

42nd
ANNUAL REPORT
1994



PAKISTAN INSURANCE CORPORATION



بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ



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BOARD OF DIRECTORS



MR. FIROZUDDIN AHMED	CHAIRMAN
MR. S. M. RAFIQUE AKHTAR	DIRECTOR
MR. AFTAB AHMED KHAN	DIRECTOR
MR. M. JAMIL ERICKZADA	DIRECTOR
MR. M. JAVED ASHRAF HUSSAIN	DIRECTOR
CH. SAJJAD ALI	DIRECTOR
MR. NAVEED HASAN	DIRECTOR
MR. ABDUL RAUF MALIK	DIRECTOR

AUDITORS :

RAHIM JAN & CO.
Chartered Accountants

AKBAR G. MERCHANT & CO.
Chartered Accountants

HEAD OFFICE :

PIC Towers, 32-A, Lalazar Drive, M. T. Khan Road,
P. O. Box : 4777,
Karachi-Pakistan.
Telephone : 5610334, 5611823 - 5611824, 5611145,
5611168, 5611188, 5611077, 5611078
Telex : 20428 PAKRE



NOTIFICATION

NOTICE is hereby given that the 42nd Annual General Meeting of the shareholders of the Pakistan Insurance Corporation will be held on Saturday the 30th September, 1995 at 11.00 a.m. at PIC Towers, 32-A, Lalazar Drive, M. T. Khan Road, Karachi, to transact the following business:-

- (1) To confirm the minutes of the 41st Annual General meeting held on Thursday the 18th August, 1994;
- (2) To receive and adopt the audited balance sheet as at 31-12-1994, the Revenue Accounts, the Profit & Loss Accounts and the Profit & Loss Appropriation Accounts for the year ended 31st December, 1994;
- (3) To declare dividend, as recommended by the Board of Directors for the year ended 31st December, 1994;
- (4) To transact any other business with the permission of the Chair.

By Order of the Board

(MOHAMMAD ALI MEMON)
Secretary

Karachi, the 16th August, 1995.

- NOTES: (i) The Share Transfer Books of the Corporation shall remain closed from 22-09-1995 to 30-09-1995 (both days inclusive) to ascertain entitlement of the dividend.
- (ii) A member eligible to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Corporation not less than four (4) clear days before the date of the meeting.
- (iii) The shareholders are requested to immediately notify change in their address, if any.

**REPORT OF THE BOARD OF DIRECTORS ON
THE WORKING OF THE CORPORATION FOR
THE YEAR ENDED 31ST DECEMBER, 1994**



The Shareholders,
Pakistan Insurance Corporation,

Gentlemen,

Your Directors again feel pleasure in presenting herewith the 42nd Annual Report on the Accounts of the Corporation for the year 1994.

2. The growth of PIC Business since 1968 is shown in the following table:-

Year	Gross Premium Income	Profit	Total Reserve	Total Investment
1968	131.9	7.4	63.4	42.3
1973	238.9	10.9	127.4	37.1
1978	578.6	33.6	390.0	251.5
1983	897.6	66.6	640.0	476.6
1988	1104.6	119.4	885.0	620.0
1989	1157.0	88.9	958.0	659.9
1990	1333.1	83.2	1058.5	715.5
1991	1526.3	49.0	1175.4	724.3
1992	1735.4	116.1	1329.5	847.5
1993	1677.3	169.4	1447.6	840.7
1994	1983.7	142.2	1442.9	903.9

Although there is an increase in the gross premium of Rs. 306.4 million i.e. from Rs. 1677.3 million in 1993 to Rs. 1983.7 million in 1994 but there is an underwriting loss of Rs. 12.1 million in 1994 mainly due to reduction in PIC retention and increase in claims which has ultimately reduced the Underwriting profit.



3. At glance, the position of Revenue Accounts is as under:-

(In million of Rupees)

	Fire		Marine		Misc.		Total	
	1993	1994	1993	1994	1993	1994	1993	1994
Gross Premium	482	535	310	309	885	1140	1677	1984
Retro Premium	<u>210</u>	<u>288</u>	<u>139</u>	<u>134</u>	<u>403</u>	<u>736</u>	<u>752</u>	<u>1158</u>
Net Premium	272	247	171	175	482	404	925	826
Net Commission	129	132	62	58	145	130	335	320
Net Claims	133	110	64	97	290	271	487	479
Prem. Resv. Adj.	(27)	(10)	22	3	21	(30)	17	(37)
Underwriting Surplus	37	15	23	17	26	33	86	64
Management Exp.	19	23	13	16	34	37	66	76
Underwriting Profit/(Loss)	18	(8)	10	1	(8)	(4)	20	(12)

The net commission as a percentage of net premium has increased in 1994 over 1993. The net claims in 1994 as a percentage of net premium has also increased from 52.69% in 1993 to 57.99% in 1994. Hence, there is an Underwriting Loss of Rs. 12.1 Million in 1994 as compared to profit of Rs. 19.9 million in 1993.

4. The experience of individual classes of business during the year 1994 has been produced as follows:-

a) FIRE BUSINESS:

The Gross Premium of Fire portfolio has increased from Rs. 482 million in 1993 to Rs. 535 million in 1994 by showing an increase of 10.9%. The said increase is mainly due to increase of exploration business and also due to normal increase under compulsory and foreign pool. Net premium has decreased due to decrease in Pak Treaty business and due to impact of oil exploration business. The net commission has slightly increased.



b) MARINE BUSINESS:

The Gross Premium in the Marine Business (Cargo & Hull) has slightly decreased in the year 1994 due to less cession to PIC under Compulsory cession. The Net Premium has increased in the year 1994 as compared to 1993 due to less retrocession.

c) MISCELLANEOUS BUSINESS:

The overall increase in Gross Premium is Rs. 255.3 million in 1994 as compared to 1993 due to increase in NIC/PIA Fleet Insurance Business.

There is an overall decrease in the net premium of Rs. 99.46 million in 1994 mainly due to more retrocession.

5. PREMIUM RESERVE:

Premium Reserve has been calculated as before as 100% of the net premium in respect of Marine Hull and Aviation, 50% of the net premium in the Marine Cargo and 40% of the net premium in Fire, Accident and Engineering Business.

6. INVESTMENT:

The PIC investment portfolio as at 31-12-1994 is Rs. 903.889 million as against Rs. 840.765 million in 1993. There is an increase of Rs. 63.124 million in 1994 over 1993.

7. PROFIT & LOSS ACCOUNT:

The Profit and Loss Account for the year 1994, shows a net profit of Rs. 142.192 million before tax. The break-up of appropriation of net profit for 1994 including balance brought forward from last year is given below:-

	(In million of Rupees)
Balance brought forwarded from 1993 (Rs. 30.8 less Surplus Rs. 6.1 million paid in 1994)	24.7
Underwriting Loss	(12.1)
Investment Income	153.2
Other Income (net of Expenses)	1.1
Total:	<u>166.9</u>



8. Allocation of Profit:-

(In million of Rupees)

(i) Provision for Taxation	138.5
(ii) Proposed Dividend	5.0
(iii) Balance carried forward	23.4
Total:	<u>166.9</u>

9. Balance Sheet:

There has been a decrease of Rs. 5 million in the reserves and provisions which have gone from Rs. 1448 million in 1993 to Rs. 1443 million in 1994.

10. Dividend:

The Directors are pleased to declare a dividend of 10% for the year 1994.



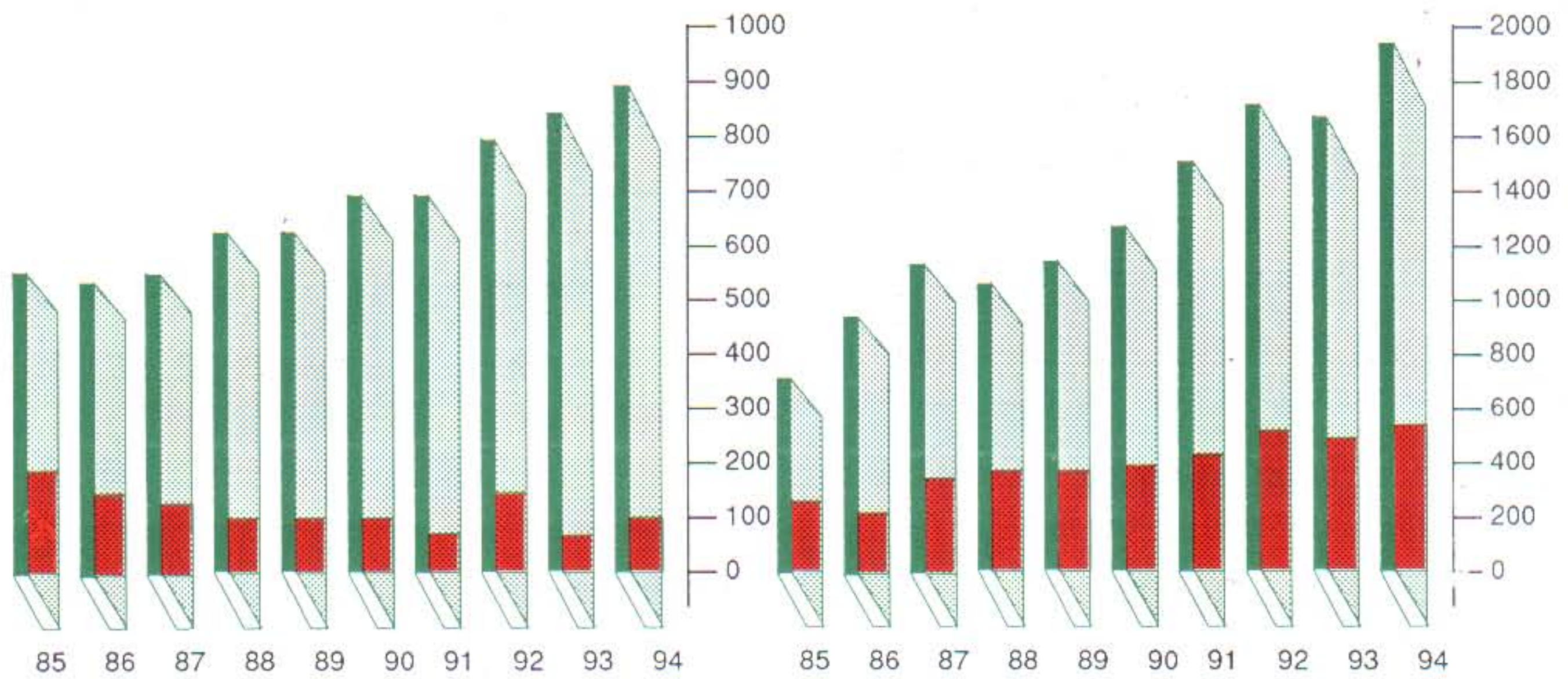
BOARD OF DIRECTORS
 CHAIRMAN
 MEMBERS

CASH & INVESTMENT

INVESTMENT (Rs. in million)
 CASH

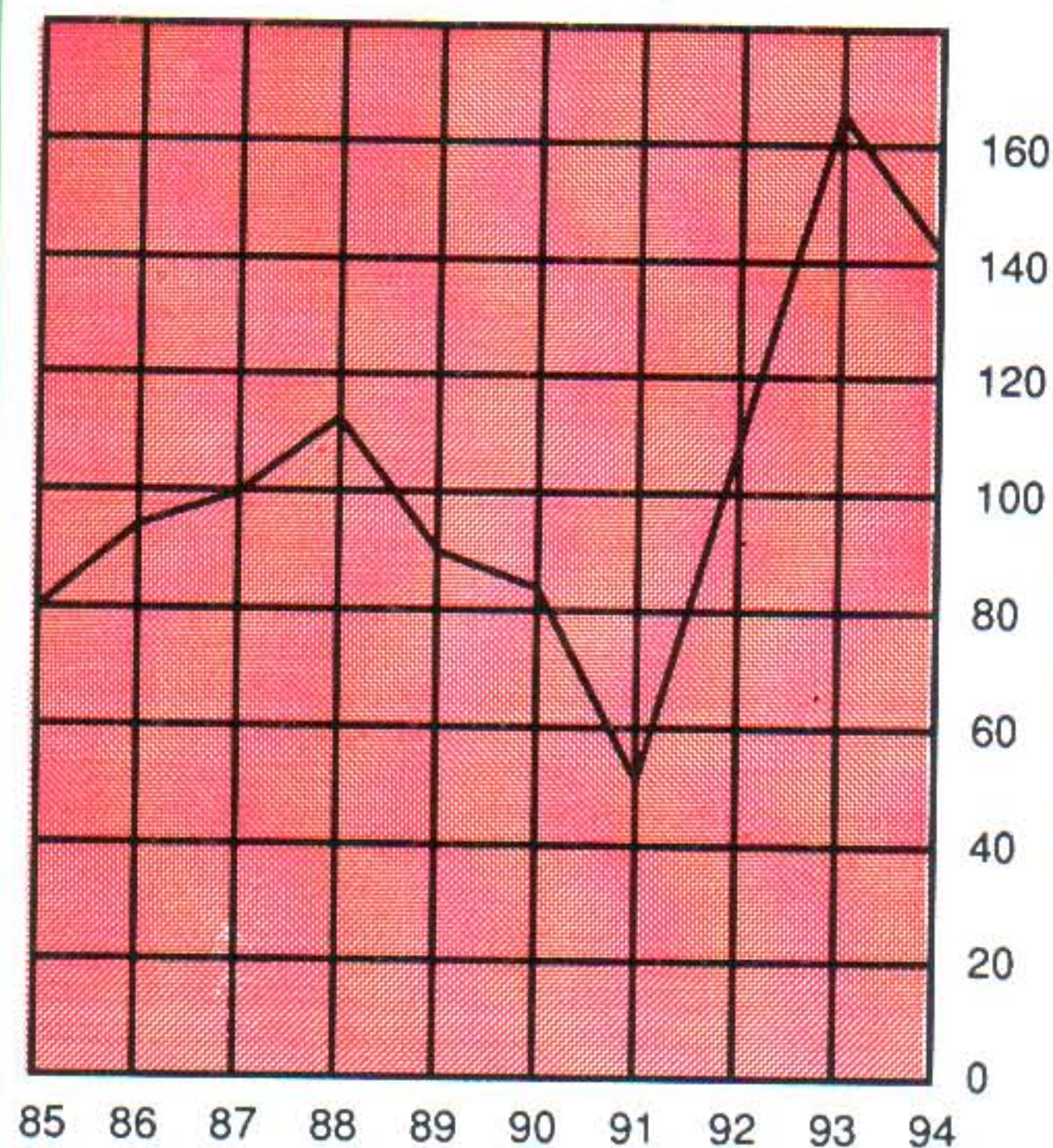
PREMIUM & CLAIMS

PREMIUM (Rs. in million)
 CLAIMS

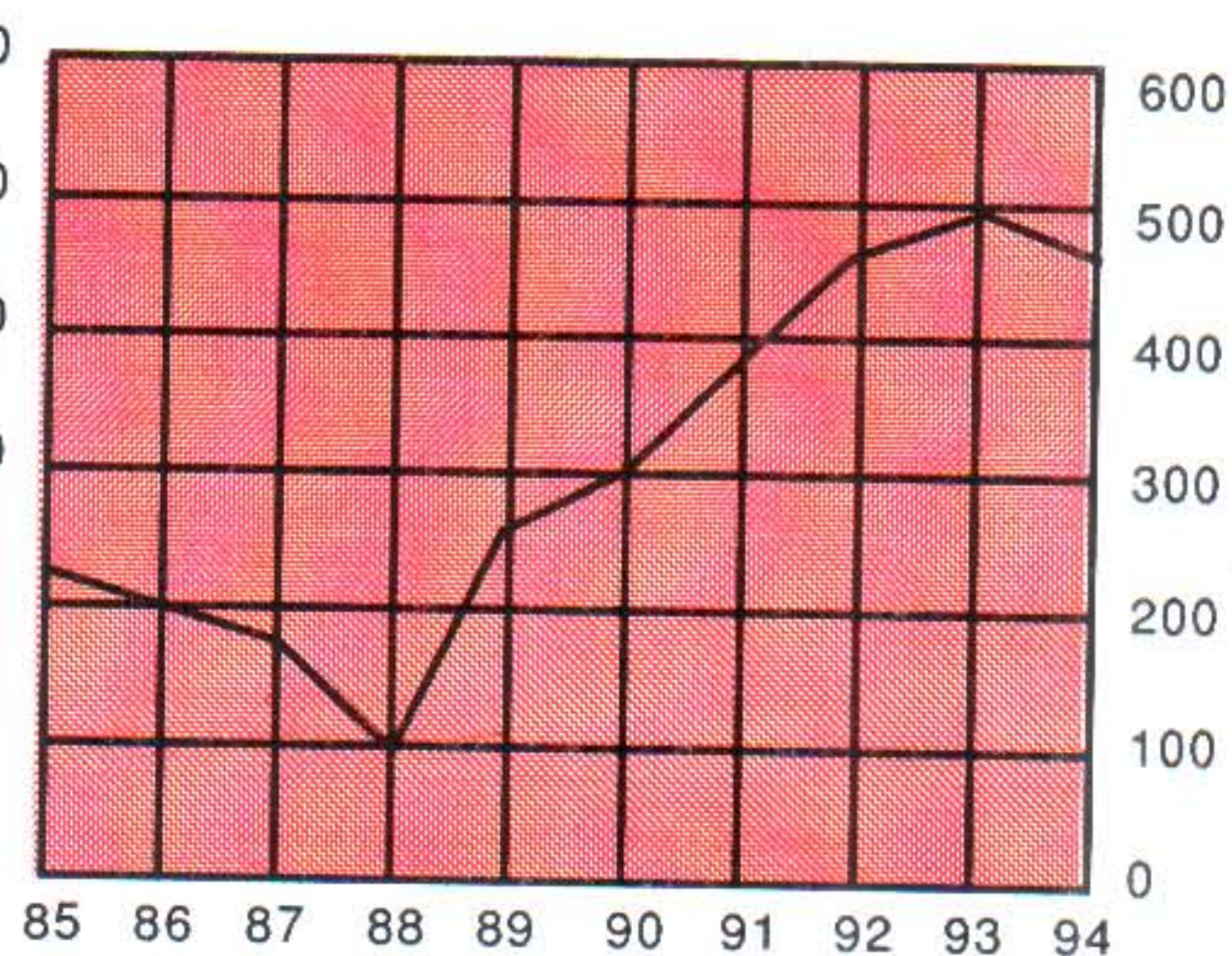




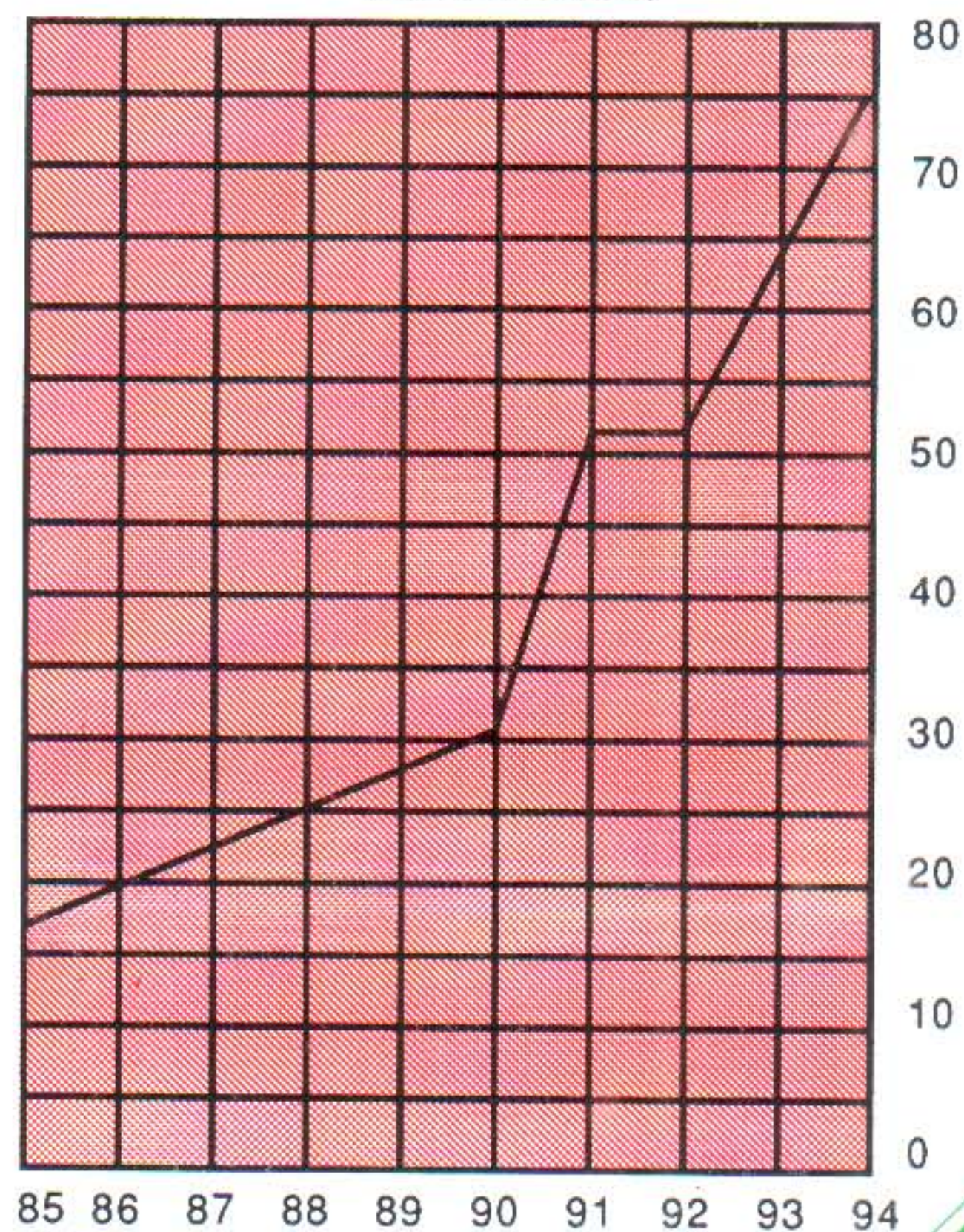
PROFIT BEFORE TAXATION
(Rs. in million)



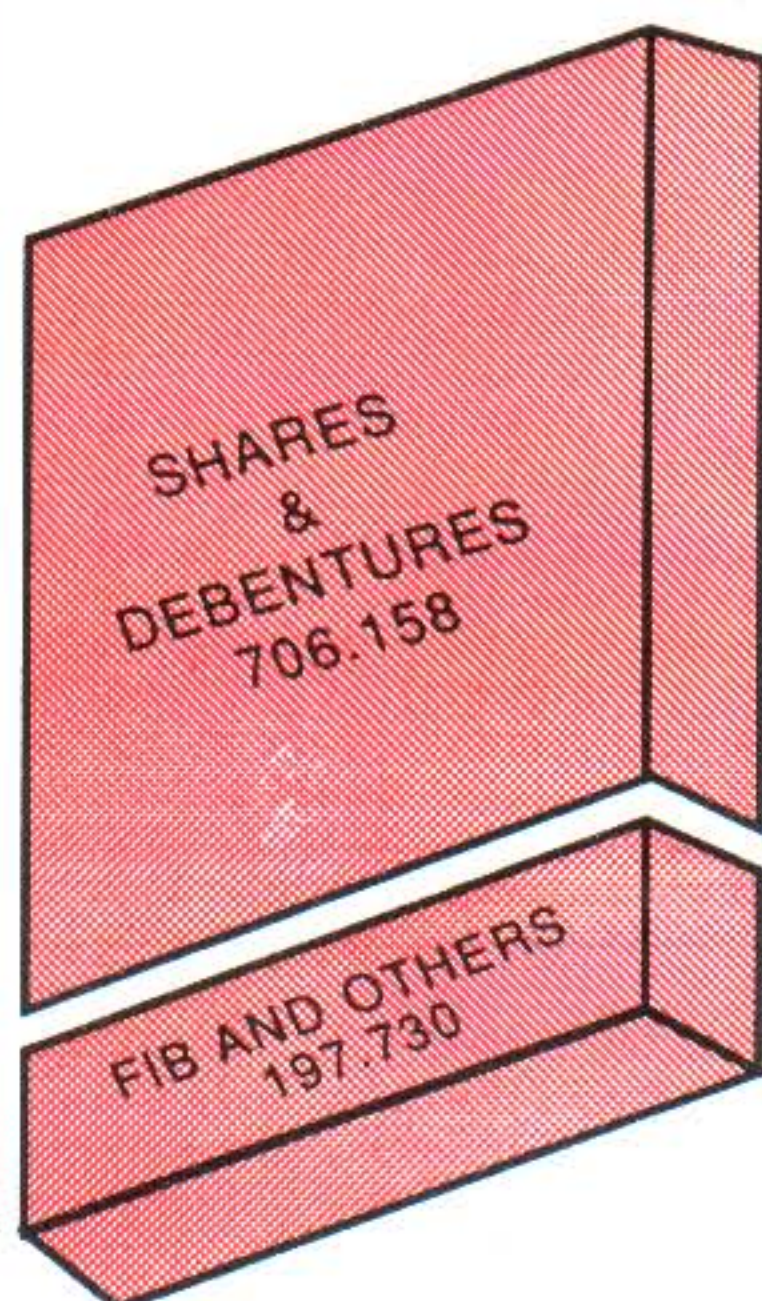
NET CLAIMS
(Rs. in million)



ADMINISTRATION EXPENSES
(Rs. in million)

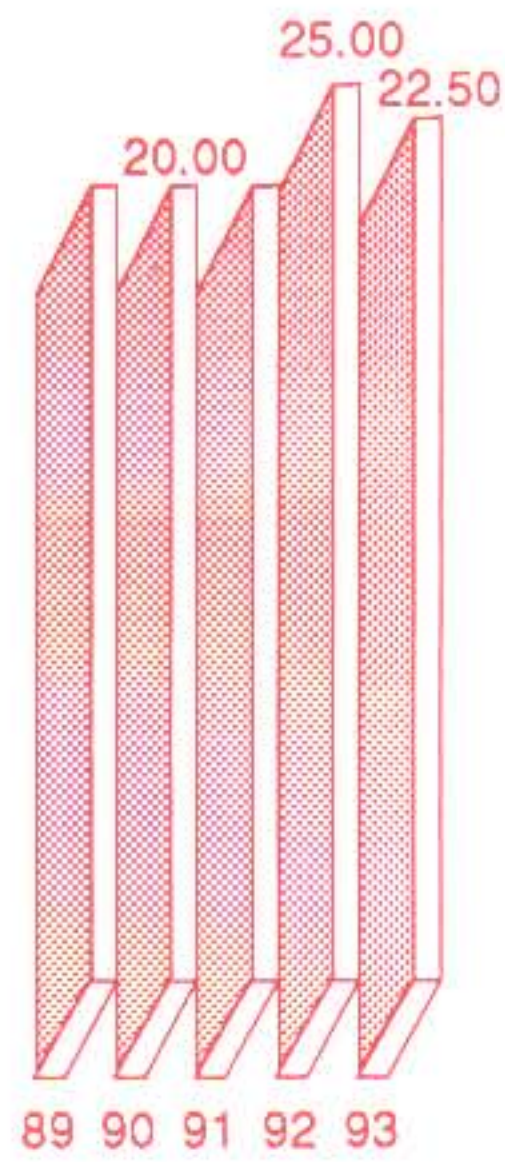


INVESTMENTS
(Rs. 903.888 million Mix)

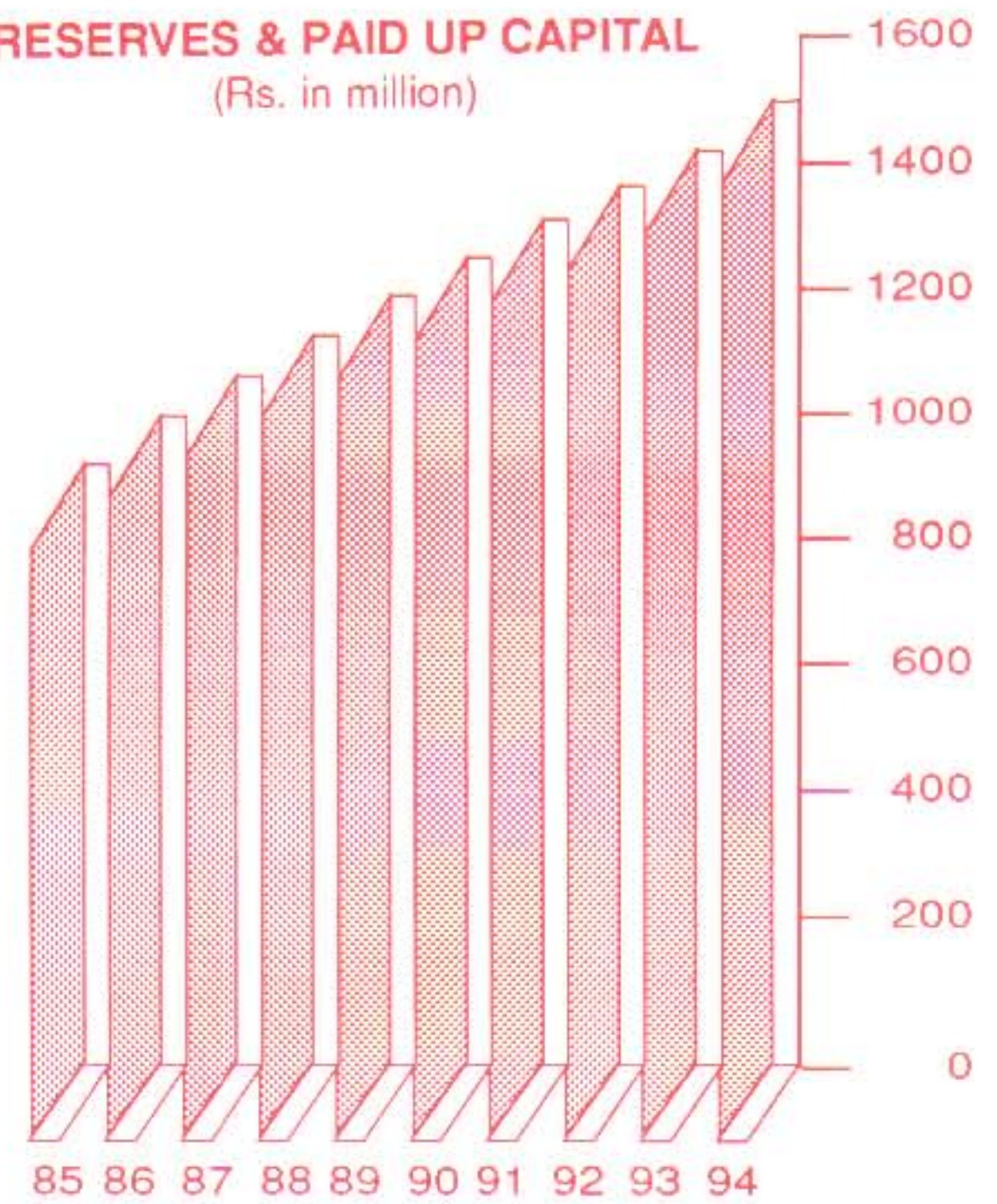




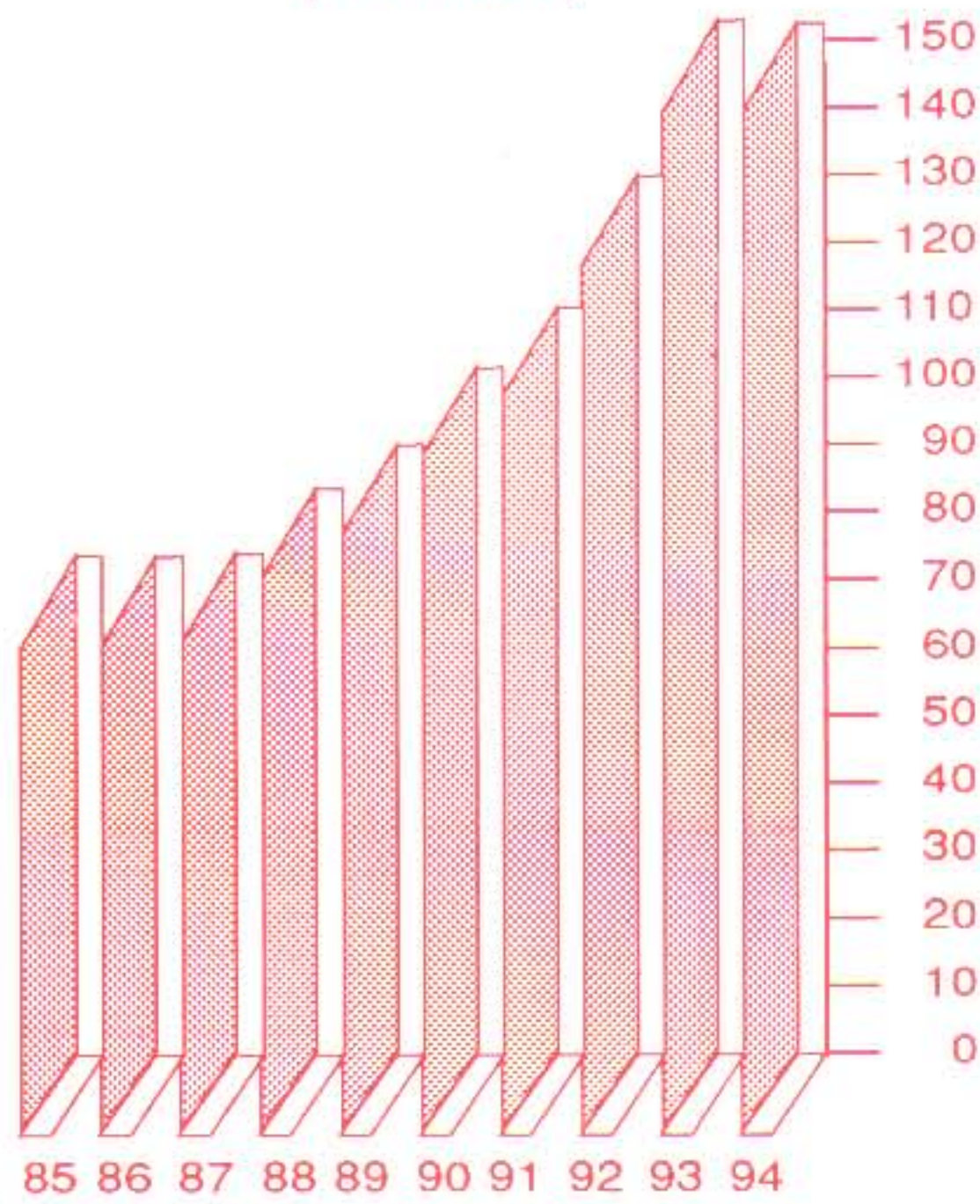
DIVIDEND/SURPLUS (CASH)
(Rs. in million)



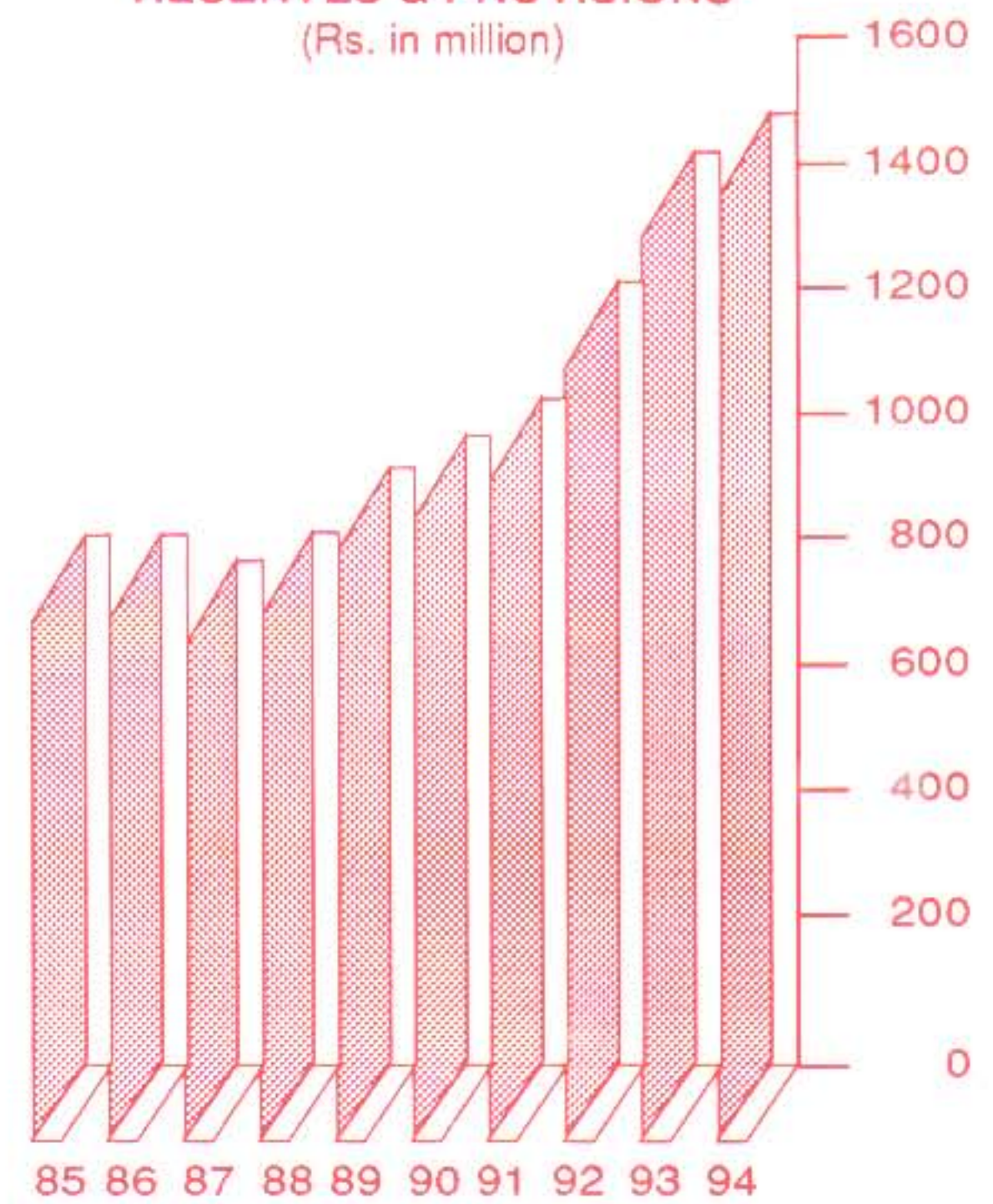
RESERVES & PAID UP CAPITAL
(Rs. in million)



INVESTMENT INCOME
(Rs. in million)



RESERVES & PROVISIONS
(Rs. in million)





42 YEARS AT A GLANCE

(In Million of Rupees)

Years	Gross Premium Income	Profit	Dividend Declared %	Total Reserves/Provisions	Total Investment including Land & Building
1953	1.638	0.013	—	0.795	1.046
1954	4.492	0.106	5	3.202	3.514
1955	5.674	0.510	4	3.462	4.510
1956	8.045	0.575	5	4.844	5.099
1957	9.461	0.634	6-1/4	6.424	6.030
1958	20.734	1.069	10	8.704	8.993
1959	25.012	1.592	10	0.995	10.455
1960	33.110	1.694	10	11.258	11.381
1961	37.663	1.509	10	13.624	12.299
1962	47.889	1.561	10	17.032	14.902
1963	57.165	1.648	10	21.069	20.306
1964	67.400	2.017	10	25.901	25.789
1965	72.298	2.334	10	35.547	31.040
1966	93.806	2.308	10	39.501	35.407
1967	108.431	3.621	10	49.117	38.709
1968	131.942	7.397	10	63.364	42.256
1969	156.291	6.728	10	77.448	47.762
1970	155.445	8.752	10	91.108	51.242
1971	166.767	7.079	10	107.060	52.084
1972	215.202	6.287	10	116.223	35.986
1973	238.288	10.924	7-1/2	127.400	37.075
1974	319.887	16.022	7-1/2	174.027	47.584
1975	399.717	19.865	10	207.712	92.768
1976	462.368	26.518	10	262.956	138.739
1977	554.482	18.069	10	330.725	212.265
1978	578.556	33.550	3:5B10	390.044	251.465
1979	666.478	6.975	10	474.789	249.973
1980	733.309	7.396	10	539.195	327.114
1981	780.507	70.606	1:4B10	588.358	387.655
1982	872.829	72.639	1:4B10	577.241	414.704
1983	897.624	66.580	2:5B10	640.010	476.642
1984	817.497	76.049	2:5B10	707.578	505.673
1985	903.596	90.760	3:7B10	730.558	620.673
1986	1,081.198	96.893	3:7B10	748.086	591.001
1987	1,165.766	102.836	10	815.746	623.446
1988	1,104.600	119.411	10	884.675	678.644
1989	1,156.986	88.889	30S10	958.312	719.463
1990	1,333.101	82.962	30S10	1,058.624	776.851
1991	1,526.299	48.971	30S10	1,175.438	801.015
1992	1,735.423	115.957	24S10	1,329.442	968.968
1993	1,677.307	169.491	35S10	1,447.679	1,020.004
1994	1,983.690	142.193	10	1,442.878	1,122.541

AUDITORS REPORT TO THE MEMBERS



We have audited the annexed Balance Sheet of PAKISTAN INSURANCE CORPORATION as at 31st December, 1994 and the Fire, Marine and Miscellaneous Insurance Revenue Accounts, the Profit and Loss Account the Profit & Loss Appropriation Account and Cash Flow Statement together with the Notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and after due verification thereof, we report that:

- (a) in our opinion, proper books of account have been kept by the Corporation as required by the law;
- (b) in our opinion:
 - (i) the Balance Sheet, the Fire, Marine and Miscellaneous Insurance Revenue Accounts, the Profit and Loss Account and the Profit & Loss Appropriation Account together with the Notes thereon have been drawn up in conformity with the law and are in agreement with the books of account and are further in accordance with accounting policies consistently applied save and except for accounting policies in regard to Taxation and provision for Bad and Doubtful Debts, which remain uncomplished, because they are not adequately provided for;
 - (ii) the expenditure incurred during the year was for the purpose of the Corporation's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Corporation;
- (c) (i) In our opinion, the unreconciled balances of many years in respect of:
 - Taxation, because all payments of taxes are reflected as "Advance for Taxation" and all provisions on declared taxable income are only provided and reflected as "Provisions for Taxation" in Balance Sheet, from year to year, without any adjustments for assessed tax liability;
 - Outstanding claims (Note 8.2);
 - Creditors (Note 9);
 - Assets in Bangladesh (Note 11);
 - National Co-Insurance Scheme (Note 12);
 - That the statement of amounts due to/from persons and bodies carrying on insurance business; and
 - The fact that the Foreign Currency balances other than Bank Accounts have not been translated at the year end rates (Note 2(j));

which in our opinion, may have material effect and may result in substantial under provision but the extent of which could not be quantified.

In our opinion and to the best of our information and according to the explanations given to us, except for the financial effect of the matters as discussed in preceding paragraphs, the Balance Sheet, Fire, Marine and Miscellaneous Insurance Revenue Accounts, the Profit & Loss Account, the Profit & Loss Appropriation Account together with the Notes forming part thereof, give the information required by the law in the manner so required, and the Balance Sheet, Profit and Loss Account and Cash Flow Statement give, respectively, a true and fair view of the Corporation's affairs as at 31st December, 1994 and its profit and cash flows for the year then ended; and

- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Corporation and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

RAHIM JAN & CO.
Chartered Accountants

AKBAR G. MERCHANT & CO.
Chartered Accountants

Karachi: 14th September, 1995



REVENUE ACCOUNT FOR THE CONSOLIDATED FOR ALL

PARTICULARS

	1994	1993
	(Rs. '000)	(Rs. '000)
Commission (Less: Retrocessions)	320,495	334,900
Claims (less: Retrocessions) paid during the year	446,376	491,163
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	291,758	259,232
	738,134	750,395
Less: Outstanding at the end of the previous year	259,232	262,854
	478,902	487,541
Expenses of Management	75,858	65,995
Premium Reserve for the year	360,670	397,996
Profit for the year transferred to profit and loss account	—	19,964
	<u>1,235,925</u>	<u>1,306,396</u>

As per our report annexed

RAHIM JAN & COMPANY
Chartered Accountants

Karachi, the 14th September, 1995

AKBAR G. MERCHANT & CO.
Chartered Accountants

YEAR ENDED 31ST DECEMBER, 1994
CLASSES OF BUSINESS



PARTICULARS

	1994	1993
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	397,995	381,137
Premium	1,983,690	1,677,307
Less: Retrocessions	1,157,891	752,048
	825,799	925,259
Loss transferred to profit and loss account	12,131	—
	<u>1,235,925</u>	<u>1,306,396</u>

FIROZUDDIN AHMED
 Chief Executive

M. JAVED ASHRAF HUSSAIN
 Director



REVENUE ACCOUNT FOR THE FIRE

PARTICULARS

	1994	1993
	(Rs. '000)	(Rs. '000)
Commission (Less: Retrocessions)	132,453	128,480
Claims (less: Retrocessions) paid during the year	89,352	131,376
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	101,533	80,600
	190,885	211,976
Less: Outstanding at the end of the previous year	80,599	78,837
	110,286	133,139
Expenses of Management	22,683	19,415
Premium Reserve for the year	99,950	110,056
Profit transferred to profit and loss Account	—	17,700
	365,372	408,790

As per our report annexed

RAHIM JAN & COMPANY
Chartered Accountants

Karachi, the 14th September, 1995

AKBAR G. MERCHANT & CO.
Chartered Accountants

**YEAR ENDED 31ST DECEMBER, 1994
BUSINESS**



PARTICULARS

	1994	1993
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	110,056	136,587
Premium	534,810	482,235
Less: Retrocessions	287,874	210,032
	246,936	272,203
Loss transferred to profit and loss account	8,380	—
	<u>365,372</u>	<u>408,790</u>

FIROZUDDIN AHMED
Chief Executive

M. JAVED ASHRAF HUSSAIN
Director



REVENUE ACCOUNT FOR THE MARINE

PARTICULARS

	1994	1993
	(Rs. '000)	(Rs. '000)
Commission (Less: Retrocessions)	58,163	61,637
Claims (less: Retrocessions) paid during the year	83,453	80,811
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	83,350	69,586
	166,803	150,397
Less: Outstanding at the end of the previous year	69,586	86,013
	97,217	64,384
Expenses of Management	16,059	12,172
Premium Reserve for the year	87,269	84,741
Profit transferred to profit and loss Account	847	10,255
	259,555	233,189

As per our report annexed

RAHIM JAN & COMPANY
Chartered Accountants

AKBAR G. MERCHANT & CO.
Chartered Accountants

Karachi, the 14th September, 1995

**YEAR ENDED 31ST DECEMBER, 1994
BUSINESS**



PARTICULARS

	1994	1993
	(Rs. '000)	(Rs. '000)
Premium Reserve brought forward from last year	84,741	62,545
Premium	308,451	309,911
Less: Retrocessions	133,637	139,267
	174,814	170,644
	<u>259,555</u>	<u>233,189</u>

FIROZUDDIN AHMED
Chief Executive

M. JAVED ASHRAF HUSSAIN
Director



REVENUE ACCOUNT FOR THE MISCELLANEOUS

PARTICULARS

	1994	1993
	(Rs. '000)	(Rs. '000)
Commission (Less: Retrocessions)	129,878	144,782
Claims (less: Retrocessions) paid during the year	273,571	278,975
Add: Total estimated liability in respect of outstanding claims at the end of the year whether due or intimated	106,875	109,047
	380,446	388,022
Less: Outstanding at the end of the previous year	109,047	98,003
	271,399	290,019
Expenses of Management	37,116	34,408
Premium Reserve for the year	173,452	203,198
	611,845	672,407

As per our report annexed

RAHIM JAN & COMPANY
Chartered Accountants

Karachi, the 14th September, 1995

AKBAR G. MERCHANT & CO.
Chartered Accountants

PARTICULARS	1994 (Rs. '000)	1993 (Rs. '000)
Premium Reserve brought forward from last year	203,198	182,005
Premium	1,140,428	885,160
Less: Retrocessions	736,379	402,749
	404,049	482,411
Loss transferred to profit and loss account	4,598	7,991
	<u>611,845</u>	<u>672,407</u>

M. JAVED ASHRAF HUSSAIN
Director



PROFIT AND LOSS ACCOUNT FOR THE YEAR

PARTICULARS

Note

1994

1993

EXPENSES OF MANAGEMENT (NOT ALLOCABLE TO ANY PARTICULAR REVENUE ACCOUNT)

Directors' Fee and T. A.
Auditors' Fee
Advertisement & Publicity

E. C. O. Expenses
Training and Research

Interest paid on deposits retained
from other Companies
Exchange Loss/(gain)
Bad Debts written off
Zakat deducted at source

3

Net Profit for the year carried to Profit
and Loss Appropriation Account

(Rs. '000)

(Rs. '000)

331	140
68	68
72	139
471	347
20	336
187	167
207	503
622	354
(776)	(3,663)
—	90
10,076	10,076
10,600	7,707
142,193	169,436
152,793	177,143

PROFIT AND LOSS APPROPRIATION ACCOUNT

Provision for Bad & Doubtful Debts
Provision for Taxation:
— Current year
— Prior's year

General Reserve
Exceptional Losses Reserve
Proposed dividend
Unappropriated Profit transferred to Balance Sheet

—	5,000
63,000	36,000
75,500	—
138,500	36,000
—	60,000
—	50,000
5,000	5,000
23,408	30,815
166,908	186,815

Note: These account should be read in Conjunction with the annexed notes.

As per our report annexed

RAHIM JAN & COMPANY
Chartered Accountants

AKBAR G. MERCHANT & CO.
Chartered Accountants

Karachi, the 14th September, 1995.

ENDED 31ST DECEMBER, 1994



PARTICULARS

	Note	1994 (Rs. '000)	1993 (Rs. '000)
INVESTMENT INCOME			
Interest and Dividends	3	153,222	150,386
OTHER RECEIPTS			
Interest received on deposits retained by other companies		2,888	2,892
Interest on Short Term Deposits		2,842	3,112
Miscellaneous Income		1,352	778
Profit on Sale of Investments		7,082	6,782
		4,620	11
		11,702	6,793
PROFIT/(LOSS) TRANSFERRED FROM REVENUE ACCOUNTS			
Fire		(8,380)	17,700
Marine		847	10,255
Miscellaneous		(4,598)	(7,991)
		(12,131)	19,964
		<u>152,793</u>	<u>177,143</u>
FOR THE YEAR ENDED 31ST DECEMBER, 1994			
Balance Brought forward from Last year		30,815	22,379
Payment as approved by the Federal Government	4	6,100	5,000
		24,715	17,379
Net Profit for the year as per Profit and Loss Account		142,193	169,436
		<u>166,908</u>	<u>186,815</u>

FIROZUDDIN AHMED
Chief Executive

M. JAVED, ASHRAF HUSSAIN
Director



BALANCE SHEET AS AT

CAPITAL AND LIABILITIES

	Note	1994 (Rs. '000)	1993 (Rs. '000)
AUTHORISED CAPITAL			
500,000 Ordinary Shares of Rs. 100/- each		50,000	50,000
ISSUED SUBSCRIBED AND PAID-UP CAPITAL:			
50,000 Ordinary shares of Rs. 100 each fully paid up in cash		5,000	5,000
450,000 ordinary shares of Rs. 100 each issued as fully paid bonus shares		45,000	45,000
Share Premium Account		11	11
		50,011	50,011
RESERVES:			
Exceptional Losses Reserve	5	566,000	566,000
Investment Fluctuation Reserve		5,950	5,950
General Reserve	6	189,500	189,500
Unappropriated Profit		23,408	30,815
		784,858	792,265
PROVISIONS:			
Provision for taxation	7	333,702	195,202
Provision for Bad and Doubtful Debts		29,000	29,000
		362,702	224,202
PROPOSED DIVIDEND:			
Proposed dividend		5,000	5,000
RESERVE FOR OUTSTANDING CLAIMS:	8		
Fire		101,533	80,600
Marine		83,350	69,586
Miscellaneous		106,875	109,047
		291,758	259,233
PREMIUM RESERVES:			
Fire		99,950	110,057
Marine		87,268	84,741
Miscellaneous		173,452	203,198
		360,670	397,996
Amount due to other persons and bodies carrying on insurance business		274,470	141,194
Deposits retained/received from other companies		37,494	74,222
Sundry Creditors	9	36,263	25,362
Retention Money Payable		8,019	3,404
		356,246	244,182
		<u>2,211,245</u>	<u>1,972,889</u>

Note: These accounts should be read in
Conjunction with the annexed notes.

As per our report annexed

RAHIM JAN & COMPANY
Chartered Accountants

Karachi, the 14th September, 1995

AKBAR G. MERCHANT & CO.
Chartered Accountants

31ST DECEMBER, 1994



PROPERTY AND ASSETS

	Note	1994 (Rs. '000)	1993 (Rs. '000)
INVESTMENTS:			
Stock and Shares		705,784	632,660
Debentures		374	374
WAPDA Bonds		20,000	—
Federal Investment Bond		156,730	156,730
Treasury Bill-REPO Scheme		—	30,000
NDFC (Standard Deposits Certificate)		15,000	15,000
Term Deposits		6,000	6,000
		903,888	840,764
Aggregate market value Rs. 1,877,707 (1993: Rs. 1,747,527)			
Land and Building (including capital work-in-progress)	10	218,653	179,240
CURRENT ASSETS:			
Amount due from persons and bodies carrying on insurance business		360,467	397,085
Deposits held by Ceding Companies		69,544	81,429
Cash in hand and at bank		157,288	49,389
Interest, Dividend and return accrued/outstanding		26,985	29,195
Sundry debtors		33,473	20,932
Advances including Taxation, Loans, Deposits and Prepaid Expenses		420,653	355,115
Stocks of stationery etc. - at cost		35	28
		1,068,445	933,173
ADMINISTRATIVE FIXED ASSETS:			
Furniture, Fixtures, Office Equipments, Vehicles and Books (cost less depreciation)		4,285	3,738
ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)	11	15,974	15,974
		<u>2,211,245</u>	<u>1,972,889</u>

FIROZUDDIN AHMED
Chief Executive

M. JAVED ASHRAF HUSSAIN
Director



CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 1994

CASH FLOW FROM OPERATING ACTIVITIES

(Decrease)/Increase in profit balances	(7,407)
(Add)/Deduct Non-Operating Items	
Payments as approved by Federal Government	6,100
Provision for bad debts	—
Provision for taxation	138,500
Increase in General Reserve	—
Increase in Exceptional Loss Reserve	—
Proposed Dividend	5,000
Depreciation	897
Provision for outstanding Claims	32,525
(Decrease)/Increase in Premium Reserve	(37,325)
Interest and Dividends - non operating income	(153,222)
Profit on Sale of Investment - non operating income	(4,620)
(Loss)/Profit before working Capital Charges	(19,552)
EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGE (SEE SCHEDULE ATTACHED)	84,692

Cash Generated from Operation

CASH FLOW FROM INVESTMENT ACTIVITIES

Sale of Investments	61,240
Interest on Dividends	153,222
Investment Purchased	(119,745)
Fixed Assets Acquired	(1,445)
Increase in Building Cost & Work-in-Progress	(39,413)
Payment as approved by Federal Government	(6,100)

CASH OUT FLOW FROM FINANCING ACTIVITIES

Dividend paid	(5,000)
Net Increase in Cash & Cash Equivalent	107,899
Cash and Cash Equivalent at the beginning of year	49,389
Cash and Cash Equivalent at the end of year	157,288

EFFECT ON CASH FLOW DUE TO WORKING CAPITAL CHANGE

(Increase)/Decrease in Current Assets	
Amount Due from person and bodies	
Carrying on Insurance Business	36,617
Deposit held by ceding companies	11,885
Interest, Dividend and Return Accrued	2,210
Sundry Debtors	(12,541)
Advances, including taxation, Loans, Deposits and Prepaid Expenses	(65,538)
Stationery Stock	(7)

Increase/(Decrease) in Current Liabilities

Amount due to other persons and bodies	
Carrying on Insurance Business	133,277
Deposit Retained/Received from Other Companies	(36,728)
Sundry Creditors	10,901
Retention Money Payable	4,616

1994

(Rs. '000)

1993

(Rs. '000)

(7,407)

8,436

6,100

5,000

—

5,000

138,500

36,000

—

60,000

—

40,000

5,000

5,000

897

826

32,525

(3,622)

(37,325)

16,859

(153,222)

(150,386)

(4,620)

(11)

(19,552)

23,102

84,692

(106,505)

65,140

(83,403)

61,240

10,983

153,222

150,386

(119,745)

(4,256)

(1,445)

(408)

(39,413)

(57,753)

(6,100)

(5,000)

112,899

10,549

(5,000)

(5,000)

107,899

5,549

49,389

43,840

157,288

49,389

36,617

(74,875)

11,885

4,558

2,210

(12,355)

(12,541)

(2,910)

(65,538)

(26,892)

(7)

(7)

(27,374)

(112,481)

133,277

(53,236)

(36,728)

46,099

10,901

12,034

4,616

1,079

112,066

5,976

84,692

(106,505)

FIROZUDDIN AHMED
Chief Executive

M. JAVED ASHRAF HUSSAIN
Director

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER, 1994



1. STATUS AND NATURE OF BUSINESS:

The Pakistan Insurance Corporation was established under the Pakistan Insurance Corporation Act No. XXXVIII of 1952 for the purpose of development of insurance and reinsurance business in Pakistan. Its shares are quoted on stock exchange in Pakistan.

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Basis of accounting/format of accounts.

These accounts have been prepared on the basis of the historical cost convention.

The formats of the balance sheet, the revenue accounts and the profit and loss and appropriation account are as prescribed under section 50 and 51 of PIC general regulation 1953.

(b) TAXATION:

Provision for taxation is based on taxable income. Deferred taxation being immaterial has not been provided for.

(c) PROVISION FOR BAD AND DOUBTFUL DEBTS:

General provisions, as considered adequate by the management, are made to cover doubtful debts.

(d) PREMIUM RESERVE:

Premium reserve represents the balance brought forward plus/minus the increase /decrease of the following percentages of the amounts by which the net premium income for the year exceed/decline in relation to the net premium income of the respective classes of business of the previous year:

	Percent
Fire business	40
Marine Business	
— Marine Cargo	50
— Marine Hull	100
Miscellaneous business	
— Accident and Engg.	40
— Aviation Hull	100

(e) STAFF RETIREMENT BENEFITS:

The Corporation has established general fund and contributory provident fund for eligible employees which are administered through trustees. Further, the Corporation also operates funded gratuity and pension schemes for employees entitled/opted for either of the schemes. Provisions/payments are made to cover obligations under the funded gratuity scheme.

Provision for pensions are made on the basis of actuarial valuation.

(f) INVESTMENTS:

Investments are carried at cost; investment fluctuation reserve is maintained to cover possible diminution in value of investments.

Profit or loss on sale of investment is taken to the profit and loss account.



(g) DIVIDEND INCOME ETC:

Dividend income is recognised in the accounts as and when declared, except for preference shares and other investments, where it is recognised on accrual basis.

(h) LAND AND BUILDING (INCLUDING CAPITAL WORK-IN-PROGRESS) AND ADMINISTRATIVE FIXED ASSETS:

Land and capital work-in-progress are shown at cost. Other fixed assets are shown at cost less depreciation calculated on the written down value using the following rates:

	Percent
Building	5
Lift	20
Vehicles	20
Office Equipment	15
Furniture, Fixture and books	10
Computers	20

(i) EXPENSES OF MANAGEMENT:

These are allocated to the various revenue accounts in proportion to the net premium income for the year.

(j) RATE OF EXCHANGE:

Revenue transactions in foreign currencies are converted in rupees at the rates ruling on the date of the transactions. Assets and liabilities in foreign currencies, other than bank accounts, consistent with previous years are not translated into rupees at the rates of exchange prevailing at the balance sheet date and the exchange fluctuations are adjusted at the time of settlement. Exchange gains/losses are dealt with through the profit and loss account. The rates of conversion used for bank account at the year end were as follows:-

	1994	1993
US\$	30,6680	29,9910
Pound Sterling	47,9300	44,1831

3 ZAKAT DEDUCTED AT SOURCE:

Investment income includes dividends paid on National Investment Trust units, which are shown at gross amount and zakat deducted at source by National Investment Trust from time to time has been charged off to expense in the year of such deduction, on consistent basis, although Corporation has filed a constitutional petition against deduction of zakat by Administrator, Zakat and on basis of legal opinion, favourable decision is expected.

The aggregate amount of zakat so charged off upto 31-12-1994 amounts to Rs. 48.052 million of which Rs. 10.076 million is during the year.

In the event of a decision in favour of the Corporation, the aggregate amount will be reversed on realisation.



4. PAYMENTS AS APPROVED BY THE
FEDERAL GOVERNMENT

	1994 (Rs. 000)	1993 (Rs. 000)
Transferred from Exceptional loss Reserve (Refer Note 5)	—	10,000
Transferred from unappropriated Profit and Loss Account	—	5,000
	—	15,000
Less: Paid to Federal Government @ Rs. 30/share of Rs. 100/- on 255,000 shares	220	7,650
Shareholders (Excluding Federal Government holding) @Rs. 24/- per share of Rs. 100/- on 245,000 shares	5,880	7,350
	<u>6,100</u>	<u>15,000</u>

5. EXCEPTIONAL LOSS RESERVE:

Opening balance	566,000	526,000
Less: Transfer to payment as approved by Federal Government (Refer Note 4)	—	10,000
	566,000	516,000
Add: Transferred during the year	—	50,000
	<u>566,000</u>	<u>566,000</u>

6. GENERAL RESERVE:

Balance as at 1st January	189,500	129,500
Add: Transfer from Profit and Loss Appropriation Account	—	60,000
	<u>189,500</u>	<u>189,500</u>

7. PROVISION FOR TAXATION:

7.1 The Income-tax assessments of the Corporation have been finalised upto and including assessment year 1994-95. The appeals against these assessment years have yet to be disposed off by the Appellate Tribunal, where the Corporation and the Income Tax Department both have filed appeals against the order passed by CIT (Appeals). Further the Assessing Officer has not yet issued revised orders for assessment years, in which certain items have been deleted or set aside by the Commissioner of Income-tax (Appeals).

An aggregate of Rs. 35.95 million (1993 Rs. 31.70 million) paid for various assessment years is shown under Advances and has not been debited to the Profit and Loss Appropriation Account as the Corporation expects that on various issues the appeals would be ultimately decided in its favour.

The Income-tax authorities had raised a demand of Rs. 10.52 million against the Corporation after treating the income of Export Credit Guarantee Scheme (ECGS) as part of taxable income of the Corporation for the assessment years 1984-85 to 1989-90. The demand was paid by the Corporation and it had so far recovered Rs. 8.59 million from the Export Credit Guarantee Scheme, under management of PIC. The Corporation has filed a reference application in the High Court of Sindh in this regard, which has not yet been decided.



7.2 The Corporation's income tax assessments for and upto Accounting year ended 31-12-1989 were originally completed by taxing dividend income at the applicable reduced rates. During 1991 year, however, the Assessing Officer had reopened Corporation's assessments for the financial year 1985 to 1989 and taxed dividend income at the normal rate applicable to business income. The Corporation filed Constitutional Petition in respect of financial years 1985 to 1987 and went in appeal in respect of financial years 1988 and 1989. Similarly in respect of financial years 1990 to 1993 the Corporation has contested the issue of taxing of dividend income at normal rate in the normal assessment before the Appellate Tribunal. The Hon'ble High Court has, however, upheld the action taken by the Department in respect of dividend income of all the Insurance Companies including the Corporation. The Corporation as well as all other insurance companies have filed appeals before the Hon'ble Supreme Court of Pakistan on the issue of dividend. In respect of financial years 1988 to 1993 the Corporation's appeals are pending before the Appellate Tribunal.

The management of the Corporation is hopeful about outcome on the issue of taxing of dividend, contested before the Hon'ble Supreme Court of Pakistan.

8. RESERVES FOR OUTSTANDING CLAIMS:

- 8.1 This includes a sum of Rs. 13.0 million (1993 Rs. 13.0 million) in respect of Marine losses incurred but not reported, estimated on the basis of management experience.
- 8.2 It also includes an amount of Rs. 4.952 million (1993 Rs. 4.952 million) representing claims brought forward from previous years which relate to Bangladesh (Former East Pakistan) business. This is made up as follows:-

	1994 (Rs. '000)	1993 (Rs. '000)
Fire Insurance	2,382	2,382
Marine Insurance	1,470	1,470
Miscellaneous Insurance	1,100	1,100
	<u>4,952</u>	<u>4,952</u>

No adjustment has been made in this provision since 1973 pending ascertainment of actual liabilities in this regard.

9. SUNDRY CREDITORS:

It includes an amount of Rs. 0.809 million (1993 Rs. 0.0809 million) relating to Bangladesh creditors.

10. LAND AND BUILDING (INCLUDING CAPITAL WORK-IN-PROGRESS).

Capital work in progress including leasehold land
(PIC Building at Moulvi Tamizuddin Khan Road)
Less realisation of contractor's bonds Rs. 9 million

218,302 178,869

At written down value

PIC Head Office Building including Lift
PIC House (Residence)

215	227
136	144
<u>351</u>	<u>371</u>
<u>218,653</u>	<u>179,240</u>



11. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN):

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

	1994 (Rs. '000)	1993 (Rs. '000)
FIXED ASSETS:		
Land and building	8,608	8,608
Furniture and fixtures	4	4
	<u>8,612</u>	<u>8,612</u>
INVESTMENTS:		
Stocks and shares	7,112	7,112
Debentures	250	250
	<u>7,362</u>	<u>7,362</u>
	<u>15,974</u>	<u>15,974</u>

The realisability of these assets is not determinable at the present time and no provision for the loss, that may arise as a result of the Corporation losing control over these assets, has been made.

12. NATIONAL CO-INSURANCE SCHEME (NCS):

The Bonus Voucher Scheme was introduced by the Government of Pakistan on 15th July, 1970 and remained in force till 11th May, 1972 when Pak Rupee was devalued. NCS was entitled to bonus voucher earnings on its foreign currency premium income and likewise had to incur expenses for bonus vouchers on its foreign currency payments.

The relevant foreign currency transactions of NCS with Pakistan Insurance Corporation (PIC) spread over the period from 15th July, 1970 to 11th May, 1972 were accounted for by NCS in their books.

The accounts of NCS & PIC were finally reconciled for all transactions upto 31st December, 1987 comprising all reinsurances accepted by PIC and commission and claims paid to NCS including bonus vouchers entitlement and the final reconciled balance was agreed in February, 1989 to Rs. 1,019,839.78.

This net liability of PIC to NCS remains subject to full verification and authorisation by the management of NCS and is to be certified by their auditors.

13. CAPITAL COMMITMENTS:

The Corporation is constructing a building for its Head Office at an estimated cost of Rs. 247 million. The cost incurred upto 31st December, 1994 amounts to Rs. 218 million (1993 Rs. 179 million).

Commitments outstanding as at December 31, 1994 in respect of Capital Expenditure is Rs. 29 Million.

14. GENERAL:

14.1 The directors or their spouse do not have any interest in the donee fund.

14.2 Figures have been rounded off to the nearest thousand rupees.

14.3 Figures of previous years have been rearranged wherever necessary to facilitate comparison.

FIROZUDDIN AHMED
Chief Executive

M. JAVED ASHRAF HUSSAIN
Director



SHAREHOLDERS' STATISTICS FOR THE YEAR ENDED 31ST DECEMBER, 1994

No. of Shareholders	No. of Share				Total Shares held
303	From	1	To	100	Shares 10,826
97	From	101	To	500	" 23,750
14	From	501	To	1,000	" 9,613
9	From	1,001	To	5,000	" 22,054
1	From	5,001	To	20,000	" 12,567
1	From	20,001	To	50,000	" 24,280
1	From	50,001	To	150,000	" 141,910
1	From	150,001	To	255,000	" 255,000
<u>427</u>					<u>500,000</u>

Categoriors of Shareholders	Number	Share Held	Percentage
Individulas	401	44,484	8.90
Investment Companies (ICP)	1	370	0.07
Insurance Companies	13	192,317	38.46
Joint Stock Compaines	6	6,613	1.33
Government of Pakistan	1	255,000	51.00
Administrator Abandoned Properties Organisation	1	250	0.05
Modaraba & Leasing Companies	2	460	0.09
Other (Staff Provident Fund)	2	506	0.10
(i) Admajee Industries (500 Shares)			
(ii) Employees Contributory Provident Fund			
State Life Insurance Corp. of Pakistan (06)			
	<u>427</u>	<u>500,000</u>	<u>100.00</u>

CLASSIFICATION OF INVESTMENT

Government Securities
Banks/Financial Institutions
N.I.T. Units

(RS. '000)
BOOK VALUE
197,730
25,388
558,936

SHARES & STOCK (LISTED COMPANIES)

a)	Insurance	3.186
b)	Cotton & Textile	0.591
c)	Synthetic & Rayon	0.256
d)	Jute	1.400
e)	Sugar & Allied	4.957
f)	Cement	1.624
g)	Tobacco	0.271
h)	Fuel & Energy	48.989
i)	Engineering	0.955
j)	Auto & Allied	0.683
k)	Transport	9.875
l)	Chemical	11.269
m)	Paper & Board	3.657
n)	Vanaspatti & Allied	0.403
o)	Miscellaneous	33.343
	Debentures	

121,459
0,375

TOTAL INVESTMENT

903,888

PIC TOWERS, 32-A, LALAZAR DRIVE, M. T. KHAN ROAD, P.O.BOX NO. 4777 KARACHI-PAKISTAN

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