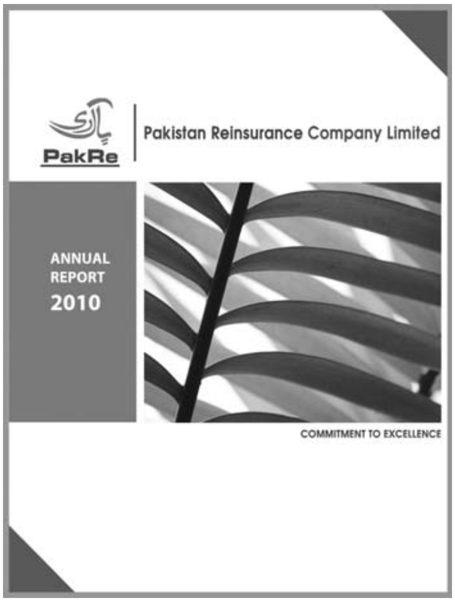
PakRe

# Pakistan Reinsurance Company Limited

ANNUAL
REPORT
2010

COMMITMENT TO EXCELLENCE

# Contents


PakRe
Pakistan Reinsurance Company Limited
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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

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

PRCL is a public sector company under the administrative control of the Ministry of Commerce The Company headed by a Chairperson, supported by a strong team of professionals who manage the business affairs of the Company effectively. The Company is supervised by the Board of Directors. Amongst which seven are nominated by the Federal Government, 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 reinstates in providing reinsurance response to the local insurance industry in view of treaty and facultative business as well as managing insurance schemes assigned by the Federal Government of Pakistan.

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

## PRCL's Role in Economic Development

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

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

## Company History

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

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

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

# PRCL Business

**PRCL operates In the following departments to conduct its business:**

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

# Services:

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

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

It actively participates in international forums such as Economic Cooperation Organization (ECO) and Federation of Afro-Asian Insurer and Reinsurer (FAIR).

The objective of this collaboration is to reduce the outflow of foreign exchange and improve the statements of insurance and reinsurance services in the Region .

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

# Fire

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

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

- To underwrite all facultative acceptance from the cedants i.e insurance 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 reinsures participants.
- To guide and assist its clients in complex reinsurance matter.

**The fire department has specialized expertise in the following areas:**

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

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

The fire department has a share of 27% of PRCL total revenue. The clients of this department include local insurance companies in Pakistan and also foreign reinsurance i.e M/s Aon insurance Broker. M.S Marsh, Munich Re. Swiss Re and Wills Faber Al Futtaim Dubai. Their Contribution to Pakistan Reinsurarice 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 department make primary decision with respect to acceptance of the risks by means of Facultative and Treaty.

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

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

This department consists of professionally competent employees headed by a proficient Officer having ACII qualification.

# Engineering

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

- Property Damage
- Business interruption
- Machinery breakdown/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 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. Dhodak Gas Plant
iv. UCH Gas
v. Sarhad Hydel Power Project
vi. 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.

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

## Aviation

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

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

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

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

# Treaty & Business Development Department

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

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

In order to enhance PRC's business and to resolve business related issues, the officers & staff of this department, headed by the Executive Director (Treaty/BD), make frequent visits to insurance companies and hold meetings with their senior officers. As a result of these meetings, PRC's business results 2010 are much better than previous years.

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

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

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

# 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, arid so on; providing feedback and noting areas of improvement; and identifying training and development needs in order to improve the individual's performance on the job.

### Compensation and benefits

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

### Training and development

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

## Finance and Accounts Department

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

### This department comprises of three main sections:

### Technical Wing

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

## Responsibilities

Facultative technical accounting

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

## Treaty technical accounting

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

## Financial Wing

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

## Investment Department

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

## Responsibilities

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

# Internal Audit Department

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

The internal Audit Department provides valuable support in maintaining the publics 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 instilled with the functions of processing data in the most efficient and effective way.**

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

## Implemented Modules/Systems

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

- Reinsurance Management System (RMS-Facultative Acceptance & Claims)
- PAKRE Investment Management System (PIMS)
- Acceptance system
- Retrocession system
- Accounting system
- Payroll system
- Loan & Advances System
- PRCL Employees Fund System
- Develop and generate MIS reports for top management
- Develop customized reports for user departments
- Maintain and manage database backup, archiving and recovery

## PRCL Website

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

## Hardware & Networking

- Monitoring and evaluating automation trends and identifying emerging technologies
- Preparation of technical and financial analysis for acquisition of hardware
- Maintain inventory of Computers (PCs), Printers and computer related accessories
- Overall management of LAN and Internet infrastructure of PRCL
- Management of PC servers (Domain Controller, ISA and Antivirus)
- Managing Help Desk support for hardware & software problems of end users

## Achievements of the Year 2010

- 1 Year Successful run of RMS (Facultative Acceptance & Claim)
- Development of PIMS (Investment Module)
- Expansion of Local Area Network (LAN) to accommodate more users
- Acquired branded PCs to replace the faulty, unbranded fully depreciated PCs
- Acquired LAN printers for PRCL

## Future Plans

- To provide Intranet/Internet Email facilities to users of PRCL
- To initiate software development of new modules and systems
- To extend IT disaster recovery plans and procedures to new levels
- To establish connectivity between Karachi office & Lahore office
- To upgrade and secure existing network of PRCL

# Corporate Information

## BOARD OF DIRECTORS

**MRS. RUKHSANA SALEEM**
*Chairperson*

**MR. JAMIL AHMAD**
*Director*

**DR. MASUMA HASAN**
*Director*

**MR. JAVED SYED**
*Director*

**SYED ARSHAD ALI**
*Director*

**MR. MUMTAZ ALI RAJPER**
*Director*

**MR. SAIFUDDIN NOORUDDIN ZOOMKAWALA**
*Director*

**MR. TAUFIQUE HABIB**
*Director*

**MR. SIKANDER MAHMOOD**
*Director*

**MR. SHAHZAD F. LODHI**
*Company Secretary*

## SENIOR MANAGEMENT

**MR. ASGHAR IMAM KHALID**
Executive Director/CIA

**MRS. FARZANA MUNAF**
Executive Director/CFO

**MR. FIDA HUSSAIN SAMOO**
*Executive Director (Re)*

**MR. AYAZ HUSSAIN M. GAD**
*Executive Director (Re-BD)*

**MRS. GHAZALA IMRAN**
*Regional Director (NZO)*

**MR. SHAHZAD F. LODHI**
*Company Secretary/General Manager*

## AUDIT COMMITTEE

**Syed Arshad Ali**
*Chairman of the Committee*

**Mr. Jamil Ahmad**
*Member*

**Mr. Mumtaz Ali Rajper**
*Member*

**Mr. Taufique Habib**
*Member*

**Mr. Shahzad F. Lodhi**
*Secretary of the Committee*

## UNDERWRITING COMMITTEE

**Mrs. Rukhsana Saleem**
*Chairperson of the Committee*

**Mrs. Farzana Munaf**
*Member*

**Mr. Ayaz Hussain M. Gad**
*Member*

**Mr. Fida Hussain Samoo**
*Member/Secretary of the Committee*

## REINSRUANCE COMMITTEE

**Mrs. Rukhsana Saleem**
*Chairperson of the Committee*

**Mr. Jamil Ahmad**
*Member*

**Mr. Taufique Habib**
*Member*

**Mr. Asghar Imam Khalid**
*Member*

**Mr. Ayaz Hussain M. Gad**
*Member*

**Mr. Fida Hussain Samoo**
*Member/Secretary of the Committee*

## CLAIM SETTLEMENT COMMITTEE

**Mr. Sikander Mahmood**
*Chairman of the Committee*

**Mrs. Rukhsana Saleem**
*Member*

**Mrs. Farzana Munaf**
*Member*

**Mr. Ayaz Hussain M. Gad**
*Member*

**Mr. Fida Hussain Samoo**
*Member/Secretary of the Committee*

## INVESTMENT COMMITTEE

**Syed Arshad Ali**
*Chairman of the Committee*

**Mr. Sikander Mahmood**
*Member*

**Mr. Mumtaz Ali Rajper**
*Member*

**Mrs. Rukhsana Saleem**
*Member*

**Mrs. Farzana Munaf**
*Member/Secretary of the Committee*

## HUMAN RESOURCE COMMITTEE

**Mr. Jamil Ahmad**
*Chairman of the Committee*

**Mrs. Rukhsana Saleem**
*Member*

**Dr. Masuma Hasan**
*Member*

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

## LEGAL ADVISOR

**Mr. Ali Mumtaz Shaikh**
M/s. Mumtaz & Associates

## EXTERNAL AUDITOR

**Mr. Mohammad Shaukat Naseeb**
Senior Partner,
M/s. Anjum Asim Shahid Rahman,
Chartered Accountants,
1st & 3rd Floor, Modern Motors House,
Beaumont Road,
Karachi-75530.

## BANKERS

National Bank of Pakistan
Bank Al-Habib Limited

## SHARE REGISTRAR

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

## REISTERED OFFICES

PRC Towers, 32-A, Lalazar Drive,
M.T. Khan Road, P.O. Box: 4777,
Karachi, Pakistan.
Tel: (92-21) 99202908-14
Telex: (92-21)20428
Telefax: (92-21) 99202920-22
Email: prcl@pakre.org.pk
Web: www.pakre.org.pk

## ZONAL OFFICE

71-A, Ahmad Block, New Garden Town,
Lahore.

# Notice of the 11th Annual General Meeting

Notice is hereby given that 11th Annual General Meeting of Pakistan Reinsurance Company Limited (PRCL) will be held on Saturday the 30th April 2011 at 11:00 a.m. at Beach Luxury Hotel, Lalazar Drive, M. T. Khan Road, Karachi to transact the following business:-

## Ordinary Business:

1. To confirm the minutes of the last Extraordinary General Meeting of the company held on 31st December 2010.

2. To consider and adopt the audited Annual Accounts of the Company for the year ended 31st December, 2010 and the reports of Directors and Auditors thereon.

3. To consider and approve the payment of final diviend @ 30%. That is Rupees 3.00 per ordinary share of Rupees Ten (10) for the year ended 31st December 2010.

4. To appoint M/s. Anjum Asim Shahid Rehman, (Chartered Accountants) as auditors of the Company (PRC) for the year ending 31st December 2011 and fix their remuneration.

5. To consider any other business with the permission of the Chair.

**By Order of the Board**

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

Place: Karachi.
Date: 8th April, 2011

NOTES:

1. The share transfer books of the company shall remain closed for eight days i.e. from 23rd April 2011 to 30th April 2011 (both days inclusive), no transfer will be accepted for registration during the period.

2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend the meeting and vote for him/her. A proxy must be deposited at the Company not less than 48 hours before the meeting and in case of default; form of proxy will not be treated as valid.

3. CDC Accounts holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

## A. For attending the meeting:

i. In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

ii. In the case of corporate entity, the Board of Director's resolution/power of attorney with specimen signature of the nominee shall be produced (Unless it has been provided earlier) at the time of the meeting.

## B. For appointing proxies:

i. In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in a group and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copies of the CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

v. In the case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

4. Shareholders are requested to communicate to the CDC (Share Registrar) any change in their address and provide the Zakat Declaration/Tax exemption certificate (if any) immediately along with contact details.

# Directors' Report

**For the year ended December 31, 2010**

**The Shareholders,**
**Pakistan Reinsurance Co. Ltd.,**

***Dear Shareholders,***

Your directors are pleased to present the 11th Annual Report of the company together with the audited financial statements and Auditors' Report thereon for the year ended 31st December, 2010.

## Economic Overview

The year 2010 was another challenging year for insurance industry due to the unprecedented flood that ravaged the country in July-September, which destroyed infrastructure on a large-scale, besides killing scores of people. The Country's economy was also affected adversely and the insurance industry particularly suffered immense losses due to claims against the damages.

## Company's Performance

PRCL was converted into a company in the year 2001 and is now operating under Insurance Ordinance, 2000 and Companies Ordinance, 1984. The Company is the sole re-insurer in the country. A number of steps to run it on commercial lines have already been taken. Authorized Capital has been enhanced from Rs. four billion to Rs. twenty five billion and Paid-up Capital has been enhanced from Rs.0.540 billion to Rs. three billion, in order to strengthen the equity base as the company is planing to expand locally as well as abroad. Corporate Culture is being introduced. Compulsory cession was withdrawn w.e.f. Jan 01, 2005 and as such, this was the sixth year of the company without compulsory cession since the inception of the company (formerly Corporation). Withdrawal of the compulsory cession was a good step because under compulsory cession, PRCL was bound to accept good or bad business without discrimination. During the year 2010, PRCL was selective in accepting business under Treaty and Facultative. New insurance sector reform announced at the end of April, 2007 in which right of first refusal was introduced has contributed positively towards the augmented growth in the reinsurance business.

PRCL has continuously been trying through strategic and concentrated 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 service to insurance companies with reference to facultative offers.

The salient features of the business operations during the year, 2010 are as under:-

| | **2010** | 2009 |
|---|---|---|
| | **(Rupees in Millions)** | |
| Gross Premium | **6,552** | 5,839 |
| Retrocession | **(3,371)** | (3,274) |
| Net Retention | **3,181** | 2,565 |
| Premium Reserve | **(241)** | (394) |
| Net Premium | **2,940** | 2,171 |
| Net Commission | **(659)** | (553) |
| Net Claims | **(1,688)** | (905) |
| Management expenses | **(302)** | (231) |
| Underwriting Profit | **291** | 482 |
| Investment Income | **653** | 1,099 |
| Exchange gain, rental & other income | **84** | 152 |
| Gen. & Admn. Expense | **(35)** | (35) |
| Reversal of provision for workers welfare fund | **-** | 23 |
| Profit before tax and Value of available-for-investment-write off | **993** | 1,721 |
| Value of available-for-investment-write off | **(343)** | (1,403) |
| Profit before tax | **650** | 318 |
| Taxation | **(124)** | (48) |
| Profit after tax | **526** | 270 |

During the period under review, Company has underwritten Rs.6,552 million and registered growth of 12% over the corresponding year. The break-up is as follows:-

| | **2010** | 2009 |
|---|---|---|
| | **(Rupees in Millions)** | |
| **Facultative Premium** | | |
| Fire | **794** | 726 |
| Marine Cargo | **27** | 29 |
| Marine Hull | **46** | 30 |
| Accident and others | **94** | 88 |
| Aviation | **1,659** | 1,694 |
| Engineering | **1,003** | 956 |
| | **3,623** | 3,523 |
| Treaty Premium Bal | **2,929** | 2,316 |
| | **6,552** | 5,839 |

There was an increase in facultative business in all departments except an insignificant decrease of Rs.2 million in Marine Cargo and of Rs.35 million in Aviation. The overall results of treaty business increased by 26% for the year 2010.

During the period under review, the net premium of the Company is Rs.2,940 million showing growth of 35% over the corresponding year.

This improvement in overall underwriting result was mainly due to increase in premium and improved net retention as explained below:-

| | **2010** | 2009 |
|---|---|---|
| | **(Rupees in Millions)** | |
| **Particulars** | | |
| Premium Written | **6,552** | 5,839 |
| Reinsurance Ceded | **(3,371)** | (3,274) |
| Net Retention | **3,181** | 2,565 |
| Premium Reserve | **(241)** | (394) |
| Net Premium | **2,940** | 2,171 |

The Commission expenses of the company during the year ended December 31, 2010 were Rs.659 million as compared to Rs.553 million during the year December 31, 2009. The reason for increase was mainly due to increase in business.

Net claims of the company during the year ended December 31, 2010 were Rs.1,688 million as compared to Rs.905 million in the year ended December 31, 2009 showing an increase of Rs.784 million. The main increase was on account of Aviation loss and crop business due to the natural catastrophe and floods in the country.

## Investment Activities

The investment income in the year 2010 was Rs.653 million as compared to Rs.1,099 million in the year 2009. Investment income mainly comprises of realized capital gain on Available for sale and Held for trading investments, profit on government securities, fixed income securities and dividend income.

## Profit after tax

The profit after tax is Rs.526 million as compared to Rs.270 million of last year showing 95% increase.

## Appropriations:

| | (Rupees in Millions) |
|---|---|
| Profit before tax and value of available-for-investment-write off | 993 |
| Less: Taxation | (124) |
| Value of available-for-investment-write off | (343) |
| Profit after tax | 526 |
| Add: Unappropriated profit brought forward | 1,727 |
| Less: Final Cash Dividend 2009 @ 30% | (900) |
| Unappropriated profit carried forward | 1,353 |

## Information Technology

The company fully recognizes the importance of techniques in the conduct of business and need for investing in new technology. As in all industries, use of modern techniques in Information Technology has become absolute necessity in insurance business to get better MIS and thus to monitor business activities more vigilantly. The technology has become more purposeful and flexible in terms of IT and communication.

The company is pleased to apprise the shareholders that PRCL's IT development team had successfully completed its in-house developed software application i.e. an online web-based reinsurance management system and two of its modules went running live in 2009. This application has enhanced operational efficiency and has also resulted in better control and monitoring techniques. In the year 2010 the PRCL IT team has successfully developed and implemented third module of their existing on line web-based reinsurance management system (RMS). The module pertains to "Foreign Treaty Arrangements". MIS reports are now being generated through new modules.

During the year 2010, another big achievement of PRCL IT team is another robust information system in-house developed and successfully implemented Pakre Investment Management System (Pakre IMS) which besides maintaining comprehensive record of equity and fixed income investments, enables the company to calculate value of the unit price of each fund on daily basis. The system also generates MIS, which helps management in quick and efficient decision-making process.

The in-house maintained and managed website of PRCL aims to provide users with new design features having latest information, news and valuable links indicating PRCL's financial strength with data and graphs.

## Benazir Employees Stock Option Scheme (BESOS)

On 14 August 2009, the Government of Pakistan (GoP) launched Benazir Employees Stock Option Scheme (BESOS) whereby the GoP transferred 12% shares to PRC Employees Empowerment Trust without any payment by the eligible employees subject to transfer back of these shares to the GoP as provided in the Trust Deed. As per the Trust Deed, such shares have been allocated through Unit Certificates to eligible employees in proportion to their entitlement based on length of service. The Trust is entitled to receive dividends declared on or after 14 August 2009 and 50% of such dividends is being distributed among employees on the basis of units held while the balance 50% is being transferred to the Privatization Commission of Pakistan for payment to employees against their surrendered units.

## Corporate Social Responsibility

PRCL plays its role as a good corporate citizen by supporting worthy causes which aim to improve the lives of our people, and make our country a better place to live in. The contribution by PRCL has been recognized by the community.

During the year 2010, the country faced massive flood. The flooding has submerged significant portion of land under cultivation, badly hurt the local agricultural economies, displaced communities and exposed millions of children to risk of waterborne diseases. PRCL organized a campaign for flood victim and contributed Rs.2 million. Further, employees have also contributed one-day salary reflecting CSR spirit at large in the Company.

## Awards & Accolades

- **Certificate of Excellence**

PRCL was awarded for Certificate of Excellence by Management Association of Pakistan (MAP), which demonstrates excellence in corporate management in the non life insurance sector.

- **Humanitarian Excellence Award**

PRCL was honored for Humanitarian Excellence Award by RAKZ Communication, to recognize PRCL contribution, in flood relief and rehabilitation for the flood victims.

- **Certificate of Appreciation**

PRCL was awarded for Certificate of Appreciation, by Pakistan Insurance Institute for participation in F.A.I.R International Insurance Conference on Political Violence (IICPV).

### Pension, Gratuity and Provident Funds

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

| | (Rs. in millions) |
|---|---|
| Pension and Gratuity Fund | 480.456 |
| General Provident Fund/ Provident Fund | 90.935 |

### Future Prospectus:

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

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

### Statement on Corporate and Financial Reporting Frame Work

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

a) The financial statements, prepared by the management of the company, present fairly, its state of affairs, the result of its operations, cash flows and changes in equity.

b) The Company has maintained proper books of accounts as required under the Companies Ordinance, 1984, except as qualified by the external auditor in their report to members.

c) The Company has followed consistently appropriate accounting policies in preparation of the financial statements, changes where made, have been adequately disclosed and accounting estimates are on the basis of prudent and reasonable judgement.

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

e) The system of internal control is in place and the 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). The Company has followed the best practices of corporate governance, as laid down in the listing regulations of the stock exchanges and there has been no material departure.

## Board Meetings and Attendance

In the year 2010 during the year, four meetings of the Board of Directors were held and the number of meetings attended by each Director is given here under:-

| S. No. | Name of Directors | Number of meetings attended |
|---|---|---|
| 1. | Mrs. Rukhsana Saleem | **3** |
| 2. | Syed Arshad Ali | **4** |
| 3. | Mr. Abdul Hamid Dagia | **2** |
| 4. | Mr. Najeeb Khawer Awan | **2** |
| 5. | Dr. Masuma Hasan | **3** |
| 6. | Mr. Javed Syed | **2** |
| 7. | Mr. Saifuddin N. Zoomkawala | **4** |
| 8. | Mr. Mumtaz Ali Rajper | **4** |
| 9. | Mr. Zafar Iqbal | **1** |
| 10. | Ms. Hina Ghazanfar *(Alternate Director in place of Mr. Zafar Iqbal)* | **2** |

The Board places on record its sincerest appreciation to the outgoing Directors Mr. Najeeb Khawer Awan, Mr. Abdul Hamid Dagia and Mr. Zafar Iqbal (alternate Director Ms. Hina Ghazanfar) to whom we are indebted for their prudent, professional and diligent guidance that helped in achieving such tremendous performance.

The Board also welcome the new Directors Mr. Jamil Ahmad, Mr. Taufique Habib and Mr. Sikander Mahmood, on PRCL Board.

## Compliance with the Code of Corporate Governance

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

## Audit Committee

The Board, in compliance with the Code of Corporate Governance, has established an Audit Committee and its terms of reference has been approved. The names of the member of the Committee are given in page no16.

## Performance of the company during the last six years

| | **(Rupees in Millions)** | | | | | |
|---|---|---|---|---|---|---|
| | **2010** | **2009** | **2008** | **2007** | **2006** | **2005** |
| | **(Restated)** | | | | | |
| Gross Premium | **6,552** | 5,839 | 4,555 | 4,750 | 4,499 | 4,159 |
| Net Premium | **2,940** | 2,171 | 1,896 | 1,693 | 1,415 | 2,005 |
| Net Commission | **(659)** | (553) | (478) | (400) | (367) | (620) |
| Net Claims | **(1,688)** | (905) | (962) | (931) | (777) | (823) |
| Management Expenses | **(302)** | (231) | (250) | (154) | (146) | (171) |
| Underwriting Profit/(Loss) | **291** | 482 | 206 | 208 | 125 | 391 |
| Investment Income | **653** | 1,099 | 846 | 3,689 | 772 | 465 |
| Profit before Tax | **650** | 318 | 1,139 | 3,858 | 783 | 782 |
| Profit after Tax | **526** | 270 | 886 | 3,725 | 672 | 594 |

## Auditor's Report

The auditors have qualified their report for the year ended December 31, 2010 in respect of amount due from and due to other insurers / reinsurer and premium and claim reserves retained by cedants and retained from retrocessionaires. The accounts of PRCL are qualified on this issue since the year 2000. The accounts of the some other international insurance companies in the region are also qualified on the same issue.

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

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

## Dividend

Your directors are pleased to declare a cash dividend of 30% for the year 2010.

## Earning per share

The earning per share of the Company was Rs.1.75 for the year 2010 as compared to Rs.0.90 in the year 2009.

## Trading in Company Shares

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

| Name | No. of Shares (CDC) |
|---|---|
| Ms. Farzana Munaf, C.F.O | 900 |

## Appointment of Auditors

The present auditors M/s. Anjum Asim Shahid Rahman Chartered Accountants being eligible have offered them self for reappointment. The Audit Committee has recommended appointment of M/s. Anjum Asim Shahid Rahman Chartered Accountants to conduct the audit of the company for the year 2011.

## Pattern of shareholding

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

## Acknowledgement

In the end, your directors would like to thank all insurance companies and regulators. We also acknowledge the hard work and dedication of our officers and staff for the co-operation extended by them in running the affairs of the Company.

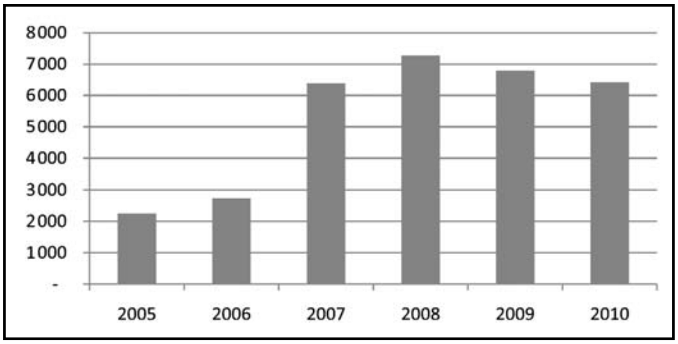
For and on behalf
of the Board of Directors

**(Rukhsana Saleem)**
***Chairperson***

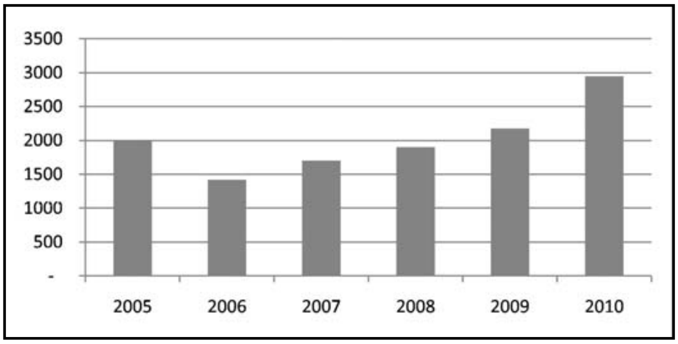
# Six Year Performance at a Glance

| | **2010** | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|
| **Financial Data** | | | | | | |
| Paid up capital | **3,000** | 3,000 | 3,000 | 540 | 450 | 450 |
| General & Capital Reserves | **3,412** | 3,786 | 4,265 | 5,839 | 2,280 | 1,788 |
| Equity | **6,412** | 6,786 | 7,265 | 6,379 | 2,730 | 2,238 |
| Investment | **4,674** | 5,482 | 5,458 | 6,412 | 3,588 | 2,872 |
| Fixed Assets | **47** | 48 | 40 | 30 | 28 | 31 |
| Cash & Bank Deposits | **2,417** | 1,834 | 2,836 | 1,021 | 209 | 271 |
| Total Assets | **12,535** | 12,373 | 12,528 | 11,497 | 6,464 | 5,633 |
| Total Liabilities | **6,123** | 5,586 | 5,262 | 5,117 | 3,733 | 3,395 |
| **Operating Data** | | | | | | |
| Gross Premium | **6,552** | 5,839 | 4,555 | 4,750 | 4,499 | 4,159 |
| Net Premium | **2,940** | 2,171 | 1,895 | 1,693 | 1,415 | 2,005 |
| Net Claims | **1,688** | 905 | 961 | 931 | 777 | 823 |
| Net Commission | **659** | 553 | 478 | 400 | 367 | 620 |
| Underwriting Results | **291** | 481 | 206 | 207 | 125 | 391 |
| Total Management Expenses | **302** | 231 | 250 | 154 | 146 | 171 |
| Investment Income | **653** | 1,099 | 846 | 3,689 | 772 | 465 |
| Profit Before Tax | **650** | 318 | 1,138 | 3,859 | 783 | 782 |
| Profit After Tax | **526** | 270 | 886 | 3,725 | 672 | 594 |
| **Share Information and Payouts** | | | | | | |
| No of shares (In millions) | **300** | 300 | 300 | 54 | 45 | 45 |
| Cash Dividend % | **30.00** | 30.00 | 25.00 | - | 20.00 | 40.00 |
| Bonus Shares % | **-** | - | - | 455.55 | 20.00 | - |
| Total Dividend % | **30.00** | 30.00 | 25.00 | 455.55 | 40.00 | 40.00 |
| **Financial Ratio Analysis** | | | | | | |
| Claims Ratio | **57** | 41.69 | 50.71 | 54.99 | 54.91 | 41.05 |
| Total Assets Turnover (Times) | **0.52** | 0.47 | 0.36 | 0.41 | 0.70 | 0.74 |
| Total Liabilities / equity (%) | **95.49** | 82.32 | 72.43 | 80.22 | 136.74 | 151.70 |
| Paid up Capital / Total Assets (%) | **23.93** | 24.25 | 23.95 | 4.70 | 6.96 | 7.99 |
| Equity / Total Assets (%) | **51.15** | 54.85 | 57.99 | 55.48 | 42.23 | 39.73 |

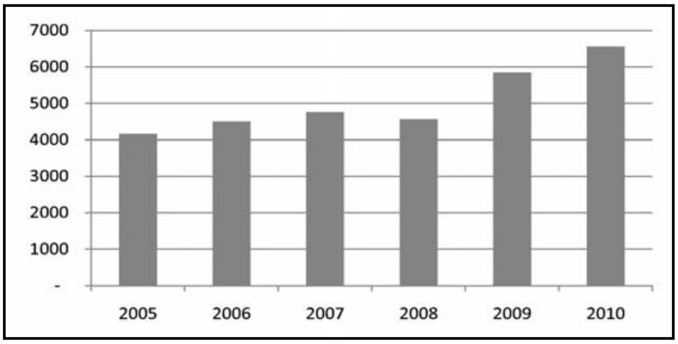
## Equity



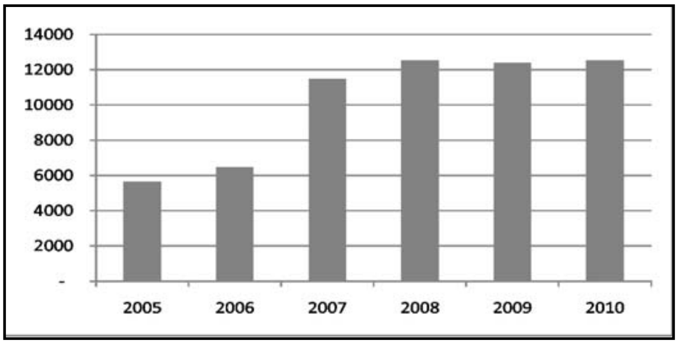

## Net Premium




## Gross Premium




## Assets



# Statement of Compliance with the Code of Corporate Governance

**Pakistan Reinsurance Company Limited**
Year ended December 31, 2010

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation No.35 of Chapter XI of listing regulations of the Karachi Stock Exchange (Guarantee) Limited and the Lahore Stock Exchange (Guarantee) Limited respectively for the purpose of establishing a framework of good governance by a listed company and additional framework by a listed insurance company, whereby a listed company is managed in compliance with the best practice of corporate governance.

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

1. The company encourages representation of independent non-executive Directors on its Board of Directors. At present, the Board includes eight (out of nine) independent non-executive Directors. Out of eight non-executive directors, six are nominated by the major shareholders (i.e. GOP) and two were elected for three years terms.

2. The Directors have confirmed that none of them is serving as a director in ten or more listed companies, including this company.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an 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.

4. The Company has prepared a 'Statement of Ethics and Business Practices' which has been signed by the directors and employees of the Company.

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board except terms and conditions of deputations of Government servants.

7. The meetings of the Board were presided over by the Chairperson and, in her 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 atleast seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

8. There was no appointment of CFO, Company Secretary or Head of Internal Audit during the year.

9. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

10. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

11. 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.

12. The Company has complied with all the corporate and financial reporting requirements of the Code.

13. The Board has formed an audit committee. It comprises of Board members, all of whom are non-executive directors including Chairman, Audit Committee.

14. The Board has formed Underwriting, Claim Settlement and Reinsurance Committees. The meetings of underwriting, claims settlement and reinsurance committees were held atleast once every quarter

15. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

16. The Company has an internal audit department headed by Chief Internal Auditor. The Internal Audit department is in the process of strengthening. All the internal audit reports are accessible to the board audit committee and important points arising out of audit are reviewed by the board audit committee and important points requiring board attention are brought into their notice.

17. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19. We confirm that all other material principles contained in the Code have been complied with.

| **Rukhsana Saleem** | **Sikander Mahmood** | **Syed Arshad Ali** |
| --- | --- | --- |
| Chief Executive | Director | Director |

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

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

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2010.

**Anjum Asim Shahid Rahman**
Chartered Accountants

Karachi
Date: 6th April, 2011

# Independent Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

of **Pakistan Reinsurance Company Limited** (the company) as at December 31, 2010 together with the notes forming part thereof, for the year then ended.

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

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

i. As on December 31, 2010 'Amount due from other insurers / reinsurers' includes gross amount of Rs. 1,380.422 million (2009: Rs. 1,367.718 million) which after provision of Rs. 386 million (2009: Rs. 386 million) amounting to Rs. 994.422 million (2009: Rs. 981.718 million) and 'Due to other insurers / reinsurers' includes Rs. 370.684 million (2009: Rs. 340.082 million). Further, the company has reversed certain claims that have been lodged by other insurance companies amounting to Rs. 29.950 million (2009: Rs. 38.39 million) due to the reason that appropriate documents for substantiating these claims were not provided. The company is in process of reconciling these balances. Due to pending confirmations/reconciliation relating to above balances, resultant adjustments and consequential impacts thereof, if any, on the financial statements remain unascertained (refer note 13, 23.2, 17.1 and 17.2); and

ii. The financial statements reflect the balances in respect of 'Premium and claim reserves retained by cedants' amounting to Rs. 97.723 million (2009: Rs. 44.892 million) and balances in respect of 'Premium and claim reserves retained from retrocessioners' amounting to Rs. 20.252 million (2009: Rs. 44.558 million). These balances have not been confirmed by respective insurance companies. Consequently, we are unable to verify these balances (refer note 24 and 14).

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

a) Proper books of accounts have been kept by the company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

b) The financial statements together with the notes thereon have been drawn upon in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the company and are further in accordance with accounting policies consistently applied;

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, 2010 and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

**Anjum Asim Shahid Rahman**
Chartered Accountants
Muhammad Shaukat Naseeb

Karachi
Date: 6th April, 2011

# Financial Statement

ANNUAL
REPORT
2010

# Balance Sheet

**As at December 31, 2010**

| | Note | **2010 Rupees** | 2009 Rupees |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Share capital and reserves** | | | |
| Authorized share capital | | | |
| 2,500,000,000 (2009: 2,500,000,000) | | | |
| Ordinary shares of Rs.10 each | | **25,000,000,000** | 25,000,000,000 |
| Share capital | 6 | **3,000,000,000** | 3,000,000,000 |
| Retained earnings | | **1,353,489,422** | 1,727,236,175 |
| Reserve for exceptional losses | 7 | **281,000,000** | 281,000,000 |
| General reserve | | **1,777,419,085** | 1,777,419,085 |
| | | **3,411,908,507** | 3,785,655,260 |
| **Shareholders' equity** | | **6,411,908,507** | 6,785,655,260 |
| **LIABILITIES** | | | |
| **Underwriting provisions** | | | |
| Provision for outstanding claims (including IBNR) | 8 | **611,245,320** | 586,553,657 |
| Provision for unearned premium | 9 | **3,453,901,862** | 3,347,263,018 |
| Commission income unearned | 10 | **36,665,221** | 34,607,727 |
| **Total underwriting provisions** | | **4,101,812,403** | 3,968,424,402 |
| **Deferred liability - employee benefits** | 11 | **140,226,394** | 120,868,000 |
| **Long term deposits** | 12 | **15,588,071** | 18,574,022 |
| **Creditors and accruals** | | | |
| Amount due to other insurers / reinsurers | 13 | **1,756,156,933** | 1,271,081,957 |
| Premium and claim reserves retained from retrocessionaires | 14 | **20,251,518** | 44,558,376 |
| Other creditors and accruals | 15 | **38,649,937** | 48,902,700 |
| Accrued expenses | | **4,714,131** | 4,820,925 |
| Taxation - net | | **7,485,128** | 90,394,980 |
| Retention money payable | | **6,527,238** | 6,415,433 |
| | | **1,833,784,885** | 1,466,174,371 |
| **Other liabilities** | | | |
| Dividend payable | | **30,360,697** | 11,706,756 |
| Surplus profit payable | 16 | **1,212,602** | 1,212,602 |
| | | **31,573,299** | 12,919,358 |
| **Total liabilities** | | **6,122,985,052** | 5,586,960,153 |
| **TOTAL EQUITY AND LIABILITIES** | | **12,534,893,559** | 12,372,615,413 |
| **CONTINGENCIES** | 17 | | |

| | Note | **2010 Rupees** | 2009 Rupees |
|---|---|---|---|
| **ASSETS** | | | |
| **Cash and bank deposits** | | | |
| Cash and other equivalents | | **67,168** | 65,470 |
| Current and other accounts | | **788,559,085** | 1,231,881,356 |
| Deposits maturing within 12 months | | **1,628,005,200** | 601,700,000 |
| | *18* | **2,416,631,453** | 1,833,646,826 |
| **Loans to employees** | *19* | **55,092,174** | 53,667,662 |
| **Investments** | *20* | **4,674,145,547** | 5,481,883,357 |
| **Investment properties** | *21* | **42,371,525** | 44,947,601 |
| **Deferred taxation** | *22* | **59,122,113** | 150,889,654 |
| **Current assets - others** | | | |
| Amount due from other insurers / reinsurers | *23* | **2,395,705,312** | 2,009,718,017 |
| Premium and claim reserves retained by cedants | *24* | **97,722,812** | 44,891,953 |
| Accrued investment income | *25* | **98,228,077** | 66,017,556 |
| Sundry receivables | *26* | **343,416,019** | 265,724,006 |
| Prepayments | *27* | **1,938,825,109** | 2,070,607,461 |
| Deferred commission expense | | **365,715,655** | 301,608,849 |
| Stock of stationery | | **501,725** | 347,320 |
| | | **5,240,114,709** | 4,758,915,162 |
| **Fixed assets** | | | |
| **Tangible** | *28* | | |
| Land and building | | **21,045,055** | 19,843,351 |
| Furniture, fixture, books and office equipment | | **13,209,323** | 14,487,000 |
| Electrical installations, air-conditioning plant and lifts | | **3,834,591** | 2,675,964 |
| Motor vehicles | | **9,327,069** | 11,658,836 |
| | | **47,416,038** | 48,665,151 |
| Assets relating to Bangladesh | *29* | **-** | - |
| **TOTAL ASSETS** | | **12,534,893,559** | 12,372,615,413 |

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

| **Farzana Munaf** | **Rukhsana Saleem** | **Sikander Mahmood** | **Syed Arshad Ali** |
|---|---|---|---|
| Chief Financial Officer | Chief Executive | Director | Director |

# Profit and Loss Account

## For the year ended December 31, 2010

| Revenue account | Note | Fire | Marine cargo | Marine hull | Accident and others | Aviation | Engineering | Treaty | 2010 Aggregate | 2009 Aggregate |
|---|---|---|---|---|---|---|---|---|---|---|
| | | -------- | -------- | -------- | -------- | Rupees | -------- | -------- | -------- | -------- |
| Net premium revenue | | 376,539,367 | 25,596,551 | 35,301,090 | 125,992,846 | 173,858,901 | 220,503,267 | 1,982,715,735 | **2,940,507,757** | 2,170,949,824 |
| Less: | | | | | | | | | | |
| Net claims | | 165,593,276 | 26,026,741 | 2,167,499 | 24,565,335 | 173,198,717 | 19,916,259 | 1,276,940,640 | **1,688,408,467** | 904,799,157 |
| Expenses | 30 | 7,863,664 | 5,257,241 | 1,642,668 | 4,834,316 | 6,062,121 | 4,586,606 | 271,558,772 | **301,805,388** | 231,410,090 |
| Net commission | | 66,108,395 | 5,614,107 | 6,005,071 | 20,563,815 | 244,818 | (6,684,884) | 567,299,722 | **659,151,044** | 553,241,601 |
| **Underwriting results** | | **136,974,032** | **(11,301,538)** | **25,485,852** | **76,029,380** | **(5,646,755)** | **202,685,286** | **(133,083,399)** | **291,142,858** | 481,498,976 |
| Investment income-net | | | | | | | | | **653,470,381** | 1,099,396,937 |
| Rental income-net | 31 | | | | | | | | **59,217,774** | 54,665,226 |
| Exchange gain | | | | | | | | | **19,567,600** | 48,931,906 |
| Other income | 32 | | | | | | | | **4,803,213** | 48,178,066 |
| General and administration expenses | 33 | | | | | | | | **(34,666,457)** | (35,208,235) |
| Reversal of provision for workers' welfare fund | | | | | | | | | **-** | 23,244,895 |
| Value of available-for-investments-write-off | | | | | | | | | **(343,031,445)** | (1,402,427,326) |
| | | | | | | | | | **359,361,066** | (163,218,531) |
| **Profit before tax** | | | | | | | | | **650,503,924** | 318,280,445 |
| **Income tax expense** | 34 | | | | | | | | | |
| - Current | | | | | | | | | **(32,483,136)** | (47,598,650) |
| - Deferred | | | | | | | | | **(91,767,541)** | (770,925) |
| | | | | | | | | | **(124,250,677)** | (48,369,575) |
| **Profit after tax** | | | | | | | | | **526,253,247** | 269,910,870 |
| **Profit and loss appropriation account** | | | | | | | | | | |
| **Balance at the commencement of year** | | | | | | | | | **1,727,236,175** | 2,207,325,305 |
| Profit after tax for the year | | | | | | | | | **526,253,247** | 269,910,870 |
| Final cash dividend for the year 2009 Rs. 3.00 per share (2008: Rs. 2.50 per share) @ 30% (2008: 25%) | | | | | | | | | **(900,000,000)** | (750,000,000) |
| **Balance of unappropriated profit at end of the year** | | | | | | | | | **1,353,489,422** | 1,727,236,175 |
| **Earnings per share - basic and diluted** | 35 | | | | | | | | **1.75** | 0.90 |

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

| **Farzana Munaf** | **Rukhsana Saleem** | **Sikander Mahmood** | **Syed Arshad Ali** |
|---|---|---|---|
| Chief Financial Officer | Chief Executive | Director | Director |

# Statement of Comprehensive Income

**For the year ended December 31, 2010**

| | **2010 Rupees** | 2009 Rupees |
|---|---|---|
| Profit for the year | **526,253,247** | 269,910,870 |
| Other comprehensive income | **-** | - |
| **Total comprehensive income for the year** | **526,253,247** | 269,910,870 |

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

| **Farzana Munaf** | **Rukhsana Saleem** | **Sikander Mahmood** | **Syed Arshad Ali** |
|---|---|---|---|
| Chief Financial Officer | Chief Executive | Director | Director |

# Statement of Changes in Equity

## For the year ended December 31, 2010

| | Share capital | | Reserves | | | Total |
|---|---|---|---|---|---|---|
| | Issued subscribed and paid-up | Reserve for exceptional losses (refer note 7) | Revenue reserves | | Total reserves | |
| | | | Retained earnings | General reserve | | |
| | ----------Rupees---------- | | | | | |
| Balance as at December 31, 2008 | 3,000,000,000 | 281,000,000 | 2,207,325,305 | 1,777,419,085 | 3,984,744,390 | 7,265,744,390 |
| Total comprehensive income for the year | - | - | 269,910,870 | - | 269,910,870 | 269,910,870 |
| **Transactions with owners** | | | | | | |
| Final cash dividend paid for the year 2008 Rs. 2.50 per share | - | - | (750,000,000) | - | (750,000,000) | (750,000,000) |
| Balance as at December 31, 2009 | 3,000,000,000 | 281,000,000 | 1,727,236,175 | 1,777,419,085 | 3,504,655,260 | 6,785,655,260 |
| Total comprehensive income for the year | **-** | **-** | **526,253,247** | **-** | **526,253,247** | **526,253,247** |
| **Transactions with owners** | | | | | | |
| Final cash dividend paid for the year 2009 Rs. 3.00 per share | **-** | **-** | **(900,000,000)** | **-** | **(900,000,000)** | **(900,000,000)** |
| **Balance as at December 31, 2010** | **3,000,000,000** | **281,000,000** | **1,353,489,422** | **1,777,419,085** | **3,130,908,507** | **6,411,908,507** |

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

| **Farzana Munaf** | **Rukhsana Saleem** | **Sikander Mahmood** | **Syed Arshad Ali** |
|---|---|---|---|
| Chief Financial Officer | Chief Executive | Director | Director |

# Statement of Cash Flows

**For the year ended December 31, 2010**

| | Note | **2010 Rupees** | 2009 Rupees |
|---|---|---|---|
| **Operating cash flows** | | | |
| **Underwriting activities** | | | |
| Premium received | | **4,999,370,420** | 5,368,676,293 |
| Reinsurance premium paid | | **(1,975,515,960)** | (3,273,831,065) |
| Claims paid | | **(2,002,847,826)** | (1,999,882,021) |
| Reinsurance and other recoveries received | | **339,131,022** | 794,664,893 |
| Commission paid | | **(813,893,854)** | (663,221,537) |
| Commission received | | **92,693,498** | 76,902,885 |
| Premium and claim reserves retained from retrocessionaires/withheld by ceding companies | | **(77,137,717)** | 9,604,897 |
| Expenses paid | | **(301,805,388)** | (231,410,090) |
| Net cash inflows from underwriting activities | | **259,994,195** | 81,504,255 |
| **Other operating activities** | | | |
| Income tax paid | | **(115,392,988)** | (120,476,675) |
| General administration expenses paid | | **(27,140,878)** | (35,178,235) |
| Loans disbursed-net | | **(1,424,512)** | (661,553) |
| Other payments - sundry debtors | | **(1,611,308)** | (60,845,341) |
| Other payments - staff contribution | | **-** | 12,944,926 |
| Net cash (outflow) from other operating activities | | **(145,569,686)** | (204,216,878) |
| ***Total cash inflow/ (outflow) from all operating activities*** | | **114,424,509** | (122,712,623) |
| **Investment activities** | | | |
| Fixed capital expenditure | *28* | **(5,708,743)** | (14,999,304) |
| Sale proceeds of fixed assets | *28.1* | **-** | 1,618,000 |
| Acquisition of investments | | **(5,061,958,506)** | (4,325,162,021) |
| Rental income received - net of expenses | | **51,720,187** | 56,514,417 |
| Dividend income received | | **242,097,207** | 314,659,821 |
| Interest income on bank deposits | | **82,583,486** | 131,750,750 |
| Investment income received - net of expenses | | **308,656,050** | 229,092,881 |
| Sale proceeds of investments | | **5,732,516,496** | 3,469,172,913 |
| ***Total cash inflow / (outflow) from investment activities*** | | **1,349,906,177** | (137,352,543) |
| **Financing activities** | | | |
| Surplus paid | | **-** | (1,240) |
| Dividend paid | | **(881,346,059)** | (742,918,352) |
| ***Total cash (outflow) from financing activities*** | | **(881,346,059)** | (742,919,592) |
| **Net cash inflow / (outflow) from all activities** | | **582,984,627** | (1,002,984,758) |
| Cash and cash equivalents at beginning of the year | | **1,833,646,826** | 2,836,631,584 |
| **Cash and cash equivalents at end of the year** | *18* | **2,416,631,453** | 1,833,646,826 |

| **Farzana Munaf** | **Rukhsana Saleem** | **Sikander Mahmood** | **Syed Arshad Ali** |
|---|---|---|---|
| Chief Financial Officer | Chief Executive | Director | Director |

# Statement of Cash Flows

**For the year ended December 31, 2010**

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| **Reconciliation to profit and loss account** | | | |
| Operating cash flows | | **114,424,509** | (122,712,623) |
| Depreciation expense | | | |
| -Investment property | 33 | **(2,576,076)** | (2,805,688) |
| -Fixed assets | 33 | **(6,939,136)** | (6,563,587) |
| Exchange gain | | **19,567,600** | 48,931,906 |
| Reversal of provisions | | **-** | 44,230,139 |
| Rental income - net | 31 | **59,217,774** | 60,412,168 |
| Pension officers expenses | 30 | **(37,890,000)** | (63,156,000) |
| Pension employees expenses | 30 | **4,829,000** | - |
| Medical expenses | 30 | **(25,376,000)** | (29,379,694) |
| Gratuity expenses | 30 | **(1,999,000)** | (49,000) |
| Compensated absences | 30 | **(7,732,000)** | (8,205,266) |
| Income on transfer of assets to pension fund | 30 | **-** | 52,213,809 |
| Reversal of excess contribution | 30 | **-** | 30,951,000 |
| Provision for outstanding claims | | **(24,691,663)** | (300,417,971) |
| Provision for unearned premium | | **(106,638,844)** | (628,249,779) |
| Prepaid reinsurance premium ceded | | **(133,837,985)** | (233,651,447) |
| Provision for employee benefits | | **(19,358,394)** | 26,216,000 |
| Dividend income | | **241,610,706** | 307,376,841 |
| Investment income | | **284,661,807** | 225,547,329 |
| Interest income | | **82,583,486** | 155,898,342 |
| Amortization of discount / (premium) | | **2,439,750** | (1,228,027) |
| Gain on sale of investment | | **42,845,132** | 425,228,019 |
| Increase in operating assets other than cash | | **527,940,519** | 236,700,327 |
| (Increase) in operating liabilities | | **(477,970,249)** | (19,483,028) |
| | | **535,110,936** | 197,803,770 |
| Other adjustments | | | |
| (Increase) in provision for diminution in value of investments | | **-** | - |
| Income tax paid | | **115,392,988** | 120,476,675 |
| | | **115,392,988** | 120,476,675 |
| Profit before taxation | | **650,503,924** | 318,280,445 |
| Provision for taxation | | **(124,250,677)** | (48,369,575) |
| Profit after taxation | | **526,253,247** | 269,910,870 |

**Definition of cash**

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

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

| | 2010 Rupees | 2009 Rupees |
|---|---|---|
| **Cash and cash equivalents** | | |
| Cash and other equivalents | **67,168** | 65,470 |
| Current and other accounts | **788,559,085** | 1,231,881,356 |
| Deposit maturing within 12 months | **1,628,005,200** | 601,700,000 |
| | **2,416,631,453** | 1,833,646,826 |

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

| **Farzana Munaf** | **Rukhsana Saleem** | **Sikander Mahmood** | **Syed Arshad Ali** |
|---|---|---|---|
| Chief Financial Officer | Chief Executive | Director | Director |

# Statement of Premiums

## For the year ended December 31, 2010

| Class | Premiums Written (A) | Unearned premium reserve Opening (B) | Unearned premium reserve Closing C) | Premiums earned (D=A+B-C) | Reinsurance ceded (E) | Prepaid reinsurance premium ceded Opening (F) | Prepaid reinsurance premium ceded Closing (G) | Reinsurance Expense (H=E+F-G) | Net premium revenue 2010 (I=D-H) | Net premium revenue 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | | | | |
| **Business underwritten inside Pakistan** | | | | | | | | | | |
| **Facultative** | | | | | | | | | | |
| Fire | 793,492,043 | 342,691,806 | 375,572,585 | 760,611,264 | 419,895,103 | 156,030,173 | 191,853,379 | 384,071,897 | **376,539,367** | 370,254,452 |
| Marine cargo | 27,185,829 | 3,076,414 | 4,665,692 | 25,596,551 | - | - | - | - | **25,596,551** | 22,869,780 |
| Marine hull | 46,478,948 | 16,717,529 | 27,895,387 | 35,301,090 | - | - | - | - | **35,301,090** | 34,706,221 |
| Accident and others | 94,401,189 | 63,232,288 | 31,640,631 | 125,992,846 | - | - | - | - | **125,992,846** | 52,603,988 |
| Aviation | 1,658,465,270 | 1,389,037,721 | 1,366,338,363 | 1,681,164,628 | 1,481,577,957 | 1,255,900,538 | 1,230,172,768 | 1,507,305,727 | **173,858,901** | 100,250,801 |
| Engineering | 1,003,002,769 | 573,254,971 | 474,369,902 | 1,101,887,838 | 779,952,766 | 436,624,753 | 335,192,948 | 881,384,571 | **220,503,267** | 211,601,923 |
| **Total** | 3,623,026,048 | 2,388,010,729 | 2,280,482,560 | 3,730,554,217 | 2,681,425,826 | 1,848,555,464 | 1,757,219,095 | 2,772,762,195 | **957,792,022** | 792,287,165 |
| Treaty | 2,929,423,056 | 959,252,289 | 1,173,419,302 | 2,715,256,043 | 690,038,692 | 219,244,170 | 176,742,554 | 732,540,308 | **1,982,715,735** | 1,378,662,659 |
| **Grand total** | 6,552,449,104 | 3,347,263,018 | 3,453,901,862 | 6,445,810,260 | 3,371,464,518 | 2,067,799,634 | 1,933,961,649 | 3,505,302,503 | **2,940,507,757** | 2,170,949,824 |

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

| **Farzana Munaf** | **Rukhsana Saleem** | **Sikander Mahmood** | **Syed Arshad Ali** |
|---|---|---|---|
| Chief Financial Officer | Chief Executive | Director | Director |

# Statement of Claims

**For the year ended December 31, 2010**

| Class | Claims paid (A) | Provision for outstanding claims Opening (B) | Provision for outstanding claims Closing (C) | Claims expenses (D=A+C-B) | Reinsurance and other rcecoveries received (E) | Reinsurance and other recoveries in respect of outstanding claims Opening (F) | Reinsurance and other recoveries in respect of outstanding claims Closing (G) | Reinsurance and other recoveries revenue (H=E+G-F) | Net claims expense 2010 (I=D-H) | Net claims expense 2009 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | | | | |
| **Business underwritten inside Pakistan** | | | | | | | | | | |
| **Facultative** | | | | | | | | | | |
| Fire | 134,654,952 | 219,062,746 | 385,001,070 | 300,593,276 | - | 68,968,099 | 203,968,099 | 135,000,000 | **165,593,276** | 80,485,727 |
| Marine cargo | 9,738,237 | 9,456,228 | 25,744,732 | 26,026,741 | - | - | - | - | **26,026,741** | 1,974,345 |
| Marine hull | 661,863 | 12,002,165 | 13,507,801 | 2,167,499 | - | - | - | - | **2,167,499** | 1,244,229 |
| Accident and others | 10,869,359 | 2,584,382 | 16,280,358 | 24,565,335 | - | - | - | - | **24,565,335** | 2,812,442 |
| Aviation | 195,369,011 | 65,844,331 | 62,909,789 | 192,434,469 | 22,058,997 | 63,449,318 | 60,626,073 | 19,235,752 | **173,198,717** | 25,720,975 |
| Engineering | 119,870,303 | 44,808,296 | 599,714,986 | 674,776,993 | 72,426,476 | - | 582,434,258 | 654,860,734 | **19,916,259** | 15,122,050 |
| **Total** | 471,163,725 | 353,758,148 | 1,103,158,736 | 1,220,564,313 | 94,485,473 | 132,417,417 | 847,028,430 | 809,096,486 | **411,467,827** | 127,359,768 |
| Treaty | 1,531,684,101 | 981,138,554 | 1,049,989,131 | 1,600,534,678 | 244,645,549 | 610,973,628 | 689,922,117 | 323,594,038 | **1,276,940,640** | 777,439,389 |
| **Grand total** | 2,002,847,826 | 1,334,896,702 | 2,153,147,867 | 2,821,098,991 | 339,131,022 | 743,391,045 | 1,536,950,547 | 1,132,690,524 | **1,688,408,467** | 904,799,157 |

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

| **Farzana Munaf** | **Rukhsana Saleem** | **Sikander Mahmood** | **Syed Arshad Ali** |
|---|---|---|---|
| Chief Financial Officer | Chief Executive | Director | Director |

# Statement of Expenses

**For the year ended December 31, 2010**

| Class | Commission paid or payable (A) | Deferred Commission Opening (B) | Deferred Commission Closing (C) | Net commission expenses (D=A+B-C) | Other management expenses (E) | Underwriting expenses (F=D+E) | Commission from reinsurers (G) | Commission income unearned Opening (H) | Commission income unearned Closing (I) | Net commission retorcession (J=G+H-I) | Net underwriting expense 2010 (K=F-J) | Net underwriting expense 2009 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Rupees | | | | | | | | | | | |
| **Business underwritten inside Pakistan** | | | | | | | | | | | | |
| **Facultative** | | | | | | | | | | | | |
| Fire | 110,327,161 | 49,285,979 | 57,642,937 | 101,970,203 | 7,863,664 | 109,833,867 | 45,319,252 | 8,635,260 | 18,092,704 | 35,861,808 | **73,972,059** | 89,727,102 |
| Marine cargo | 5,824,285 | 719,061 | 929,239 | 5,614,107 | 5,257,241 | 10,871,348 | - | - | - | - | **10,871,348** | 10,480,251 |
| Marine hull | 7,781,088 | 2,852,598 | 4,628,615 | 6,005,071 | 1,642,668 | 7,647,739 | - | - | - | - | **7,647,739** | 7,532,772 |
| Accident and others | 13,816,323 | 11,369,361 | 4,621,869 | 20,563,815 | 4,834,316 | 25,398,131 | - | - | - | - | **25,398,131** | 12,815,393 |
| Aviation | 4,346,447 | 1,568,870 | 1,985,333 | 3,929,984 | 6,062,121 | 9,992,105 | 3,605,717 | 1,442,111 | 1,362,662 | 3,685,166 | **6,306,939** | 4,880,786 |
| Engineering | 38,209,024 | 20,395,720 | 17,521,801 | 41,082,943 | 4,586,606 | 45,669,549 | 40,451,679 | 24,045,849 | 16,729,701 | 47,767,827 | **(2,098,278)** | 8,837,952 |
| Total | 180,304,328 | 86,191,589 | 87,329,794 | 179,166,123 | 30,246,616 | 209,412,739 | 89,376,648 | 34,123,220 | 36,185,067 | 87,314,801 | **122,097,938** | 134,274,256 |
| Treaty | 633,589,526 | 215,417,260 | 278,385,861 | 570,620,925 | 271,558,772 | 842,179,697 | 3,316,850 | 484,507 | 480,154 | 3,321,203 | **838,858,494** | 650,377,435 |
| Grand total | 813,893,854 | 301,608,849 | 365,715,655 | 749,787,048 | 301,805,388 | 1,051,592,436 | 92,693,498 | 34,607,727 | 36,665,221 | 90,636,004 | **960,956,432** | 784,651,691 |

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

| **Farzana Munaf** | **Rukhsana Saleem** | **Sikander Mahmood** | **Syed Arshad Ali** |
|---|---|---|---|
| Chief Financial Officer | Chief Executive | Director | Director |

# Statement of Investment Income

**For the year ended December 31, 2010**

| | Note | **2010 Rupees** | 2009 Rupees |
|---|---|---|---|
| **Income from trading investments** | | | |
| Held-for-trading | | **36,171,701** | 22,959,078 |
| Dividend income | | **241,610,706** | 307,376,841 |
| | | **277,782,407** | 330,335,919 |
| **Income from non-trading investments** | | | |
| *Held-to-maturity* | | | |
| Return on Government Securities | | **161,192,988** | 137,277,316 |
| Return on other fixed income securities and deposits | | **82,583,486** | 155,898,342 |
| Income on treasury bills | | **123,468,819** | 88,270,013 |
| Amortization of discount / (premium) on Pakistan Investment Bonds | | **2,439,750** | (1,228,027) |
| | | **369,685,043** | 380,217,644 |
| **Available-for-sale** | | **6,673,431** | 402,268,941 |
| **Gain / (loss) on revaluation of investments** | | | |
| Held-for-trading | *20.7* | **3,185,064** | (9,880,015) |
| **Provision for impairment in value of investments** | | | |
| Available-for-sale | | **-** | - |
| Held-for-trading | | **-** | - |
| | | **657,325,945** | 1,102,942,489 |
| **Less: Investment related expenses** | | **(3,855,564)** | (3,545,552) |
| **Net investment income** | | **653,470,381** | 1,099,396,937 |

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

| **Farzana Munaf** | **Rukhsana Saleem** | **Sikander Mahmood** | **Syed Arshad Ali** |
|---|---|---|---|
| Chief Financial Officer | Chief Executive | Director | Director |

## 1. STATUS AND NATURE OF BUSINESS

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

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

## 2. BASIS OF PREPARATION

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

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

### 2.1 Statement of compliance

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

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 investments available-for-sale. Accordingly, the requirements of IAS 39, to the extend allowed by the SECP have not been considered in preparation of these financial statements.

### 2.2 Basis of measurement

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

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

## 3. INITIAL APPLICATION OF STANDARDS, AMENDMENTS AND INTERPRETATIONS TO EXISTING STANDARDS

### 3.1 New / revised standards and interpretations to existing standards effective from current year

The following standards (revised or amended) and interpretations became effective for the current financial period or early adopted, but are either not relevant or do not have any material effect on the financial statements of the company:

- IFRS 2 - (Amendments) "Share-based Payments - Group cash-settled share-based payment transactions”
- IFRS 5 - (Amendments) "Non-current Assets Held for Sale and Discontinued Operations"
- Amendments to IAS 1 - "Presentation of Financial Statements"
- Amendments to IAS 7 - "Statement of Cash Flows"
- IAS 27 (Amended) - "Consolidated and Separate Financial Statements"
- IAS 27 (as revised in 2008) - "Consolidated and Separate Financial Statements"
- IAS 28 (as revised in 2008) - "Investments in Associates"
- IFRIC 15 - "Agreement for Construction of Real Estate"
- IFRIC 17 - "Distributions of Non-cash Assets to Owners"

The application of improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in these financial statements. The implications of amendment to the IFRS 2 relating to the Government of Pakistan share option scheme for employees of state owned entities are under considerations of the Institute of Chartered Accountants of Pakistan.

### 3.2 Standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 01, 2011 or later. These standards, amendments and interpretations are either not relevant to the company's operations or are not expected to have a significant impact on financial statements other than amendment in certain disclosures.

- IFRS 9 ‘Financial instruments’ introduces new requirements for the classification and measurement of financial assets and financial liabilities and for their derecognition. While the International Accounting Standards Board has prescribed the effective date period beginning on or after January 1, 2013 with earlier application permitted, the Securities and Exchange Commission of Pakistan has still not notified its effective date for adoption locally. As a result, there will be no impact on the company's financial statement till IFRS 9 is notified.

- IAS 12 Deferred Tax: Tax Recovery of Underlying Assets (Amendments to IAS 12). The amendment to IAS 12 is effective for annual periods beginning on or after January 01, 2012. Earlier application is permitted. The limited scope amendments are relevant only when an entity elects to use the fair value model for measurement in IAS 40 Investment Property. The amendments introduce a rebuttable presumption that in such circumstances, an investment property is recovered entirely through sale.

- IAS 24 (Revised), 'Related party disclosures' (effective for annual periods beginning on or after January 01, 2011) - The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. This amendment will result in some changes in disclosures.

- IAS 32 (Amendment) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after February 01, 2010) – 'Classification of rights issues' - The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

- IFRIC 13 (Amendment) 'Customer Loyalty Programmes' (effective from annual periods on or after January 01, 2011). The amendment clarifies that the fair value of award credits take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after July 01, 2010) – This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It requires a gain or loss to be recognized in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense.

- Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010, which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 01, 2011. The amendments include list of events or transactions that require disclosure in the financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments will result in increased disclosures in the financial statements.

## 4. USE OF ESTIMATES AND JUDGMENTS

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

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant areas requiring the management to use estimates in these financial statements relate to provision for outstanding claims including claims incurred but not reported (IBNR), impairment of assets, premium deficiency reserves, provision for income taxes, classification of investments, impairment, recoveries from reinsurers, staff retirement benefits and useful lives of assets and methods of depreciation.

**Judgments**

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

*Classification of investments*

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

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

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

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

*Impairment of investments*

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

## Estimation uncertainty

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

*Provision for outstanding claims*

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

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

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

*Reinsurance*

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

*Unearned premium reserve*

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

*Premium deficiency reserve*

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

*Impairment of accounts receivable*

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

*Useful life of property and equipment*

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

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are the same as those applied in preparation of the published financial statements for the year ended December 31, 2009 except stated otherwise.

### 5.1 Investments

*Recognition*

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

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

*Measurement*

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

Investments which are acquired principally for the purposes of generating profit from short term fluctuation in price or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading.

Investments which are designated at fair value through profit or loss upon initial recognition.

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

(b) Held-to-maturity

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

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

(c) Available-for-sale - marketable securities

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

*Quoted*

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

*Unquoted*

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

*Date of recognition*

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

### 5.2 Investment properties

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

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

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

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

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

### 5.3 Insurance contracts

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

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

### 5.4 Premium due but unpaid

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

### 5.5 Liability adequacy test

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

### 5.6 Reinsurance ceded

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

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

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

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

### 5.7 Claims expense

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

### 5.8 Commission expense, other acquisition costs and commission income

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

### 5.9 Provision for outstanding claims

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

### 5.10 Provision for unearned premium

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

### 5.11 Premium deficiency reserve

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

### 5.12 Prepaid reinsurance ceded

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

### 5.13 Staff retirement benefits

#### Defined benefit plans

The company operates approved gratuity and pension scheme for all its permanent employees who are entitled / have opted for either of the above schemes. Contributions to the funds are made based on actuarial recommendations and in line with the provisions of the Income Tax Ordinance, 2001. The most recent actuarial valuation was carried out effective for the year ended December 31, 2010 using the Projected Unit Credit Method. Actuarial gains / losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation at the end of the previous reporting period) are recognized over the average remaining service life of the employees.

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

**Defined contribution plan**

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

**Compensated absences**

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

### 5.14 Taxation

*Current*

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

*Deferred*

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

### 5.15 Fixed assets - tangibles

*Owned*

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

Depreciation is charged to income applying the reducing balance method. The rates of depreciation are stated in note 28 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, arc included in current income.

### 5.16 Revenue recognition

Premium

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

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

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

*Investments*

Gain / loss on sale of investments is taken to the profit and loss account in the year of sale.
Profit / interest income on investments securities are recognized on effective interest method.
Profit on bank accounts are accounted for on accrual basis.
Dividend income is recognized when the right to receive such dividend is established.

*Rental income*

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

### 5.17 Management expenses

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

### 5.18 Derivative financial instruments

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

### 5.19 Foreign currency translations

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees using year end spot foreign exchange rates. Non-monetary assets and liabilities are translated into Pak Rupees using exchange rates prevalent on transaction date. Exchange differences on foreign currency translations are included in income currently.

**5.20 Impairment**

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

**5.21 Cash and cash equivalents**

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

**5.22 Off setting of financial assets and financial liabilities**

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

**5.23 Segment reporting**

For management purposes, the company is organized into seven business segments fire, marine cargo, marine hull, accident 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.

**5.24 Provisions**

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

**5.25 Provision for doubtful debts**

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

**5.26 Financial instruments**

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

## 6. SHARE CAPITAL

| **2010** | 2009 | | **2010** | 2009 |
|---|---|---|---|---|
| **Number of shares** | | | **Rupees** | Rupees |
| **8** | 8 | Ordinary shares of Rs. 10 each fully paid in cash | **80** | 80 |
| **5,000,000** | 5,000,000 | Ordinary shares of Rs. 10 each issued for consideration other than cash | **50,000,000** | 50,000,000 |
| **294,999,992** | 294,999,992 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | **2,949,999,920** | 2,949,999,920 |
| **300,000,000** | 300,000,000 | | **3,000,000,000** | 3,000,000,000 |

The Government of Pakistan (GoP) through Ministry of Commerce (MoC) holds 44.88% (2009: 51%) of shares of the company. During the year 12% shares of GoP have been transferred to PRCL Employee Empowerment Trust (PEET) under GoP Benazir Employees' Stock Option Scheme.

| | **2010** | 2009 |
|---|---|---|
| | **Rupees** | Rupees |
| **7. RESERVE FOR EXCEPTIONAL LOSSES** | **281,000,000** | 281,000,000 |

The reserve for exceptional losses represents amount set aside in prior years admissible previously under the Income Tax Act of 1922. After the introduction of repealed Income Tax Ordinance, 1979, which did not permit the said deduction. Accordingly, the company has ceased to set aside such reserve.

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| **8. PROVISION FOR OUTSTANDING CLAIMS (including IBNR)** | | | |
| **Facultative business** | | | |
| Fire | | **181,032,971** | 150,094,647 |
| Marine cargo | | **25,744,732** | 9,456,228 |
| Marine hull | | **13,507,801** | 12,002,165 |
| Accident and others | | **16,280,358** | 2,584,382 |
| Aviation | | **2,283,716** | 2,395,013 |
| Engineering | | **17,280,728** | 44,808,296 |
| | | **256,130,306** | 221,340,731 |
| **Treaty** | | **360,067,014** | 370,164,926 |
| | | **616,197,320** | 591,505,657 |
| Claims related to Bangladesh | *8.2* | **(4,952,000)** | (4,952,000) |
| | | **611,245,320** | 586,553,657 |

**8.1** This represents estimated liabilities in respect of outstanding claims incurred up to the balance sheet date as intimated by the ceding companies to the company. Out of the same, estimated recoveries are deducted to arrive at the net amount of such liabilities which would fall on the company (net account).

The company, generally computes such liabilities, in respect of treaty business on the basis of various forms received from the ceding companies including forms "S1","S5","S6". In case where no information is received from the ceding companies, the estimated liability is recorded on the basis of actuarial valuation for the concerned class of business. At the end of the next accounting period / year, the reserve brought forward is reversed and a new reserve is created for the estimated liability in respect of the outstanding claims.

In the year 2002 an amount of Rs. 4.952 million (refer note 8.2) representing brought forward claims from previous years which relate to Bangladesh (former East Pakistan) has been excluded from reserve for outstanding claims on Balance Sheet and has been taken along with other liabilities of Rs. 809,000 to net off Assets in Bangladesh of Rs. 15,974,000 (refer note 29).

| | 2010 Rupees | 2009 Rupees |
|---|---|---|
| **8.2 Facultative** | | |
| Fire | **2,382,000** | 2,382,000 |
| Marine | **1,470,000** | 1,470,000 |
| Miscellaneous | **1,100,000** | 1,100,000 |
| | **4,952,000** | 4,952,000 |
| **9. PROVISION FOR UNEARNED PREMIUM** | | |
| Facultative business | | |
| Fire | **375,572,585** | 342,691,806 |
| Marine cargo | **4,665,692** | 3,076,414 |
| Marine hull | **27,895,387** | 16,717,529 |
| Accident and others | **31,640,631** | 63,232,288 |
| Aviation | **1,366,338,363** | 1,389,037,721 |
| Engineering | **474,369,902** | 573,254,971 |
| | **2,280,482,560** | 2,388,010,729 |
| **Treaty** | **1,173,419,302** | 959,252,289 |
| | **3,453,901,862** | 3,347,263,018 |

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| **10. COMMISSION INCOME UNEARNED** | | | |
| Facultative business | | | |
| Fire | | **18,092,704** | 8,635,260 |
| Aviation | | **1,362,662** | 1,442,111 |
| Engineering | | **16,729,701** | 24,045,849 |
| | | **36,185,067** | 34,123,220 |
| **Treaty** | | **480,154** | 484,507 |
| | | **36,665,221** | 34,607,727 |

## 11. DEFERRED LIABILITY - EMPLOYEE BENEFITS

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| Defined benefit obligations | | | |
| Post retirement medical benefits | *38.1.1* | **97,815,495** | 81,757,000 |
| Compensated absences | *38.1.1* | **42,410,899** | 39,111,000 |
| | | **140,226,394** | 120,868,000 |

## 12. LONG TERM DEPOSITS

This represents deposits received from tenants in connection with letting of PRC Towers.

## 13. AMOUNT DUE TO OTHER INSURERS / REINSURERS

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| Amount due to other insurers / reinsurers | *23.2* | **1,756,156,933** | 1,271,081,957 |

## 14. PREMIUM AND CLAIM RESERVES RETAINED FROM RETROCESSIONAIRES

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| Premium reserve withheld | | **230,320** | 233,501 |
| Losses reserve withheld | | **17,322,869** | 17,706,438 |
| Cash losses received from retrocessionaires | | **2,698,329** | 26,618,437 |
| | *14.1* | **20,251,518** | 44,558,376 |

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

## 15. OTHER CREDITORS AND ACCRUALS

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| Provision for litigation | | **16,075,253** | 16,075,253 |
| Employees' welfare fund payable | | **113,532** | - |
| Advance rent | | **9,785,973** | 9,996,596 |
| Pension fund payable | *38.1.1* | **-** | 4,018,000 |
| Gratuity fund payable | *38.1.1* | **1,701,500** | - |
| Payable to stock broker | | **-** | 10,273,556 |
| Others | | **10,973,679** | 8,539,295 |
| | | **38,649,937** | 48,902,700 |

## 16. SURPLUS PROFIT PAYABLE

This represents the amount set aside for the share holders in addition to dividend payment in accordance with the requirements of PIC Act, 1952.

## 17. CONTINGENCIES

**17.1** The company is in the process of getting confirmations and reconciling balance with insurance/reinsurance companies in respect of following balance:

Out of the total receivable balance of 'due from other insurers/reinsurances' amounting to Rs. 2,781.705 million (2009: Rs. 2,395.718 million), balances amounting to Rs. 1,566.082 million (2009: Rs. 1,912.369 million) were confirmed by the respective insurance companies through internal confirmations/correspondence received by the company and leaving a total unconfirmed balance of Rs. 1,215.623 million (2009: Rs. 483.349 million). Difference amounting to Rs. 49.146 million (2009: Rs. 531.432 million) is under reconciliation from the balances confirmed by respective insurer/reinsures.

Out of the total payable balance of 'due to other insurers/reinsurances' amounting to Rs. 1,756.157 million (2009: Rs. 1,271.082 million), balances amounting to Rs. 1,684.846 million (2009: Rs. 1,270.834 million) were confirmed by the respective insurance companies through internal confirmations/correspondence received by the company and leaving a total unconfirmed balance of Rs. 71.289 million (2009: Rs. 0.248 million). Difference amounting to Rs. 415.566 million (2009: 131.740 million) is under reconciliation out of the balances confirmed by respective insurer/reinsures.

Consequently, the impact of possible adjustment of these balances on balance sheet and profit and loss account could not presently be quantified.

**17.2** The company has reversed certain claims lodged by insurance companies estimated at Rs. 29.95 million (2009: Rs. 38.39 million) due to the reason that appropriate documentation for substantiating these claims was not provided by the ceding companies.

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

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

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

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

**17.4** Case related to Export Credits Guarantee Scheme

Decrees have been awarded against the company in a case amounting to Rs. 31.68 (2009: Rs. 30.52) million, pertaining to the export credit guarantees issued by Export Credits Guarantee Scheme (ECGS). The management is of the view that the said matter relates to ECGS and the company has no responsibility for any liability in this respect. It further, contends that no liability will arise for the ECGS from such cases. The Scheme has been abolished by the Federal Government and also, the accounts relevant to the Scheme have been transferred by the company. Moreover the decree holder has not filed execution application with in prescribed limitation period, therefore management considers it as time barred.

**17.5** The company has disputed the unilateral increase in rentals of one of its lease hold land being exorbitant and unreasonable, a view supported by the company's legal advisor. The amount not acknowledged as debt in this regard as at December 31, 2010 amounted to Rs. 3.351 million (2009: Rs. 1.721 million).

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

**17.6** There is no commitment as on the balance sheet date (2009: Nil).

## 18. CASH AND BANK DEPOSITS

| | Note | **2010 Rupees** | 2009 Rupees |
|---|---|---|---|
| Cash and other equivalents | | **67,168** | 65,470 |
| Current and other accounts | *18.1* | **788,559,085** | 1,231,881,356 |
| Deposits maturing within 12 months | *18.2* | **1,628,005,200** | 601,700,000 |
| | | **2,416,631,453** | 1,833,646,826 |

**18.1** These represent interest bearing accounts carrying interest rates 5% to 11% (2009: 5% to 13.5%) per annum.

**18.2** This represents Term Deposit Receipts (TDRs) in local and foreign currency carrying effective interest rates of 14.05% and 1.1% per annum respectively (2009: 14.50% per annum in local currency). These deposits are due to mature within next 12 months.

## 19. LOANS TO EMPLOYEES (considered good)

| | Note | 2010 | 2009 |
|---|---|---|---|
| - Secured | | **44,446,048** | 44,649,612 |
| - Unsecured | | **10,646,126** | 9,018,050 |
| | *19.1* | **55,092,174** | 53,667,662 |

### 19.1 Maturity of loans

| | | |
|---|---|---|
| Receivable within one year | **8,123,612** | 18,718,260 |
| Receivable after one year | **46,968,562** | 34,949,402 |
| | **55,092,174** | 53,667,662 |

**19.2** Loans to employees represent mark-up free loans except house building and motor car loans (mark-up rate 10%) and are secured against retirement benefits of respective employees including, where applicable, the assets for which the loan has been given. These loans are recoverable within 180 equal monthly installments.

## 20. INVESTMENTS

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| Available-for-sale | | | |
| Ordinary shares - listed | *20.1* | **493,901,773** | 502,980,543 |
| Mutual funds | *20.2* | **2,134,569,150** | 2,476,011,379 |
| Ordinary shares - unlisted | *20.3* | **617,613** | 617,613 |
| | | **2,629,088,536** | 2,979,609,535 |
| Held-to-maturity | | | |
| Defence Saving Certificates | *20.4* | **-** | 157,654,953 |
| Pakistan Investment Bonds | *20.5* | **1,431,904,618** | 988,840,566 |
| Treasury Bills (1 year) | *20.6* | **572,315,840** | 1,112,568,013 |
| | | **2,004,220,458** | 2,259,063,532 |
| Held-for-trading | | | |
| Ordinary shares - listed | *20.7* | **40,836,553** | 243,210,290 |
| | | **4,674,145,547** | 5,481,883,357 |

As mentioned in note 5.1 to these financial statements, available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other then temporary) as per Rule 16(a) of SECP Insurance Rules, 2002. However, International Accounting Standard-39 dealing with the recognition and measurements of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on December 31, 2010 would have been higher by Rs. 834 million (2009: higher by Rs. 668 million), and the net equity would have been higher by Rs. 834 million (2009: higher by Rs. 668 million).

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

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| Cost of investment in listed companies | *20.1.1* | **506,964,336** | 516,043,106 |
| Less: Provision for diminution in value | | | |
| Balance brought forward from last year | | **13,062,563** | 13,062,563 |
| Provision (reversed) / made during the year | | **-** | - |
| | | **13,062,563** | 13,062,563 |
| | | **493,901,773** | 502,980,543 |

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

| Name of company | 2010 No. of shares / certificates | 2010 Book value | 2010 Market value | 2009 No. of shares | 2009 Book value | 2009 Market value |
|---|---|---|---|---|---|---|
| | | --------------Rupees------------ | | | ----------------Rupees-------------- | |
| **Financial Services** | | | | | | |
| Escort Investment Bank | **16,846** | **66,542** | **47,000** | 16,846 | 66,542 | 66,542 |
| **Banks** | | | | | | |
| Askari Bank Limited | **34,443** | **609,297** | **609,297** | 28,703 | 770,659 | 783,592 |
| Bank Al-Falah Limited | **5,994** | **82,538** | **67,193** | 5,994 | 82,538 | 82,537 |
| Faysal Bank Limited | **41,596** | **607,660** | **648,482** | 34,664 | 607,660 | 607,660 |
| MCB Bank Limited | **253,011** | **55,357,113** | **57,823,134** | 230,010 | 55,357,113 | 50,528,597 |
| National Bank of Pakistan | **4,274,379** | **7,254,553** | **328,357,795** | 3,419,503 | 7,254,553 | 254,308,438 |
| N.I.B Bank Limited | **28,420,050** | **56,828,787** | **83,839,147** | 28,535,050 | 57,058,787 | 136,968,240 |
| Royal Bank of Scotland Limited | **7,106** | **127,908** | **-** | 7,106 | 127,908 | 127,908 |
| Silk Bank Limited | **24,656** | **103,865** | **64,599** | 5,999 | 57,222 | 28,435 |
| The Bank of Punjab Limited | **30,080** | **586,561** | **295,085** | 30,080 | 586,561 | 586,560 |
| United Bank Limited | **1,024** | **4,350** | **69,867** | 931 | 4,350 | 54,417 |
| | **33,092,339** | **121,562,632** | **471,774,599** | 32,298,040 | 121,907,351 | 444,076,384 |
| **Insurance** | | | | | | |
| Adamjee Insurance Company Limited | **494,301** | **55,427,467** | **43,251,337** | 449,365 | 55,427,467 | 55,406,705 |
| Asia Insurance Company Limited | **24,980** | **249,800** | **424,660** | 24,980 | 249,800 | 419,664 |
| Crescent Star Insurance Company Limited | **604,491** | **5,862,508** | **2,829,018** | 604,491 | 5,862,508 | 5,440,419 |
| Habib Insurance Company Limited | **8,211** | **1,724** | **115,364** | 8,211 | 1,724 | 131,376 |
| Pakistan Guarantee Insurance Company Limited | **22,029** | **132,340** | **-** | 22,029 | 132,340 | 107,942 |
| PICIC Insurance Company Limited | **855,790** | **4,450,108** | **6,854,879** | 855,790 | 4,450,108 | 4,450,108 |
| Sterling Insurance Company Limited | **23,250** | **188,906** | **-** | 23,250 | 188,906 | 162,750 |
| Union Insurance Company of Pakistan Limited | **56,227** | **500,000** | **-** | 56,227 | 500,000 | - |
| United Insurance Company of Pakistan Limited | **172,980** | **166,165** | **1,176,264** | 149,121 | 166,165 | 1,416,650 |
| | **2,262,259** | **66,979,018** | **54,651,522** | 2,193,464 | 66,979,018 | 67,535,613 |
| **Personal Goods** | | | | | | |
| Brothers Textile Mills Limited | **353** | **229** | **243** | 353 | 229 | 229 |
| Khurshid Spinning Mills Limited | **7,600** | **5,700** | **12,160** | 7,600 | 5,700 | 5,700 |
| Regent Textile Mills Limited | **5,000** | **-** | **-** | 5,000 | 50,000 | - |
| Sahrish Textile Mills Limited | **13,510** | **-** | **-** | 13,510 | 15,579 | - |
| Yousaf Weaving Mills Limited | **227** | **930** | **340** | 227 | 930 | 772 |
| Pakistan Synthetics Limited | **2,846** | **21,252** | **25,899** | 2,846 | 21,252 | 24,903 |
| Crescent Jute Products Limited | **157,314** | **157,314** | **122,705** | 157,314 | 157,314 | 157,314 |
| Usman Textile Mills | **300** | **-** | **-** | 300 | 2,006 | - |
| Colony Mills Limited | **149,762** | **1,139,691** | **381,893** | 149,762 | 1,139,691 | 1,076,789 |
| Kohinoor Industries Limited | **11,681** | **23,362** | **18,573** | 11,681 | 23,362 | 23,362 |
| Muhammad Farooq Textile Mills | **4,100** | **7,093** | **5,658** | 4,100 | 7,093 | 7,093 |
| Taj Textile Mills | **5,600** | **2,072** | **2,072** | 5,600 | 2,072 | 2,072 |
| | **358,293** | **1,357,643** | **569,543** | 358,293 | 1,425,228 | 1,298,234 |
| **General Industries** | | | | | | |
| Packages Limited | **821,714** | **118,326,816** | **105,680,637** | 821,714 | 118,326,816 | 118,326,816 |
| Hashmi Can Company Limited | **5,250** | **31,500** | **34,650** | 5,250 | 31,500 | 31,500 |
| | **826,964** | **118,358,316** | **105,715,287** | 826,964 | 118,358,316 | 118358,316 |
| **Household Goods** | | | | | | |
| Hussain Industries Limited | **15,820** | **141,589** | **117,068** | 15,820 | 141,589 | 141,589 |
| Towellers Limited | **315,759** | **5,999,421** | **1,976,651** | 315,759 | 5,999,421 | 6,315,180 |
| | **331,579** | **6,141,010** | **2,093,719** | 331,579 | 6,141,010 | 6,456,769 |

| Name of company | 2010 No. of shares / certificates | 2010 Book value | 2010 Market value | 2009 No. of shares | 2009 Book value | 2009 Market value |
|---|---|---|---|---|---|---|
| | | --------------Rupees----------- | | | ---------------Rupees------------- | |
| **Food Producers** | | | | | | |
| Bawany Sugar Mills Limited | **-** | **-** | **-** | 11,000 | 24,262 | 22,550 |
| Colony Sugar Mills Limited | **39,924** | **399,240** | **128,954** | 39,924 | 399,240 | 480,286 |
| Crescent Sugar Mills Limited | **256,084** | **1,505,518** | **1,728,567** | 287,084 | 1,687,798 | 1,593,316 |
| Fecto Sugar Mills Limited | **-** | **-** | **-** | 1,927 | 17,183 | 21,197 |
| Kohinoor Sugar Mills Limited | **26,451** | **235,671** | **134,371** | 26,451 | 235,671 | 203,673 |
| Pangrio Sugar Mills Limited | **100,000** | **475,000** | **610,000** | 100,000 | 475,000 | 475,000 |
| Sakrand Sugar Mills Limited | **11,900** | **26,291** | **35,700** | 11,900 | 26,291 | 23,681 |
| Shahtaj Sugar Mills Limited | **397** | **2,973** | **31,820** | 400 | 2,996 | 43,792 |
| Sind Abadgar Sugar Mills Limited | **98,500** | **980,921** | **960,375** | 98,500 | 980,921 | 1,083,500 |
| Universal Oil | **30,000** | **262,500** | **-** | 30,000 | 262,500 | 240,000 |
| | **533,256** | **3,625,614** | **3,629,787** | 577,186 | 3,849,362 | 3,946,995 |
| **Construction and Materials** | | | | | | |
| Dada Bhoy Cement Industries Limited | **17,300** | **27,853** | **29,583** | 17,300 | 27,853 | 27,853 |
| Fauji Cement Company Limited | **5,238** | **32,266** | **26,295** | 5,238 | 32,266 | 32,266 |
| Javedan Cement Limited | **118** | **1,126** | **7,076** | 59 | 536 | 4,261 |
| D.G Khan Cement Limited | **12,000** | **383,999** | **362,040** | 10,000 | 343,999 | 325,600 |
| Zeal Pak Cement Factory Limited | **39,130** | **-** | **-** | 39,130 | 1,360,268 | - |
| | **73,786** | **445,244** | **424,994** | 71,727 | 1,764,922 | 389,980 |
| **Tobacco** | | | | | | |
| Philip Morris (Pakistan) Limited (Formerly Lakson Tobacco Company Ltd.) | **21,206** | **36,893** | **6,148,043** | 21,206 | 36,893 | 5,656,913 |
| Pakistan Tobacco Company Limited | **70,140** | **234,209** | **7,779,929** | 70,140 | 234,209 | 7,364,700 |
| | **91,346** | **271,102** | **13,927,972** | 91,346 | 271,102 | 13,021,613 |
| **Oil and Gas** | | | | | | |
| National Refinery Limited | **502,363** | **28,312,467** | **137,541,967** | 502,363 | 28,312,467 | 88,827,826 |
| Pakistan State Oil Company Limited | **5,132** | **371,225** | **1,514,863** | 5,132 | 371,225 | 1,526,462 |
| Pakistan Petroleum Limited | **240,000** | **27,388,953** | **52,116,000** | 238,440 | 32,652,927 | 45,205,840 |
| | **747,495** | **56,072,645** | **191,172,830** | 745,935 | 61,336,619 | 135,560,127 |
| **Electricity** | | | | | | |
| The Hubpower Company Limited | **582,085** | **10,773,636** | **21,775,800** | 582,085 | 10,773,636 | 18,091,202 |
| Karachi Electric Supply Company Limited | **385,548** | **863,418** | **1,083,390** | 385,548 | 863,418 | 1,025,558 |
| Kot Addu Power Company Limited | **30,000** | **1,481,678** | **1,220,400** | 30,000 | 1,481,678 | 1,376,100 |
| Southern Electric Power Company Limited | **13,963** | **58,697** | **31,137** | 13,963 | 58,697 | 55,712 |
| | **1,011,596** | **13,177,429** | **24,110,727** | 1,011,596 | 13,177,429 | 20,548,572 |
| **Gas Water and Multiutilities** | | | | | | |
| Sui Southern Gas Company | **12,089,740** | **36,461,488** | **258,962,231** | 9,671,792 | 36,461,488 | 129,892,167 |
| Sui Northern Gas Pipelines Limited * | **7,530,913** | **17,110,611** | **201,376,614** | 7,530,913 | 17,110,611 | 186,766,642 |
| | **19,620,653** | **53,572,099** | **460,338,845** | 17,202,705 | 53,572,099 | 316,658,809 |
| **Industrial Engineering** | | | | | | |
| Ghandhara Industries Limited | **2,543** | **18,284** | **29,753** | 173,658 | 1,248,601 | 1,248,601 |
| Pakistan Engineering Company Limited | **43,776** | **364,738** | **10,943,562** | 43,776 | 364,738 | 13,132,800 |
| | **46,319** | **383,022** | **10,973,315** | 217,434 | 1,613,339 | 14,381,401 |
| **Automoblie and Parts** | | | | | | |
| Dewan Automotive Engineering Limited | **52,333** | **39,249** | **69,556** | 52,333 | 39,249 | 39,250 |

| Name of company | 2010 No. of shares / certificates | 2010 Book value | 2010 Market value | 2009 No. of shares | 2009 Book value | 2009 Market value |
|---|---|---|---|---|---|---|
| | | --------------Rupees------------ | | | ----------------Rupees-------------- | |
| **Travel and Leisure** | | | | | | |
| Pakistan International Airlines Corporation "A" Class Shares | **2,497,778** | **6,519,200** | **5,644,978** | 2,497,778 | 6,519,200 | 6,519,201 |
| **Fiex Line Telecommunication** | | | | | | |
| Worldcall Telecom Limited | **3,672** | **13,586** | **10,648** | 3,672 | 13,586 | 13,586 |
| **Forestry and Paper** | | | | | | |
| Security Papers Limited | **644,924** | **195,915** | **28,931,291** | 644,924 | 195,915 | 31,020,844 |
| **Chemicals** | | | | | | |
| Fauji Fertilizer Bin Qasim Limited | **20,035** | **452,878** | **715,850** | 20,035 | 452,878 | 523,515 |
| ICI Pakistan Limited | **461,800** | **53,494,880** | **66,610,032** | 461,800 | 53,494,880 | 77,808,682 |
| Lotte Pakistan PTA Limited | **1,224,802** | **3,818,862** | **16,779,787** | 1,426,324 | 4,447,611 | 11,168,117 |
| BOC Pakistan Limited | **1,100** | **154,000** | **100,210** | 1,100 | 154,000 | 140,745 |
| Sardar Chemical Industries | **500** | **950** | **450** | 500 | 950 | 950 |
| | **1,708,237** | **57,921,570** | **84,206,329** | 1,909,759 | 58,550,319 | 89,642,008 |
| | **63,949,675** | **506,964,336** | **1,458,292,942** | 61,081,581 | 516,043,106 | 1,269,774,244 |

***Frozen shares**

This represents 7,530,913 ordinary shares of Sui Northern Gas Pipelines Limited which are frozen on the basis of Government of Pakistan (GoP) directives F.10(6&14)EN-94/2005 dated April 13, 2005, as the same form part of the strategic shareholding under the control of the GoP. As a result, the company is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus/right shares in respect thereof.

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

| Name of company | 2010 No. of shares / certificates | 2010 Book value | 2010 Market value | 2009 No. of shares | 2009 Book value | 2009 Market value |
|---|---|---|---|---|---|---|
| **Open-End Mutual Funds** | | | | | | |
| Pakistan Capital Market Fund | **12,079** | **79,326** | **94,455** | 8,565 | 79,326 | 83,337 |
| National Investment Trust | **51,328,425** | **1,612,739,114** | **1,612,739,114** | 51,328,425 | 1,954,181,343 | 1,954,181,343 |
| | **51,340,504** | **1,612,818,440** | **1,612,833,569** | 51,336,990 | 1,954,260,669 | 1,954,264,680 |
| **Close-End Mutual Funds** | | | | | | |
| JS Value Fund Limited | **346,204** | **2,267,483** | **1,651,393** | 346,204 | 2,267,483 | 1,945,666 |
| Pakistan Premier Fund Limited | **18,712** | **111,336** | **-** | 18,712 | 111,336 | 111,336 |
| PICIC Growth Fund | **30,406,721** | **519,131,480** | **402,889,053** | 30,406,721 | 519,131,480 | 433,599,841 |
| PICIC Investment Fund | **17,246** | **100,372** | **110,547** | 17,246 | 100,372 | 100,372 |
| JS Growth Fund | **28,348** | **140,039** | **157,331** | 28,348 | 140,039 | 140,039 |
| | **30,817,231** | **521,750,710** | **404,808,325** | 30,817,231 | 521,750,710 | 435,897,255 |
| | **82,157,735** | **2,134,569,150** | **2,017,641,894** | 82,154,221 | 2,476,011,379 | 2,390,161,935 |

**20.2.1** The company holds 51,328,425 NIT units (2009: 51,328,425 units). The cost ranges from Rs. 53.95 to Rs. 54.50 per unit. The units repurchase price as at December 31, 2010 was Rs. 31.42 per unit.

**20.2.2** Market value of quoted available-for-sale investments (listed shares and NIT units) is Rs. 3,517 (2009: Rs. 3,512) million.

## 20.3 Investment in unlisted companies

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| Cost of investment in unlisted companies | *20.3.1* | **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 (reversed)/made during the year | | **-** | - |
| | | **1,990,492** | 1,990,492 |
| | | **617,613** | 617,613 |

## 20.3.1 Cost of investment in unlisted companies

| | 2010 Number of shares / certificates | 2010 Book Value (Rupees) | 2009 Number of shares / certificates | 2009 Book Value (Rupees) |
|---|---|---|---|---|
| **Banks** | | | | |
| Industrial Development Bank of Pakistan (Break-up value is Rs. Nil per share based on financial statements for the year ended June 30, 2010) Chairman/Managing Director: Jamal Nasim | **6,213** | **618,227** | 6,213 | 618,227 |
| **State Bank of Pakistan** (Break-up value is Rs. 416,075 per share based on financial statements for the year ended June 30, 2010) Governor: Shahid Hafiz Kardar | **4,900** | **517,614** | 4,900 | 517,614 |
| | **11,113** | **1,135,841** | 11,113 | 1,135,841 |
| **Mutual Funds** | | | | |
| National Investment Trust Limited (Break-up value is Rs. 12,593 per share based on financial statements for the year ended June 30, 2010) Managing Director & Chairman: Mr. Wazir Ali Khoja | **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 Mill | **1,000** | **9,950** | 1,000 | 9,950 |
| Kohinoor Cotton Mill Limited | **22,397** | **219,801** | 22,397 | 219,801 |
| **Chemical** | | | | |
| Synthetic Chemical Limited | **20,000** | **200,000** | 20,000 | 200,000 |
| **Vanaspati and Allied Industries** | | | | |
| Burma Oil Limited | **861** | **6,470** | 861 | 6,470 |
| Burma Soap Limited | **64** | **640** | 64 | 640 |
| **Miscellaneous** | | | | |
| Arag Industries Limited | **133,333** | **685,403** | 133,333 | 685,403 |
| | **202,655** | **1,372,264** | 202,655 | 1,372,264 |
| | **292,968** | **2,608,105** | 292,968 | 2,608,105 |

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

**20.4 Defence Saving Certificates**

| | Tenure | Face value | Maturity date | Profit repayment frequency | Effective interest rate | 2010 Carrying value Rupees | 2009 Carrying value Rupees |
|---|---|---|---|---|---|---|---|
| Defence Saving Certificates | 10 Years | 40,000,000 | March 16, 2010 | On maturity | 15.01% | - | 157,654,953 |

**20.4.1** The Defence Saving Certificates matured in 2010.

**20.5 Pakistan Investment Bonds**

| | Tenure | Face value | Maturity date | Profit repayment frequency | Coupon rate | | |
|---|---|---|---|---|---|---|---|
| Pakistan Investment Bonds | 3 to 10 Years | 1,455,990,000 | September 3, 2012 to September 3, 2019 | Semi-annually | 8% to 12% | **1,431,904,618** | 988,840,566 |

**20.5.1** Pakistan Investment bonds having face value of Rs. 300 millions have been deposited with State Bank of Pakistan as part of minimum statutory deposit in accordance with the requirement of clause (a) of sub section 2 of section 29 of the Insurance Ordinance, 2000.

**20.5.2** Market value of Pakistan Investment Bonds is Rs. 1,353.206 (2009: 1,019.87) million.

**20.6 Treasury bills**

| | Tenure | Face value | Maturity date | Profit repayment frequency | Effective interest rate | | |
|---|---|---|---|---|---|---|---|
| Treasury bills | 3 months to 1 Year | 605,890,000 | January 10, 2011 to June 02, 2011 | On maturity | 12.34% to 13.58% | **572,315,840** | 1,112,568,013 |

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| **20.7 Investment in listed companies - held-for-trading** | | | |
| Cost of investment in listed companies | *20.7.1* | **37,651,489** | 253,090,305 |
| Gain / (loss) on revaluation of investments | | **3,185,064** | (9,880,015) |
| | | **40,836,553** | 243,210,290 |

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

| Name of company | 2010 Number of shares | 2010 Book value | 2010 Market value | 2009 Number of shares | 2009 Book value | 2009 Market value |
|---|---|---|---|---|---|---|
| | | --------------Rupees------------ | | | ----------------Rupees-------------- | |
| **Cement** | | | | | | |
| Attock Cement Limited | **193,200** | **12,430,488** | **12,192,852** | 193,200 | 13,155,198 | 10,046,400 |
| **Commercial Banks** | | | | | | |
| National Bank of Pakistan | **-** | **-** | **-** | 1,840,105 | 142,328,975 | 136,852,490 |
| **Refinery** | | | | | | |
| The Hubpower Company Limited | **100,000** | **3,329,000** | **3,741,000** | 160,000 | 4,895,874 | 4,972,800 |
| **Oil and Gas Exploration Companies** | | | | | | |
| Oil and Gas Development Company Limited | **-** | **-** | **-** | 70,000 | 7,404,257 | 7,742,700 |
| **Technology and Communication** | | | | | | |
| Pakistan Telecommunication Company Limited | **319,500** | **6,006,600** | **6,204,690** | 490,000 | 9,223,645 | 8,648,500 |
| **Fertilizer** | | | | | | |
| Fauji Fertilizer Company Limited | **117,802** | **12,350,362** | **14,826,560** | 300,000 | 30,263,880 | 30,879,000 |
| **Chemicals** | | | | | | |
| ICI Pakistan Limited | **-** | **-** | **-** | 235,000 | 40,671,450 | 39,583,400 |
| Engro Polymer and Chemicals Limited | **271,300** | **3,535,039** | **3,871,451** | 250,000 | 5,147,026 | 4,485,000 |
| | **271,300** | **3,535,039** | **3,871,451** | 485,000 | 45,818,476 | 44,068,400 |
| | **1,001,802** | **37,651,489** | **40,836,553** | 3,538,305 | 253,090,305 | 243,210,290 |

**21. INVESTMENT PROPERTIES**

**2010**

| | **COST** | | | | | **Depreciation** | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **As at January 01, 2010** | **Addition / (Disposal)** | **Transfer in / (Transfer out)** | **As at December 31, 2010** | **As at January 01, 2010** | **Transfer in / (Transfer out)** | **For the year / (disposal)** | **December 31, 2010** | **Book value** | **Rate (%)** |
| | ------Rupees------ | | | | | | | | | |
| PRC Building -Karachi | 150,302 | - | - | 150,302 | 50,586 | - | 4,986 | 55,572 | 94,730 | 5 |
| Lease hold land | 572,406 | - | - | 572,406 | - | - | - | - | 572,406 | - |
| Building | 89,151,323 | - | - | 89,151,323 | 47,257,950 | - | 2,094,669 | 49,352,619 | 39,798,704 | 5 |
| Electrical installation | 18,995,068 | - | - | 18,995,068 | 18,320,811 | - | 134,851 | 18,455,662 | 539,406 | 20 |
| Air conditioning plant | 26,556,830 | - | - | 26,556,830 | 25,596,950 | - | 191,976 | 25,788,926 | 767,904 | 20 |
| Lift | 21,085,825 | - | - | 21,085,825 | 20,337,856 | - | 149,594 | 20,487,450 | 598,375 | 20 |
| | 156,511,754 | - | - | 156,511,754 | 111,564,153 | - | 2,576,076 | 114,140,229 | 42,371,525 | |

2009

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

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

The market value of the investment properties is Rs. 731.192 million, as per valuation carried out by an independent valuer in 2010.

**22. DEFERRED TAXATION**

| | Note | **2010 Rupees** | 2009 Rupees |
|---|---|---|---|
| Deductible temporary differences | | | |
| Provision for doubtful debts | | **-** | 429,619,410 |
| Accelerated depreciation | | **-** | 1,493,888 |
| Un-adjusted carry forward losses | | **168,920,324** | - |
| | | **168,920,324** | 431,113,298 |
| Tax rate | | **35%** | 35% |
| | *22.1* | **59,122,113** | 150,889,654 |

**22.1** Deferred tax asset is recognized for tax losses available for carry-forward to the extent that realization of the related tax benefits through future taxable profits is probable. Deferred tax asset against provision for doubtful debts and accelerated depreciation has been derecognized as tax benefits there against are not probable.

| | | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|---|
| **23.** | **AMOUNT DUE FROM OTHER INSURERS / REINSURERS** | | | |
| | Amount due from other insurers / reinsurers | *23.1* | **2,781,705,312** | 2,395,718,017 |
| | Provision for doubtful balances | | **(386,000,000)** | (386,000,000) |
| | | | **2,395,705,312** | 2,009,718,017 |

**23.1** This includes Rs. 1,422 million (2009: Rs. 1,166 million) due from related parties.

**23.2** During the year, management has carried out an exercise of reconciliations for parties representing due from balance of Rs. 994.422 million and due to (note 13) balance of Rs. 370.684 million. These reconciliations highlighted unresolved net differences of Rs. 623.738 million.

| | | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|---|
| **24.** | **PREMIUM AND CLAIMS RESERVES RETAINED BY CEDANTS** | | | |
| | Premium reserve withheld by ceding companies | | **14,843,476** | 12,895,777 |
| | Losses reserve withheld by ceding companies | | **37,382,810** | 36,932,810 |
| | Cash losses paid to ceding companies | | **62,496,526** | 12,063,366 |
| | Provision for doubtful deposits | | **(17,000,000)** | (17,000,000) |
| | | *24.1* | **97,722,812** | 44,891,953 |

**24.1** This represents the retention of deposits by the ceding companies from the total amount ceded by them to the company.

| | | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|---|
| **25.** | **ACCRUED INVESTMENT INCOME** | | | |
| | Dividend receivable | | **2,221,076** | 2,707,577 |
| | Interest accrued | | **62,164,720** | 36,754,662 |
| | Accrued rental income | | **35,839,815** | 28,552,851 |
| | | | **100,225,611** | 68,015,090 |
| | Provision for dividend receivable | | **(1,997,534)** | (1,997,534) |
| | | | **98,228,077** | 66,017,556 |
| **26.** | **SUNDRY RECEIVABLES** | | | |
| | Gratuity Fund | *38.1.1* | **-** | 182,000 |
| | Employees Pension Fund | *38.1.1* | **168,636,782** | 156,832,000 |
| | Employees Provident Fund | | **5,333,870** | 5,333,870 |
| | Government Provident Fund | | **32,051** | 34,578 |
| | Employees General Provident Fund | | **-** | 2,076,417 |
| | Officers Pension Fund | *38.1.4* | **21,789,817** | - |
| | Employees Welfare Fund | | **-** | 1,247,918 |
| | Export Credit Guarantee Schemes | *26.1* | **56,142,435** | 56,142,435 |
| | Receivable against National Co-insurance Scheme | | **4,939,471** | 4,939,471 |
| | Receivable from War Risk Insurance - Karachi | *26.2* | **7,724,303** | 7,724,303 |
| | Receivable from War Risk Insurance - Lahore | *26.2* | **10,541,524** | 10,541,524 |
| | Receivable from Economic Cooperation Organization (ECO) Reinsurance Pool | *26.3* | **32,820,530** | 28,098,371 |
| | Receivable from Investment Corporation of Pakistan | *26.4* | **4,565,000** | 4,565,000 |
| | Receivable against sale of shares | | **44,880,322** | 961,771 |
| | Advances | | **6,755,099** | 8,206,621 |
| | Security deposits | | **3,079,514** | 2,709,514 |
| | Others | | **797,177** | 750,089 |
| | | | **368,037,895** | 290,345,882 |
| | Provision for doubtful debts | | **(24,621,876)** | (24,621,876) |
| | | | **343,416,019** | 265,724,006 |

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

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

**26.2** Amount is receivable from Government of Pakistan against expenses for running the affairs of War Risk Insurance department working under the supervision of old Pakistan Insurance Company (PIC). Department was set up for insurance of losses which could have occurred due to War.

**26.3** 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.

**26.4** 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.

| | Note | **2010 Rupees** | 2009 Rupees |
|---|---|---|---|
| **27. PREPAYMENTS** | | | |
| Prepaid reinsurance ceded | 27.1 | **1,933,961,649** | 2,067,799,634 |
| Others | | **4,863,460** | 2,807,827 |
| | | **1,938,825,109** | 2,070,607,461 |
| **27.1 Prepaid reinsurance ceded** | | | |
| **Facultative business** | | | |
| Fire | | **191,853,379** | 156,030,173 |
| Aviation | | **1,230,172,768** | 1,255,900,538 |
| Engineering | | **335,192,948** | 436,624,753 |
| | | **1,757,219,095** | 1,848,555,464 |
| **Treaty** | | **176,742,554** | 219,244,170 |
| | | **1,933,961,649** | 2,067,799,634 |

## 28. FIXED ASSETS

| Particulars | 2010 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | COST | | | | Depreciation | | | | | |
| | As at January 01, 2010 | Addition | Disposal / Transfer | As at December 31, 2010 | As at January 01, 2010 | For the year | Disposal / Transfer | December 31, 2010 | Book value December 31, 2010 | Rate (%) |
| | ---Rupees--- | | | | | | | | | |
| **Land and Building** | | | | | | | | | | |
| *Tangible* | | | | | | | | | | |
| PRC House - Karachi | 2,693,186 | - | - | 2,693,186 | 906,472 | 89,336 | - | 995,808 | 1,697,378 | 5 |
| Lift (fully depreciated) | 146 | - | - | 146 | - | - | - | - | 146 | 20 |
| PRC Towers | | | | | | | | | | |
| Leasehold land | 223,622 | - | - | 223,622 | - | - | - | - | 223,622 | - |
| Building | 36,403,250 | 2,224,000 | - | 38,627,250 | 18,570,381 | 932,960 | - | 19,503,341 | 19,123,909 | 5 |
| **Sub total** | **39,320,204** | **2,224,000** | **-** | **41,544,204** | **19,476,853** | **1,022,296** | **-** | **20,499,149** | **21,045,055** | |
| **Furniture, fixture, books and office equipment** | | | | | | | | | | |
| Furniture and fixture | 10,600,650 | 73,200 | 18,720 | 10,655,130 | 9,006,262 | 161,489 | - | 9,167,751 | 1,487,379 | 10 |
| Office equipment | 3,815,052 | 111,150 | - | 3,926,202 | 1,304,016 | 382,853 | - | 1,686,869 | 2,239,333 | 15 |
| Books | 321,454 | 16,552 | - | 338,006 | 67,983 | 26,330 | - | 94,313 | 243,693 | 10 |
| Computers | 14,380,992 | 1,301,001 | - | 15,681,993 | 4,252,887 | 2,190,188 | - | 6,443,075 | 9,238,918 | 20 |
| **Sub total** | **29,118,148** | **1,501,903** | **18,720** | **30,601,331** | **14,631,148** | **2,760,860** | **-** | **17,392,008** | **13,209,323** | |
| **Electrical Installation, air-conditioning plant and lifts** | | | | | | | | | | |
| Electrical installation | 7,826,173 | 817,920 | - | 8,644,093 | 7,230,891 | 233,174 | - | 7,464,065 | 1,180,028 | 20 |
| Air conditioning plant | 12,247,752 | 999,920 | - | 13,247,672 | 10,459,280 | 524,347 | - | 10,983,627 | 2,264,045 | 20 |
| Lift | 8,237,624 | 165,000 | - | 8,402,624 | 7,945,414 | 66,692 | - | 8,012,106 | 390,518 | 20 |
| **Sub total** | **28,311,549** | **1,982,840** | **-** | **30,294,389** | **25,635,585** | **824,213** | **-** | **26,459,798** | **3,834,591** | |
| **Motor vehicles** | 17,138,080 | - | - | 17,138,080 | 5,479,244 | 2,331,767 | - | 7,811,011 | 9,327,069 | 20 |
| **Sub total** | **17,138,080** | **-** | **-** | **17,138,080** | **5,479,244** | **2,331,767** | **-** | **7,811,011** | **9,327,069** | |
| | **113,887,981** | **5,708,743** | **18,720** | **119,578,004** | **65,222,830** | **6,939,136** | **-** | **72,161,966** | **47,416,038** | |

| | 2009 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | COST | | | | Depreciation | | | | | |
| | As at January 01, 2009 | Addition | Disposal / Transfer | As at December 31, 2009 | As at January 01, 2009 | For the year | Disposal / Transfer | December 31, 2009 | Book value December 31, 2009 | Rate (%) |
| | ----Rupees---- | | | | | | | | | |
| **Particulars** | | | | | | | | | | |
| **Land and Building** | | | | | | | | | | |
| *Tangible* | | | | | | | | | | |
| PRC House - Karachi | 2,693,186 | - | - | 2,693,186 | 812,434 | 94,038 | - | 906,472 | 1,786,714 | 5 |
| Lift (fully depreciated) | 146 | - | - | 146 | - | - | - | - | 146 | 20 |
| PRC Towers | | | | | | | | | | |
| Leasehold land | 223,622 | - | - | 223,622 | - | - | - | - | 223,622 | - |
| Building | 36,403,250 | - | - | 36,403,250 | 17,631,809 | 938,572 | - | 18,570,381 | 17,832,869 | 5 |
| **Subtotal** | 39,320,204 | - | - | 39,320,204 | 18,444,243 | 1,032,610 | - | 19,476,853 | 19,843,351 | |
| **Furniture, fixture, books and office equipment** | | | | | | | | | | |
| Furniture and fixture | 10,083,480 | 517,170 | - | 10,600,650 | 8,847,298 | 158,964 | - | 9,006,262 | 1,594,388 | 10 |
| Office equipment | 2,746,035 | 1,069,017 | - | 3,815,052 | 947,570 | 356,446 | - | 1,304,016 | 2,511,036 | 15 |
| Books | 268,830 | 52,624 | - | 321,454 | 43,010 | 24,973 | - | 67,983 | 253,471 | 10 |
| Computers | 12,831,593 | 1,549,399 | - | 14,380,992 | 1,974,457 | 2,278,430 | - | 4,252,887 | 10,128,105 | 20 |
| **Subtotal** | 25,929,938 | 3,188,210 | - | 29,118,148 | 11,812,335 | 2,818,813 | - | 14,631,148 | 14,487,000 | |
| **Electrical Installation, air-conditioning plant and lifts** | | | | | | | | | | |
| Electrical installation | 7,502,125 | 324,048 | - | 7,826,173 | 7,115,407 | 115,484 | - | 7,230,891 | 595,282 | 20 |
| Air conditioning plant | 11,279,866 | 967,886 | - | 12,247,752 | 10,058,654 | 400,626 | - | 10,459,280 | 1,788,472 | 20 |
| Lift | 8,237,624 | - | - | 8,237,624 | 7,872,362 | 73,052 | - | 7,945,414 | 292,210 | 20 |
| **Subtotal** | 27,019,615 | 1,291,934 | - | 28,311,549 | 25,046,423 | 589,162 | - | 25,635,585 | 2,675,964 | |
| **Motor vehicles** | 9,891,920 | 10,519,160 | 3,273,000 | 17,138,080 | 6,189,990 | 2,123,002 | 2,833,748 | 5,479,244 | 11,658,836 | 20 |
| **Subtotal** | 9,891,920 | 10,519,160 | 3,273,000 | 17,138,080 | 6,189,990 | 2,123,002 | 2,833,748 | 5,479,244 | 11,658,836 | |
| | 102,161,677 | 14,999,304 | 3,273,000 | 113,887,981 | 61,492,991 | 6,563,587 | 2,833,748 | 65,222,830 | 48,665,151 | |

## 28.1 Disposal/transfer of fixed assets

| | Cost | Accumulated Depreciation | Book value | Sale proceeds |
|---|---|---|---|---|
| | ----Rupees---- | | | |
| **2010** | - | - | - | - |
| 2009 | 3,273,000 | 2,833,748 | 439,252 | 1,618,000 |

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|

## 29. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)

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

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| Fixed assets - Land and building | | **8,608,000** | 8,608,000 |
| - Furniture and fixtures | | **4,000** | 4,000 |
| | | **8,612,000** | 8,612,000 |
| Investments - Stock and shares | | **7,112,000** | 7,112,000 |
| - Debentures | | **250,000** | 250,000 |
| | | **7,362,000** | 7,362,000 |
| | | **15,974,000** | 15,974,000 |
| Less: Liabilities for outstanding claims | *8.2* | **4,952,000** | 4,952,000 |
| Other liabilities | | **809,000** | 809,000 |
| | | **5,761,000** | 5,761,000 |
| | | **10,213,000** | 10,213,000 |
| Less: Provision for loss on net assets in Bangladesh | | **10,213,000** | 10,213,000 |
| | | **-** | - |

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

## 30. EXPENSES

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| Salaries, wages and benefits | | **188,501,155** | 158,686,631 |
| Retirement benefits | *38* | | |
| - Officer's pension | *38.1.2* | **37,890,000** | 63,156,000 |
| - Employee's pension | *38.1.2* | **(4,829,000)** | (30,951,000) |
| - Medical | *38.1.2* | **25,376,000** | 29,379,694 |
| - Gratuity | *38.1.2* | **1,999,000** | 49,000 |
| - Compensated absences | *38.1.2* | **7,732,000** | 8,205,266 |
| Travelling and conveyance | | **5,796,243** | 6,638,709 |
| Entertainment | | **2,887,044** | 3,064,223 |
| Subscription and membership | | **1,662,297** | 264,942 |
| Legal fee | | **285,576** | 950,100 |
| Communication expense | | **569,901** | 2,446,231 |
| Insurance | | **3,570,450** | 3,684,430 |
| Utilities | | **23,941,079** | 23,543,119 |
| Printing and stationery | | **1,586,823** | 1,497,891 |
| Repairs and renewal | | **3,824,094** | 2,258,386 |
| Medical expenses | | **11,632,359** | 9,879,704 |
| Rent, rates, and taxes | | **2,599,778** | 2,100,217 |
| Computer related expenses | | **1,039,746** | 899,525 |
| Consultancy/ Professional service charges | | **2,012,266** | 3,032,394 |
| Newspapers and periodicals | | **2,367,054** | 2,043,102 |
| Others | | **1,783,531** | 2,087,830 |
| | | **322,227,397** | 292,916,394 |
| Transfer of assets to pension fund | *38.1.4* | **(11,785,000)** | (52,213,809) |
| Expense allocated to rental income | *31* | **(4,781,445)** | (5,746,942) |
| Expense allocated to investment income | | **(3,855,564)** | (3,545,552) |
| | | **301,805,388** | 231,410,090 |

| | | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|---|
| **31.** | **RENTAL INCOME - net** | | | |
| | Rental income | | **63,999,219** | 60,412,168 |
| | Investment property related expenditure | *30* | **(4,781,445)** | (5,746,942) |
| | | | **59,217,774** | 54,665,226 |

**31.1** The rental income represents income from letting out of PRC Towers.

## 32. OTHER INCOME

| | 2010 Rupees | 2009 Rupees |
|---|---|---|
| Interest on deposits held by ceding companies | **953,688** | 2,696,543 |
| Interest on loans | **37,319** | 30,841 |
| Management fee - ECO Reinsurance Pool | **3,745,011** | - |
| Miscellaneous income | **67,195** | 1,220,543 |
| Provision written back | **-** | 44,230,139 |
| | **4,803,213** | 48,178,066 |

## 33. GENERAL AND ADMINISTRATION EXPENSES

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| Depreciation | | | |
| Investment property | *21* | **2,576,076** | 2,805,688 |
| Fixed assets | *28* | **6,939,136** | 6,563,587 |
| Directors' meetings expenses | | **3,485,486** | 1,449,397 |
| Auditors' remuneration | *33.1* | **726,000** | 690,000 |
| Advertisement and business promotion | | **3,329,410** | 3,060,876 |
| Training and research | | **1,141,177** | 88,118 |
| Mark-up / Interest | | **27,001** | 210,881 |
| Donation | *33.2.1* | **2,575,000** | 2,525,000 |
| Repairs and maintenance | | **9,494,237** | 8,010,119 |
| Shares transaction costs | | **391,393** | 7,283,821 |
| Others | | **3,981,541** | 2,520,748 |
| | | **34,666,457** | 35,208,235 |

## 33.1 Auditors' remuneration

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| Audit fee | *33.1.1* | **528,000** | 480,000 |
| Half yearly review | | **132,000** | 120,000 |
| Out of pocket expenses | | **66,000** | 60,000 |
| Other certifications | | **-** | 30,000 |
| | | **726,000** | 690,000 |

**33.1.1** This includes fee for audit of regulatory returns, review of Statement of Compliance with Best Practices of Code of Corporate Governance and other certifications.

**33.2.1** Donation was not paid to any individual / organization in which a director or his / her spouse had any interest at any time during the year.

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|

## 34. INCOME TAX EXPENSE

### 34.1 Provision for taxation

| | Note | 2010 Rupees | 2009 Rupees |
|---|---|---|---|
| Current | | **32,483,136** | 47,598,650 |
| Deferred | *22.1* | **91,767,541** | 770,925 |
| | | **124,250,677** | 48,369,575 |

### 34.2 Relationship between tax expenses and accounting profit

| | 2010 Rupees | 2009 Rupees |
|---|---|---|
| Profit before tax | **650,503,924** | 318,280,445 |
| Tax at the applicable rate of 35% | **227,676,373** | 111,398,156 |
| Permanent differences - capital gain | **(14,729,406)** | (140,794,129) |
| Tax effect of temporary differences on which deferred tax asset has been recognized | **(59,122,113)** | 770,925 |
| Tax effect of expenses that are not deductible in determining the taxable profit | **9,596,181** | 21,963,457 |
| Tax effect of capital gain taxed at lower rate | **(1,066,588)** | - |
| Tax effect of dividend income taxed at lower rate | **(60,402,677)** | (76,844,210) |
| Tax effect of property income being taxed separately | **(14,475,996)** | (27,150,476) |
| Tax effect of (income) / loss that are deductible in determining the taxable profit | **(114,114,751)** | (17,126,167) |
| Minimum tax at the rate of 0.5% of turnover | **-** | (10,854,749) |
| Deferred tax against provisions and accumulated depreciation reversed | **150,889,654** | - |
| Others | **-** | 187,006,768 |
| Charge for the year | **124,250,677** | 48,369,575 |

**34.3** The department had made add backs relating to assessment years 1984-85 to 2001-02 on account of ECGS income in the company's income. The company has filed an appeal in the Supreme Court of Pakistan in this respect which vide order dated August 21, 2007 granted leave to appeal filed by the company against the judgment of the High Court. The matter is now before Alternate Dispute Resolution Committee (ADRC) as explained in note 26.1.

The company has filed writ petition in the case of tax on commission paid to foreign non-resident insurance companies for the assessment years 1998-1999, 2000-2001 and 2001-2002 before the Honorable High Court of Sindh. Fresh date of hearing in respect of the above case is yet to be fixed by the court. In addition to above, notices have been issued under section 122 (5A) for the tax year 2005, 2006 and 2007, however, assessment proceedings are pending.

## 35. EARNINGS PER SHARE - basic and diluted

| | | 2010 | 2009 |
|---|---|---|---|
| Profit after tax for the year | Rupees | **526,253,247** | 269,910,870 |
| | | ------------Numbers--------- | |
| Weighted average number of ordinary shares | | **300,000,000** | 300,000,000 |
| Earnings per share | Rupees | **1.75** | 0.90 |

**35.1** There were no convertible dilutive potential shares outstanding on December 31, 2010.

## 36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### 36.1 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.

### 36.2 Credit risk and concentration of credit risk

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

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

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

| | Note | 2010 | 2009 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Bank deposits | 18 | **2,416,564** | 1,833,581 |
| Loans to employees | 19 | **55,092** | 53,668 |
| Investments | 20 | **4,674,146** | 5,481,883 |
| Amount due from other insurers / reinsurers | 23 | **2,395,705** | 2,009,718 |
| Premium and claim reserves retained by cedants | 24 | **97,723** | 44,892 |
| Accrued investment income | 25 | **98,228** | 66,018 |
| Reinsurance recoveries against outstanding claims | | **1,536,951** | 743,391 |
| Sundry receivables | 26 | **343,416** | 265,724 |
| | | **11,617,825** | 10,498,875 |

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

The age analysis of receivables is as follows:

| | 2010 | 2009 |
|---|---|---|
| Upton 1 year | **2,062,600** | 1,695,466 |
| 1 - 2 years | **315,257** | 382,152 |
| 2 - 3 years | **138,959** | 45,748 |
| Over 3 years | **264,889** | 272,349 |
| | **2,781,705** | 2,395,715 |

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

| | Rating Short term | Rating Long term | Rating agency | 2010 | 2009 |
|---|---|---|---|---|---|
| | | | | (Rupees in '000) | |
| National Bank of Pakistan | A1+ | AAA | JCR-VIS | **43,432** | 584,329 |
| Bank Al-Habib Limited | A1+ | AA+ | PACRA | **2,366,913** | 1,187,727 |
| United National Bank Limited - London | A1+ | AA+ | JCR-VIS | **179** | 3,544 |
| Atlas Bank Limited | A2 | A- | PACRA | **6,040** | 6,281 |
| Muslim Commercial Bank Limited | A1+ | AA+ | PACRA | **-** | 1,700 |
| Dubai Islamic Bank | A1 | A | JCR-VIS | **-** | 50,000 |
| | | | | **2,416,564** | 1,833,581 |

## 36.3 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:

| | **2010** | | | |
|---|---|---|---|---|
| | **Carrying amount** | **Contractual cash flows** | **Upto one year** | **More than one year** |
| | **Rupees in '000** | | | |
| Financial liabilities | | | | |
| Provision for outstanding claims | 611,245 | - | 611,245 | - |
| Long term deposits | 15,588 | - | - | 15,588 |
| Amount due to other insurers / reinsurers | 1,756,157 | - | 1,756,157 | - |
| Premium and claim reserves retained from retrocessionaires | 20,252 | - | 2,698 | 17,554 |
| Other creditors and accruals | 38,650 | - | 38,650 | - |
| Accrued expenses | 4,714 | - | 4,714 | - |
| Retention money payable | 6,527 | - | 6,527 | - |
| Dividend payable | 30,361 | - | 30,361 | - |
| Surplus profit payable | 1,213 | - | 1,213 | - |
| | **2,484,707** | **-** | **2,451,565** | **33,142** |

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

### 36.4 Market risk

Market risk is a risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The company is exposed to market risk with respect to its investments. The company has invested its funds in government securities, ordinary shares, National Investment Trust Units and close ended mutual funds resulting in risk arising from fluctuation in the rate of interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

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

### Sensitivity analysis

The table below summarizes company's equity price risk as of December 31, 2010 and 2009 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in company's equity investment portfolio because of the nature of equity markets.

| | Hypothetical price change | Fair value | Estimated fair value after hypothetical change in prices | Hypothetical increase / (decrease) in shareholders' equity | Hypothetical increase / (decrease) in profit / (loss) before tax |
|---|---|---|---|---|---|
| | (Rupees in '000) | | | | |
| **December 31, 2010** | **10% increase** | **1,499,129** | **1,649,042** | **-** | **149,913** |
| | **10% decrease** | **-** | **1,349,216** | **-** | **(149,913)** |
| December 31, 2009 | 10% increase | 1,948,986 | 2,143,885 | - | 194,899 |
| | 10% decrease | - | 1,754,087 | - | (194,899) |

### 36.5 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.

## 36.6 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:

| | 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Effective rate % per annum | Interest / mark-up bearing financial instruments | | | | 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 | Sub total | | |
| | Rupees in '000 | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and bank deposits | 5% to 11% | 1,628,794 | - | - | 1,628,794 | 67 | 1,628,861 |
| Loans to employees | 10% | 8,124 | 46,969 | - | 55,092 | - | 55,092 |
| Investment | 8% to 15.51% | 572,317 | 569,152 | 903,588 | 2,045,057 | 2,629,089 | 4,674,146 |
| Amount due from other insurers / reinsurers | - | - | - | - | - | 2,395,705 | 2,395,705 |
| Premium and claim reserves retained by cedants | 3% | 97,723 | - | - | 97,723 | - | 97,723 |
| Accrued investment income | - | - | - | - | - | 98,228 | 98,228 |
| Sundry receivables | - | - | - | - | - | 343,416 | 343,416 |
| **Total** | | 2,306,957 | 616,121 | 903,588 | 3,826,666 | 5,466,505 | 9,293,171 |
| **Financial liabilities** | | | | | | | |
| Provision for outstanding claims - net | - | - | - | - | - | 611,245 | 611,245 |
| Long term deposits | - | - | - | - | - | 15,588 | 15,588 |
| Amount due to other insurers / reinsurers | - | - | - | - | - | 1,756,157 | 1,756,157 |
| Premium and claim reserves retained from retrocessionaires | 3.5% | 20,252 | - | - | 20,252 | - | 20,252 |
| Other creditors and accruals | - | - | - | - | - | 38,650 | 38,650 |
| Accrued expenses | - | - | - | - | - | 4,714 | 4,714 |
| Retention money payable | - | - | - | - | - | 6,527 | 6,527 |
| Dividend payable | - | - | - | - | - | 30,361 | 30,361 |
| Surplus profit payable | - | - | - | - | - | 1,213 | 1,213 |
| Total | | 20,252 | - | - | 20,252 | 2,464,455 | 2,484,706 |
| Interest risk sensitivity gap | | 2,286,706 | 616,121 | 903,588 | 3,806,415 | | |
| Cumulative interest risk sensitivity gap | | 2,286,706 | 2,902,826 | 3,806,415 | | | |

| | 2009 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Effective rate % per annum | Interest / mark-up bearing financial instruments | | | | 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 | Sub total | | |
| | ----------Rupees in '000---------- | | | | | | |
| **Financial assets** | | | | | | | |
| Cash and bank deposits | 5% - 13.5% | 1,833,581 | - | - | 1,833,581 | 65 | 1,833,646 |
| Loans to employees | 10% | 90 | 191 | - | 281 | 53,387 | 53,668 |
| Investment | 8% - 15.97% | 1,270,398 | 312,738 | 676,102 | 2,259,238 | 3,222,645 | 5,481,883 |
| Amount due from other insurers / reinsurers | - | - | - | - | - | 2,009,718 | 2,009,718 |
| Premium and claim reserves retained by cedants | 3% | 44,892 | - | - | 44,892 | - | 44,892 |
| Accrued investment income | - | - | - | - | - | 66,018 | 66,018 |
| Sundry receivables | - | - | - | - | - | 265,724 | 265,724 |
| **Total** | | 3,148,961 | 312,929 | 676,102 | 4,137,992 | 5,617,557 | 9,755,549 |
| **Financial liabilities** | | | | | | | |
| Provision for outstanding claims - net | - | - | - | - | - | 586,554 | 586,554 |
| Long term deposits | - | - | - | - | - | 18,574 | 18,574 |
| Amount due from other insurers / reinsurers | - | - | - | - | - | 1,271,082 | 1,271,082 |
| Premium and claim reserves retained from retrocessionaires | 3.5% | 44,558 | - | - | 44,558 | - | 44,558 |
| Other creditors and accruals | - | - | - | - | - | 48,903 | 48,903 |
| Accrued expenses | - | - | - | - | - | 4,821 | 4,821 |
| Retention money payable | - | - | - | - | - | 6,415 | 6,415 |
| Dividend payable | - | - | - | - | - | 11,707 | 11,707 |
| Surplus profit payable | - | - | - | - | - | 1,213 | 1,213 |
| Total | | 44,558 | - | - | 44,558 | 1,949,269 | 1,993,827 |
| Interest risk sensitivity gap | | 3,104,403 | 312,929 | 676,102 | 4,093,434 | | |
| Cumulative interest risk sensitivity gap | | 3,104,403 | 3,417,332 | 4,093,434 | | | |

## Sensitivity analysis

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

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

| | Profit and loss 100 bps Increase | Decrease |
|---|---|---|
| | (Rupees in '000) | |
| **As at December 31, 2010** | | |
| Cash flow sensitivity - Variable Rate Financial Liabilities | **-** | **-** |
| Cash flow sensitivity - Variable Rate Financial Assets | **54** | **(54)** |
| As at December 31, 2009 | | |
| Cash flow sensitivity - Variable Rate Financial Liabilities | 425 | (425) |
| Cash flow sensitivity - Variable Rate Financial Assets | 39,963 | (39,963) |

## 36.7 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 PKR. and its exposure to foreign exchange risk arises primarily with respect to US $ and UK Pound. Financial assets exposed to foreign exchange risk amounted to Rs. 450.981million (2009: Rs. 816.912 million) and Rs. 116,906 million (2009: Rs. 118,094) respectively at the end of the year.

The following significant exchange rates were applied during the year:

| | **2010** | 2009 |
|---|---|---|
| **Rs. per US $** | | |
| Average rate | **85.79** | 85.41 |
| Reporting date rate | **85.6** | 84.3 |
| **Rs. per UK Pound** | | |
| Average rate | **136.86** | 139.9 |
| Reporting date rate | **133.65** | 136.33 |

## 36.8 Insurance risk

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

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

## Frequency and severity of claims

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

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

| | Gross sum insured | | Reinsurance | | Net | |
|---|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | **2010** | 2009 |
| | Rupees in millions | | | | | |
| Fire | **742,472** | 403,235 | **396,987** | 88,620 | **345,485** | 314,615 |
| Marine cargo | **17,569** | 26,073 | **-** | 4,700 | **17,569** | 21,373 |
| Marine hull | **21,234** | 6,870 | **-** | - | **21,234** | 6,870 |
| Accident and others | **5,229** | 3,513 | **-** | - | **5,229** | 3,513 |
| Aviation | **244,654** | 113,346 | **204,041** | 94,531 | **40,613** | 18,815 |
| Engineering | **49,510** | 540,721 | **43,125** | 291,335 | **6,385** | 249,386 |
| | **1,080,668** | 1,093,758 | **644,153** | 479,186 | **436,515** | 614,572 |

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

## Uncertainty in the estimation of future claims payment

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

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

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

## Key assumptions

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

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

| | **Assumed net loss ratio 2010 %** | Assumed net loss ratio 2009 % |
|---|---|---|
| **Class** | | |
| Fire | **92%** | 96% |
| Marine cargo | **85%** | 65% |
| Marine hull | **31%** | 25% |
| Accident and others | **110%** | 81% |
| Aviation | **111%** | 43% |
| Engineering | **69%** | 69% |

### Sensitivity analysis

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

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

| | **Pre tax profit** | | **Shareholders' equity** | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| | --------------------**Rupees in '000**-------------------- | | | |
| 10% increase in loss | **(168,841)** | (90,480) | **(109,747)** | (58,812) |
| 10% decrease in loss | **168,841** | 90,480 | **109,747** | 58,812 |

### 36.9 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.

### 36.10 Reinsurance arrangements

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

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

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

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

| | Amount due from other insurers / reinsurers | Reinsurance recoveries against outstanding claims | Other reinsurance asset | 2010 | 2009 |
|---|---|---|---|---|---|
| | Rupees in '000 | | | | |
| A or above | 2,411,241 | 1,536,951 | 1,933,962 | 5,882,154 | 4,595,959 |
| BBB | 16,691 | - | - | 16,691 | 20,745 |
| Others | 353,773 | - | - | 353,773 | 590,205 |
| Total | 2,781,705 | 1,536,951 | 1,933,962 | 6,252,618 | 5,206,909 |

## 37. Capital management

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

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

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

## 38. EMPLOYEE BENEFITS

### 38.1 Defined benefit plans

*Pension and gratuity fund scheme*
The Projected Unit Credit method based on the significant assumptions stated below has been used for valuation of the above funds carried out by an actuary as at December 31, 2010.

*Post retirement medical benefits*
The Projected Unit Credit method based on the significant assumptions stated below has been used for valuation of post retirement medical benefits scheme carried out by an actuary as at December 31, 2010.

*Employees compensated absences*
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.

### 38.1.1 Reconciliation of payable to / (receivable) from defined benefit plan

| | Note | Pension Officer | Pension Employees | Gratuity | Medical | Compensated absences | 2010 Total | 2009 |
|---|---|---|---|---|---|---|---|---|
| | | -----Rupees in millions----- | | | | | | |
| Present value of defined benefit obligation | *38.1.3* | 245.216 | 226.646 | 2.301 | 158.837 | 42.411 | 675.411 | 577.668 |
| Fair value of plan assets | *38.1.5* | (203.859) | (276.005) | (0.592) | - | - | (480.456) | (383.280) |
| Net actuarial gains / (losses) not recognized | | 41.357 | (49.359) | 1.709 | 158.837 | 42.411 | 194.955 | 194.388 |
| Net actuarial gains / (losses) not recognized | | (59.138) | (113.663) | (0.007) | (61.022) | - | (233.830) | (213.684) |
| Past service cost - Non-vested | | (4.008) | (5.615) | - | - | - | (9.623) | (12.831) |
| | *38.1.4* | (21.790) | (168.637) | 1.702 | 97.815 | 42.411 | (48.499) | (32.128) |

### 38.1.2 Charge / (prepaid) for defined benefit plan

| | Pension Officer | Pension Employees | Gratuity | Medical | Compensated absences | 2010 Total | 2009 |
|---|---|---|---|---|---|---|---|
| Current service cost | 4.240 | 8.191 | 0.016 | 1.347 | 2.331 | 16.125 | 11.554 |
| Interest cost | 32.180 | 30.331 | 0.062 | 19.312 | 5.476 | 87.361 | 67.268 |
| Expected return on plan assets | (23.492) | (36.900) | (0.057) | - | - | (60.449) | (44.325) |
| Actuarial (gains) / losses recognized | 8.657 | 6.646 | 0.019 | 4.717 | (0.075) | 19.964 | 32.746 |
| Past service cost - Vested | 16.306 | (13.098) | 1.959 | - | - | 5.167 | 42.689 |
| Curtailment loss | - | - | - | - | - | - | (39.481) |
| Total charge | 37.891 | (4.830) | 1.999 | 25.376 | 7.732 | 68.168 | 70.451 |

### 38.1.3 Reconciliation of the present value of the defined benefit obligations

| | Pension Officer | Pension Employees | Gratuity | Medical | Compensated absences | 2010 Total | 2009 |
|---|---|---|---|---|---|---|---|
| Present value of obligation at the beginning of the period | 214.500 | 206.653 | 0.358 | 117.046 | - | 538.557 | 445.056 |
| Current service cost | 4.240 | 8.191 | 0.056 | 1.347 | 1.780 | 15.614 | 9.728 |
| Interest cost | 32.180 | 30.331 | 0.062 | 19.312 | 5.938 | 87.823 | 62.308 |
| Benefits paid | (24.330) | (6.574) | (0.182) | (9.318) | - | (40.404) | (34.980) |
| Employee liability transferred from gratuity fund | 14.970 | (14.970) | - | - | - | - | - |
| Actuarial (gain) or loss on obligation (Balancing Figure) | 3.656 | 3.015 | 2.007 | 30.450 | 34.693 | 73.821 | 56.445 |
| | 245.216 | 226.646 | 2.301 | 158.837 | 42.411 | 675.411 | 538.557 |

### 38.1.4 Movement in net liability / (assets) recognized

| | Note | Pension Officer | Pension Employees | Gratuity | Medical | Compensated absences | 2010 Total | 2009 |
|---|---|---|---|---|---|---|---|---|
| Opening net liability | | 4.018 | (156.832) | (0.182) | 81.757 | 39.111 | (32.128) | (10.862) |
| Expenses recognized | *38.1.2* | 37.890 | (4.829) | 1.999 | 25.376 | 7.732 | 68.168 | 70.452 |
| Contributions to the Fund / benefits paid during the year | | - | - | (0.182) | - | - | (0.182) | - |
| Payment made on behalf of fund | | (6.006) | (2.883) | - | (9.318) | (4.432) | (22.639) | (39.504) |
| Assets transferred from Employees' Pension Fund | | (57.692) | 57.692 | - | - | - | - | - |
| Assets receivable from Provident Fund | | - | (11.785) | - | - | - | (11.785) | (52.214) |
| Contributions / (Withdrawal) | | - | (50.000) | 0.067 | - | - | (49.933) | - |
| Closing net liability | *38.1.1* | (21.790) | (168.637) | 1.702 | 97.815 | 42.411 | (48.499) | (32.128) |

| | Note | Pension Officer | Pension Employees | Gratuity | Medical | Compensated absences | 2010 Total | 2009 |
|---|---|---|---|---|---|---|---|---|
| | | Rupees in millions | | | | | | |
| **38.1.5 Movement in fair value of plan assets** | | | | | | | | |
| Fair value at the beginning of the year | | 131.745 | 251.131 | 0.404 | - | - | 383.280 | 264.395 |
| Expected return on plan assets | | 23.492 | 36.900 | 0.057 | - | - | 60.449 | 44.325 |
| Contributions to the Fund | | - | 50.000 | (0.067) | - | - | 49.933 | - |
| Payment made on behalf of fund | | 6.006 | 2.883 | - | - | - | 8.889 | 27.702 |
| Benefits paid | | (24.330) | (6.574) | - | - | - | (30.904) | (27.702) |
| Assets receivable from Provident Fund | | - | 11.785 | - | - | - | - | - |
| Assets transferred from Employees' Pension Fund | | 57.692 | (57.692) | - | - | - | - | 52.214 |
| Actuarial gain / (loss) on plan assets | | 9.254 | (12.428) | 0.198 | - | - | (2.976) | 22.346 |
| Fair value at the end of the year | *38.1.1* | 203.859 | 276.005 | 0.592 | - | - | 468.671 | 383.280 |
| **38.1.6 Actual return on plan assets** | | | | | | | | |
| Expected return on plan assets | | 23.492 | 36.900 | 0.057 | - | - | 60.449 | (44.325) |
| Actuarial gain / (loss) on plan assets recognized | | 9.254 | (12.428) | 0.198 | - | - | (2.976) | 22.346 |
| | | 32.746 | 24.472 | 0.255 | - | - | 57.473 | (21.979) |

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

| | Officers' Pension Fund 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| | Rupees in millions | | | | |
| Present value of defined benefit obligation | 245.216 | 214.500 | 156.018 | 124.163 | 95.959 |
| Fair value of plan assets | (203.859) | (131.745) | (97.264) | (56.951) | (43.351) |
| (Surplus) / deficit | 41.357 | 82.755 | 58.754 | 67.212 | 52.608 |
| Experience adjustments on plan liabilities [actuarial gain/(loss)] | (3.656) | (16.025) | (19.984) | (30.404) | (6.238) |
| Experience adjustments on plan assets [actuarial gain/(loss)] | 9.254 | 8.420 | (36.588) | 9.698 | (7.891) |

| | Employees' Pension Fund 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| | Rupees in millions | | | | |
| Present value of defined benefit obligation | 226.646 | 206.653 | 177.914 | 91.933 | 90.353 |
| Fair value of plan assets | (276.005) | (251.131) | (166.794) | (117.694) | (93.854) |
| (Surplus) / deficit | (49.359) | (44.478) | 11.120 | (25.761) | (3.501) |
| Experience adjustments on plan liabilities [actuarial gain/(loss)] | (3.014) | (43.220) | (16.731) | (41.278) | 8.869 |
| Experience adjustments on plan assets [actuarial gain/(loss)] | (12.428) | 13.906 | (43.869) | 15.394 | (8.482) |

| | Gratuity Fund 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| | Rupees in millions | | | | |
| Present value of defined benefit obligation | 2.301 | 0.358 | 0.337 | 35.385 | 24.911 |
| Fair value of plan assets | (0.592) | (0.404) | (0.337) | (196.169) | (153.243) |
| (Surplus) / deficit | 1.709 | (0.046) | - | (160.784) | (128.332) |
| Experience adjustments on plan liabilities [actuarial gain/(loss)] | (0.088) | 0.020 | 4.726 | (10.880) | (0.866) |
| Experience adjustments on plan assets [actuarial gain/(loss)] | 0.198 | 0.020 | (63.043) | (6.888) | (8.068) |

**38.1.8 Components of plan assets as a percentage of total plan assets**

| | 2010 | | | | |
|---|---|---|---|---|---|
| | Pension | | Gratuity | Medical | Compensated absences |
| | Officer | Employees | | | |
| Government securities | 41.00% | 45.29% | - | - | - |
| Equity securities | 20.30% | 17.30% | 59% | - | - |
| Others (including cash and bank balances) | 38.70% | 37.41% | 41% | - | - |
| | 100% | 100% | 100% | - | - |

**38.1.9 Expected contributions to the Funds in the next financial year**

| | | | | | |
|---|---|---|---|---|---|
| Expected charge for the year ending December 31, 2011 | 18.660 | 9.627 | 0.010 | 34.838 | 7.717 |

**38.1.10** The effect of one percentage movement in assumed medical cost trend rates would have following effects:

| | **2010** | | | 2009 | | |
|---|---|---|---|---|---|---|
| | **Original** | **1% Increase** | **1% Decrease** | Original | 1% Increase | 1% Decrease |
| | **--------Rupees in millions--------** | | | --------Rupees in millions-------- | | |
| Present value of obligation | **158.836** | **177.717** | **142.834** | 117.046 | 129.708 | 106.164 |
| Financial impact on: | | | | | | |
| Present value of obligation | **-** | **18.881** | **(16.002)** | - | 12.663 | (10.881) |
| Current service cost and Interest Cost | **-** | **2.882** | **(2.432)** | - | 1.868 | (1.781) |
| Medical inflation rate | **8%** | **9%** | **7%** | 8% | 9% | 7% |

**38.1.11 Actuarial valuation assumptions**

| | 2010 | | | | |
|---|---|---|---|---|---|
| | Pension | | Gratuity | Medical | Compensated absences |
| | Officer | Employees | | | |
| Valuation discount rate | 14% | 14% | 14% | 14% | 14% |
| Expected return in plan assets | 14% | 14% | 14% | 0% | 0% |
| Salary increase rate | 12% | 12% | 12% | 0% | 12% |
| Indexation in pension | 8% | 8% | 0% | 0% | 0% |
| Medical inflation rate | 0% | 0% | 0% | 8% | 0% |
| Exposure inflation rate | 0% | 0% | 0% | 3% | 0% |

**38.2 Defined contribution plan - Provident Fund**

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

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

## 39. SEGMENT REPORTING

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

**2010**

| | Fire | Marine cargo | Marine hull | Accident and others | Aviation | Engineering | Treaty | Total |
|---|---|---|---|---|---|---|---|---|
| | ---------- | ---------- | ---------- | ---------- | Rupees in '000 | ---------- | ---------- | ---------- |
| **(a) Segment by class of business** | | | | | | | | |
| Net premium | 376,539 | 25,597 | 35,301 | 125,993 | 173,859 | 220,503 | 1,982,716 | 2,940,508 |
| Net claims | 165,593 | 26,027 | 2,167 | 24,565 | 173,199 | 19,916 | 1,276,941 | 1,688,408 |
| Management expenses | 7,864 | 5,257 | 1,643 | 4,834 | 6,062 | 4,587 | 271,559 | 301,806 |
| Net commission | 66,108 | 5,614 | 6,005 | 20,564 | 245 | (6,685) | 567,300 | 659,151 |
| Underwriting result | 136,974 | (11,301) | 25,486 | 76,030 | (5,647) | 202,685 | (133,084) | 291,143 |
| **Segment assets** | | | | | | | | |
| Prepaid reinsurance ceded | 191,853 | - | - | - | 1,230,173 | 335,193 | 176,743 | 1,933,962 |
| Deferred commission expense | 57,643 | 929 | 4,629 | 4,622 | 1,985 | 17,522 | 278,386 | 365,716 |
| | 249,496 | 929 | 4,629 | 4,622 | 1,232,158 | 352,715 | 455,129 | 2,299,678 |
| Unallocated corporate assets | | | | | | | | 10,235,216 |
| Total assets | | | | | | | | 12,534,894 |
| **Segment liabilities** | | | | | | | | |
| Provision for unearned premium | 375,573 | 4,666 | 27,895 | 31,641 | 1,366,338 | 474,370 | 1,173,419 | 3,453,902 |
| Commission income unearned | 18,093 | - | - | - | 1,363 | 16,730 | 480 | 36,666 |
| Provision for outstanding claims | 178,651 | 24,275 | 13,508 | 16,280 | 2,284 | 17,281 | 358,967 | 611,246 |
| | 572,317 | 28,941 | 41,403 | 47,921 | 1,369,985 | 508,381 | 1,532,866 | 4,101,814 |
| Un-allocated corporate liabilities | | | | | | | | 2,021,171 |
| Total liabilities | | | | | | | | 6,122,985 |

**2009**

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

**(b) Geographical segment**

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

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Lahore** | **Karachi** | Lahore | Karachi |
| | --------------------**Rupees in '000**-------------------- | | | |
| **Locations** | | | | |
| Revenue - net premium | **608,884** | **2,331,624** | 374,418 | 1,796,531 |
| Total assets | **602** | **12,534,292** | 616 | 12,371,824 |
| Total liabilities | **293,417** | **5,829,568** | 143,344 | 5,443,616 |

## 40. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise companies under common directorship, staff retirement benefit funds, directors and key management personnel. Transactions with related parties, other then remuneration and benefits to key management personnel under the terms of their employment disclosed in note 41 of these financial statements, are as follows:

| **Relation with related party** | **Nature of Transaction** | **2010 Rupees** | 2009 Rupees |
|---|---|---|---|
| Associated undertakings | **Balance** | | |
| (Common directorship) | Premium due but unpaid | **128,066,353** | 68,700,807 |
| | Insurance premium written during the period | **952,950,340** | 454,185,680 |
| | Premium received | **(1,060,514,017)** | (394,820,134) |
| | Balance at the end | **20,502,676** | 128,066,353 |
| | **Transaction** | | |
| | Insurance commission paid | **203,454,209** | 34,254,842 |
| | Insurance claims paid | **769,546,424** | 748,587,542 |
| | Premium paid - net | **(12,413)** | (2,308) |
| | Insurance commission received | **(3,811)** | (810) |
| | Insurance claims received | **(43,072)** | (679,155) |
| Associated undertakings | **Transaction** | | |
| (Investment in units) | Dividend income | **27,720,000** | 10,560,000 |
| Provision for retirement benefit plans | | **68,168,000** | 70,451,000 |

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

**Profit oriented state-controlled entities - various**

| | 2010 | 2009 |
|---|---|---|
| Balance at the beginning | **1,037,492,391** | 924,893,607 |
| Insurance premium written during the year | **3,088,361,503** | 2,951,397,620 |
| Premium received | **(2,738,600,640)** | (2,838,798,836) |
| Balance at the end | **1,387,253,254** | 1,037,492,391 |
| Insurance claims paid | **111,493,522** | 296,101,170 |
| Insurance commission paid | **39,970,001** | 64,893,200 |

## 41. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

| | Chief Executive | | Executives | | Total | |
|---|---|---|---|---|---|---|
| | **2010 Rupees** | 2009 Rupees | **2010 Rupees** | 2009 Rupees | **2010 Rupees** | 2009 Rupees |
| Managerial remuneration including bonus | **1,908,134** | 778,321 | **7,393,328** | 5,537,901 | **9,301,462** | 6,316,222 |
| Retirement benefits | **181,833** | 151,116 | **-** | 225,005 | **181,833** | 376,121 |
| House rent and other benefits | **1,356,205** | 1,097,425 | **1,965,912** | 3,448,114 | **3,322,117** | 4,545,539 |
| Utilities | **117,632** | 85,245 | **183,346** | 204,718 | **300,978** | 289,963 |
| | **3,563,804** | 2,112,107 | **9,542,586** | 9,415,738 | **13,106,390** | 11,527,845 |
| Number of persons | **1** | 1 | **7** | 7 | **8** | 8 |

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

## 42. SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on 5th April, 2011 have recommended a final cash dividend of Rs. 3 per share (2009: Rs. 3 per share) for the approval of the members in the Annual General Meeting to be held on 30th April, 2011.

## 43. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 5th April, 2011 by the Board of Directors of the Company.

## 44. GENERAL

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

| **Farzana Munaf** | **Rukhsana Saleem** | **Sikander Mahmood** | **Syed Arshad Ali** |
|---|---|---|---|
| Chief Financial Officer | Chief Executive | Director | Director |

# Pattern of Holding of the Share held by the Shareholders as at 31st December, 2010

| No. of Shareholders | | No. of Shares | | | Shares held |
|---|---|---|---|---|---|
| 790 | From | 1 | To | 100 | 49,489 |
| 1,641 | From | 101 | To | 500 | 615,557 |
| 1,526 | From | 501 | To | 1000 | 1,362,061 |
| 2,421 | From | 1001 | To | 5000 | 6,347,616 |
| 655 | From | 5001 | To | 10000 | 5,008,770 |
| 224 | From | 10001 | To | 15000 | 2,855,448 |
| 136 | From | 15001 | To | 20000 | 2,464,019 |
| 70 | From | 20001 | To | 25000 | 1,631,841 |
| 62 | From | 25001 | To | 30000 | 1,741,403 |
| 39 | From | 30001 | To | 35000 | 1,274,537 |
| 26 | From | 35001 | To | 40000 | 1,010,254 |
| 20 | From | 40001 | To | 45000 | 855,903 |
| 29 | From | 45001 | To | 50000 | 1,410,476 |
| 17 | From | 50001 | To | 55000 | 898,942 |
| 10 | From | 55001 | To | 60000 | 590,997 |
| 6 | From | 60001 | To | 65000 | 383,211 |
| 9 | From | 65001 | To | 70000 | 608,688 |
| 13 | From | 70001 | To | 75000 | 957,773 |
| 3 | From | 75001 | To | 80000 | 231,838 |
| 6 | From | 80001 | To | 85000 | 496,811 |
| 3 | From | 85001 | To | 90000 | 262,798 |
| 2 | From | 90001 | To | 95000 | 187,066 |
| 13 | From | 95001 | To | 100000 | 1,295,925 |
| 6 | From | 100001 | To | 105000 | 615,873 |
| 3 | From | 105001 | To | 110000 | 324,666 |
| 7 | From | 110001 | To | 115000 | 790,831 |
| 3 | From | 115001 | To | 120000 | 358,054 |
| 1 | From | 120001 | To | 125000 | 125,000 |
| 2 | From | 125001 | To | 130000 | 260,000 |
| 3 | From | 130001 | To | 135000 | 400,198 |
| 2 | From | 135001 | To | 140000 | 276,846 |
| 1 | From | 140001 | To | 145000 | 141,100 |
| 13 | From | 145001 | To | 150000 | 1,935,101 |
| 2 | From | 150001 | To | `155000 | 308,000 |
| 3 | From | 155001 | To | 160000 | 472,099 |
| 1 | From | 165001 | To | 170000 | 167,055 |
| 1 | From | 170001 | To | 175000 | 173,421 |
| 2 | From | 175001 | To | 180000 | 357,777 |
| 1 | From | 180001 | To | 185000 | 182,888 |
| 2 | From | 185001 | To | 190000 | 377,405 |
| 1 | From | 190001 | To | 195000 | 191,325 |
| 5 | From | 195001 | To | 200000 | 995,200 |
| 1 | From | 200001 | To | 205000 | 200,075 |
| 1 | from | 205001 | To | 210000 | 209,999 |
| 4 | From | 220001 | To | 225000 | 894,046 |
| 1 | From | 225001 | To | 230000 | 228,510 |
| 1 | From | 240001 | To | 245000 | 241,500 |
| 3 | From | 245001 | To | 250000 | 746,598 |
| 1 | From | 255001 | To | 260000 | 259,700 |
| 2 | From | 260001 | To | 265000 | 526,454 |
| 2 | From | 270001 | To | 275000 | 546,805 |
| 1 | From | 275001 | To | 280000 | 280,000 |
| 1 | From | 285001 | To | 290000 | 286,843 |

*Continue on Next Page...*

| | | | | | |
|---|---|---|---|---|---|
| 1 | From | 295001 | To | 300000 | 299,999 |
| 1 | From | 310001 | To | 315000 | 311,164 |
| 1 | From | 315001 | To | 320000 | 319,199 |
| 1 | from | 380001 | To | 385000 | 383,999 |
| 1 | From | 390001 | To | 395000 | 394,397 |
| 1 | From | 395001 | To | 400000 | 795,999 |
| 2 | From | 410001 | To | 415000 | 413,200 |
| 1 | From | 460001 | To | 465000 | 461,999 |
| 1 | From | 465001 | To | 470000 | 465,137 |
| 1 | From | 470001 | To | 475000 | 470,777 |
| 1 | From | 530001 | To | 535000 | 535,000 |
| 1 | From | 545001 | To | 550000 | 550,000 |
| 1 | From | 600001 | To | 605000 | 605,000 |
| 1 | From | 775001 | To | 780000 | 779,998 |
| 2 | From | 995001 | To | 1000000 | 1,998,606 |
| 1 | From | 1270001 | To | 1275000 | 1,274,000 |
| 1 | From | 1400001 | To | 1405000 | 1,400,700 |
| 1 | From | 1445001 | To | 1450000 | 1,450,000 |
| 1 | From | 2395001 | To | 2400000 | 2,400,000 |
| 1 | From | 2725001 | To | 2730000 | 2,728,995 |
| 1 | From | 3745001 | To | 3750000 | 3,747,882 |
| 1 | From | 6565001 | To | 6570000 | 6,567,200 |
| 1 | From | 18355001 | To | 18360000 | 18,359,971 |
| 1 | from | 73230001 | To | 73235000 | 73,232,201 |
| 1 | From | 134635001 | To | 134640000 | 134,639,785 |
| **7825** | | | | | **300,000,000** |

| **Categories of Shareholders as per Code of Corporate Governance** | **Number** | **Share held** | **Percentage** |
|---|---|---|---|
| Directors, Chief Executive Officer and their spouse and minor children | 8 | 440 | 0 |
| State Life Ins Corp. of Pakistan | 1 | 73,232,201 | 24.41 |
| Banks, Development Financial Institutution | 8 | 3,262,557 | 1.09 |
| Insurance Companies | 13 | 11,271,133 | 3.76 |
| Modarabas & Mutual Funds | 8 | 849,177 | 0.28 |
| Government of Pakistan | 1 | 134,639,785 | 44.88 |
| **General Public** | | | |
| a) Local | 7,654 | 47,215,583 | 15.74 |
| b) Foreign | 7 | 370,976 | 0.12 |
| **Others** | | | |
| a) Joint Stock Companies | 115 | 10,325,034 | 3.44 |
| b) Miscellaneous (Provident Fund, Pension Funds) | 10 | 18,833,114 | 6.28 |
| **Total:-** | **7825** | **300,000,000** | **100.00** |

# Pattern of Shareholding

## at 31st December, 2010

| | Numbers | Share held | Percentage |
|---|---|---|---|
| **Categories of Shareholders as per Code of Corporate Governance** | | | |
| Directors, Chief Executive Officer and their spouse and minor childran | | | |
| Mr. Fazal -i-Qadir | 1 | 55 | 0 |
| Syed Arshad Ali | 1 | 55 | 0 |
| Mr. Abdul Hamid Dagia | 1 | 55 | 0 |
| Mr. Saifuddin Nooruddin Zoomkawala | 1 | 55 | 0 |
| Mr. Zafar Iqbal | 1 | 55 | 0 |
| Mr. Sikandar Hayat Jamali | 1 | 55 | 0 |
| Dr. Masuma Hasan | 1 | 55 | 0 |
| Mrs. Rukhsana Saleem | 1 | 55 | 0 |
| **Public Sector and Corporations** | | | |
| State Life Ins Corp. of Pakistan | 1 | 73,232,201 | 24.41 |
| Banks, Development Financial Institututions | | | |
| Non Banking Financial Institututions | 8 | 3,262,557 | 1.09 |
| Insurance Companies | 13 | 11,271,133 | 3.76 |
| Modarabas & Mutual Funds | 8 | 849,177 | 0.28 |
| Government of Pakistan | 1 | 134,639,785 | 44.88 |
| **General Public** | | | |
| a) Local | 7654 | 47,215,583 | 15.74 |
| b) Foreign | 7 | 370,976 | 0.12 |
| **Others** | | | |
| a) Joint Stock Companies | 115 | 10,325,034 | 3.44 |
| b) Miscellaneous (Provident Fund, Pension Funds) | 10 | 18,833,114 | 6.28 |
| **Total:** | **7825** | **300,000,000** | **100.00** |

# Additional Information regarding PRC Shares

## as at 31st December, 2010

### Directors of PRCL Board (Govt. of Pakistan)

| S.No. | Name | | No. of Shares |
|---|---|---|---|
| 1 | Mrs. Rukhsana Saleem (Chief Executive PRCL) | | 55 |
| 2 | Syed Arshad Ali | | 55 |
| 3 | Mr. Najeeb Khawar Awan | | 55 |
| 4 | Mr. Abdul Hamid Dagia | | 55 |
| 5 | Mr. Saifuddin N. Zoomkawala | | 55 |
| 6 | Mr. Zafar Iqbal | | 55 |
| 7 | Mr. Mumtaz Ali Rajper | | 55 |
| 8 | Dr. Masuma Hasan | | 55 |
| | | **Total:** | **440** |

| | | |
|---|---|---|
| **1** | **State Life Insurance Corporation of Pakistan** | **73,232,201** |

| S. No. | Banks, Development financial institutions, Non banking financial institutions | | No. of Shares |
|---|---|---|---|
| 1 | Innovate Investment Bank Limited | | 15,000 |
| 2 | Invest Capital Investment Bank Limited | | 167,055 |
| 3 | Slik Bank Limited | | 153,000 |
| 4 | Askari Bank Limited | | 1,400,700 |
| 5 | Saudi Pak Investment Co. | | 1,274,000 |
| 6 | Summit Bank Limited | | 250,000 |
| 7 | Escorts Investment Bank Limited | | 802 |
| 8 | Escorts Investment Bank Limited | | 2,000 |
| **8** | | **Total:** | **3,262,557** |

| S. No. | Insurance Companies | | No. of Shares |
|---|---|---|---|
| 1 | M/s. Cooperative Insurance Society of Pakistan Ltd. | | 779,998 |
| 2 | M/s. EFU Feneral Insurance Limited | | 6,567,200 |
| 3 | M/s. EFU Life Assurance Co. Ltd. | | 2,728,995 |
| 4 | M/s.Adamjee Insurance Company Limited | | 286,843 |
| 5 | M/s. Habib Insurance Co. Ltd. | | 225,000 |
| 6 | M/s. Premier Insurance Company Ltd. | | 262,799 |
| 7 | M/s. Reliance Insurance Co. Ltd. | | 42,222 |
| 8 | M/s. Shaheen Insurance Company Ltd. | | 67,500 |
| 9 | M/s. Askari General Insurance Co. Ltd. | | 44,800 |
| 10 | M/s. Silver Star Insurance Co. Ltd. | | 20,000 |
| 11 | M/s. Alpha Insurance Co Ltd. | | 177,777 |
| 12 | M/s. Asia Care Health and Life Insurance Co. Ltd. | | 32,000 |
| 13 | M/s. The Crescent Star Insurance Co. Ltd. | | 35,999 |
| **13** | | **Total:** | **11,271,133** |

| | | | |
|---|---|---|---|
| 1 | The Secretary, Ministry of Commerce, Government of Pakistan | | 134,639,785 |
| | | **Total:** | **134,639,785** |

| S. No. | Modarabas and Mutual Funds | | No. of Shares |
|---|---|---|---|
| 1 | First Equity Modaraba | | 20,000 |
| 2 | First Al-Noor Modaraba | | 9,788 |
| 3 | First Pak Modaraba | | 2,500 |
| 4 | CDC-Trustee First Dawood Mutual Fund | | 470,777 |
| 5 | CDC- Trustee AKD Index Tracker Fund | | 19,548 |
| 6 | CDC-Trustee NIT-Equity Market Opportunity Fund | | 15,379 |
| 7 | CDC-Trustee CROSBY Dragon Fund | | 21 |
| 8 | MCB fsl- Trustee Namco Balanced Fund | | 311,164 |
| **8** | | **Total:** | **849,177** |

| S. No. | Joint Stock Companies | Shares |
|---|---|---|
| 1 | Motiwala Securities (Pvt) Ltd. | 100 |
| 2 | Valibhai Kamruddin Sindh(Pvt) Ltd. | 599 |
| 3 | Valika Investment Corp. (Pvt) Ltd. | 599 |
| 4 | Sarfraz Mahmood (Pvt) Ltd. | 20 |
| 5 | IGI Finex Securities Limited | 1 |
| 6 | Safe Securities Private Limited | 2,000 |
| 7 | Moosa Noor Mohammad Shahzada & Co. Pvt. Ltd. | 12,255 |
| 8 | Kaizen Construction (Pvt) Ltd. | 413,200 |
| 9 | Pasha Securities (Pvt) Ltd. | 13,000 |
| 10 | First Capital Equities Limited | 83 |
| 11 | Baba Equities (Pvt) Limited | 40,000 |
| 12 | Shaffi Securities (Pvt) Limited | 49,005 |
| 13 | Prudential Securities Limited | 655 |
| 14 | Prudential Securities Limited | 909 |
| 15 | Beaming Invest & Securities (Pvt) Ltd. | 1,000 |
| 16 | Imperia Investment (Pvt) Ltd. | 9,000 |
| 17 | Invest Forum (Smc-Pvt) Limited | 3,700 |
| 18 | Shaffi Securities (Pvt) Limited | 7,000 |
| 19 | Ali Hussain RajBali Ltd. | 95,000 |
| 20 | Moosani Securities (Pvt) Ltd. | 33,888 |
| 21 | Y.S. Securities and Services (Pvt) Ltd. | 105,000 |
| 22 | Zafar Securities (Pvt) Ltd. | 36,000 |
| 23 | Switch Securities (Pvt) Limited | 6,484 |
| 24 | Bulk Management Pakistan (Pvt) Ltd. | 25,000 |
| 25 | Prudential Discount and Guarantee House Ltd. | 5,555 |
| 26 | Roberts Cotton Associates Ltd. | 10,100 |
| 27 | Reliance Securities Limited. | 1,111 |
| 28 | Khalid Javed Securities (Pvt) Ltd. | 20,500 |
| 29 | Kohinoor Textile Mills Limited | 25,000 |

| | | |
|---|---|---|
| 30 | Sarfraz Mahmood (Pvt) Ltd. | 1,279 |
| 31 | Integrated Equities (Pvt) Ltd. | 30,000 |
| 32 | Shadman Cotton Mills Ltd. | 25,000 |
| 33 | Kaizen Construction (Pvt) Ltd. | 22,800 |
| 34 | Excel Securities (Pvt) Ltd. | 99,425 |
| 35 | Darson Securities (Private) Ltd. | 35,700 |
| 36 | Ace Securities (Pvt) Ltd. | 248,026 |
| 37 | Pearl Securities Limted | 550,000 |
| 38 | Pearl Securities Limited | 1,000,000 |
| 39 | Highlink Capital (Pvt) Ltd. | 41,575 |
| 40 | Capital Vision Securities (Pvt) Limited | 11,500 |
| 41 | Excel Securities (Private) Ltd. | 5,707 |
| 42 | Black Stone Equities (Private) Ltd. | 103,750 |
| 43 | Jamsheed & Hasan Securities (Pvt) Ltd. | 8,000 |
| 44 | Progreesive Securities (Private) Ltd. | 27,000 |
| 45 | Bawa Securities (Pvt) Ltd. | 25,000 |
| 46 | N.H. Securities (Pvt) Ltd. | 100 |
| 47 | Zillion Capital Securities (Pvt) Ltd. | 135,000 |
| 48 | Fair Edge Securities (Pvt) Ltd. | 1,000 |
| 49 | Multiline Securities (Pvt) Ltd. | 25,000 |
| 50 | Equity Master Securities (Pvt) Ltd. | 100,000 |
| 51 | A.H.K.D Securities (Pvt) Ltd. | 5,506 |
| 52 | Adam Securities (Pvt) Ltd. | 200 |
| 53 | Icil (Pvt) Ltd. | 3,100 |
| 54 | Dosslani's Securities (Pvt) Ltd. | 77,841 |
| 55 | Capital Vision Securities (Pvt) Limited | 73,675 |
| 56 | Am Cap Securities (Pvt) Ltd. | 82 |
| 57 | Stock Vision (Pvt) Ltd. | 500 |
| 58 | Akhai Securities (Pvt) Ltd. | 5,000 |
| 59 | Dim Securities (Pvt) Ltd. | 65,000 |
| 60 | Sherman Securities (Pvt) Ltd. | .2,400,000 |
| 61 | Live Securities (Pvt) Ltd. | 1,450,000 |
| 62 | Live Securities (Pvt) Ltd. | 394,397 |
| 63 | Excel Securities (Pvt) Ltd. | 5,950 |
| 64 | First National Equities Limited | 5 |
| 65 | Time Securities (Pvt) Ltd. | 191,325 |
| 66 | ORA-Tech Sytstems Private Ltd. | 83,044 |
| 67 | H.S.Z Securities Private Ltd. | 300 |
| 68 | Miaan Securities (Private) Ltd. | 5,500 |
| 69 | Investforum Private Limited SMC | 1,000 |
| 70 | HH Misbah Securities Private Limited | 20,000 |
| 71 | B & B Securities (Private) Ltd. | 113,500 |
| 72 | Stock Master Securities (Private) Ltd. | 74,638 |
| 73 | First National Equities Limited | 100 |

| | | |
|---|---|---|
| 74 | First National Equities Limited | 221,447 |
| 75 | Elite Stock Private Ltd. | 500 |
| 76 | Adeel and Nadeem Securities (Pvt) Ltd. | 21,000 |
| 77 | Pace Investment and Securities (Pvt) Ltd. | 11,304 |
| 78 | Ismail Iqbal Securities (Pvt) Ltd. | 148,000 |
| 79 | Kaizen Construction (Pvt) Ltd. | 55,000 |
| 80 | Hum Securities Limited | 263,655 |
| 81 | United Capital Securities (Pvt) Ltd. | 141,100 |
| 82 | A. H. M Securities (Private) Ltd. | 9,500 |
| 83 | Darson Securities (Private) Ltd. | 26,722 |
| 84 | Saao Capital (Pvt) Ltd. | 15,666 |
| 85 | Mohammad Munir Mohammad Ahmad Khanai Securities (Pvt) Ltd. | 67,000 |
| 86 | Safe Securities Private Limited | 1,000 |
| 87 | Amer Securites Private limted | 40,000 |
| 88 | Awj Securities (Smc-Private) Limited | 7,500 |
| 89 | Pasha Securities (Pvt) Ltd. | 810 |
| 90 | HK Securities (Pvt) Ltd. | 2,000 |
| 91 | Muhammad Ahmed Nadeem Securities (Smc) Ltd. | 600 |
| 92 | Mam Securities (Pvt Ltd. | 400 |
| 93 | ZHV Securities (Pvt) Ltd. | 35,000 |
| 94 | M.R Securities (SMC-Pvt) Ltd. | 15,440 |
| 95 | Wasi Securities (SMC-Pvt) Ltd. | 528 |
| 96 | Dr. Arslan Razaque Securities (Private) Limited | 6,900 |
| 97 | Amin Feroz and Co. Private Ltd. | 188,905 |
| 98 | Ismail Abdul Shakoor Securities | 11 |
| 99 | Topline Securities (Private) Ltd. | 29,271 |
| 100 | Orion Investment Private Limited | 272 |
| 101 | Khoja's Capital Management Pvt Ltd. | 1,023 |
| 102 | Value Stock Securities Private Limited | 3,994 |
| 103 | Snm Securities Private Ltd. | 12,521 |
| 104 | S.Z Securites Private Limted | 2,000 |
| 105 | M/s. Maniar Financials (Pvt) Ltd. | 10,000 |
| 106 | Pearl Capital Management Private Limited | 3,562.00 |
| 107 | Fairtrade Capital Securities (Pvt) Ltd. | 57 |
| 108 | Mak Securities (Pvt) Ltd. | 3,000 |
| 109 | Am Cap Securities (Pvt) Ltd. | 500 |
| 110 | Ghani Osman Securities Pvt Ltd. | 50,000 |
| 111 | Equity Master Securities (Pvt) Ltd. | 200,000 |
| 112 | M/s. Shaffi Securities Pvt Limited | 3,000 |
| 113 | Prosperity Securities Pvt Limted | 30,000 |
| 114 | M/s. Shaffi Securities Pvt Limited | 40,551 |
| 115 | Fair Deal Securities (Pvt) Ltd. | 272,006 |
| **115** | **Total:** | **10,325,034** |

| S. No. | Pakistan Reinsurance Company Limted (Others) | Shares |
|---|---|---|
| 1 | Staff Provident Fund | 299,999 |
| 2 | The Administration Abandoned Properties Orgnization | 149,999 |
| 3 | PRCL Employees Empowerment Trust | 18,359,971 |
| 4 | Trustee Karachi Sheraton Hotel Employees Provident Fund | 700 |
| 5 | Canteen Store Department | 2,667 |
| 6 | Trustee Smith Kline And French of Pak Ltd Provident Fund | 5,555 |
| 7 | Trustee Naz Textilles Private Ltd Emp. Provident Fund | 2,000 |
| 8 | Trustee of Oversees Pakistani Pension Trust | 7,000 |
| 9 | Trustee Overseas Pakistani Pension Trust | 223 |
| 10 | Trustee Nishat (Chunian) Limited Employees Provident Fund | 5,000 |
| **10** | **Total:** | **18,833,114** |

| S. No. | General Public Foreign | Shares |
|---|---|---|
| 1 | Muhammad Safdar | 2,000 |
| 2 | Syed Fayyaz Ali Shah | 3,500 |
| 3 | Habib Bank AG Zurich Zurich Switzerland | 228,510 |
| 4 | Habib Bank AG Zurich Diera Duabi | 27,500 |
| 5 | Saeed-ur-Rehman | 1,800 |
| 6 | Nisar Wasti | 1,000 |
| 7 | Kaymo Trading (FZE) | 106,666 |
| **7** | **Total:** | **370,976** |

| S. No. | General Public Local (Consolidated) | Shares |
|---|---|---|
| **7654** | **Total:** | **47,215,583** |
| **7825** | **Total Shares and Shareholders** | **300,000,000** |

# Proxy Form

I/We____________________________________________ of________________________________________

being a member of **Pakistan Reinsurance Company Limited** and a holder of ________________________

ordinary shares, as per Share Register Folio No. ________________________________________ and / or CDC

Participant I.D. No. _____________________________ and Sub Account No. ___________________________

hereby appoint ________________________________________ of __________________________________
(Name)

failing him _____________________________________________ of _________________________________
(Name)

As my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Saturday the 30th April, 2011 at 11.00 a.m and at any adjournment thereof.

Signed this _________________ day of April, 2011

**WITNESSES:**

1. Signature: ______________________________

   Name: ______________________________

   Address: ______________________________

   ______________________________

   CNIC or Passport No. ______________________________

2. Signature: ______________________________

   Name: ______________________________

   Address: ______________________________

   ______________________________

   CNIC or Passport No. ______________________________

Signature

**Revenue Stamp**

**IMPORTANT:**

1. Signature should agree with the specimen signature registered with the company.
2. The Proxy Form must be deposited at the Registered Office of the Company not later 48 hours before the time of holding the Meeting.
3. No person shall at as proxy unless he/she is a member of the Company.
4. CDC Shareholders and their proxies are each requested to attach an attested Photocopy of their National Identity Card or Passport with this proxy form before submission to the Company.
5. 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.

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

**Pakistan Reinsurance Company Limited**

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

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