



Pakistan Reinsurance Company Limited

2015

Annual Report
Securing Tomorrow



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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, where as, 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 NACL. 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 Airbus 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's 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 2015

- 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	<i>Chairman Board of Directors</i>
Mr. Taufique Habib	<i>Director</i>
Mr. Abdul Sami Kehar	<i>Director</i>
Syed Arshad Ali	<i>Director</i>
Mr. Attaullah A. Rasheed	<i>Director</i>
Mr. Faisal Mumtaz	<i>Director</i>

COMPANY SECRETARY

Mr. Shams-ud-Din

AUDIT COMMITTEE

Syed Arshad Ali,	<i>Chairman of the Committee</i>
Mr. Abdul Sami Kehar	<i>Member of the Committee</i>
Mr. Taufique Habib	<i>Member of the Committee</i>
Mr. Shams-ud-Din	<i>Secretary of the Committee</i>

HUMAN RESOURCE COMMITTEE

Mr. Mumtaz Ali Rajper	<i>Chairman of the Committee</i>
Mr. Faisal Mumtaz	<i>Member of the Committee</i>
Mr. Abdul Sami Kehar	<i>Member of the Committee</i>
Mr. Shahzad F. Lodhi	<i>Secretary of the Committee</i>

RISK MANAGEMENT COMMITTEE

Syed Arshad Ali	<i>Chairman of the Committee</i>
Mr. Mumtaz Ali Rajper	<i>Member of the Committee</i>
Mr. Faisal Mumtaz	<i>Member of the Committee</i>
Mr. Farmanullah Zarkoon	<i>Secretary of the Committee</i>

INVESTMENT COMMITTEE

Mr. Abdul Sami Kehar	<i>Chairman of the Committee</i>
Mr. Mumtaz Ali Rajper	<i>Member of the Committee</i>
Syed Arshad Ali	<i>Member of the Committee</i>
Mr. Taufique Habib	<i>Member of the Committee</i>
Mrs. Farzana Munaf	<i>Secretary of the Committee</i>

NOMINATION COMMITTEE

Mr. Taufique Habib	<i>Chairman of the Committee</i>
Mr. Abdul Sami Kehar	<i>Member of the Committee</i>
Mr. Mumtaz Ali Rajper	<i>Member of the Committee</i>
Mr. Faisal Mumtaz	<i>Member of the Committee</i>

PROCUREMENT COMMITTEE

Syed Arshad Ali	<i>Chairman of the Committee</i>
Mr. Faisal Mumtaz	<i>Member of the Committee</i>

SENIOR MANAGEMENT

Mr. Shahzad F. Lodhi	<i>Executive Director (HR)</i>
Mrs. Farzana Munaf	<i>Executive Director/CFO</i>
Mr. Shams-ud-Din	<i>Company Secretary</i>
Mr. Muhammad Khurshid	<i>Chief Internal Auditor</i>
Mrs. Ghazala Imran	<i>Regional Director (NZO)</i>
Syed Tahir Ali	<i>General Manager (DPD)</i>

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

REGISTERED OFFICE

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

BANKERS

National Bank of Pakistan
 Bank Al-Habib Limited

ZONAL OFFICE

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

SHARE REGISTRAR

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

Notice of the 16th Annual General Meeting

Notice is hereby given that 16th Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on Saturday the 30th April 2016 at 11:00 a.m. at Ball Room, Ground Floor, Pearl Continental Hotel, Club Road, Karachi to transact the following business :-

ORDINARY BUSINESS:

1. To confirm the minutes of the last Annual General Meeting of the company held on 30th April, 2015.
2. To consider and adopt the audited annual Accounts of the Company for the year ended 31st December, 2015 and the reports of Directors and Auditors thereon.
3. To consider and approve the payment of final dividend @ 25%. i.e. Rs.2.50 per ordinary share of Rupees Ten (Rs. 10.00) for the year ended 31st December 2015.
4. To appoint M/s. BDO Ebrahim & Co. (Chartered Accountants) as Auditors of the Company (PRC) for the year ending 31st December 2016 and fix their remuneration.
5. To consider any other business with the permission of the Chair.

SPECIAL BUSINESS:

1. Revision of Directors' Fees.
To fix and approve directors' fee for attending the meetings of Board of Directors, following resolution is proposed to be passed:-

“Resolved that the director's fee for attending the Board Meeting may be paid as Rs.60,000/-“

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

That the present fee for attending Board's meeting was fixed by the board on 30th October, 2012. Keeping in view the increase of price index over the period of last 5 years, it needs to be revised.

By Order of the Board

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

Place: Karachi.

Dated: 08/04/2016

NOTES:

1. The share transfer books of the company shall remain closed for eight days i.e. from 23rd April 2016 to 30th April 2016 (both days inclusive), no transfer will be accepted for registration during the period.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. A proxy must be deposited at the Company not less than 48 hours before the meeting and in case of default, form of proxy will not be treated as valid.
3. CDC Accounts holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

A. For attending the meeting:

- i. In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/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 Directors' 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 the 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, 2015

The Directors of your company are pleased to present the 16th Annual Report of the Company together with the Audited Financial Statements and Auditors' Report thereon for the year ended 31st December, 2015.

ECONOMIC OVERVIEW

During the year Pakistan economy continued its pace of development and growth as reflected in the GDP which rose to 4.2% in the year 2014-15 as compared to 4.0% in the year 2013-14.

Economic activity accelerated in line with the overall progress owing to various internal as well as external factors including lower oil prices, reduction in the inflation and discount rate at 6-percent, better security situation, successful issue of Sukuk Bond in the international market increase in foreign exchange reserves, upgraded rating of Pakistan from stable to positive by Moody's and Fitch and the Sino-Pak agreement of developing China-Pakistan Economic Corridor. All these factors have added to investor's confidence in the economy.

The year also created new opportunities for Insurance industry, as SECP allowed General insurance companies to carry out Takaful window business. This is likely to help in increasing overall insurance (conventional and Takaful) penetration in the country.

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, 2015 are as under:-

(Rs in millions)

	2015	2014
Gross Premium	8,135	8,661
Retrocession	(2,763)	(3,942)
Net Retention	5,372	4,719
Premium Reserve	(153)	65
Net Premium	5,219	4,784
Net Commission	(1,101)	(950)
Net Claims	(2,775)	(2,793)
Management expenses	(621)	(526)
Underwriting Profit	722	515
Investment Income	935	1,079
Rental & other income	47	51
Exchange (Loss) / Gain	106	(50)
Gen. & Admn. Expense	(38)	(30)
Profit before tax	1,772	1,565
Taxation	(395)	(321)
Profit after Tax	1,377	1,244

During the period under review, Company has underwritten Rs. 8,135 million as compared to Rs.8,661 million in the year ended December 31, 2014. The break-up is as follow:

(Rs. in millions)

Facultative Premium	2015	2014
Fire	1,572	1,690
Marine Cargo	37	49
Marine Hull	117	142
Accident and others	169	194
Aviation	1,070	1,198
Engineering	971	1,433
Total Facultative	3,936	4,706
Treaty Premium	4,199	3,955
Total Premium	8,135	8,661

During the period under review, the net premium of the Company was Rs.5,219 million showing an increase of Rs. 435 million (9%) over the corresponding year. This was mainly due to improved net retention as shown below.

(Rs. in millions)

Particulars	2015	2014
Premium Written	8,135	8,661
Reinsurance Ceded	(2,763)	(3,942)
Net Retention	5,372	4,719
Premium Reserve	(153)	65
Net Premium	5,219	4,783

The commission expenses of the company during the year ended December 31, 2015 were Rs.1,101 million as compared to Rs. 950 million during the year December 31, 2014, showing an increase of Rs.151 million (16%) due to improved net Premium.

Net claims of the company for the year 2015 were Rs.2,775 million as compared to Rs. 2,793 million in the year ended December 31, 2014 showing decrease of Rs.18 million (1%) as shown below.

	(Rs. in millions)	
Particulars	2015	2014
Facultative Claims	876	661
Treaty Claims	1,899	2,132
Total	2,775	2,793

INVESTMENT INCOME

The investment income in the year 2015 was Rs.935 million as compared to Rs.1,079 million in the year 2014. The breakup is as follows:-

(Rs. in millions)

Particulars	2015	2014
Capital gain	-	2
Dividend Income	378	440
Return on Government Securities	429	483
Return on other fixed income securities and deposits	135	142
Gain on revaluation on investments	2	19
Investment related expenses	(9)	(7)
Total	935	1,079

PROFIT AFTER TAX

The profit after tax is Rs. 1,377 million as compared to Rs.1,244 million of last year, showing an increase of Rs. 133 million.

APPROPRIATIONS

	(Rs. in millions)
Profit before tax	1,772
Less: Tax	<u>(395)</u>
Profit after tax	<u>1,377</u>
 Add: Unappropriated profit brought forward	 1,928
 Add: Comprehensive Income	 701
Less: Final cash dividend 2014 @ 25%	<u>(750)</u>
Unappropriated profit carried forward	<u>1,880</u>

CREDIT RATING

M/s. JCR-VIS 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 and Public Sector Companies (Code of Corporate Governance Rules), 2013 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 six (6) in number. The composition of the Board committees is separately shown in the report.

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. Keeping in line with the industry the company intends to look into other products including retakaful.

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. 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, requirement 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 significant doubts upon the Company's ability to continue as a going concern;
- g) There has no material departure from the best practices of Code of Corporate Governance, as laid down in the listing regulations and Public Sector Code of Corporate Governance;
- h) One Director has attended the Directors' Training Program during the period;
- i) Presentation were given to newly appointed Directors to acquaint them with the relevant laws and their responsibilities;

- j) 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;
- k) 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;
- l) Summarised key operating and financial data of the last 6 years is separately shown in the report;
- m) The statement of pattern of shareholding is separately shown in the report;
- n) The value of investment in pension, gratuity and provident fund is as follows:-

	(Rs. in millions)
Pension and Gratuity Fund	776.727
General Provident Fund / Provident Fund	417.393

BOARD MEETINGS AND ATTENDANCE

In the year 2015, the Board was formed various Committees, the detail of the meetings held and the attendance of each director is given hereunder:-

S.No.	Name Of Directors	Board of Directors	Audit Committee	Human Resource & Remuneration Committee	Risk Management Committee***	Nomination Committee	Investment Committee
		Meetings Held	Meetings Held	Meetings Held	Meetings Held	Meetings Held	Meetings Held
		8	4	7	4	1	4
		Attended	Attended	Attended	Attended	Attended	Attended
1	Mr. Mumtaz Ali Rajpar	8	2	7	4	1	4
2	Mr. Abdul Sami Kehar	4	2	3	-	1	3
3	Mr. Taufique Habib	7	4	-	-	1	4
4	Syed Arshad Ali	7	2	-	4	-	4
5	Mr. Faisal Mumtaz	8	-	6	3	1	-
6	Mr. Attaullah A. Rasheed**	6	3	-	-	-	-
7	Mr. Kamal Afsar*	1	-	-	-	-	-

* Mr. Kamal Afsar resigned in July, 2015 from Directorship of PRCL.

** Mr. Attaullah A. Rasheed resigned in September, 2015 from Directorship of PRCL

*** The functions of Underwriting Committee, Claim Committee and Reinsurance Committees are covered in a single Committee formed in the name of Risk Management Committee

In addition to the above Committees, the Board has also formulated a Procurement Committee however, no meeting of the Committee was held during the year 2015.

Leave of absence was granted to the Directors who could not attend some of the meetings.

CHANGE IN THE BOARD OF DIRECTORS

The Board places on record its sincere appreciation to the outgoing Directors Mr. Attaullah A. Rasheed and Mr. Kamal Afsar to whom the Board indebted for their prudent, professional and diligent guidance.

The Board also welcomes the new Director Mr. Abdul Sami Kehar & Mr. Faisal Mumtaz and is confident that the company will benefit immensely from their rich and diversified experience.

CONTRIBUTION TO NATIONAL EXCHEQUER

Your Company contributed an amount of Rs.421.883 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, except as stated in the Statement of Compliance.

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 name of the members of Committee are given in Corporate Information.

PERFORMANCE OF THE COMPANY DURING THE LAST SIX YEARS

	(Rs. in millions)					
	2015	2014	2013	2012	2011	2010
Gross Premium	8,135	8,661	8,659	8,153	6,893	6,552
Net Premium	5,219	4,784	4,724	4,096	3,535	2,941
Net Commission	(1,101)	(950)	(937)	(868)	(785)	(659)
Net Claims	(2,775)	(2,793)	(2,831)	(2,217)	(2,018)	(1,688)
Management Expenses	(621)	(526)	(503)	(448)	(353)	(302)
Underwriting Profit/(Loss)	722	515	453	563	379	291
Investment Income	935	1,079	1,101	918	891	653
Profit before Tax	1,772	1,565	1,706	1,537	1,258	650
Profit after Tax	1,377	1,244	1,321	1,160	845	526

PROPOSED DIVIDEND

The Board of Directors has proposed a Cash dividend of Rs. 2.50 per share (25%) subject to approval of the shareholders.

EARNINGS PER SHARE

The earnings per share of the Company were Rs 4.59 for the year 2015 as compared to Rs. 4.15 in the year 2014.

TRADING IN THE COMPANY SHARES

Trading in the shares of the Company by directors, executives, their spouses and minor Children if any have been disclosed in 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 suggested their name to be appointed as external auditors of the company for the next year.

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 and regulators for their support and guidance. We also acknowledge the hard work and dedication of our officers and staff.

For and on behalf
of the Board of Directors

Chairman / Director

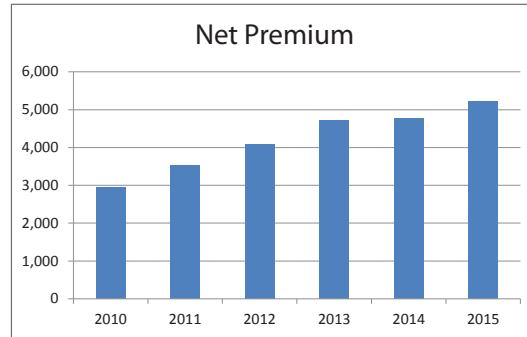
Six Year Performance at a Glance

Rupees in millions

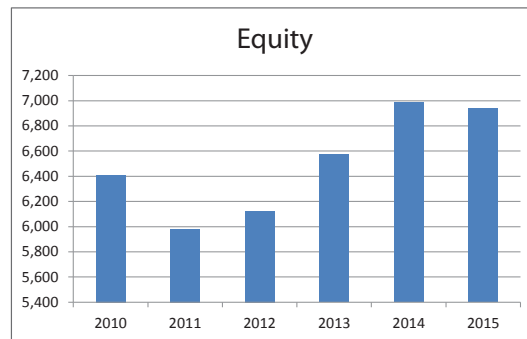
S.No.	PARTICULARS	2015	2014	2013	2012	2011	2010
				(Restated)	(Restated)		
	FINANCIAL DATA						
1	Paid up capital	3,000	3,000	3,000	3,000	3,000	3,000
2	General & Capital Reserves	3,938	3,987	3,571	3,122	2,982	3,412
3	Equity	6,938	6,987	6,571	6,122	5,982	6,412
4	Investment	6,318	6,650	6,513	6,434	5,793	4,674
5	Fixed Assets	44	49	56	53	49	47
6	Cash & Bank Deposits	3,285	3,081	2,706	2,014	1,597	2,417
7	Total Assets	17,388	17,621	16,306	15,766	14,474	12,535
8	Total liabilities	10,450	10,633	9,734	9,644	8,492	6,123
	OPERATING DATA						
1	Gross Premium	8,135	8,661	8,659	8,153	6,893	6,552
2	Net Premium	5,219	4,784	4,724	4,096	3,535	2,941
3	Net Claims	2,775	2,793	2,831	2,217	2,018	1,688
4	Net Commission	1,101	950	937	868	785	659
5	Underwriting Results	722	515	453	563	379	291
6	Total Management Expenses	621	523	503	448	353	302
7	Investment Income	935	1,079	1,101	918	891	653
8	Profit Before Tax	1,772	1,565	1,706	1,537	1,257	650
9	Profit After Tax	1,377	1,244	1,321	1,160	845	526
	SHARE INFORMATION & PAYOUTS						
1	No of shares (In million)	300	300	300	300	300	300
2	Cash dividend %	25	25	25	25	30	30
3	Bonus Shares %	-	-	-	-	-	-
4	Total Dividend %	25	25	25	25	30	30
	FINANCIAL RATIO ANALYSIS						
1	Claims ratio	53.17	58.38	59.93	54.13	57.09	57.00
2	Total Assets Turnover (Times)	0.47	0.49	0.53	0.52	0.53	0.52
3	Total Liabilities / equity (%)	150.62	152.18	148.14	157.53	102.60	95.49
4	Paid up Capital / Total Assets (%)	17.25	17.03	18.40	19.03	23.30	23.93
5	Equity / Total Assets (%)	39.90	39.65	40.30	38.83	49.36	51.15

Financial Review

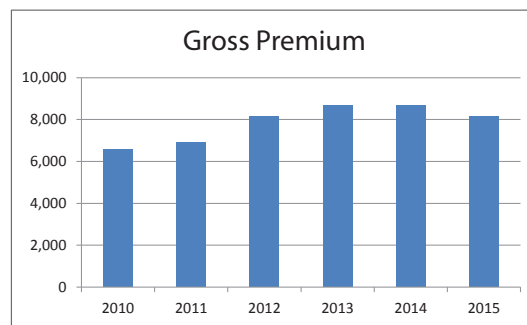
Year	2010	2011	2012	2013	2014	2015
Net Premium	2,941	3,535	4,096	4,724	4,784	5,219



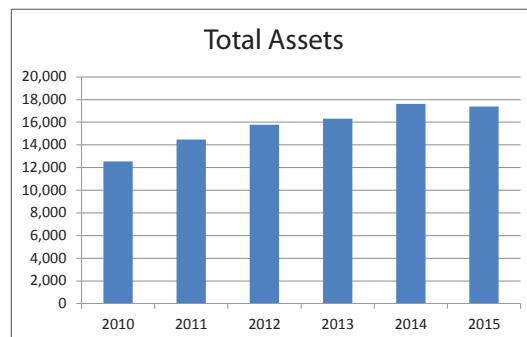
Year	2010	2011	2012	2013	2014	2015
Equity	6,412	5,982	6,122	6,571	6,987	6,938



Year	2010	2011	2012	2013	2014	2015
Gross Premium	6,552	6,893	8,153	8,659	8,661	8,135



Year	2010	2011	2012	2013	2014	2015
Total Assets	12,535	14,474	15,766	16,306	17,621	17,388



Statement of Compliance with the Code of Corporate Governance 2012

PAKISTAN REINSURANCE COMPANY LIMITED Year ended December 31, 2015

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of the Karachi, Lahore and Islamabad Stock Exchange, for the purpose of establishing a framework of good governance by a listed Company (now Pakistan Stock Exchange), whereby a listed company is managed in compliance with the best practices of corporate governance.

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

- 1- The Company encourages representation of independent non-executive directors on its board of directors. At present there are five non-executive directors on Pakistan Reinsurance Company Limited board including two independent (elected) directors.

Category	Names
Independent Directors	Mr. Mumtaz Ali Rajper Mr. Taufique Habib
Executive Directors	Nil
Non-Executive Directors	Mr. Faisal Mumtaz Mr. Abdul Sami Kehar Syed Arshad Ali

The independent directors meets the criteria of independence under clause i (b) of the CCG.

- 2- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
- 3- The casual vacancies on the Board of Directors, including Chief Executive Officer (CEO), were not filled up by the competent authority (Ministry of Commerce in this case) during the stipulated period. However in 2016 all the casual vacancies of the Board have been filled up.
- 4- 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 a stock exchange, has been declared as a defaulter by the stock exchange. No director or his/her spouse is engaged in the business of stock brokerage.
- 5- 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.
- 6- The board has developed a vision/mission statement, overall corporate strategy and significant polices of the Company. However, the Company is in the process of further strengthening its policies and procedures. A complete record of particulars of significant polices along with the dates on which they will be approved or amended will also be maintained.

- 7- 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 executive and non-executive directors, have been taken by the board/shareholders.
- 8- The meetings of the board were presided over by the Chairman and in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9- The board has arranged one training program for its director during the year.
- 10- The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient features required to be disclosed.
- 11- The financial statements of the Company were duly endorsed by CFO before approval of the board, in accordance with the relaxation granted by SECP in this regard.
- 12- The directors and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 13- The company has complied with all the corporate and financial reporting requirements of the Code except for matters reported in the statement.
- 14- The board has formed an Audit Committee. It comprises of three board members, all of whom are non-executive directors.
- 15- 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 formed and advised to the committee for compliance.
- 16- The board has formed all required committees. The Committees are as follows:-
- Audit Committee
 - Human Resource Committee*
 - Risk Management Committee**
- * Human Resource Committee comprises of three members, all of whom are non executive directors.
- ** The functions of Underwriting Committee, Claim Committee and Reinsurance Committees are covered in a single Committee formed in the name of Risk Management Committee.
- 17- The board has set up an effective internal audit function and the Chief Internal Auditor (as the head of Internal Audit Department) has been appointed by the board during the year. The Chief Internal Auditor is suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

- 18- The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute Of Chartered Accountant Of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- 19- The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20- 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, employees and stock exchanges(s).
- 21- Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

We confirm that all other material principles enshrined in the Code have been complied with except the following towards which reasonable progress is being made by the Company to seek compliance by the end of accounting year 2016.

S.NO	REFERENCE	CLAUSE DESCRIPTION
1.	iii	The casual vacancies on the Board of Directors were not filled up by the competent authority during the stipulated time. However in 2016 all the casual vacancies of the Board have been filled up.
2.	xxi	The casual vacancy of Chief Executive Officer was not filled up by the competent authority during the stipulated time. The process to appoint CEO has been completed and the short listed names have been sent to the Ministry of Commerce, as per the defined procedure.
3.	v (c)	Significant policies have been formulated and Board approval is in process.
4.	Section b xxvii	The functions of Underwriting Committee, Claim Committee and Reinsurance Committees are covered in a single Committee formed in the name of Risk Management Committee.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (referred to as ‘the Code’) prepared by the Board of Directors of Pakistan Reinsurance Company Limited for the year ended December 31, 2015 to comply with the requirements of Listing Regulations of Karachi Stock Exchange, Islamabad Stock Exchange and Lahore Stock Exchange (now Pakistan Stock Exchange) where the Company is listed.

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

As part of our audit of 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 Code 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 Code as applicable to the Company for the year ended December 31, 2015.

Further, we highlight below instances of non-compliance with the requirements of the Code and reflected in the paragraphs 3, 6 and 16 where these are stated in the Statement of Compliance.

S.NO.	REFERENCE	CLAUSE DESCRIPTION
1	iii	The casual vacancies on the Board of Directors were not filled up by the competent authority during the stipulated time. However vacancies have been subsequently filled.
2	xxi	The casual vacancy of Chief Executive Officer was not filled up by the competent authority during the stipulated time.
3	v (c)	Significant policies were not formulated by the Company. As per management, the policies have been prepared and are under approval.
4	Section b xxvii	Separate committees for underwriting, claim settlement, reinsurance and co-insurance were not formed. However, the functions of said committees are covered in a single committee formed in the name of Risk Management Committee.

CHARTERED ACCOUNTANTS

Engagement Partner: Zulfikar Ali Causer

Place: Karachi.

Dated: 05/04/2016

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

Name of company PAKISTAN REINSURANCE COMPANY LIMITED
Name of the line Ministry COMMERCE
For the year ended 2015

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

S. 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="325 1045 895 1276"> <thead> <tr> <th>Category</th> <th>Name</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Independent Director</td> <td>Mr. Mumtaz Ali Rajper</td> <td>2013</td> </tr> <tr> <td>Mr. Taufique Habib</td> <td>2013</td> </tr> <tr> <td>Executive Director</td> <td></td> <td></td> </tr> <tr> <td rowspan="3">Non Executive Director</td> <td>Mr. Sami Kehar</td> <td>2015</td> </tr> <tr> <td>Syed Arshad Ali</td> <td>2015</td> </tr> <tr> <td>Mr. Faisal Mumtaz</td> <td>2015</td> </tr> </tbody> </table>	Category	Name	Date of Appointment	Independent Director	Mr. Mumtaz Ali Rajper	2013	Mr. Taufique Habib	2013	Executive Director			Non Executive Director	Mr. Sami Kehar	2015	Syed Arshad Ali	2015	Mr. Faisal Mumtaz	2015	3(2)	Y	
Category	Name	Date of Appointment																				
Independent Director	Mr. Mumtaz Ali Rajper	2013																				
	Mr. Taufique Habib	2013																				
Executive Director																						
Non Executive Director	Mr. Sami Kehar	2015																				
	Syed Arshad Ali	2015																				
	Mr. Faisal Mumtaz	2015																				
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	5(2)		N
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)	Y	

17.	(a) The board has met at least four times during the year.	6(1)	Y	
	(b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)		
	(c) The minutes of the meetings were appropriately recorded and circulated.	6(3)		
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/half-yearly/quarterly basis*. * Strike out whichever is not applicable	8		N
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"> <thead> <tr> <th>Committees</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>Three</td> <td>Syed Arshad Ali</td> </tr> <tr> <td>Risk Management Committee</td> <td>Four</td> <td>Syed Arshad Ali</td> </tr> <tr> <td>Human Resource Committee</td> <td>Four</td> <td>Mumtaz Ali Rajper</td> </tr> <tr> <td>Procurement Committee</td> <td>Three</td> <td>Syed Arshad Ali</td> </tr> <tr> <td>Nomination Committee</td> <td>Five</td> <td>Taufique Habib</td> </tr> </tbody> </table>	Committees	Number of Members	Name of Chair	Audit Committee	Three	Syed Arshad Ali	Risk Management Committee	Four	Syed Arshad Ali	Human Resource Committee	Four	Mumtaz Ali Rajper	Procurement Committee	Three	Syed Arshad Ali	Nomination Committee	Five	Taufique Habib			
Committees	Number of Members	Name of Chair																				
Audit Committee	Three	Syed Arshad Ali																				
Risk Management Committee	Four	Syed Arshad Ali																				
Human Resource Committee	Four	Mumtaz Ali Rajper																				
Procurement Committee	Three	Syed Arshad Ali																				
Nomination Committee	Five	Taufique Habib																				
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 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		N																		

29.	The board has formed an audit committee, with defined and written terms of reference, and having the following members:	21	Y	N												
	<table border="1"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional Back Ground</th> </tr> </thead> <tbody> <tr> <td>Syed Arshad Ali</td> <td>Non Executive</td> <td>Retired Federal Govt. Secretary</td> </tr> <tr> <td>Mr. Abdul Sami Kehar</td> <td>Non Executive</td> <td>Financial Services and Management</td> </tr> <tr> <td>Mr. Taufique Habib</td> <td>Independent</td> <td>Vast capital market experience</td> </tr> </tbody> </table>				Name of Member	Category	Professional Back Ground	Syed Arshad Ali	Non Executive	Retired Federal Govt. Secretary	Mr. Abdul Sami Kehar	Non Executive	Financial Services and Management	Mr. Taufique Habib	Independent	Vast capital market experience
	Name of Member				Category	Professional Back Ground										
	Syed Arshad Ali				Non Executive	Retired Federal Govt. Secretary										
Mr. Abdul Sami Kehar	Non Executive	Financial Services and Management														
Mr. Taufique Habib	Independent	Vast capital market experience														
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													

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

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 course of action
1	3(4)	The casual vacancies on the Board of Directors were not filled up by competent authority during the stipulated time.	The Board vacancies have now been all filled up in 2016.
2	5(2)	The casual vacancy on chief executive officer was not filled up by the competent authority during the stipulated time.	The process to appoint CEO has been completed and the short listed names have been sent to the Ministry of Commerce, as per the defined procedure. Ministry's Approval is awaited.
3	5(5)(b)(ii) & 5(5)(b)(iv)	Significant policies have not been formulated.	Approval from Board is in the process.
4	8	The casual vacancies have not been filled up in board by competent authority during the stipulated time.	Vacant position has been filled up on the Board of PRCL in 2016 and Board will ensure the performance evaluation of its members.
5	20	The casual vacancy on chief executive officer was not filled up by the competent authority during the stipulated time.	A specific permission has been obtained from SECP for relaxation.
6	21	Majority of audit committee members are not independent and the audit committee is not chaired by independent director as required by rule 21. However the said committee is chaired by a Non-Executive Director as per sub rule 2 of rule 12.	The Board has appointed an independent director to chair the audit committee in their meeting held on 5th April 2016.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

Review Report to the Members on the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) for the year ended December 31, 2015 prepared by the Board of Directors of Pakistan Reinsurance Company Limited (the Company) to comply with the provisions of the Rules.

The responsibility for compliance with the Rules is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. 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 Rules.

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

The Rules 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 Public Sector Companies (Corporate Governance) Rules 2013, as applicable to the Company for the year ended December 31, 2015.

Further, we highlight below instances of non-compliance with the requirements of the Rules reflected in the paragraphs 3, 8, 11, 12, 15, 18, 28 and 29 where these are stated in the Statement of Compliance.

S.NO.	REFERENCE	CLAUSE DESCRIPTION
1.	Rule 3(4)	The casual vacancies on the Board of Directors were not filled up by competent authority during the stipulated time. However vacancies have been subsequently filled.
2.	Rule 5(2)	The office of Chief Executive Officer is vacant as at December 31, 2015. Therefore the fit and proper criteria cannot be complied with.
3.	Rule 5(5)(b)(ii) & 5(5)(b)(vi) & 5(6)	Significant policies were not formulated by the company. As per management, the policies have been prepared and are under approval.
4.	Rule 8	The Board has not carried out performance evaluation of Board members, including the chairman and the chief Executive, on the basis of a process based on specified criteria.
5.	Rule 20	The financial statements of the Company were not duly endorsed by the Chief Executive Officer before approval of the Board as the office of Chief Executive Officer is vacant as at December 31, 2015.
6.	Rule 21	Majority of audit committee members are not independent and the audit committee is not chaired by an independent director.

CHARTERED ACCOUNTANTS
Engagement Partner: Zulfikar Ali Causer

Place: Karachi.
Dated: 05/04/2016

Independent Auditors' Report to the Members of Pakistan Reinsurance Company Limited

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, 2015 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.

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, 2015 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 modifying our opinion, we draw attention to note 13 and 22 to the financial statements which inter-alia provides details regarding Reconciliation Committee formed by the Audit Committee of the Board to reconcile and recover balances from insurance companies.

KARACHI

Dated: 05/04/2016

CHARTERED ACCOUNTANTS

Engagement partner: Zulfikar Ali Causer

Financial Statement

of Pakistan Reinsurance Company Limited for the year ended December 31, 2015



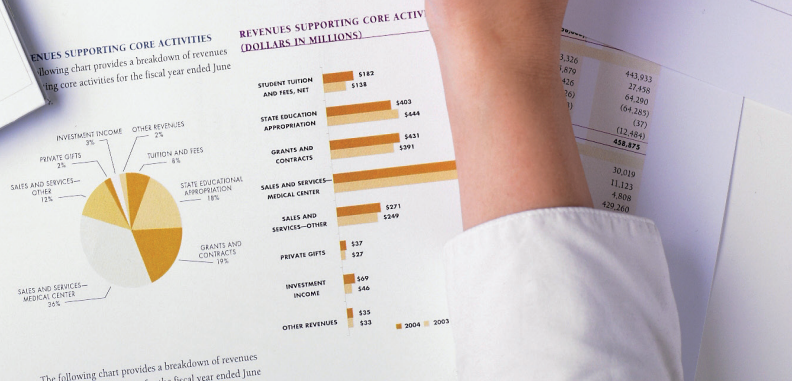
Expenditure 1998-2006 by heading

Heading	2008	2009	2010	2011	2012	2013	2014	2015
Administrative	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Capital expenditure	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Operating expenses	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%



Type of revenue

Type of revenue	1994	1995	1996	1997
(1) VAT-based own resource (including balance from previous year)	39 127.3	52.1%	36 515.0	45.0%
(2) GMP/GM-based own resource (including balance from previous year)	14 172.6	18.9%	21 058.0	25.9%
(3) Tax correction (1)	78.1	0.1%	-81.0	-0.1%
(4) Other payments from/to Member States (2)	-3.6	-0.0%	3.1	0.0%
(5) Total national contributions = (1) + (2) + (3) + (4)	53 374.4	71.1%	57 515.1	70.8%
(6) Total EU/GM	13 581.6	16.7%	14 172.3	17.6%



Balance Sheet | as at December 31, 2015

	December 31, 2015 Rupees	December 31, 2014 Rupees
Equity and Liabilities		
Share capital and reserves		
Authorized share capital 2,500,000,000 (2014: 2,500,000,000)	<u>25,000,000,000</u>	<u>25,000,000,000</u>
Ordinary shares of Rs.10 each		
Issued subscribed and paid up capital 300,000,000 (2014: 300,000,000)		
Ordinary shares of Rs. 10 each	6 3,000,000,000	3,000,000,000
Retained earnings	1,880,106,301	1,928,993,292
Reserve for exceptional losses	7 281,000,000	281,000,000
General reserve	1,777,419,085	1,777,419,085
	<u>3,938,525,386</u>	<u>3,987,412,377</u>
Shareholders' equity	6,938,525,386	6,987,412,377
LIABILITIES		
Underwriting provisions		
Provision for outstanding claims (including IBNR)	8 3,093,187,482	3,183,398,261
Provision for unearned premium	9 4,111,141,130	4,522,636,500
Commission income unearned	10 18,763,334	56,386,252
Total underwriting provisions	7,223,091,946	7,762,421,013
Deferred liability - employee benefits	11 1,486,579,674	804,333,398
Long term deposits	12 12,681,380	12,484,487
Creditors and accruals		
Amount due to other insurers and reinsurers	13 1,497,163,484	1,678,642,152
Premium and claim reserves retained from retrocessionaires	14 19,063,743	19,063,742
Other creditors and accruals	15 49,038,959	39,330,163
Accrued expenses	17,597,350	24,624,664
Taxation - net	-	160,945,606
Retention money payable	6,368,183	6,368,183
	1,589,231,719	1,928,974,510
Other liabilities		
Dividend payable	137,227,342	124,504,179
Surplus profit payable	16 1,212,602	1,212,602
	138,439,944	125,716,781
Total liabilities	10,450,024,663	10,633,930,189
CONTINGENCIES AND COMMITMENTS	17 -	-
TOTAL EQUITY AND LIABILITIES	<u>17,388,550,049</u>	<u>17,621,342,566</u>

Balance Sheet | as at December 31, 2015

	December 31, 2015 Rupees	December 31, 2014 Rupees
ASSETS		
Cash and bank deposits		
Cash and other equivalents	51,422	47,105
Current and other accounts	2,684,243,452	2,856,323,164
Deposits maturing within 12 months	600,670,200	225,000,000
	18	3,081,370,269
Loans to employees	19	70,577,021
Investments	20	6,650,009,639
Investment properties	21	33,892,378
Current assets - others		
Amount due from other insurers and reinsurers	22	3,037,906,812
Premium and claim reserves retained by cedants	23	207,383,486
Accrued investment income	24	178,320,523
Reinsurance recoveries against outstanding claims	25	1,610,368,696
Deferred commission expense	26	534,955,573
Prepayments	27	2,074,844,772
Taxation - net		-
Sundry receivables	28	90,887,275
Stock of stationery		1,633,635
	7,639,105,181	7,736,300,772
Fixed assets		
Tangible		
Land and building	16,379,337	17,229,630
Furniture, fixture, books and office equipment	9,737,668	10,345,885
Electrical installations, air conditioning plant and lifts	10,066,726	12,379,136
Motor vehicles	7,390,269	9,237,836
	29	49,192,487
Assets relating to Bangladesh	30	-
TOTAL ASSETS	17,388,550,049	17,621,342,566

The annexed notes from 1 to 48 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Profit & Loss Account | for the year ended December 31, 2015

Note	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	Treaty	2014	
								Aggregate	Aggregate
Rupees									
Revenue account									
Net premium revenue	947,387,323	33,956,612	62,449,704	189,516,824	180,060,206	502,157,940	3,303,413,081	5,218,941,690	4,783,922,619
Less:									
Net claims	554,433,005	5,190,481	23,640,149	52,282,439	63,648,603	176,543,601	1,899,090,959	2,774,829,237	2,793,166,531
Expenses	116,432,940	16,197,047	12,059,750	30,214,743	33,536,253	65,987,475	346,962,593	621,390,801	525,472,923
Net commission	165,788,366	6,877,168	2,737,689	22,102,398	758,072	26,274,684	876,324,843	1,100,863,220	949,957,713
Underwriting results	110,733,012	5,691,916	24,012,116	84,917,244	82,117,278	233,352,180	181,034,686	721,858,432	515,323,452
Investment income - net									
Rental income - net									
Exchange gain / (loss)									
Other income									
General and administration expenses									
Profit before tax									
Income tax expense									
Current									
Prior year tax									
Profit after tax									
Profit and loss appropriation account									
Balance at the commencement of year									
Profit after tax for the year									
Final cash dividend 2014: Rs. 2.50 @ 25% (2013: Rs. 2.50 @ 25%) per share									
Balance of unappropriated profit at the end of the period									
Earnings per share - basic and diluted									

The annexed notes from 1 to 48 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Comprehensive Income | for the year ended December 31, 2015

	2015 Rupees	2014 Rupees
Profit for the year	1,376,697,009	1,244,015,843
Other comprehensive income		
Remeasurement of defined benefit obligations - net	(675,584,000)	(78,000,000)
Total comprehensive income for the year	<u>701,113,009</u>	<u>1,166,015,843</u>

The annexed notes from 1 to 48 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Cash Flows | for the year ended December 31, 2015

	2015 Rupees	2014 Rupees
Operating cash flows		
Underwriting activities:-		
Premium received	7,504,629,173	8,982,257,303
Reinsurance premium paid	(2,838,019,155)	(4,419,142,946)
Claims paid	(4,324,539,375)	(3,029,428,615)
Reinsurance and other recoveries received	1,663,323,660	785,945,169
Commission paid	(1,247,949,152)	(1,122,885,693)
Commission received	57,494,193	115,082,700
Premium and claim reserves retained from retrocessionaires/withheld by ceding companies - net	39,285,477	(190,542,030)
Expenses paid	(621,390,801)	(421,986,578)
Net cash inflows from underwriting activities	232,834,020	699,299,310
Other operating activities		
Income tax paid	(421,883,791)	(365,895,684)
General management expenses paid	(38,083,492)	(20,638,913)
Payment under defined benefit obligation	(145,345,345)	(79,477,602)
Loans (disbursed) / receipts	(459,006)	2,578,998
Other receipts-net	3,516,956	55,008,416
Net cash used in other operating activities	(602,254,678)	(408,424,785)
Total cash (used) / generated from all operating activities	(369,420,658)	290,874,525
Investment activities		
Addition to fixed assets	(1,421,407)	(2,054,316)
Proceeds on disposal of fixed assets	-	2,419,080
Acquisition of investments	(2,726,259,831)	(5,684,538,463)
Rental income received - net of expenses	59,780,003	45,702,125
Dividend income received	377,581,257	440,046,619
Interest income on bank deposits	134,744,515	143,672,627
Investment income received - net of expenses	393,367,763	141,594,370
Proceeds on sale / maturity of investments	3,072,500,000	5,701,579,373
Total cash inflow from investment activities	1,310,292,300	788,421,415
Financing activities		
Dividend paid	(737,276,837)	(704,305,115)
Total cash outflow from financing activities	(737,276,837)	(704,305,115)
Net cash generated from all activities	203,594,805	374,990,825
Cash and cash equivalents at beginning of the period	3,081,370,269	2,706,379,444
Cash and cash equivalents at end of the period	3,284,965,074	3,081,370,269

The annexed notes from 1 to 48 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Cash Flows | for the year ended December 31, 2015

	2015 Rupees	2014 Rupees
Reconciliation to profit and loss account		
Operating cash flows	(369,420,658)	290,874,525
Depreciation on fixed assets	(7,039,894)	(7,670,638)
Depreciation on investment properties	(1,785,208)	(1,859,370)
Exchange gain / (loss)	105,962,395	(50,578,845)
Rental income	47,783,138	50,186,640
Charge for deferred liability-employee benefits	(682,246,276)	(100,097,398)
Investment income	934,709,691	1,078,904,472
Gratuity	-	(1,056,000)
Reinsurance recoveries against outstanding claims	203,824,301	-
Provision for outstanding claims	(90,210,779)	(549,683,085)
Provision for unearned premium	(411,495,370)	(20,587,221)
Prepaid reinsurance	(564,813,252)	85,630,988
Increase in operating assets other than cash	591,350,524	645,881,693
Increase / (Decrease) in operating liability other than cash	219,606,153	(221,136,007)
	(23,775,235)	1,198,809,754
Other adjustments:		
Income tax paid	421,883,791	365,895,684
	<u>421,883,791</u>	<u>365,895,684</u>
Profit before taxation	1,772,273,879	1,564,705,437
Provision for taxation	(395,576,870)	(320,689,594)
Profit after taxation	<u><u>1,376,697,009</u></u>	<u><u>1,244,015,843</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	51,422	47,105
Current and other accounts	2,684,243,452	2,856,323,164
Deposit maturing within 12 months	600,670,200	225,000,000
	<u><u>3,284,965,074</u></u>	<u><u>3,081,370,269</u></u>

The annexed notes from 1 to 48 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Changes in Equity | for the year ended December 31, 2015

	Share capital Issued subscribed and paid-up	Reserve for exceptional losses	Reserves			Total
			Retained earnings	General reserve	Revenue reserves Total reserves	
Balance as at January 01, 2014	3,000,000,000	281,000,000	1,512,977,449	1,777,419,085	3,290,396,534	6,571,396,534
Total comprehensive income for the year ended December 31, 2014						
Profit for the year	-	-	1,244,015,843	-	1,244,015,843	1,244,015,843
Remeasurement of defined benefit obligations - net	-	-	(78,000,000)	-	(78,000,000)	(78,000,000)
Transactions with owners						
Final cash dividend paid for the year 2013 at Rs.2.50 per share	-	-	1,166,015,843	-	1,166,015,843	1,166,015,843
			(750,000,000)		(750,000,000)	(750,000,000)
Balance as at December 31, 2014	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 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						
Final cash dividend paid for the year 2014 at Rs.2.50 per share	-	-	701,113,009	-	701,113,009	701,113,009
			(750,000,000)		(750,000,000)	(750,000,000)
Balance as at December 31, 2015	3,000,000,000	281,000,000	1,880,106,301	1,777,419,085	3,657,525,386	6,938,525,386

The annexed notes from 1 to 48 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Premiums | for the year ended December 31, 2015

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	
	(A)	(B)	Opening (B)	Closing (C)	(D=A+B-C)	(E)	Opening (F)	Closing (G)	(H=E+F-G)	2015 (I=D-H)	2014			
Business underwritten inside Pakistan														
Facultative														
Fire	1,572,056,959	777,880,731	693,895,114	1,656,042,576	556,975,326	269,324,287	117,644,360	708,655,253	947,387,323	876,868,203				
Marine cargo	36,846,501	3,137,237	6,027,126	33,956,612	-	-	-	-	33,956,612	55,700,041				
Marine hull	117,265,816	65,486,533	40,914,442	141,837,907	66,563,880	33,452,178	20,627,855	79,388,203	62,449,704	69,341,750				
Accident and others	168,394,348	106,150,379	77,846,163	196,698,564	8,207,703	-	1,025,963	7,181,740	189,516,824	166,868,266				
Aviation	1,069,758,874	975,634,961	890,657,879	1,154,735,956	936,410,306	821,419,466	783,154,022	974,675,750	180,060,206	171,450,706				
Engineering	971,104,013	803,354,282	492,361,818	1,282,096,477	471,181,546	515,487,177	206,730,186	779,938,537	502,157,940	428,062,701				
Total	3,935,426,511	2,731,644,123	2,201,702,542	4,465,368,092	2,039,338,761	1,639,683,108	1,129,182,386	2,549,839,483	1,915,528,609	1,768,291,667				
Treaty	4,199,335,943	1,790,992,377	1,909,438,588	4,080,889,732	723,164,121	431,938,387	377,625,857	777,476,651	3,303,413,081	3,015,630,952				
Grand total	8,134,762,454	4,522,636,500	4,111,141,130	8,546,257,824	2,762,502,882	2,071,621,495	1,506,808,243	3,327,316,134	5,218,941,690	4,783,922,619				

The annexed notes from 1 to 48 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Claims | for the year ended December 31, 2015

FOR THE YEAR ENDED DECEMBER 31, 2015

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)	2015 (I=D-H)	2014
R u p e e s										
Business underwritten inside Pakistan										
Facultative										
Fire	1,514,678,983	767,583,691	1,176,519,816	1,923,615,108	921,062,103	136,468,099	584,588,099	1,369,182,103	554,433,005	454,955,962
Marine cargo	11,071,893	29,957,022	24,075,610	5,190,481	-	-	-	-	5,190,481	14,961,556
Marine hull	15,175,689	33,884,876	49,471,639	30,762,452	5,820,962	40,138	1,341,479	7,122,303	23,640,149	511,393
Accident and others	38,407,999	122,611,571	136,486,011	52,282,439	-	-	-	-	52,282,439	35,918,883
Aviation	551,031,423	585,936,620	69,731,952	34,826,755	435,022,759	520,243,621	56,399,014	(28,821,848)	63,648,603	111,595,852
Engineering	183,864,998	146,958,529	176,962,050	213,868,519	118,208,413	80,883,495	-	37,324,918	176,543,601	43,078,464
Total	2,314,230,985	1,686,932,309	1,633,247,078	2,260,545,754	1,480,114,237	737,635,353	642,328,592	1,384,807,476	875,738,278	661,022,110
Treaty	2,010,308,390	1,501,417,952	1,464,892,404	1,973,782,842	183,209,423	872,733,343	764,215,803	74,691,883	1,899,090,959	2,132,144,421
Grand total	4,324,539,375	3,188,350,261	3,098,139,482	4,234,328,596	1,663,323,660	1,610,368,696	1,406,544,395	1,459,499,359	2,774,829,237	2,793,166,531

The annexed notes from 1 to 48 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Expenses | for the year ended December 31, 2015

FOR THE YEAR ENDED DECEMBER 31, 2015

Class	Commission paid or payable (A)		Deferred commission		Net commission expenses (D=A+B)		Other management expenses (E)	Underwriting expenses (F=D+E)	Commission from reinsurers (G)	Commission income unearned		Net underwriting expense	
	Opening (B)	Closing (C)	Opening (B)	Closing (C)	Opening (C)	Closing (D)				Opening (H)	Closing (I)	2015 (K=F-I)	2014
Business underwritten inside Pakistan													
Facultative													
Fire	212,126,862	114,826,562	104,189,543	114,826,562	201,489,843	116,432,940	317,922,783	26,470,452	4,501,963	282,221,306	219,821,210		
Marine cargo	7,347,452	1,148,700	678,416	1,148,700	6,877,168	16,197,047	23,074,215	-	-	23,074,215	27,797,677		
Marine hull	12,258,048	4,633,416	7,977,120	4,633,416	15,601,752	12,059,750	27,661,502	10,545,398	3,643,408	14,797,439	12,412,497		
Accident and others	20,081,584	9,594,489	11,794,847	9,594,489	22,281,942	30,214,743	52,496,685	205,193	25,649	52,317,141	44,144,483		
Aviation	2,898,418	1,860,888	1,582,688	1,860,888	2,620,218	33,536,253	36,156,471	4,831,515	3,455,670	34,294,325	29,889,215		
Engineering	59,037,553	30,451,962	40,159,187	30,451,962	68,744,778	65,987,475	134,732,253	13,938,309	5,270,861	92,262,159	58,285,121		
Total	313,749,917	162,516,017	166,381,801	162,516,017	317,615,701	274,428,208	592,043,909	55,990,867	16,897,551	93,077,324	392,050,203		
Treaty	934,199,235	368,573,773	368,573,773	368,573,773	878,364,630	346,962,593	1,225,327,223	1,503,326	2,402,244	2,039,787	1,083,380,432		
Grand total	1,247,949,152	531,089,790	534,955,574	531,089,790	1,195,980,331	621,390,801	1,817,371,132	57,494,193	18,763,334	1,722,254,021	1,475,430,635		

Rupees

The annexed notes from 1 to 48 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Statement of Investment Income | for the year ended December 31, 2015

	Note	2015 Rupees	2014 Rupees
Income from trading investments			
Held-for-trading		-	-
Dividend income		8,187,909	5,045,187
		8,187,909	5,045,187
Income from non-trading investments			
Held-to-maturity			
Return on Government Securities		365,860,689	368,173,630
Return on other fixed income securities and deposits		134,774,820	141,594,370
Income on treasury bills		66,859,983	110,032,800
Amortization of (premium) / discount on Pakistan Investment Bond		(4,321,280)	5,336,796
		563,174,212	625,137,596
Available-for-sale			
Gain on disposal of available-for-sale investments		5,900	2,070,730
Dividend income on available-for-sale investments		370,247,278	435,001,431
		370,253,178	437,072,161
Gain on revaluation of investments			
Held-for-trading	20.6	2,251,485	18,660,556
Less: Investment related expenses		(9,157,093)	(7,011,028)
Net investment income		<u>934,709,691</u>	<u>1,078,904,472</u>

The annexed notes from 1 to 48 form an integral part of this financial information.

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Notes to the Financial Statements | for the year ended December 31, 2015

1 STATUS AND NATURE OF BUSINESS

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 Stock Exchanges of Karachi and Lahore. 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.

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.

Notes to the Financial Statements | for the year ended December 31, 2015

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.

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 following new standards and interpretations have been issued by the International Accounting Standards Board (IASB) which have been adopted locally by the Securities and Exchange Commission of Pakistan vide SRO 633(I)/2014 dated July 10, 2014 with effect from following dates. The Company has adopted these accounting standards and interpretations which do not have significant impact on the Company's financial statements other than certain disclosure requirement about fair value of financial instruments as per IFRS 13 "Fair Value Measurement".

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements	January 1, 2015
IFRS 11	Joint Arrangements	January 1, 2015
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2015
IFRS 13	Fair Value Measurement	January 1, 2015
IAS 27	Separate Financial Statements (Revised 2011)	January 1, 2015
IAS 28	Investments in Associates and Joint Ventures (Revised 2011)	January 1, 2015

3.2 Amendments that are effective in current year but not relevant to the Company

The Company has adopted the amendments to the following accounting standards which became effective during the year:

IAS 19	Employee Benefits - Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service
--------	--

July 1, 2014

Notes to the Financial Statements | for the year ended December 31, 2015

The Annual Improvements to IFRSs that are effective for annual periods beginning on or after 1 January 2015 are as follows:

Annual Improvements to IFRSs (2010 – 2012) Cycle:

IFRS 2	Share - based payments
IFRS 3	Business Combinations
IFRS 8	Operating Segments
IFRS 13	Fair Value Measurement
IAS 16	Property Plant and Equipment
IAS 24	Related Party Disclosures
IAS 38	Intangible Assets

Annual Improvements to IFRSs (2011 – 2013 Cycle):

IFRS 3	Business Combinations
IFRS 13	Fair Value Measurement
IAS 40	Investment Property

3.3 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:

		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated Financial Statements - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture and 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

Notes to the Financial Statements | for the year ended December 31, 2015

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 sale or contribution of assets between an investor and its associate or joint venture and 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

The Annual Improvements to IFRSs that are effective for annual periods beginning on or after 1 January 2016 are as follows:

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

3.4 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
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

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, 2015

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, 2015

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.

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.

Notes to the Financial Statements | for the year ended December 31, 2015

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 SECP (Insurance) Rules, 2002 vide SRO 938(1) dated December 12, 2002.

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 of Rs. 2,000 per policy.

Notes to the Financial Statements | for the year ended December 31, 2015

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.

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.

Notes to the Financial Statements | for the year ended December 31, 2015

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.

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.

Notes to the Financial Statements | for the year ended December 31, 2015

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.

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.

Notes to the Financial Statements | for the year ended December 31, 2015

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, 2015 would have been higher by Rs. 7,182.876 million (2014: higher by Rs. 4,046.785 million), and the net equity would have been higher by Rs. 7,182.876 million (2014: higher by 4,046.785 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.

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.

Notes to the Financial Statements | for the year ended December 31, 2015

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.

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.

Notes to the Financial Statements | for the year ended December 31, 2015

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.

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.

Notes to the Financial Statements | for the year ended December 31, 2015

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 SECP (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, 2015 using the Projected Unit Credit Method based on the significant assumptions stated in note 39.1.9 for valuation of the funds as at December 31, 2015.

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.

Notes to the Financial Statements | for the year ended December 31, 2015

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. 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.

Notes to the Financial Statements | for the year ended December 31, 2015

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.

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.

Notes to the Financial Statements | for the year ended December 31, 2015

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 37.7. 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.

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 SECP (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.

Notes to the Financial Statements | for the year ended December 31, 2015

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.

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 retrocessionaires/cedants, accrued investment income, sundry receivables, provision for outstanding claims, long term deposits, other creditors and accruals, retention money payable, dividend payable and surplus profit payable.

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

Notes to the Financial Statements | for the year ended December 31, 2015

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, 2015.

		2015 Rupees	2014 Rupees								
6	ISSUED SUBSCRIBED PAID UP CAPITAL										
	<table border="0"> <tr> <td style="text-align: center;">2015</td> <td style="text-align: center;">2014</td> <td></td> <td></td> </tr> <tr> <td colspan="2" style="text-align: center;">(Number of shares)</td> <td></td> <td></td> </tr> </table>	2015	2014			(Number of shares)					
2015	2014										
(Number of shares)											
	8	8									
	5,000,000	5,000,000									
		80	80								
	294,999,992	294,999,992									
		50,000,000	50,000,000								
		2,949,999,920	2,949,999,920								
	<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.

Notes to the Financial Statements | for the year ended December 31, 2015

	Note	2015 Rupees	2014 Rupees
8 PROVISION FOR OUTSTANDING CLAIMS (including IBNR)			
Facultative business			
Fire		1,176,519,816	767,583,691
Marine cargo		24,075,610	29,957,022
Marine hull		49,471,639	33,884,876
Accident and others		136,486,011	122,611,571
Aviation		69,731,952	585,936,620
Engineering		176,962,050	146,958,529
		<u>1,633,247,078</u>	<u>1,686,932,309</u>
Treaty		1,464,892,404	1,501,417,952
		<u>3,098,139,482</u>	<u>3,188,350,261</u>
Claims related to Bangladesh, adjusted in note 30	8.1	(4,952,000)	(4,952,000)
		<u>3,093,187,482</u>	<u>3,183,398,261</u>
8.1 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>
9 PROVISION FOR UNEARNED PREMIUM			
Facultative business			
Fire		693,895,114	777,880,731
Marine cargo		6,027,126	3,137,237
Marine hull		40,914,442	65,486,533
Accident and others		77,846,163	106,150,379
Aviation		890,657,879	975,634,961
Engineering		492,361,818	803,354,282
		<u>2,201,702,542</u>	<u>2,731,644,123</u>
Treaty		1,909,438,588	1,790,992,377
		<u>4,111,141,130</u>	<u>4,522,636,500</u>

Notes to the Financial Statements | for the year ended December 31, 2015

	Note	2015 Rupees	2014 Rupees
10 COMMISSION INCOME UNEARNED			
Facultative business			
Fire		4,501,963	13,732,988
Marine hull		3,643,408	5,962,073
Accident and others		25,649	-
Aviation		3,455,670	486,301
Engineering		5,270,861	33,802,646
		<u>16,897,551</u>	<u>53,984,008</u>
Treaty		1,865,783	2,402,244
		<u>18,763,334</u>	<u>56,386,252</u>
11 DEFERRED LIABILITY-EMPLOYEE BENEFITS			
Defined benefit obligations of Post employee benefits			
Employee's pension fund		184,259,351	92,441,986
Officer pension benefits		698,344,000	358,103,320
Gratuity fund		8,172,000	5,404,802
Other post employment benefits			
Post retirement medical benefits		488,947,000	288,112,342
Other long term employment benefits			
Compensated absences		106,857,323	60,270,948
		<u>1,486,579,674</u>	<u>804,333,398</u>
12 LONG TERM DEPOSITS			

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.

13 AMOUNT DUE TO OTHER INSURERS

Amount due to other insurers		133,145,281	185,685,408
Amount due to other reinsurers		1,364,018,203	1,492,956,744
	13.1	<u>1,497,163,484</u>	<u>1,678,642,152</u>

- 13.1 These balances are based on underlying information and returns submitted by insurers/reinsurers periodically. During the 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.

Notes to the Financial Statements | for the year ended December 31, 2015

	Note	2015 Rupees	2014 Rupees
14 PREMIUM AND CLAIMS RESERVES RETAINED FROM RETOCESSIONARIES			
Premium reserves		230,628	230,628
Losses reserves		17,190,994	17,190,994
Cash losses received from retrocessionaries		1,642,121	1,642,120
	14.1	<u>19,063,743</u>	<u>19,063,742</u>

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

15 OTHERS CREDITORS AND ACCRUALS

Provision for litigation	16,075,253	16,075,253
Employee's general provident fund payable	373,124	362,400
Government provident fund payable	82,230	95,840
Advance rent	1,962,508	4,834,115
Others	30,545,844	17,962,555
	<u>49,038,959</u>	<u>39,330,163</u>

16 SURPLUS PROFIT PAYABLE

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

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 of 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 of 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.

Notes to the Financial Statements | for the year ended December 31, 2015

17.2 Decree had been awarded to National Bank of Pakistan against the Company in a case amounting to Rs. 36.55 million (2014: 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, 2015 amounting to Rs. 8.217 million (2014: Rs. 5.595 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. 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 subsequent to the year end 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. The management has obtained legal opinion from legal advisory firms and is in the process of hiring a legal advisory firm which has shown willingness and is confident that good grounds exist to contest the case. They believe that eventual outcome will come in favor of the Company. Hence, no provision has been made in these financial statements.

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. Therefore, no provision has been made in these financial statements.

17.6 Contingencies related to income tax are presented in note 35.

Notes to the Financial Statements | for the year ended December 31, 2015

17.7 There is no commitment as on the balance sheet date (2014: Nil).

	Note	2015 Rupees	2014 Rupees
18 CASH AND BANK DEPOSITS			
Cash and other equivalents		51,422	47,105
Current and other accounts		2,684,243,452	2,856,323,164
Deposits maturing within 12 months	18.1	600,670,200	225,000,000
		<u>3,284,965,074</u>	<u>3,081,370,269</u>

18.1 This represents Term Deposits Receipts (TDR) in local currency carrying effective interest rates of ranging between 7.15% to 7.31% (2014: 9.82%) per annum. These deposits are due to mature within 12 months of the year end.

19 LOANS TO EMPLOYEES

Secured	19.1	<u>71,079,742</u>	<u>70,577,021</u>
19.1 Long term portion of the loan		43,393,890	56,385,118
Current portion of the loan		<u>27,685,852</u>	<u>14,191,903</u>
		<u>71,079,742</u>	<u>70,577,021</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	1,352,595
Add: Disbursements during the year	1,350,000	1,460,000
(Less): Repayments / adjustments during the year	<u>(1,310,620)</u>	<u>(1,487,384)</u>
Balance at the end of the year	<u>1,364,591</u>	<u>1,325,211</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% (2014: 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 Rs. 74,852,001 (2014: Rs. 77,954,103).

Notes to the Financial Statements | for the year ended December 31, 2015

	Note	2015 Rupees	2014 Rupees
20 INVESTMENTS			
Available-for-sale			
Ordinary shares - listed	20.2	421,028,207	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
		2,378,653,714	2,378,653,714
Held-to-maturity			
Pakistan Investment Bonds	20.5	3,117,912,770	3,140,720,013
Treasury bills	20.5	715,560,000	1,027,295,000
		3,833,472,770	4,168,015,013
Held-for-trading			
Ordinary shares - listed	20.6	105,592,398	103,340,912
		<u>6,317,718,882</u>	<u>6,650,009,639</u>

Notes to the Financial Statements | for the year ended December 31, 2015

20.1 Investments in related parties

20.1.1 Available for sale

Name of company	2015			2014		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Listed						
National Bank of Pakistan	6,359,119	6,824,793	343,646,791	6,359,119	6,824,793	441,704,406
National Refinery Limited	502,363	28,312,467	112,107,327	502,363	28,312,467	92,861,801
Pakistan State Oil Company Limited	8,127	371,225	2,647,533	8,127	371,225	2,908,735
Pakistan Petroleum Limited	396,000	27,388,953	48,236,760	396,000	27,388,953	69,901,920
Sui Southern Gas Company Limited	12,694,227	36,461,488	474,129,378	12,694,227	36,461,488	492,282,123
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	209,104,800	8,698,203	17,110,611	249,725,408
	28,658,039	116,469,537	1,189,872,589	28,658,039	116,469,537	1,349,384,394
Unlisted						
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	1,189,872,589	28,742,139	117,087,150	1,349,384,394

20.1.2 Held to maturity

	2015	2014
	Book value	
	Rupees	
Pakistan investment Bonds	3,117,912,770	3,138,061,418
Treasury bills	715,560,000	1,027,295,000
	3,833,472,770	4,165,356,418

20.1.3 Held for trading

Name of company	2015			2014		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Listed						
National Bank of Pakistan	399,266	17,147,638	21,576,335	399,266	17,147,638	27,733,016
				Note	2015 Rupees	2014 Rupees
20.2 Investment in listed companies - available-for-sale				20.2.1	434,090,770	434,090,770
Cost of investment in listed companies					(13,062,563)	(13,062,563)
Less: Provision for diminution in value					-	-
Balance brought forward from last year					(13,062,563)	(13,062,563)
Provision made during the year					421,028,207	421,028,207

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

Name of company	2015			2014		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Financial Services						
Escort Investment Bank	16,846	25,269	39,588	16,846	25,269	38,746
	16,846	25,269	39,588	16,846	25,269	38,746
Banks						
Askari Bank Limited	7,276	101,906	158,180	7,276	101,906	167,857
Bank Al-Falah Limited	9,232	147,079	266,066	9,232	147,079	322,012
Faysal Bank Limited	70,045	391,273	1,080,794	60,909	391,273	1,108,544
MCB Bank Limited	370,432	55,357,113	80,328,179	370,432	55,357,113	113,222,541
National Bank of Pakistan	6,359,119	6,824,793	343,646,791	6,359,119	6,824,793	441,704,406
N.I.B Bank Limited	28,420,050	56,828,787	53,998,095	28,420,050	56,828,787	65,934,516
Silk Bank Limited	24,656	51,778	44,874	24,656	51,778	54,736
The Bank of Punjab Limited	30,080	175,667	277,037	30,080	175,667	329,376
United Bank Limited	1,024	4,350	158,669	1,024	4,350	180,951
	35,291,914	119,882,746	479,958,685	35,282,778	119,882,746	623,024,939
Balance carried forward	35,308,760	119,908,015	479,998,273	35,299,624	119,908,015	623,063,685

Notes to the Financial Statements | for the year ended December 31, 2015

Name of company	2015			2014		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Balance brought forward	35,308,760	119,908,015	479,998,273	35,299,624	119,908,015	623,063,685
Insurance						
Adamjee Insurance Company Limited	1,398,536	32,124,622	79,031,269	1,398,536	32,124,622	69,171,591
Asia Insurance Company Limited	24,480	244,800	526,320	24,480	244,800	489,600
Crescent Star Insurance Company Limited	604,491	1,208,982	7,852,338	604,491	1,208,982	2,835,063
Habib Insurance Company Limited	12,700	1,724	254,635	12,700	1,724	279,400
Pakistan Guarantee Insurance Company Limited	22,029	-	-	22,029	-	-
PICIC Insurance Company Limited	855,790	4,450,108	7,702,110	855,790	4,450,108	8,985,795
Sterling Insurance Company Limited	23,250	-	-	23,250	-	-
Union Insurance Company of Pakistan Limited	56,227	-	-	56,227	-	-
United Insurance Company of Pakistan Limited	556,714	166,165	12,052,858	397,653	166,165	11,134,284
	3,554,217	38,196,401	107,419,530	3,395,156	38,196,401	92,895,733
Personal Goods						
Brothers Textile Mills Limited	353	229	1,850	353	229	2,771
Khurshid Spinning Mills Limited	7,600	-	-	7,600	-	-
Sahrish Textile Mills Limited	13,510	-	-	13,510	-	-
Yousaf Weaving Mills Limited	-	-	-	-	-	-
Pakistan Synthetics Limited	2,846	21,252	48,268	2,846	21,252	42,747
Crescent Jute Products Limited	157,314	64,498	482,954	157,314	64,498	641,841
Usman Textile Mills Limited	300	-	-	300	-	-
Colony Textile Limited (Formerly Colony Mills Limited)	118,552	149,762	356,842	118,552	149,762	558,380
Kohinoor Industries Limited	11,681	10,513	41,468	11,681	10,513	36,912
Muhammad Farooq Textile Mills Limited	4,100	2,255	13,530	4,100	2,255	22,263
Taj Textile Mills Limited	5,600	-	-	5,600	-	-
Crescent Sugar Mills Limited	-	-	-	-	-	-
	321,856	248,509	944,912	321,856	248,509	1,304,914
General Industries						
Packages Limited	821,714	90,388,540	478,327,937	821,714	90,388,540	557,360,389
Hashmi Can Company Limited	5,250	-	-	5,250	-	-
	826,964	90,388,540	478,327,937	826,964	90,388,540	557,360,389
Household Goods						
Hussain Industries Limited	15,820	-	-	15,820	-	-
Towellers Limited	315,759	2,551,333	12,946,119	315,759	2,551,333	13,261,878
	331,579	2,551,333	12,946,119	331,579	2,551,333	13,261,878
Food Producers						
Imperial Sugar Mills Limited (Formerly: Colony Sugar Mills Limited)	39,924	71,863	199,620	39,924	71,863	309,411
Kohinoor Sugar Mills Limited	26,451	92,579	413,958	26,451	92,579	251,549
Pangrio Sugar Mills Limited	100,000	277,000	288,000	100,000	277,000	301,000
Sakrand Sugar Mills Limited	11,900	10,948	38,556	11,900	10,948	36,890
Shahtaj Sugar Mills Limited	397	2,974	26,921	397	2,974	28,810
Sind Abadgar Sugar Mills Limited	98,500	492,500	2,423,100	98,500	492,500	1,050,010
Universal Oil Mills Limited	30,000	-	-	30,000	-	-
	307,172	947,864	3,390,155	307,172	947,864	1,977,670
Construction and Materials						
Akzo Nobel Pakistan Limited	154,518	17,899,449	33,522,680	154,518	17,899,449	55,244,821
Dada Bhoy Cement Industries Limited	17,300	27,853	-	17,300	27,853	70,238
Fauji Cement Company Limited	5,238	17,286	192,863	5,238	17,286	135,350
Javedan Cement Limited	118	1,126	3,853	118	1,126	3,322
D.G Khan Cement Limited	12,000	228,360	1,771,080	12,000	228,360	1,326,360
Zeal Pak Cement Factory Limited	39,130	-	-	39,130	-	-
	228,304	18,174,074	35,490,476	228,304	18,174,074	56,780,091
Tobacco						
Philip Morris (Pakistan) Limited (formerly Lakson Tobacco Company Limited)	21,206	36,893	35,736,351	21,206	36,893	22,056,573
Pakistan Tobacco Company Limited	70,140	234,209	78,149,287	70,140	234,209	74,330,164
	91,346	271,102	113,885,638	91,346	271,102	96,386,737
Balance carried forward	40,970,198	270,685,838	1,232,403,040	40,802,001	270,685,838	1,443,031,097

Notes to the Financial Statements | for the year ended December 31, 2015

Name of company	2015			2014		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Balance brought forward	40,970,198	270,685,838	1,232,403,040	40,802,001	270,685,838	1,443,031,097
Oil and Gas						
National Refinery Limited	502,363	28,312,467	112,107,327	502,363	28,312,467	92,861,801
Pakistan State Oil Company Limited	8,127	371,225	2,647,533	8,127	371,225	2,908,735
Pakistan Petroleum Limited	396,000	27,388,953	48,236,760	396,000	27,388,953	69,901,920
	906,490	56,072,645	162,991,620	906,490	56,072,645	165,672,456
Electricity						
The Hubpower Company Limited	582,085	10,773,636	59,721,921	582,085	10,773,636	45,612,181
K-Electric Limited (formerly Karachi Electric Supply Company Limited)	385,548	863,418	2,868,477	385,548	863,418	3,554,753
Kot Addu Power Company Limited	30,000	1,481,678	2,430,000	30,000	1,481,678	2,368,200
Southern Electric Power Company Limited	13,963	9,774	44,123	13,963	9,774	33,092
	1,011,596	13,128,506	65,064,521	1,011,596	13,128,506	51,568,226
Gas Water and Multiutilities						
Sui Southern Gas Company Limited	12,694,227	36,461,488	474,129,378	12,694,227	36,461,488	492,282,123
Sui Northern Gas Pipelines Limited *	8,698,203	17,110,611	209,104,800	8,698,203	17,110,611	249,725,408
	21,392,430	53,572,099	683,234,178	21,392,430	53,572,099	742,007,531
Engineering						
Dewan Automotive Engineering Limited	52,333	39,249	-	52,333	39,249	-
Pakistan Engineering Company Limited	43,776	364,738	8,317,440	43,776	364,738	4,867,891
	96,109	403,987	8,317,440	96,109	403,987	4,867,891
Fixed Line Telecommunication						
Worldcall Telecom Limited	3,672	3,672	5,581	3,672	3,672	6,242
	3,672	3,672	5,581	3,672	3,672	6,242
Forestry and Paper						
Security Papers Limited	928,690	195,915	81,826,876	920,950	195,915	71,281,530
	928,690	195,915	81,826,876	920,950	195,915	71,281,530
Chemicals						
Fauji Fertilizer Bin Qasim Limited	20,035	452,878	1,055,444	20,035	452,878	905,782
ICI Pakistan Limited	307,281	35,595,431	148,730,150	307,281	35,595,431	142,105,171
Lotte Chemical Pakistan Limited (Formerly: Lotte Pakistan PTA Limited)	1,206,602	3,874,321	7,842,913	1,206,602	3,874,321	8,277,290
Linde Pakistan Limited (Formerly: BOC Pakistan Limited)	1,100	105,478	127,875	1,100	105,478	228,228
	1,535,018	40,028,108	157,756,382	1,535,018	40,028,108	151,516,471
Total	66,844,203	434,090,770	2,391,599,638	66,668,266	434,090,770	2,629,951,444

* 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, 2015

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	2015			2014		
	Number of shares / certificates / units	Book value	Market value	Number of shares / certificates / units	Book value	Market value
		Rupees			Rupees	
Open-End Mutual Funds						
Pakistan Capital Market Fund	20,767	79,326	214,317	18,970	79,326	196,529
National Investment Trust 20.3.1	46,328,425	1,455,639,114	2,929,809,597	46,328,425	1,455,639,114	3,059,065,903
JS Value Fund Limited	40,949	2,267,483	7,731,954	41,049	2,267,483	7,383,911
Pakistan Stock Market Fund Limited	6,745	111,336	541,966	6,745	111,336	496,055
JS Growth Fund	3,496	140,039	554,365	3,499	140,039	554,730
	46,400,382	1,458,237,298	2,938,852,199	46,398,688	1,458,237,298	3,067,697,128
Close-End Mutual Funds						
PICIC Growth Fund	30,406,721	498,670,224	685,063,424	30,406,721	498,670,224	749,525,673
PICIC Investment Fund	17,246	100,372	197,122	17,246	100,372	210,401
	30,423,967	498,770,596	685,260,546	30,423,967	498,770,596	749,736,074
	76,824,349	1,957,007,894	3,624,112,745	76,822,655	1,957,007,894	3,817,433,202

20.3.1 The Company holds 46,328,425 NIT units (2014: 46,328,425 units). The cost ranges from Rs. 53.95 to Rs. 54.50 (2014: Rs. 53.95 to Rs. 54.50) per unit. The units repurchase price as at year end was Rs. 63.24 (2014: Rs. 66.03) per unit.

20.3.2 Market value of quoted available for sale investment (listed share and NIT unit) is Rs. 5,321 million (2014: Rs. 5,689 million).

	Note	2015 Rupees	2014 Rupees
20.4 Investment in unlisted companies			
Cost of investment in unlisted companies	20.4.1	2,608,105	2,608,105
Less: Provision for diminution in value			
Balance brought forward from last year		(1,990,492)	(1,990,492)
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	2015		2014	
	Number of shares / certificates	Book Value (Rupees)	Number of shares / certificates	Book Value (Rupees)
Banks				
State Bank of Pakistan (Break-up value is Rs. 529,385 per share based on financial statements for the year ended June 30, 2015) Governor: Mr. Ashraf Mahmood Wathra 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	4,900 6,213 11,113	517,614 618,227 1,135,841	4,900 6,213 11,113	517,614 618,227 1,135,841
Mutual Funds				
National Investment Trust Limited (Break-up value is Rs. 12,183 per share based on financial statements for the year ended June 30, 2015) Managing Director & Chairman: Mr. Shahid Ghaffar	79,200	100,000	79,200	100,000
Insurance				
Indus Assurance Limited *	25,000	250,000	25,000	250,000
Cotton and Textile				
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
Chemical				
Synthetic Chemical Limited *	20,000	200,000	20,000	200,000
Vanapati and Allied Industries				
Burma Oil Limited *	861	6,470	861	6,470
Burma Soap Limited *	64	640	64	640
	925	7,110	925	7,110
Miscellaneous				
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, 2015

* 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.

	2015	2014	2015	2014
	Treasury bills		Pakistan Investment Bonds	
	Rupees			
20.5 Held-to-maturity - secured	715,560,000	1,027,295,000	3,117,912,770	3,140,720,013
Tenure	3 months to 1 year	3 months	3 years to 10 years	3 years to 10 years
Face value - Rupees in million	738	1,050	3,150	3,150
Market value - Rupees in million	733	1,037	3,474	3,325
Maturity dates	January 2016 to March 2016	January 2015 to March 2015	July 2016 to March 2025	July 2015 to September 2024
Profit repayment - frequency	On maturity	On maturity	Semi-annually	Semi-annually
Principal repayment - frequency	On maturity	On maturity	On maturity	On maturity
Effective interest rate / coupon rate - per annum	5.46% to 6.38%	8.63% to 10.06%	6.38% to 12%	11.25% to 12%

20.5.1 The amount of Pakistan Investment Bonds include Rs. 300 million (2014: Rs. 300 million) deposited with the State Bank of Pakistan as required by section 29 of the Insurance Ordinance, 2000.

	Note	2015 Rupees	2014 Rupees
20.6 Investment in listed companies - held-for-trading			
Cost of investment in listed companies	21.6.1	58,502,720	58,502,720
Prior year gain		44,838,192	26,177,636
Gain for the current year		2,251,486	18,660,556
Gain on revaluation of investments		47,089,678	44,838,192
		<u>105,592,398</u>	<u>103,340,912</u>

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

Name of company	2015			2014		
	Number of shares / certificates / units	Book value Rupees	Market value	Number of shares / certificates / units	Book value Rupees	Market value
Cement						
Attock Cement Limited	57,500	4,990,500	9,645,625	57,500	4,990,500	11,222,275
Commercial Banks						
National Bank of Pakistan	399,266	17,147,638	21,576,335	399,266	17,147,638	27,733,016
Electricity						
The Hubpower Company Limited	100,004	4,524,181	10,260,410	100,004	4,524,181	7,836,313
Technology and Communication						
Pakistan Telecommunication Company	319,500	5,543,325	5,268,555	319,500	5,543,325	7,358,085
Chemicals						
Fauji Fertilizer Company Limited	60,000	7,028,400	7,078,800	60,000	7,028,400	7,026,624
Engro Fertilizer Company Limited	17,078	1,019,533	1,436,772	17,078	1,019,533	1,333,792
Engro Corporation Limited	170,786	15,719,143	47,715,901	170,786	15,719,143	37,830,807
Engro Polymer and Chemicals Limited	250,000	2,530,000	2,610,000	250,000	2,530,000	3,000,000
	497,864	26,297,076	58,841,473	497,864	26,297,076	49,191,223
	<u>1,374,134</u>	<u>58,502,720</u>	<u>105,592,398</u>	<u>1,374,134</u>	<u>58,502,720</u>	<u>103,340,912</u>

Notes to the Financial Statements | for the year ended December 31, 2015

21 INVESTMENT PROPERTIES

2015	PRC Building, Karachi	Lease hold land	PRC Towers, Karachi	Electrical installation	Air conditioning plant	Lift	Total
Rupees							
As at January 01, 2015							
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)
Book value	77,232	572,406	32,448,018	224,948	320,236	249,538	33,892,378
December 31, 2015							
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)	(44,908)	(64,047)	(49,908)	(1,785,208)
Book value	73,370	572,406	30,825,617	179,958	256,189	199,630	32,107,170
As at December 31, 2015							
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)
Book value	73,370	572,406	30,825,617	179,958	256,189	199,630	32,107,170
Depreciation rate - percentage	5%	0%	5%	20%	20%	20%	
Rupees							
2014							
Rupees							
As at January 01, 2014							
Cost	150,302	572,406	89,151,323	18,995,068	26,556,830	21,085,825	156,511,754
Accumulated depreciation	(69,084)	-	(55,028,908)	(18,718,892)	(26,163,664)	(20,779,458)	(120,760,006)
Book value	81,218	572,406	34,122,415	276,176	393,166	306,367	35,751,748
December 31, 2014							
Opening net book amount	81,218	572,406	34,122,415	276,176	393,166	306,367	35,751,748
Additions	-	-	-	-	-	-	-
Depreciation charge for the year	(3,986)	-	(1,674,397)	(51,228)	(72,930)	(56,829)	(1,859,370)
Book value	77,232	572,406	32,448,018	224,948	320,236	249,538	33,892,378
As at December 31, 2014							
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)
Book value	77,232	572,406	32,448,018	224,948	320,236	249,538	33,892,378
Depreciation rate - percentage	5%	0%	5%	20%	20%	20%	

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. 73,370 million (2014: Rs. 77,232 million). The market value of the same amounted to Rs. 1,410,224 million (2014: Rs. 1,281) 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, 2015

	Note	2015 Rupees	2014 Rupees
22 AMOUNT DUE FROM OTHER INSURERS AND REINSURERS			
Amount due from other insurers		3,725,659,944	3,242,223,212
Amount due from other reinsurers		328,380,149	181,683,600
	22.1 & 22.2	<u>4,054,040,093</u>	<u>3,423,906,812</u>
Less: Provision for doubtful debts		(386,000,000)	(386,000,000)
		<u><u>3,668,040,093</u></u>	<u><u>3,037,906,812</u></u>
22.1 This includes gross amount Rs. 1,223,801,607 (2014: Rs. 1,405,601,843) due from related party National Insurance Company Limited. The age analysis of amount due from related party is as follows:			
Upto 3 months		483,426,780	955,226,511
Over 3 months and above		740,374,827	450,375,332
		<u><u>1,223,801,607</u></u>	<u><u>1,405,601,843</u></u>
22.2 These balances are based on underlying information and returns submitted by insurers/reinsurers periodically. During the 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.			
23 PREMIUM AND CLAIMS RESERVES RETAINED BY CEDANTS			
Premium reserves		2,059,909	2,210,521
Losses reserves		28,540,839	28,946,570
Cash losses paid to ceding companies		154,497,260	193,226,395
Less: Provision for doubtful debts		(17,000,000)	(17,000,000)
	23.1	<u><u>168,098,008</u></u>	<u><u>207,383,486</u></u>
23.1 This represents the retention of deposits by the ceding companies from the total amount ceded by them to the Company.			

Notes to the Financial Statements | for the year ended December 31, 2015

	2015	2014
	Rupees	Rupees
24 ACCRUED INVESTMENT INCOME		
Dividend receivable	2,851,464	1,997,534
Interest on held to maturity investments	156,452,991	130,572,555
Interest on deposits maturity within 12 months	1,634,315	1,604,010
Rentals receivable	31,275,486	46,143,958
	<u>192,214,256</u>	<u>180,318,057</u>
Provision for dividend receivable	(1,997,534)	(1,997,534)
	<u>190,216,722</u>	<u>178,320,523</u>
25 REINSURANCE RECOVERIES AGAINST OUTSTANDING CLAIMS		
Facultative business		
Fire	584,588,099	136,468,099
Marine cargo	-	-
Marine hull	1,341,479	40,138
Accident and others	-	-
Aviation	56,399,014	520,243,621
Engineering	-	80,883,495
	<u>642,328,592</u>	<u>737,635,353</u>
Treaty	764,215,803	872,733,343
	<u>1,406,544,395</u>	<u>1,610,368,696</u>
26 DEFERRED COMMISSION EXPENSE		
Facultative business		
Fire	114,826,562	104,189,543
Marine cargo	1,148,700	678,416
Marine hull	4,633,416	7,977,120
Accident and others	9,594,489	11,794,847
Aviation	1,860,888	1,582,688
Engineering	30,451,962	40,159,187
	<u>162,516,017</u>	<u>166,381,800</u>
Treaty	424,408,378	368,573,773
	<u>586,924,395</u>	<u>534,955,573</u>

Notes to the Financial Statements | for the year ended December 31, 2015

	Note	2015 Rupees	2014 Rupees
27 PREPAYMENTS			
Prepayment reinsurance ceded-Facultative business			
Fire		117,644,360	269,324,287
Marine hull		20,627,855	33,452,178
Accident and others		1,025,963	-
Aviation		783,154,022	821,419,466
Engineering		206,730,186	515,487,177
		<u>1,129,182,386</u>	<u>1,639,683,107</u>
Prepayment reinsurance ceded-Treaty business		<u>377,625,857</u>	<u>431,938,387</u>
		<u>1,506,808,243</u>	<u>2,071,621,494</u>
Other prepayments		<u>3,635,341</u>	<u>3,223,278</u>
		<u><u>1,510,443,584</u></u>	<u><u>2,074,844,772</u></u>
28 SUNDRY RECEIVABLE			
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		5,093,570	5,336,306
Security deposits		3,349,514	3,349,514
Others		6,098,075	3,914,718
		<u>135,557,520</u>	<u>133,616,899</u>
Less: Provision for doubtful debts			
Balance brought forward from last year		(42,729,624)	(42,729,624)
Provision made during the year		-	-
		<u>(42,729,624)</u>	<u>(42,729,624)</u>
		<u><u>92,827,896</u></u>	<u><u>90,887,275</u></u>

- 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.

Notes to the Financial Statements | for the year ended December 31, 2015

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 remand back the case to the High Court of Sindh where the matter is still pending for date of hearing. No provision has been made in this respect as management is confident that this amount will be recovered in due course.

- 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 of Pakistan Limited).
- 28.5 Contingencies related to tax are presented in note 35.

29	FIXED ASSETS	Note	2015 Rupees	2014 Rupees
		Book Value		
29.1 Land and Building				
	PRC House		1,314,685	1,383,879
	Lift		147	147
	PRC Tower-leasehold land		223,622	223,622
	PRC Tower-building		14,840,883	15,621,982
		29.5	16,379,337	17,229,630

Notes to the Financial Statements | for the year ended December 31, 2015

	Note	2015 Rupees Book Value	2014 Rupees
29.2 Furniture, fixtures, books, office equipments and computer			
Furniture and fixture		1,285,127	1,383,979
Office equipment		1,474,004	1,730,417
Books		310,391	318,684
Computers		6,668,146	6,912,805
	29.5	9,737,668	10,345,885
29.3 Electrical installation, air-conditioning and lifts			
Electrical installation		2,278,840	2,848,550
Air-conditioning		5,921,570	7,197,691
Lifts		1,866,316	2,332,895
	29.5	10,066,726	12,379,136
29.4 Motor vehicles	29.5	7,390,269	9,237,836
	29.5	43,574,000	49,192,487

Notes to the Financial Statements | for the year ended December 31, 2015

29.5

2015	Land and Building				Furniture, fixture, books and office equipment				Electrical installation, air-conditioning and lift			Motor vehicles	Total	
	PRC House	Lift	PRC Towers		Furniture and fixture	Office equipment	Books	Computers	Electrical installation	Air-conditioning	Lift			
			leasehold land	Building										
As at January 01, 2015														
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)	
Book value	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	
December 31, 2015														
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	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	
Depreciation charge for the year	(69,194)	-	-	(781,099)	(141,852)	(259,913)	(33,283)	(1,409,576)	(569,710)	(1,461,121)	(466,579)	(1,847,567)	(7,039,894)	
Book value	1,314,685	147	223,622	14,840,883	1,285,127	1,474,004	310,391	6,668,146	2,278,840	5,921,570	1,866,316	7,390,269	43,574,000	
As at December 31, 2015														
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)	(17,111,087)	(9,539,232)	(10,753,631)	(102,654,817)	
Book value	1,314,685	147	223,622	14,840,883	1,285,127	1,474,004	310,391	6,668,146	2,278,840	5,921,570	1,866,316	7,390,269	43,574,000	
Depreciation rate - percentage	5%	20%	0%	5%	10%	15%	10%	20%	20%	20%	20%	20%	20%	

29.6

2014	Land and Building				Furniture, fixture, books and office equipment				Electrical installation, air-conditioning and lift			Motor vehicles	Total	
	PRC House	Lift	PRC Towers		Furniture and fixture	Office equipment	Books	Computers	Electrical installation	Air-conditioning	Lift			
			leasehold land	Building										
As at January 01, 2014														
Cost	2,693,186	147	223,622	38,663,647	11,055,962	4,702,684	520,086	21,716,898	12,659,713	22,847,657	9,505,592	22,819,400	147,408,594	
Accumulated depreciation	(1,237,896)	-	-	(22,235,532)	(9,634,930)	(2,774,373)	(182,791)	(13,287,652)	(9,162,441)	(14,010,780)	(8,676,450)	(9,766,781)	(90,969,626)	
Book value	1,455,290	147	223,622	16,428,115	1,421,032	1,928,311	337,295	8,429,246	3,497,272	8,836,877	829,142	13,052,619	56,438,968	
December 31, 2014														
Opening net book amount	1,455,290	147	223,622	16,428,115	1,421,032	1,928,311	337,295	8,429,246	3,497,272	8,836,877	829,142	13,052,619	56,438,968	
Additions	-	-	-	-	97,300	35,750	13,710	7,600	-	-	1,899,956	-	2,054,316	
Disposals / transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	
Accumulated depreciation	-	-	-	-	(134,353)	(233,644)	(32,321)	(1,524,041)	(648,722)	(1,639,186)	(396,203)	(2,184,624)	(7,670,638)	
Depreciation charge for the year	(71,411)	-	-	(806,133)	(134,353)	(233,644)	(32,321)	(1,524,041)	(648,722)	(1,639,186)	(396,203)	(2,184,624)	(4,675,500)	
Book value	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	
As at December 31, 2014														
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)	
Book value	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	
Depreciation rate - percentage	5%	20%	0%	5%	10%	15%	10%	20%	20%	20%	20%	20%	20%	

Notes to the Financial Statements | for the year ended December 31, 2015

29.7 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
During the year ended December 31, 2015							
Nil	-	-	-	-	-	-	-
During the year ended December 31, 2014							
Vehicles							
Honda City - GP 5781	1,319,000	(881,988)	437,012	437,012	-	Company policy	Fida Samoo
Toyota Corolla - GA 9519	1,169,000	(1,047,629)	121,371	630,000	508,629	Auction	Faisal Iqbal
Suzuki Cultus - GA 9495	585,000	(525,292)	59,708	340,000	280,292	Auction	Faisal Iqbal
Toyota Corolla - GP 7779	1,602,500	(590,432)	1,012,068	1,012,068	-	Company policy	Ayaz Hussain M. Gad
Total	4,675,500	(3,045,341)	1,630,159	2,419,080	788,921		

Notes to the Financial Statements | for the year ended December 31, 2015

	2015 Rupees	2014 Rupees
30 ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)-NET		
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
	8,612,000	8,612,000
Investments		
Stock and shares	7,112,000	7,112,000
Debenture	250,000	250,000
	7,362,000	7,362,000
	15,974,000	15,974,000
Liabilities		
Outstanding claims	(4,952,000)	(4,952,000)
Other liabilities	(809,000)	(809,000)
	(5,761,000)	(5,761,000)
	10,213,000	10,213,000
Provision for loss on assets in Bangladesh	(10,213,000)	(10,213,000)
	-	-
31 OTHER MANAGEMENT EXPENSES		
Salaries, wages and benefits	384,985,917	351,986,015
Employee benefits		
Officers' pension	48,467,181	49,817,000
Employees' pension	(6,344,000)	(601,000)
Post retirement medical benefits	47,412,672	39,127,000
Gratuity fund	1,613,768	2,082,000
Compensated absences	60,858,000	11,150,000
	152,007,621	101,575,000
Travelling and conveyance	7,632,755	9,628,526
Entertainment	7,027,984	6,796,480
Subscription and membership	188,494	345,501
Legal fees	2,122,575	754,000
Communication	591,414	605,305
Insurance	5,456,122	6,649,466
Utilities	35,837,480	30,976,005
Printing and stationary	1,824,236	2,260,709
Repairs and renewal	1,164,606	1,320,992
Medical	19,303,909	18,323,524
Rent, rates and taxes	4,554,662	4,509,855
Computer related expenses	1,881,230	1,986,118

Notes to the Financial Statements | for the year ended December 31, 2015

	2015	2014
	Rupees	Rupees
Consultancy and professional charges	797,050	569,800
Newspaper and periodicals	4,976,181	4,975,626
Financial and CDC charges	597,386	580,029
Others	15,669,685	525,967
	<u>646,619,307</u>	<u>544,368,918</u>
Expenses allocated to rental income	(16,071,413)	(11,884,967)
Expenses allocated to investment income	(9,157,093)	(7,011,028)
	<u>621,390,801</u>	<u>525,472,923</u>

31.1 General Provident Fund

Size of the fund	96,782,742	91,239,568
Cost of investment made	<u>156,060,476</u>	<u>126,174,686</u>
Fair value of investment	<u>185,506,742</u>	<u>145,448,555</u>
Number of members	<u>218</u>	<u>229</u>
Composition of fund		
Special account in scheduled bank(s)	2,100,841	961,124
Government securities	139,030,080	109,581,530
National investment trust units	7,929,555	15,632,032
Term deposits receipts (TDRs)	7,000,000	-
	<u>156,060,476</u>	<u>126,174,686</u>

	Percentage	Percentage
Percentage of investments made in.		
Special account in scheduled bank(s)	1%	1%
Government securities	89%	87%
National investment trust units	5%	12%
Term deposits receipts (TDRs)	4%	0%

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 of the funds for the current year, have not been finalized.

32 RENTAL INCOME

Rental income	63,854,551	62,071,607
Investment property related expenditures	(16,071,413)	(11,884,967)
	<u>47,783,138</u>	<u>50,186,640</u>

The rental income represents income from letting out of PRC Tower.

Notes to the Financial Statements | for the year ended December 31, 2015

	Note	2015 Rupees	2014 Rupees
33 OTHER INCOME			
Income from financial assets			
Interest on deposits		-	183,579
Interest on loans		16,689	15,672
Income from non-financial assets			
Miscellaneous income		27,026	48,466
Gain on disposal of fixed assets		-	788,921
		43,715	1,036,638
34 GENERAL AND ADMINISTRATION EXPENSES			
Depreciation-fixed assets		7,039,894	7,670,636
Depreciation - investment properties		1,785,208	1,859,370
Director's meetings		6,868,359	2,063,041
Advertisement and business promotion		1,771,202	1,579,328
Training and research		267,000	54,130
Mark-up / interest		-	-
Repairs and maintenance		15,270,809	13,077,167
Shares transaction costs		6	38,618
Auditors' remuneration	34.1	726,000	726,000
Other certification		9,000	186,600
Others		4,346,014	2,914,030
		38,083,492	30,168,920
34.1 Auditors' remuneration			
Audit fee		528,000	528,000
Interim review		132,000	132,000
Audit out of pocket		66,000	66,000
		726,000	726,000
35 INCOME TAX EXPENSE			
35.1 Provision for taxation			
Current		440,077,090	395,594,664
Prior year		(44,500,220)	(74,905,070)
		395,576,870	320,689,594

Notes to the Financial Statements | for the year ended December 31, 2015

35.2 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.

35.3 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 is contested by the Ministry and is now before Alternate Dispute Resolution Committee (ADRC).

35.4 The Additional Commissioner and Deputy Commissioner of Inland Revenue (FBR) have issued show cause notices under section 233 and 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2008, 2009, 2012 for non deduction of withholding tax on reinsurance commission paid to local/ceding insurance companies. The Company has, in respect of this issue, received a demand notice of Rs. 217,443,076 and Rs. 252,776,143 and Rs.148,318,431 under various orders in 2014. Currently, the case is before Appellate Tribunal Inland Revenue (FBR) for final verdict.

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.

35.5 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, 2015

	2015 Rupees	2014 Rupees
35.6 Relationship between tax expenses and accounting profit		
Profit before tax	<u>1,772,273,879</u>	<u>1,564,705,437</u>
Tax at the applicable rate of 32% (2014: 33%)	567,127,641	516,983,539
Tax effect of exempt capital gain	-	(683,341)
Tax effect of Dividend income taxed at lower rate	(83,257,039)	(101,210,722)
Tax effect of property income being taxed separately	(10,577,290)	(16,231,591)
Tax effect of (income) / loss that are deductible in determining the taxable profit	<u>(33,216,222)</u>	<u>(3,263,220)</u>
Charge for the year	<u>440,077,090</u>	<u>395,594,665</u>
36 EARNINGS PER SHARE - basic and diluted		
Profit after tax for the year - Rupees	<u>1,376,697,009</u>	<u>1,244,015,843</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>4.59</u>	<u>4.15</u>
36.1 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, 2015.		

Notes to the Financial Statements | for the year ended December 31, 2015

37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

37.1 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.

37.2 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:

	2015	2014
	Rupees	Rupees
Bank deposits	3,284,913,652	3,081,323,164
Investments	2,484,246,112	2,481,994,626
Amount due from other insurers and reinsurers	3,668,040,093	3,037,906,812
Premium and claim reserves retained by cedants	168,098,008	207,383,486

Notes to the Financial Statements | for the year ended December 31, 2015

	2015	2014
	Rupees	Rupees
Accrued investment income	33,763,731	47,747,968
Reinsurance recoveries against outstanding claims	1,406,544,395	1,610,368,696
Sundry receivables	92,827,896	90,887,275
	<u>11,138,433,887</u>	<u>10,557,612,027</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:

	2015	2014
	Rupees in thousand	
Upto three months	885,023	1,278,448
Over three months but upto one year	2,306,133	1,650,182
Over one year but upto two year	394,397	91,628
Over two year but upto three year	107,501	34,734
Over three year	360,986	368,913
	<u>4,054,040</u>	<u>3,423,905</u>

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

	Rating			2015	2014
	Short term	Long term	Rating agency	Rupees in thousand	
National Bank of Pakistan	A 1+	AAA	JCR-VIS	27,467	11,344
Bank Al-Habib Limited	A-1+	AAA	JCR-VIS	2,861,075	2,808,426
United National Bank Limited, London	A-1+	AA+	JCR-VIS	5,104	4,908
Summit Bank Limited	A-1	A	JCR-VIS	-	7,625
Bank Alfalah Limited	A1+	AA	PACRA	15,577	-
Faysal Bank Limited	A1+	AA+	JCR-VIS	21	225,000
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	375,670	-
				<u>3,284,914</u>	<u>3,057,303</u>

Notes to the Financial Statements | for the year ended December 31, 2015

37.3 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				
December 31, 2015				
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>4,820,858</u>	<u>4,820,858</u>	<u>4,801,794</u>	<u>19,064</u>
December 31, 2014				
Provision for outstanding claims	3,183,398	3,183,398	3,183,398	-
Amount due to other insurers / reinsurers	1,678,642	1,678,642	1,678,642	-
Premium and claim reserves retained from retrocessionaires	19,064	19,064	-	19,064
Other creditors and accruals	39,330	39,330	39,330	-
Accrued expenses	24,625	24,625	24,625	-
Retention money payable	6,368	6,368	6,368	-
Unclaimed dividend	124,504	124,504	124,504	-
Surplus profit payable	1,213	1,213	1,213	-
	<u>5,077,144</u>	<u>5,077,144</u>	<u>5,058,080</u>	<u>19,064</u>

37.4 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, 2015

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, 2015 and 2014 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				
December 31, 2015				
10% increase	6,121,305	6,733,435	404,006	612,130
10% decrease		5,509,174	(404,006)	(612,131)
December 31, 2014				
10% increase	3,920,754	4,312,830	258,770	392,076
10% decrease		3,528,679	(258,770)	(392,075)

37.5 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.

37.6 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, 2015

	2015						
	Effective rate per annum (percentage)	Interest / mark-up bearing financial instruments			Sub total	Non-interest / mark-up bearing financial instruments	Total
		Maturity up to one year	Maturity over one year to five years	Maturity more than five years			
		Rupees in thousand					
Financial assets							
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
Total		5,480,088	247,347	1,145,274	6,872,709	8,326,782	15,199,491
Financial liabilities							
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
Total		-	-	-	-	6,320,119	6,320,119
Interest risk sensitivity gap		5,480,088	247,347	1,145,274	6,872,709		
Cumulative interest risk sensitivity gap		5,480,088	5,727,434	6,872,708			
		2014					
		Rupees in thousand					
Financial assets							
Cash and bank deposits	5.00 to 10.00	2,218,686	-	-	2,218,686	862,684	3,081,370
Loans to employees	10	147	-	-	147	70,430	70,577
Investment	8.58 to 12	1,532,440	1,744,530	891,045	4,168,015	2,481,993	6,650,010
Amount due from other insurers / reinsurers	-	-	-	-	-	3,037,907	3,037,907
Premium and claim reserves retained by cedants	-	-	-	-	-	207,383	207,383
Accrued investment income	-	-	-	-	-	178,321	178,321
Reinsurance recoveries against outstanding claims	-	-	-	-	-	1,610,369	1,610,369
Sundry receivables	-	-	-	-	-	90,887	90,887
Total		3,751,273	1,744,530	891,045	6,386,848	8,539,974	14,926,824
Financial liabilities							
Provision for outstanding claims	-	-	-	-	-	3,183,398	3,183,398
Deferred liability - employee benefits	-	-	-	-	-	804,333	804,333
Long term deposits	-	-	-	-	-	12,484	12,484
Amount due to other insurers / reinsurers	-	-	-	-	-	1,678,642	1,678,642
Premium and claim reserves retained from retrocessionaires	-	-	-	-	-	19,064	19,064
Other creditors and accruals	-	-	-	-	-	39,330	39,330
Accrued expenses	-	-	-	-	-	24,625	24,625
Retention money payable	-	-	-	-	-	6,368	6,368
Unclaimed dividend	-	-	-	-	-	124,504	124,504
Surplus profit payable	-	-	-	-	-	1,213	1,213
Total		-	-	-	-	5,933,291	5,933,292
Interest risk sensitivity gap		3,751,273	1,744,530	891,045	6,386,848		
Cumulative interest risk sensitivity gap		3,751,273	5,495,803	6,386,848			

Notes to the Financial Statements | for the year ended December 31, 2015

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.

	2015		2014	
	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	68,727	(68,727)	63,868	(63,868)

37.7 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. 2,243.309 million (2014: Rs. 862.864 million) and Rs. 0.408 million (2014: Rs. 0.455 million) respectively at the end of the year.

The following significant exchange rates were applied during the year:

	2015	2014	2015	2014
	Rupees per US Dollars		Rupees per UK Pound	
Average rate	102.37	101.84	156.50	167.80
Reporting date rate	104.60	100.40	155.04	156.30

Notes to the Financial Statements | for the year ended December 31, 2015

37.8 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:

	2015	2014
	Gross sum insured	
	Rupees in thousands	
Fire	5,107,389	6,593,598
Marine cargo	943,542	942,996
Marine hull	1,000,000	1,495,392
Accident and others	3,070,833	2,286,000
Aviation	174,433,786	130,539,000
Engineering	8,401,000	17,346,000
	192,956,550	159,202,986

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.

Notes to the Financial Statements | for the year ended December 31, 2015

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 includes 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	2015	2014
	Assumed net loss ratio Percentage	
Fire	67%	52%
Marine cargo	15%	25%
Marine hull	22%	1%
Accident and others	27%	65%
Aviation	3%	10%
Engineering	17%	21%

Notes to the Financial Statements | for the year ended December 31, 2015

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	
	2015	2014	2015	2014
	Rupees in thousand		Rupees in thousand	
10% increase in loss	277,483	279,317	183,139	184,349
10% decrease in loss	(277,483)	(279,317)	(183,139)	(184,349)

37.9 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.

37.10 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, 2015

	2015	2014
	Rupees in thousand	
A or above	3,681,705	2,760,403
BBB	246,632	30,526
Others	125,704	632,978
Total	4,054,041	3,423,907

38 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, 2015

	2015												2014																																																									
	Post employment benefits						Other long term employment benefits						Total						Post employment benefits						Other long term employment benefits						Total																																							
	Retirement benefits			Gratuity			Medical			Compensated absences			Other post-employment benefits			Total			Retirement benefits			Gratuity			Medical			Compensated absences			Other post-employment benefits			Total																																				
	Officer	Employee		Officer	Employee		Officer	Employee		Officer	Employee		Officer	Employee		Officer	Employee		Officer	Employee		Officer	Employee		Officer	Employee		Officer	Employee																																									
39	EMPLOYEE BENEFITS																																																																					
39.1	Defined benefit plans																																																																					
39.1.1	Payable to / (receivable) from defined benefit plan																																																																					
	Present value of defined benefit obligation																																																																					
39.1.3	1,528,212	267,736	10,582	488,949	106,859	2,402,338	990,202	307,897	6,919	288,113	1,653,402	60,271	1,653,402	(829,869)	(83,478)	(2,411)	(915,758)	(632,099)	(15,14)	(849,067)	698,343	184,258	8,171	488,949	106,859	1,486,580	358,103	92,443	288,113	804,335																																								
39.1.4	Fair value of plan assets																																																																					
39.1.2	698,343	184,258	8,171	488,949	106,859	1,486,580	358,103	92,443	5,405	288,113	804,335	59,633	804,335	358,103	92,443	5,405	288,113	286,187	101,324	5,928	251,164	704,236	358,103	92,443	5,405	488,949	106,859	1,486,580	358,103	92,443	288,113	804,335																																						
39.1.2	Movement in payable to / (receivable) from defined benefit plan																																																																					
	Expenses recognized (refer note - 31)																																																																					
	Current service cost																																																																					
	Benefit paid																																																																					
	Past service cost																																																																					
	DSC's Encashed																																																																					
	Interest cost																																																																					
	Actuarial (gains) / losses *																																																																					
	Other comprehensive income																																																																					
	Actuarial (gain) / loss on defined benefit obligations arising from changes: demographic assumptions financial assumptions experience (gains) / losses																																																																					
	48,467	(6,344)	1,614	47,412	60,860	132,008	45,364	21,634	2,082	251,164	704,236	358,103	704,236	18,810	11,096	1,028	0,823	3,158	34,915	12,613	14,212	1,341	0,884	3,048	32,098	(10,204)	51,724	66,775	(27,840)	78,158	37,204	13,173	0,741	(11,449)	7,069	46,738	58,170	14,607	0,960	3,575	77,312	132,704	(66,549)	66,155	25,141	(2,250)	9,271	56,930	(47,659)	9,271	227,324	(129,007)																		
	255,580	59,586	1,719	165,403	-	482,288	(66,549)	(14,654)	(0,145)	(47,659)	227,324	(129,007)	227,324	313,750	74,193	2,679	168,978	559,600	66,155	25,141	(2,250)	9,271	98,317	313,750	74,193	2,679	168,978	559,600	66,155	25,141	(2,250)	9,271	98,317	27,441	89,292	(0,749)	115,984	9,557	(29,978)	0,104	-	(20,317)	341,191	163,485	1,930	168,978	675,584	75,712	(4,837)	9,271	78,000	96,832	(174,090)	-	-	-	-	-	(110,670)	(146,250)	94,031	(0,399)	(52,618)	(49,160)	107,226	(22,234)	(0,459)	6,336	(10,512)	80,357
39.1.1	Closing balance																																																																					
	698,343	184,258	8,166	488,949	106,859	1,486,580	358,103	92,443	5,405	288,113	804,335	59,633	804,335	698,343	184,258	8,166	488,949	106,859	1,486,580	358,103	92,443	5,405	288,113	804,335	698,343	184,258	8,166	488,949	106,859	1,486,580	358,103	92,443	5,405	288,113	804,335	698,343	184,258	8,166	488,949	106,859	1,486,580	358,103	92,443	5,405	288,113	804,335																								

* This represent actuarial losses / (gains) on 'other long term benefits', i.e. compensated absences and are required to be recognized as expense / (income) in profit and loss account.

Notes to the Financial Statements | for the year ended December 31, 2015

	2015										2014									
	Post employment benefits					Total	Post employment benefits					Total	Post employment benefits					Total		
	Retirement benefits						Retirement benefits						Retirement benefits							
	Officer	Employee	Gratuity	Other post-employment benefits	Other long term employment benefits		Officer	Employee	Gratuity	Other post-employment benefits	Other long term employment benefits		Officer	Employee	Gratuity	Other post-employment benefits	Other long term employment benefits			
Rupees in millions										Rupees in millions										
39.1.3 Present value of the defined benefit obligations																				
Present value of obligation at the beginning of the period	990.202	307.897	6.919	288.113	60.271	1,653.402	740.236	359.941	7.360	251.164	59.633	1,418.334								
Current service cost	18.810	11.096	1.028	0.823	3.158	34.915	12.613	14.212	1.341	0.884	3.048	32.098								
Past service cost	-	-	-	15.051	51.724	66.775	-	-	-	31.907	1.033	32.940								
Interest cost	108.618	33.901	0.734	31.538	5.978	180.769	92.746	46.419	0.927	(11.449)	7.069	135.712								
Benefits paid	(49.418)	(13.101)	(0.783)	(15.554)	(14.272)	(93.128)	(53.613)	(5.751)	(0.459)	6.336	(10.512)	(63.999)								
Liability transferred from 'Employees' Pension fund	146.250	(146.250)	-	-	-	-	132.065	(132.065)	-	-	-	-								
Actuarial (gain) or loss on obligation - balancing figure	313.750	74.193	2.684	168.978	-	559.605	66.155	25.141	(2.250)	9.271	-	98.317								
Present value of obligation at the end of the period	1,528.212	267.736	10.582	488.949	106.859	2,402.338	990.202	307.897	6.919	288.113	60.271	1,653.402								
39.1.4 Fair value of plan assets																				
Fair value at the beginning of the year	632.099	215.454	1.514	-	-	849.067	454.049	258.617	1.432	-	-	714.098								
Expected return on plan assets	78.961	23.502	0.148	-	-	102.611	55.542	33.246	0.186	-	-	88.974								
Contributions to the Fund	-	-	-	-	-	-	-	-	-	-	-	-								
Payment made on behalf of fund	146.250	(94.026)	0.399	-	-	52.623	132.065	(132.065)	-	-	-	-								
Benefits paid	(49.418)	(13.101)	(0.399)	-	-	(62.918)	(53.613)	27.985	-	-	-	(25.628)								
Liability transferred from 'Employees' Pension' fund	49.418	27.840	-	-	-	77.258	53.613	3.444	-	-	-	57.057								
Assets transferred from 'Employees' Pension Fund	-	13.101	-	-	-	13.101	-	(5.751)	-	-	-	(5.751)								
Actuarial gain / (loss) on plan assets	(27.441)	(89.292)	0.749	-	-	(115.984)	(9.557)	29.978	(0.104)	-	-	20.317								
Fair value at the end of the year	829.869	83.478	2.411	-	-	915.758	632.099	215.454	1.514	-	-	849.067								
Actual return on plan assets	51.520	(65.790)	0.897	-	-	(13.373)	45.985	63.224	0.082	-	-	109.291								

Notes to the Financial Statements | for the year ended December 31, 2015

39.1.6 Composition of fair value of plan assets

	2015						2014					
	Pension - officers'		Pension - employees'		Gratuity		Pension - officers'		Pension - employees'		Gratuity	
	Amount Rupees	Percentage	Amount Rupees	Percentage	Amount Rupees	Percentage	Amount Rupees	Percentage	Amount Rupees	Percentage	Amount Rupees	Percentage
Assets with an active market	132,958,000	16.02%	265,882,000	318.51%	136,416,000	5658.07%	248,370,000	115.28%	248,370,000	115.28%	132,937,000	8780.52%
Open ended mutual Funds units / Equity	-	0.00%	-	0.00%	-	-	-	0.00%	-	0.00%	-	-
Term Finance certificates	-	-	-	-	-	-	-	-	-	-	-	-
Assets with no active market	84,902,000	10.23%	153,450,000	183.80%	7,075,000	293.45%	148,754,000	69.04%	148,754,000	69.04%	-	0.00%
Term deposit receipts	612,008,000	73.75%	(335,835,000)	-402.31%	(141,080,000)	-5851.51%	(181,670,000)	-84.32%	(181,670,000)	-84.32%	870,000	57.46%
Others (including cash and bank balances)	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	(132,293,000)	-8737.98%
Liabilities	-	-	-	-	-	-	-	-	-	-	-	-
	829,868,000	100.00%	83,477,000	100.00%	2,411,000	100.00%	215,454,000	100.00%	215,454,000	100.00%	1,514,000	100.00%

39.1.7 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.

39.1.8 Expected charge to the Funds for the year ending December 31, 2016

	2015		2014	
	Officer	Employees	Officer	Employees
	71,253	23,668	2,472	52,744

39.1.9 Actuarial valuation assumptions

	2015		2014	
	Officer	Employees	Officer	Employees
Valuation discount rate	10.00%	10.00%	11.25%	11.25%
Expected return in plan assets	10.00%	10.00%	10.25%	11.25%
Salary increase rate	10.00%	10.00%	10.25%	10.25%
Indexation in pension	7.00%	7.00%	8.00%	8.00%
Exposure inflation rate	-	-	-	-
Medical inflation rate	-	-	-	-

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

	Rupees in millions	
	Original	1% Increase / Decrease
Valuation discount rate	1,806,530	1,788,465
Present value of obligation - other than medical	(18,065)	(18,065)
Financial impact on present value of obligation	10,000	11,000
Valuation discount rate	1,806,530	1,788,465
Present value of obligation - other than medical	(18,065)	(18,065)
Financial impact on present value of obligation	10,000	11,000
Salary increase rate	488,949	484,060
Medical inflation rate	(4,889)	(4,889)
Present value of obligation - medical	8,000	9,000
Financial impact on present value of obligation	2,402,338	2,378,315
Life expectancy	(24,023)	(24,023)
Present value of obligation		
Financial impact on present value of obligation		

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

	Rupees in millions	
	Original	1% Increase / Decrease
Valuation discount rate	1,806,530	1,788,465
Present value of obligation - other than medical	(18,065)	(18,065)
Financial impact on present value of obligation	10,000	11,000
Valuation discount rate	1,806,530	1,788,465
Present value of obligation - other than medical	(18,065)	(18,065)
Financial impact on present value of obligation	10,000	11,000
Salary increase rate	488,949	484,060
Medical inflation rate	(4,889)	(4,889)
Present value of obligation - medical	8,000	9,000
Financial impact on present value of obligation	2,402,338	2,378,315
Life expectancy	(24,023)	(24,023)
Present value of obligation		
Financial impact on present value of obligation		

Notes to the Financial Statements | for the year ended December 31, 2015

40 SEGMENT REPORTING

40.1 Segment by class of business

	2015						Total
	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	
	Rupees in thousands						
Segment result							
Net premium	947,387	33,957	62,450	189,517	180,060	502,158	5,218,942
Net claims	(554,433)	(5,190)	(23,640)	(52,282)	(63,649)	(176,544)	(2,774,829)
Management expenses	(116,433)	(16,197)	(12,060)	(30,215)	(33,536)	(65,987)	(621,391)
Net commission	(165,788)	(6,877)	(2,738)	(22,102)	(758)	(26,275)	(1,100,863)
Underwriting results	110,733	5,692	24,012	84,917	82,117	233,352	721,859
Segment assets							
Prepaid reinsurance ceded	117,644	-	20,628	1,026	783,154	206,730	1,506,808
Deferred commission expense	114,827	1,149	4,633	9,594	1,861	30,432	586,924
Unallocated corporate assets	232,471	1,149	25,261	10,620	783,015	237,182	2,093,732
Total assets							17,388,550
Segment liabilities							
Provision for unearned premium	693,895	6,027	40,914	77,846	890,658	492,362	4,111,141
Commission income unearned	4,502	-	3,643	26	3,456	5,271	18,763
Provision for outstanding claims	1,176,520	24,076	49,472	136,486	69,732	176,962	3,098,139
Un-allocated corporate liabilities	1,874,917	30,103	94,029	214,358	963,846	674,595	7,228,043
Total liabilities							3,221,982
							10,450,025

Notes to the Financial Statements | for the year ended December 31, 2015

	2014						Total
	Fire	Marine cargo	Marine hull	Accident and others	Aviation	Engineering	
Segment result	Rupees in thousands						
Net premium	876,868	55,700	69,342	166,868	171,451	428,063	3,015,631
Net claims	(454,956)	(14,962)	(511)	(35,919)	(111,596)	(43,078)	(2,132,144)
Management expenses	(100,468)	(15,214)	(9,369)	(25,511)	(29,230)	(51,779)	(293,902)
Net commission	(119,355)	(12,584)	(3,043)	(18,634)	(359)	(6,506)	(789,479)
Underwriting results	202,091	12,941	56,419	86,804	30,266	326,699	(199,894)
Segment assets							
Prepaid reinsurance ceded	269,324	-	33,452	-	821,419	515,487	431,938
Deferred commission expense	104,190	678	7,977	11,795	1,583	40,159	368,574
Unallocated corporate assets	373,514	678	41,429	11,795	823,002	555,646	800,512
Total assets							
							15,014,765
							<u>17,621,342</u>
Segment liabilities							
Provision for unearned premium	777,881	3,137	65,487	106,150	975,635	803,354	1,790,992
Commission income unearned	13,733	-	5,962	-	486	33,803	2,402
Provision for outstanding claims	767,584	29,957	33,885	122,612	585,937	146,959	1,501,418
Un-allocated corporate liabilities	1,559,198	33,094	105,334	228,762	1,562,058	984,116	3,294,812
Total liabilities							
							2,866,557
							<u>10,633,930</u>

40.2 Segment by geographical location

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

	2015			2014		
	Lahore	Karachi	Lahore	Lahore	Karachi	Karachi
	Rupees in thousands					
Premium	1,102,935	4,116,007	1,000,965	3,782,958		
Total assets	791	17,387,759	816	17,620,526		
Total liabilities	505,781	9,944,244	400,716	10,233,214		

Notes to the Financial Statements | for the year ended December 31, 2015

40.3 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.

	2015	2014
	Rupees in thousands	
National Insurance Company Limited		
Facultative business		
Fire	162,460	300,556
Marine cargo	-	-
Marine hull	105,343	11,838
Accident and others	-	-
Aviation	1,038,950	1,167,152
Engineering	619,910	1,258,876
	1,926,663	2,738,422
Treaty business	333,023	406,681
	2,259,686	3,145,103
Reliance on customer - percentage of total premium written	28%	36%

41 TRANSACTIONS WITH RELATED PARTIES

Government of Pakistan through Ministry of Commerce owns 51% (2014: 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:

	2015	2014
	Rupees	
Major shareholder		
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, 2015

	Note	2015 Rupees	2014 Rupees
Related parties by virtue of GoP's holdings			
State Bank of Pakistan			
Purchase of investment (Pakistan Investment Bonds)		512,032,630	517,178,463
Purchase of investment (Treasury Bills)		2,215,083,750	5,047,482,080
Dividend received during the year		49,000	49,000
Sui Northern Gas Pipelines Limited			
Dividend received during the year		-	-
Sui Southern Gas Company Limited			
Dividend received during the year		-	-
Pakistan State Oil Company Limited			
Dividend received during the year		81,270	62,064
National Investment Trust Limited			
Dividend received during the year		95,040,000	63,360,000
National Insurance Company Limited			
Premium due but unpaid		1,405,601,843	1,110,357,465
Insurance premium written during the period		2,260,181,244	3,251,651,105
Premium received		(2,441,981,480)	(2,956,406,727)
Balance at the end of year		1,223,801,607	1,405,601,843
Insurance commission paid		23,024,297	66,367,760
Insurance claims paid		1,618,668,302	151,774,484
Other related parties			
Contribution to staff benefit funds			
Remuneration including benefits and perquisites of key management personnel	42	33,609,724	32,362,192

Notes to the Financial Statements | for the year ended December 31, 2015

42 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				
December 31, 2015					
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
December 31, 2014					
Chief Executive	-	-	-	-	-
Executives	23,329,754	135,660	7,462,620	1,434,158	32,362,192
	23,329,754	135,660	7,462,620	1,434,158	32,362,192

- 42.1 No remuneration was paid to non executive directors of the Company except for meeting fees. The amount charged in respect of fee to five non executive directors (2014: five) aggregated to Rs. 6.868 million (2014: Rs. 2.063 million).

	2015	2014
	Number of person(s)	
Chief Executive	0	0
Director		
Executive director	0	0
Non-executive director	5	5
Executives	15	17

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.

	2015	2014
	Number of person(s)	
43 EMPLOYEES		
Number of employees at the year end		
Permanent	218	230
Others	14	15
Average number of employees during the year		
Permanent	224	238
Others	15	16

Notes to the Financial Statements | for the year ended December 31, 2015

44 FAIR VALUE OF FINANCIAL INSTRUMENTS

44.1 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, 2015.

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, 2015		As at December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	-----Rupees-----		-----Rupees-----	
Financial Assets				
- Cash and bank deposits	3,284,965,074	3,284,965,074	3,081,370,269	3,081,370,269
- Loans to employees	71,079,742	71,079,742	70,577,021	70,577,021
- Investments				
Available-for-sale				
Ordinary shares - listed	421,028,207	2,391,599,638	421,028,207	2,629,951,444
Mutual fund units	1,957,007,894	3,624,112,745	1,957,007,894	3,817,433,202
Ordinary shares - unlisted	617,613	3,558,861,852	617,613	4,248,143,777
Held-to-maturity				
Pakistan Investment Bonds	3,117,912,770	3,474,270,127	3,140,720,013	3,325,000,000
Treasury Bills	715,560,000	732,705,535	1,027,295,000	1,037,000,000
Held-for-trading				
Ordinary shares - listed	105,592,398	105,592,398	103,340,912	103,340,912
	6,317,718,882	13,887,142,295	6,650,009,639	15,160,869,334
	32,107,170	1,410,224,000	33,892,378	1,281,000,000
- Investment properties				
- Amount due from other insurers and reinsurers	3,668,040,093	3,668,040,093	3,037,906,812	3,037,906,812
- Premium and claim reserves retained by cedants	168,098,008	168,098,008	207,383,486	207,383,486
- Accrued investment income	190,216,722	190,216,722	178,320,523	178,320,523
- Reinsurance recoveries against outstanding claims	1,406,544,395	1,406,544,395	1,610,368,696	1,610,368,696
- Sundry receivables	92,827,896	92,827,896	90,887,275	90,887,275
Financial Liabilities				
- Provision for outstanding claims (including IBNR)	3,093,187,482	3,093,187,482	3,183,398,261	3,183,398,261
- Deferred liability - employee benefits	1,486,579,674	1,486,579,674	804,333,398	804,333,398
- Long term deposits	12,681,380	12,681,380	12,484,487	12,484,487
- Amount due to other insurers and reinsurers	1,497,163,484	1,497,163,484	1,678,642,152	1,678,642,152
- Premium and claim reserves retained from retrocessionaires	19,063,743	19,063,743	19,063,742	19,063,742

Notes to the Financial Statements | for the year ended December 31, 2015

	As at December 31, 2015		As at December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
	-----Rupees-----		-----Rupees-----	
- Other creditors and accruals	49,038,959	49,038,959	39,330,163	39,330,163
- Accrued expenses	17,597,350	17,597,350	24,624,664	24,624,664
- Retention money payable	6,368,183	6,368,183	6,368,183	6,368,183
- Dividend payable	137,227,342	137,227,342	124,504,179	124,504,179
- Surplus profit payable	1,212,602	1,212,602	1,212,602	1,212,602

44.2 Fair value hierarchy

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, 2015		
	Level 1	Level 2	Level 3
	-----Rupees-----		
Financial assets measured at fair value			
Investments at fair value through profit or loss - held for trading	105,592,398	-	-
Investments at fair value- available for sale			
Government issued securities			
Pakistan Investment Bonds	3,474,270,127	3,474,270,127	-
Treasury Bills	732,705,535	732,705,535	-
Ordinary shares - listed	2,391,599,638	2,391,599,638	-
Mutual fund units	3,624,112,745	-	-
Ordinary shares - unlisted	3,558,861,852	-	3,558,861,852
	<u>13,887,142,295</u>	<u>6,598,575,300</u>	<u>3,558,861,852</u>

Notes to the Financial Statements | for the year ended December 31, 2015

As at December 31, 2014	Level 1	Level 2	Level 3
-----Rupees-----			
Financial assets measured at fair value			
Investments at fair value through profit or loss - held for trading	103,340,912	-	-
Investments at fair value- available for sale			
Government issued securities			
Pakistan Investment Bonds	3,325,000,000	3,325,000,000	-
Treasury Bills	1,037,000,000	1,037,000,000	-
Ordinary shares - listed	2,629,951,444	2,629,951,444	-
Mutual fund units	3,817,433,202	-	-
Ordinary shares - unlisted	4,248,143,777	-	4,248,143,777
	<u>15,160,869,334</u>	<u>6,991,951,444</u>	<u>4,248,143,777</u>

44.3 Transfers during the period

During the year to December 31, 2015:

- 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

44.4 Valuation techniques

Investments at fair value through profit or loss - held for trading

For level 2 investments at fair value through profit or loss - held for trading, the Fund uses the closing market price as per MUFAP, in respect of T bills and PIBs, and as per rates derived from PKRV rates, in respect of Government securities, at reporting date per certificates multiplied by the number of certificates held .

Notes to the Financial Statements | for the year ended December 31, 2015

45 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(1)/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. 38.815 million, profit before taxation would have been lower by Rs. 38.815 million, earnings per share would have been lower by Rs. 0.13, reserves for the year would have been higher by Rs. 38.815 million.

Notes to the Financial Statements | for the year ended December 31, 2015

46 SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on April 05, 2016 have recommended a final cash dividend of Rs. 2.5 per share (2014: Rs. 2.5 per share) and a bonus issue of Rs. Nil per share (2014: Rs. Nil per share) for the approval of the members in the Annual General Meeting to be held on April 30, 2016.

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.

47 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on April 5, 2016 by the Board of Directors of the company.

48 GENERAL

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

Farzana Munaf
Chief Financial Officer

Taufique Habib
Director

Syed Arshad Ali
Director

At the time of the meeting of Board of Directors, office of the Chief Executive is vacant. Therefore, in pursuance of relaxation granted by Securities and Exchange Commission of Pakistan (SECP), these financial statements, as approved by the Board of Directors, have been signed by two directors and the Chief Financial Officer.

Pattern of Shareholding | as at December 31, 2015

# of Shareholders	Shareholdings' Slab			Total Shares Held
548	1	to	100	23,224
652	101	to	500	247,199
631	501	to	1000	560,055
891	1001	to	5000	2,380,451
302	5001	to	10000	2,398,996
103	10001	to	15000	1,294,486
62	15001	to	20000	1,135,321
37	20001	to	25000	867,318
28	25001	to	30000	797,719
23	30001	to	35000	756,072
9	35001	to	40000	353,545
10	40001	to	45000	424,919
11	45001	to	50000	545,666
12	50001	to	55000	633,849
5	55001	to	60000	295,019
6	60001	to	65000	382,632
10	65001	to	70000	686,999
6	70001	to	75000	438,881
4	75001	to	80000	307,818
2	80001	to	85000	168,000
1	85001	to	90000	86,399
3	90001	to	95000	278,778
12	95001	to	100000	1,200,000
1	100001	to	105000	100,100
3	105001	to	110000	322,500
2	110001	to	115000	224,999
2	115001	to	120000	237,999
3	120001	to	125000	375,000
3	125001	to	130000	382,500
3	130001	to	135000	400,599
2	135001	to	140000	272,346
7	145001	to	150000	1,039,463
2	150001	to	155000	309,500
1	155001	to	160000	155,999
1	160001	to	165000	161,500
1	165001	to	170000	168,000
1	175001	to	180000	177,777
3	180001	to	185000	549,688
5	195001	to	200000	1,000,000
1	200001	to	205000	203,500
1	205001	to	210000	209,999

Pattern of Shareholding | as at December 31, 2015

# of Shareholders	Shareholdings' Slab			Total Shares Held
1	215001	to	220000	216,000
1	220001	to	225000	222,599
1	240001	to	245000	241,299
1	245001	to	250000	250,000
2	260001	to	265000	524,743
1	270001	to	275000	274,799
1	280001	to	285000	280,600
2	285001	to	290000	576,843
2	295001	to	300000	598,499
1	300001	to	305000	300,500
1	315001	to	320000	319,199
1	380001	to	385000	383,999
1	395001	to	400000	395,999
1	420001	to	425000	425,000
1	445001	to	450000	450,000
1	460001	to	465000	461,999
1	520001	to	525000	525,000
1	560001	to	565000	562,000
1	720001	to	725000	722,000
1	735001	to	740000	740,000
1	745001	to	750000	750,000
1	775001	to	780000	779,998
1	1060001	to	1065000	1,064,500
1	1095001	to	1100000	1,100,000
1	1435001	to	1440000	1,437,000
1	2190001	to	2195000	2,193,000
1	2630001	to	2635000	2,632,500
1	3745001	to	3750000	3,747,882
1	4990001	to	4995000	4,995,000
1	5455001	to	5460000	5,458,500
1	6495001	to	6500000	6,500,000
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
3448				300,000,000

Pattern of Shareholding | as at December 31, 2015

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government of Pakistan			
THE SECRETARY MINISTRY OF COMMERCE,	1	134,639,785	44.88
PRCL EMPLOYEES EMPOWERMENT TRUST	1	18,359,971	6.12
Associated Companies, undertakings and related parties			
STATE LIFE INSURANCE CORP. OF PAKISTAN	1	73,232,201	24.41
Mutual Funds			
	6	2,527,625	0.84
Directors and their spouse(s) and minor children			
ABDUL SAMI KEHAR	1	55	0.00
Vacant	1	55	0.00
TAUFIQUE HABIB	2	1,555	0.00
Joint Secretary (Ins) Ministry of Commerce, Government of Pakistan.	1	55	0.00
MUMTAZ ALI RAJPER	2	555	0.00
SYED ARSHAD ALI	1	55	0.00
FAISAL MUMTAZ	1	55	0.00
Vacant	1	55	
Executives			
	7	4,930	0.00
Public Sector Companies and Corporations			
	4	14,358,770	4.79
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful and modarabas			
	14	15,557,099	5.19
General Public			
a. Local	3342	33,225,410	11.08
b. Foreign	3	3,022	0.00
Foreign Companies			
	3	5,674,578	1.89
Others			
	56	2,414,169	0.80
Total	3448	300,000,000	100.00

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



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 16th Annual General Meeting of the Company to be held on Saturday the 30th April, 2016 at 11:00 a.m and at any adjournment thereof.

Signed this _____ day of April 2016.

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:

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

قلم برائے پراسی

سالانہ جلسے عام

مقام: (لاہور).....

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Securing Tomorrow



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