,980
Financial impact on present value of obligation		(5,069)	5,069
Medical inflation rate %	8.00%	9.00%	7.00%
Life expectancy			
Present value of obligation	2,422,959	2,398,730	2,447,189
Financial impact on present value of obligation		(24,230)	24,230

# Notes to the Financial Statements

for the year ended December 31, 2016

## Notes to the Financial Statements | for the year ended December 31, 2016

### 41 SEGMENT REPORTING

#### 41.1 Segment by class of business

	2016						Total
	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	
	Rupees in thousands						
<b>Segment result</b>							
Net premium	1,106,311	33,739	54,239	144,335	146,343	499,629	3,817,252
Net claims	(360,056)	(12,043)	(24,583)	(87,410)	(65,599)	(141,607)	(2,644,262)
Management expenses	(130,359)	(11,346)	(8,073)	(22,239)	(27,537)	(60,200)	(397,334)
Net commission	(204,640)	(5,876)	(1,578)	(16,940)	2,511	(52,291)	(985,653)
Total	411,256	4,474	20,005	17,746	55,718	245,531	(209,996)
<b>Segment assets</b>							
Prepaid reinsurance ceded	76,876	-	8,002	2,125	859,503	565,351	250,726
Deferred commission expense	124,715	653	1,804	8,426	1,328	29,062	432,298
Unallocated corporate assets	201,591	653	9,806	10,551	860,831	594,413	683,024
Total assets							
							19,907,366
<b>Segment liabilities</b>							
Provision for unearned premium	698,320	3,139	24,888	79,469	973,139	790,793	1,850,343
Commission income unearned	4,267	-	1,343	53	11,163	6,264	1,087
Provision for outstanding claims	994,479	35,405	79,759	192,340	1,261,479	220,017	1,812,144
Unallocated corporate liabilities	1,697,066	38,544	105,990	271,862	2,245,781	1,017,074	3,663,574
Total liabilities							
							12,503,905



## Notes to the Financial Statements | for the year ended December 31, 2016

### 41.3 Information about major customer

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

	2016	2015
	Rupees in thousands	
<b>National Insurance Company Limited</b>		
<b>Facultative business</b>		
Fire	100,097	162,460
Marine hull	99,532	105,343
Aviation	1,124,158	1,038,950
Engineering	1,156,502	619,910
	2,480,289	1,926,663
<b>Treaty business</b>	91,262	333,023
	2,571,551	2,259,686
<b>Reliance on customer - percentage of total premium written</b>	29%	28%

### 42 TRANSACTIONS WITH RELATED PARTIES

Government of Pakistan through Ministry of Commerce owns 51% (2015: 51%) shares of the Company. Therefore, all entities owned and controlled by the Government of Pakistan are related parties of the Company. The related parties comprise major shareholders, associated company, directors, companies with common directorship, key management personnel, and staff retirement benefit funds. The Company in normal course of business pays for electricity, gas and telephone to entities controlled by Government of Pakistan which are not material and hence not disclosed in these financial statements. Moreover, transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in note 42 of these financial statements, are as follows:

	2016	2015
	Rupees	
<b>Major shareholder</b>		
Government of Pakistan (GoP) through Ministry of Commerce		
Dividend paid for the preceding year	336,599,463	336,599,463
State Life Insurance Corporation of Pakistan		
Dividend paid for the preceding year	183,080,503	183,080,503

## Notes to the Financial Statements | for the year ended December 31, 2016

	Note	2016 Rupees	2015 Rupees
<b>Related parties by virtue of GoP's holdings</b>			
State Bank of Pakistan			
Purchase of investment (Pakistan Investment Bonds)		-	512,032,630
Purchase of investment (Treasury Bills)		3,400,625,165	2,215,083,750
Dividend received during the year		49,000	49,000
Pakistan State Oil Company Limited			
Dividend received during the year		101,588	81,270
National Investment Trust Limited			
Dividend received during the year		71,280,000	95,040,000
National Insurance Company Limited			
Premium due but unpaid		1,223,801,607	1,405,601,843
Insurance premium written during the period		2,571,551,034	2,260,181,244
Premium received		(2,397,104,557)	(2,441,981,480)
Balance at the end of year		1,398,248,084	1,223,801,607
Insurance commission paid		28,732,086	23,024,297
Insurance claims paid		100,341,617	1,618,668,302
<b>Other related parties</b>			
Contribution to staff benefit funds			
Remuneration including benefits and perquisites of key management personnel	42	44,001,790	33,609,724

### 43 REMUNERATION INCLUDING BENEFITS AND PERQUISITES OF KEY MANAGEMENT PERSONNEL

	Managerial remuneration including bonus	Retirement benefits	House rent and other benefits	Utilities and others	Total
Rupees					
<b>December 31, 2016</b>					
Chief Executive	69,634	-	42,064	21,932	133,630
Executives	32,035,707	108,905	10,008,146	1,849,032	44,001,790
	32,105,341	108,905	10,050,210	1,870,964	44,135,420
<b>December 31, 2015</b>					
Chief Executive	-	-	-	-	-
Executives	21,762,508	113,050	9,938,352	1,795,814	33,609,724
	21,762,508	113,050	9,938,352	1,795,814	33,609,724

## Notes to the Financial Statements | for the year ended December 31, 2016

- 43.1 No remuneration was paid to non executive directors of the Company except for meeting fees. The amount charged in respect of fee to eight non executive directors (2015: five) aggregated to Rs. 15.794 million (2015: Rs. 6.868 million).

	<u>2016</u>	<u>2015</u>
	<u>Number of person(s)</u>	
Chief Executive Director	1	-
Executive director	-	-
Non-executive director	8	5
Executives	15	15

The Company makes contribution based on actuarial calculations to executives. Company maintained cars have been provided to the Chief Executive, and certain Executives of the Company and they are also entitled to free medical facilities including hospitalization, club subscription and other benefits as per the Company's policy.

Executive means any employee who satisfies the definition / criteria as mentioned in the fourth schedule to the Companies Ordinance, 1984.

	<u>2016</u>	<u>2015</u>
	<u>Number of person(s)</u>	
<b>44 EMPLOYEES</b>		
Number of employees at the year end		
Permanent	207	218
Others	14	14
Average number of employees during the year		
Permanent	213	224
Others	14	15

## Notes to the Financial Statements | for the year ended December 31, 2016

### 45 FAIR VALUE OF FINANCIAL INSTRUMENTS

#### 45.1 Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Company's financial assets and financial liabilities as at December 31, 2016.

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

	As at December 31, 2016		As at December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	-----Rupees-----		-----Rupees-----	
<b>Financial Assets</b>				
- Cash and bank deposits	2,680,002,368	2,680,002,368	3,284,965,074	3,284,965,074
- Loans to employees	72,949,886	72,949,886	71,079,742	71,079,742
- Investments				
<b>Available-for-sale</b>				
Ordinary shares - listed	428,078,189	3,701,413,596	421,028,207	2,391,599,638
Mutual fund units	1,957,007,894	4,994,392,737	1,957,007,894	3,624,112,745
Ordinary shares - unlisted	617,613	617,613	617,613	617,613
<b>Held-to-maturity</b>				
Pakistan Investment Bonds	2,978,233,840	2,978,233,840	3,117,912,770	3,474,270,127
Treasury Bills	1,127,806,300	1,127,806,300	715,560,000	732,705,535
<b>Held-for-trading</b>				
Ordinary shares - listed	133,095,394	133,095,394	105,592,398	105,592,398
Investment properties	6,624,839,230	12,935,559,479	6,317,718,882	10,328,898,056
Amount due from other insurers and reinsurers	31,425,711	1,483,740,000	32,107,170	1,410,224,000
Premium and claim reserves retained by cedants	4,533,411,877	4,533,411,877	3,668,040,093	3,668,040,093
Accrued investment income	11,685,818	11,685,818	168,098,008	168,098,008
Reinsurance recoveries against outstanding claims	190,210,728	190,210,728	190,216,722	190,216,722
Sundry receivables	2,732,782,143	2,732,782,143	1,406,544,395	1,406,544,395
	509,927,721	509,927,721	92,827,896	92,827,896
<b>Financial Liabilities</b>				
- Provision for outstanding claims (including IBNR)	4,590,671,732	4,590,671,732	3,093,187,482	3,093,187,482
- Deferred liability - employee benefits	1,296,307,190	1,296,307,190	1,486,579,674	1,486,579,674
- Long term deposits	16,299,040	16,299,040	12,681,380	12,681,380
- Amount due to other insurers and reinsurers	1,964,346,423	1,964,346,423	1,497,163,484	1,497,163,484
- Premium and claim reserves retained from retrocessionaires	19,063,743	19,063,743	19,063,743	19,063,743

## Notes to the Financial Statements | for the year ended December 31, 2016

	As at December 31, 2016		As at December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
	-----Rupees-----		-----Rupees-----	
- Other creditors and accruals	26,026,662	26,026,662	49,038,959	49,038,959
- Accrued expenses	19,909,377	19,909,377	17,597,350	17,597,350
- Retention money payable	6,368,183	6,368,183	6,368,183	6,368,183
- Dividend payable	119,430,677	119,430,677	137,227,342	137,227,342
- Surplus profit payable	1,212,602	1,212,602	1,212,602	1,212,602

### 45.2 Fair value hierarchy

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. 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 level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

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

The fair value hierarchy has the following levels:

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

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

	As at December 31, 2016		
	Level 1	Level 2	Level 3
	-----Rupees-----		
<b>Financial assets measured at fair value</b>			
Investments at fair value through profit or loss - held for trading	133,095,394	-	-
Investments at fair value- available for sale			
Ordinary shares - listed	3,701,413,596	-	-
Mutual fund units	4,994,392,737	-	-
Ordinary shares - unlisted	617,613	-	617,613
	<u>8,829,519,339</u>	<u>8,828,901,726</u>	<u>617,613</u>



## Notes to the Financial Statements | for the year ended December 31, 2016

	As at December 31, 2015	Level 1	Level 2	Level 3
-----Rupees-----				
<b>Financial assets measured at fair value</b>				
Investments at fair value through profit or loss - held for trading	105,592,398	105,592,398	-	-
Investments at fair value- available for sale				
Ordinary shares - listed	2,391,599,638	2,391,599,638	-	-
Mutual fund units	3,624,112,745	3,624,112,745	-	-
Ordinary shares - unlisted	617,613	-	-	617,613
	<u>6,121,922,394</u>	<u>6,121,304,781</u>	<u>-</u>	<u>617,613</u>

### 45.3 Transfers during the period

During the year to December 31, 2016:

- There were no transfers between Level 1 and Level 2 fair value measurements
- There were no transfers into or out of Level 3 fair value measurements

### 45.4 Valuation techniques

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

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

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

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

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

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

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

## Notes to the Financial Statements | for the year ended December 31, 2016

### 47 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on 6th April 2017 have recommended a final cash dividend of Rs. 3.00 per share (2015: Rs. 2.5 per share) and a bonus issue of Rs. Nil per share (2015: Rs. Nil per share) for the approval of the members in the Annual General Meeting to be held on 29th April 2017.

These financial statements for the year ended December 31, 2015 do not include the effect of these appropriations and these will be accounted in the financial statements for the year ending December 31, 2016.

### 48 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison. No significant reclassifications has been made during the year.

### 49 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 6th April 2017 by the Board of Directors of the company.

### 50 GENERAL

Figures have been rounded off to the nearest Rupee, unless otherwise stated.

CHAIRMAN

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

## Pattern of Shareholding | as at December 31, 2016

# of Shareholders	Shareholdings' Slab			Total Shares Held
563	1	to	100	21,551
567	101	to	500	213,166
523	501	to	1000	460,125
727	1001	to	5000	1,941,962
251	5001	to	10000	1,979,065
74	10001	to	15000	907,559
57	15001	to	20000	1,052,879
39	20001	to	25000	914,136
18	25001	to	30000	508,786
20	30001	to	35000	652,498
6	35001	to	40000	229,696
8	40001	to	45000	342,719
9	45001	to	50000	445,666
8	50001	to	55000	426,127
5	55001	to	60000	293,952
7	60001	to	65000	443,700
6	65001	to	70000	405,059
4	70001	to	75000	294,500
3	75001	to	80000	227,818
2	80001	to	85000	168,000
3	85001	to	90000	263,399
9	95001	to	100000	898,500
3	100001	to	105000	306,100
3	105001	to	110000	327,000
3	110001	to	115000	336,999
4	115001	to	120000	474,298
1	120001	to	125000	125,000
3	125001	to	130000	379,582
2	135001	to	140000	276,346
2	140001	to	145000	287,000
8	145001	to	150000	1,189,463
2	150001	to	155000	305,500
2	155001	to	160000	315,499
1	160001	to	165000	161,500
1	175001	to	180000	177,777
3	180001	to	185000	548,188
1	190001	to	195000	192,500

## Pattern of Shareholding | as at December 31, 2016

6	195001	to	200000	1,198,500
1	200001	to	205000	203,500
1	205001	to	210000	209,999
2	220001	to	225000	447,599
1	230001	to	235000	231,500
1	245001	to	250000	246,000
1	260001	to	265000	264,243
1	265001	to	270000	269,000
1	270001	to	275000	274,799
1	280001	to	285000	280,600
2	285001	to	290000	576,843
3	295001	to	300000	899,999
1	305001	to	310000	310,000
1	315001	to	320000	319,199
1	345001	to	350000	350,000
1	350001	to	355000	355,000
1	360001	to	365000	361,000
1	380001	to	385000	383,999
1	395001	to	400000	395,999
1	460001	to	465000	461,999
1	550001	to	555000	554,500
1	685001	to	690000	688,000
1	720001	to	725000	722,000
1	775001	to	780000	779,998
1	1255001	to	1260000	1,260,000
1	1595001	to	1600000	1,597,500
1	1995001	to	2000000	2,000,000
1	2210001	to	2215000	2,211,000
1	2495001	to	2500000	2,497,000
1	3745001	to	3750000	3,747,882
1	5590001	to	5595000	5,593,000
1	6495001	to	6500000	6,500,000
1	6995001	to	7000000	7,000,000
1	12080001	to	12085000	12,083,770
1	18355001	to	18360000	18,359,971
1	73230001	to	73235000	73,232,201
1	134635001	to	134640000	134,639,785
2994				300,000,000

## Pattern of Shareholding | as at December 31, 2016

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Government of Pakistan</b>			
THE SECRETARY MINISTRY OF COMMERCE,	1	134,639,785	44.88
M/S. PRCL EMPLOYEES EMPOWERMENT TRUST	1	18,359,971	6.12
<b>Associated Companies, undertakings and related parties</b>			
STATE LIFE INSURANCE CORP. OF PAKISTAN	1	73,232,201	24.41
<b>Mutual Funds</b>			
Directors and their spouse(s) and minor children	2	180,500	0.06
Vacant	1	55	0.00
MR. ETRAT HUSSAIN RIZVI	1	55	0.00
MR. TAUFIQUE HABIB	2	1,555	0.00
MR. DR. KAUSAR ALI ZAIDI	1	55	0.00
MR. MUMTAZ ALI RAJPER	2	555	0.00
SYED ARSHAD ALI	1	55	0.00
MR. FAISAL MUMTAZ	1	55	0.00
MR. SHOAIB MIR	1	55	
TAUFIQUE HABIB			
<b>Executives</b>			
	6	12,398	0.00
<b>Public Sector Companies and Corporations</b>			
	1	1,597,500	0.53
<b>Banks, development finance institutions, non-banking finance companies, insurance companies, takaful and modarabas</b>			
	12	16,062,330	5.35
<b>General Public</b>			
a. Local	2903	47,137,880	15.71
b. Foreign	3	3,022	0.00
<b>Foreign Companies</b>			
	2	7,000,078	2.33
<b>Others</b>			
	52	1,771,895	0.59
<b>Totals</b>	<b>2994</b>	<b>300,000,000</b>	<b>100.00</b>

Share holders holding 5% or more	Shares Held	Percentage
THE SECRETARY MINISTRY OF COMMERCE,	134,639,785	44.88
M/S. PRCL EMPLOYEES EMPOWERMENT TRUST	18,359,971	6.12
STATE LIFE INSURANCE CORP. OF PAKISTAN	73,232,201	24.41



**PakRe**





# 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 17th Annual General Meeting of the Company to be held on Saturday the 29th April, 2017 at 11:30 a.m and at any adjournment thereof.

Signed this \_\_\_\_\_ day of April 2017.

**Affix Rupees Five Revenue Stamp**

Signature of Member(s)

Shareholder's Folio No. \_\_\_\_\_  
 and/ or CDC \_\_\_\_\_  
 Participant I D. No. \_\_\_\_\_  
 and Sub Account No. \_\_\_\_\_

### WITNESSES:

1. Signature _____	2. Signature _____
Name _____	Name _____
Address _____	Address _____
CNIC or Passport No. _____	CNIC or Passport No. _____

### IMPORTANT:

- 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.
- 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.
- In case of joint holders any one of the joint holders may sign the instrument of proxy.
- The signature on the instrument of proxy must confirm to the specimen signature filed with the Company.
- 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,
- CDC Shareholders or their proxies are requested to bring with them their Original Computerized National Identity Card or Passport along with the participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.





Commitment To Excellence



**Pakistan Reinsurance Company Limited**

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