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Vision Statement

Our vision is to be a leading provider of reinsurance and risk management services in the region.

Mission Statement

Our mission is to provide secure reinsurance capacity and outstanding risk management advice in a profitable manner, conduct our business in a dependable and professional manner with the highest standards of customer service.

In fulfilling this mission, we are committed to:

- *Providing our 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*

Practice the highest standards of integrity and professionalism

- *Continuously investing in knowledge required to support business decisions and long-term business strategy formulation*
- *Achieving consistent, long-term financial growth and profitability for our shareholders*
- *Attracting, retaining and developing capable and dedicated employees contributing to the growth and sharing in the success of the company*

BOARD OF DIRECTORS

MRS. RUKHSANA SALEEM	CHAIRPERSON
MR. KAMAL AFSAR	DIRECTOR
MR. SHAMIM AHMED KHAN	DIRECTOR
MR. SIKANDAR HAYAT JAMALI	DIRECTOR
MR. FAZAL-I-QADAR	DIRECTOR
MR. JAVED SYED	DIRECTOR
MR. SAIFUDDIN NOORUDDIN ZOOMKAWALA	DIRECTOR
MR. ALI JEHANGIR SIDDIQUI / ALTERNATE	DIRECTOR
MR. MUNAF IBRAHIM	
MR. ABDUL HAMID DAGIA	DIRECTOR

AUDIT COMMITTEE

MR. ABDUL HAMID DAGIA	CHAIRMAN
MR. KAMAL AFSAR	MEMBER
MR. SHAMIM AHMED KHAN	MEMBER
MR. SHAHZAD F. LODHI	Secretary of the Committee



Old Logo

AUDITORS
KPMG TASEER HADI & CO.
Chartered Accountants

LEGAL ADVISOR
Aman Law Associates

HEAD OFFICE
PRC Towers, 32-A, Lalazar Drive, M.T. Khan Road,
P.O. Box: 4777, Karachi - Pakistan.
Tel: (92-21) -9202908 - 15
Telex: 20428 PAKRE PK, Telefax: (92-21)-9202920 - 22
E-mail: prcl@pakre.org.pk
Website: www.pakre.org.pk

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

BANKERS
National Bank of Pakistan
Bank Al-Habib Limited



New Logo

Senior Management



Mr. Asghar Imam Khalid	Chief Internal Auditor
Mrs. Farzana Munaf	Chief Financial Officer
Mr. Fida Hussain Samoo	Executive Director (Re)
Mr. Ayaz Hussain M. Gad	Executive Director (B.D./ Re)
Mrs. Yasmin Saud	General Manager (F&A)
Mrs. Ghazala Imran	General Manager (NZO)
Mr. Shahazad Farooq Lodhi	Secretary / Manager (Estb)
Mr. Anzarul Hasan Hashmi	Manager (Accident)
Mr. Rahmatullah Khilji	Manager (Internal Audit)
Syed Tahir Ali	Manager (D.P.D)
Mr. Imtiaz Hussain Qureshi	Manager (I.T)



Notice of Annual General Meeting

Notice is hereby given that 8th Annual General Meeting of Pakistan Reinsurance Company Limited will be held on the April 30, 2008 at 3.30 pm at Hotel Beach Luxury, M. T. Khan Road, Karachi to transact the following business:-

Ordinary Business:-

1. To confirm the Minutes of the last Extra Ordinary General Meeting of the company held on 31st December, 2007.
2. To receive and adopt the audited Annual Accounts of the Company for the year ended December 31, 2007 and the reports of Directors and Auditors thereon.
3. To consider and approve issuance of Bonus shares in the proportion of 455.554670783 shares for every 100 shares held i.e. 455.554670783% to make paid up share capital of the company after this bonus issue at "Rs. Three billion," for the year ended December 31, 2007.
4. To appoint Auditors of the Company (PRC) for the year ending December 31, 2008.

Special Business:-

5. To propose and if thought fit pass, with or without modifications, the following Special Resolution to increase the Authorized Capital of the Company from Rs. 04 Billion to Rs.25 billion.

"RESOLVED" that the Authorized Capital of the Company be and is hereby increased from Rs.4,000,000,000/- (Rupees Four Billion) to Rs.25,000,000,000/- (Rupees Twenty Five Billion).

RESOLVED FURTHER that the Memorandum and Articles of Association of the Company be and is hereby amended / altered by substituting the figures and words "Rs.4,000,000,000/- (Rupees Four Billion) divided into 400,000,000/- (Four hundred million ordinary shares) of Rs.10/- (Ten) each "Appearing in Clause V of the Memorandum of Association and in Articles (3) of the Articles of Association with the figures and words Rs.25,000,000,000/- (Rupees Twenty five Billion divided into 2,500,000,000 (Twenty five Hundred Million) ordinary shares of Rs.10/- (ten)each".

"RESOLVED FURTHER that the Chief Executive/Company Secretary be and is hereby authorized to do all acts to effect the Special Resolution and appoint Consultant(s) for the purpose of the addition/alteration to be made in the Memorandum and Articles of Association of the Company and comply with all the necessary requirements of the law in this behalf"

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

A Statement u/s. 160(1)(b) of the Companies Ordinance, 1984 pertaining to the Special Resolution is being sent to the Shareholders with this notice.

By Order of the Board

Shahzad F. Lodhi
Company Secretary

Karachi.
April 08, 2008

NOTES

1. The share transfer books of the company shall remain closed for eight days i.e. from 23rd April, 2008 to 30th April, 2008 (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 Account Holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.

A For attending the meeting :

- i. In 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 National Identity Card (CNIC) or original passport at the time of attending the meeting.
- ii. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (Unless it has been provided earlier) at the time of the meeting.

B For appointing proxies

- i. In case of individuals, the account holders or sub-account holders 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 case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provide earlier) alongwith proxy form to the Company

4. Shareholders are requested to communicate to the Company any change in their address, and provide the Zakat Declaration /Tax Exemption Certificate (if any) immediately along with contact details.

STATEMENT UNDER SECTION 160 (1) (B) OF THE COMPANIES ORDINANCE 1984.

Agenda Item # 5

The Board of Directors of the Company had decided in their meeting held on April 04, 2008 to increase the authorized capital of the Company from Rs.04 billion to Rs. 25 Billion. With the expansion in the business activities, the paid up capital will need to be enhanced. As such, the authorized capital of the Company needs to be increased simultaneously, which is necessary to cater the future capital requirement of the Company.

The Directors of the Company have no interest in the Special Resolutions except to the extent of their shareholdings and remuneration in the Company. The said alteration will not affect anyone's interest unfavorably in the Company.



Directors' Report on the working of PRCL for the year ended December 31, 2007

The Shareholders,
Pakistan Reinsurance Co. Ltd.,

Gentlemen,

Your directors are pleased to present the 8th Annual Report of the company together with the audited financial statements and Auditors' Report thereon for the year ended 31st December, 2007.

Review of business activities

Economic growth and distribution of economic benefits to the people is the prime goal of the Government. The economic reforms agenda has laid the foundation of a stable and growing economy. There has been an increase in real GDP, growth and a remarkable progress has been made in the privatization program.

Keeping in line with the pace of national economic growth, the domestic insurance market also grew and the general insurance market has crossed Rs. 25 billion mark, (published figure of 2006) and on the basis of as such figures, PRC was able to achieve insurance market share of 18% and approximately 45% of reinsurance market share.

Company at a Glance

PRCL was converted into a company in the year 2000 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 one billion to Rs four billion, to strengthen the balance sheet as the company is planning to expand locally as well as abroad. Corporate Culture is being introduced. Compulsory cession was withdrawn w.e.f. Jan 01, 2005. As already mentioned above, this was the third year of the company without compulsory cession since the inception of the company (formerly Corporation). Withdrawal of compulsory cession was a good step because under compulsory cession, PRCL was bound to accept good or bad business without discrimination. During the year 2007, 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 which look well for the company going forward. The company's financials have improved significantly leading to augmented growth in the reinsurance business in the future.

Profit for the year 2007 rose to Rs.3,727 million including capital gain on sale and repurchase of NIT units and quoted shares amounting to Rs. 2,862 million as compared to Rs.672 million in 2006. The improvement in term of percentage over last year works out to 454%.

The salient features of the business operations during the year, 2007 are as under:-

	Dec. 31, 2007	Dec. 31, 2006
	(Rupees in million)	
Gross Premium	4,730	4,499
Retrocession	<u>2,921</u>	<u>3,114</u>
	1809	1,385
Premium Reserve	<u>(114)</u>	<u>+30</u>
Net Premium	1,695	1,415
Net Commission	(400)	(367)
Net Claims	(931)	(777)
Management expenses	<u>(158)</u>	<u>(146)</u>
Underwriting Profit/(Loss)	206	125
Investment Income	3,689	772
Exchange gain Rental & other income	80	31
Gen. & Admn. Expense	(46)	(25)
Provisions for Doubtful debt/litigation	-	(120)
VRS	(69)	-
Profit before tax	<u>3,860</u>	<u>783</u>
Provision for taxation	<u>(133)</u>	<u>(111)</u>
Profit after tax	<u>3,727</u>	<u>672</u>

The Gross Premium of the company was Rs.4,730 million in the year 2007 as compared to Rs.4,499 million for the year 2006. The details are as follows:

	(Rs. In Million)	
	2007	2006
Facultative Premium		
Fire	1,001	967
Marine Cargo	27	24
Marine Hull	23	22
Accident	38	18
Aviation	1,013	1,150
Engineering	866	894
	<u>2,968</u>	<u>3,075</u>
Treaty Premium Bal	1,762	1,424
	<u>4,730</u>	<u>4,499</u>

It is evident from the above that better marketing efforts have resulted in increased facultative premium in all departments except Aviation and Engineering. In aviation the main reason for decrease in the gross premium was the competition in the Aviation International market. Further the increase in Gross premium is mainly due to increase in treaty businesses as shown above.

Net premium of the company was Rs.1,695 million in the year 2007 as compared to Rs.1,415 million in the corresponding period last year showing an increase of Rs 280 million. This improvement is due to increase in premium written and decrease in reinsurance ceded as explained below:-

	(Rupees in Million)	
	2007	2006
Particulars		
Premium Returns	4,730	4,499
Reinsurance Ceded	<u>(2,921)</u>	<u>(3,114)</u>
Premium Reserve	1,809	1,385
	<u>(114)</u>	<u>30</u>
Net Premium	<u>1,695</u>	<u>1,415</u>

Net claims of the company for the year 2007 were Rs.931million as compared to Rs.777 million in the corresponding period last year showing an increase of Rs.154 million. However, the percentage of Net Claim to the Net Premium remained unchanged i.e. 55%. Further this also includes impact of losses (to an extent of claims lodged and recorded by the company as outstanding, net of outstanding recoveries from reinsurance arrangements) which has arisen due to riots/violence in the country as a result of 27th December, 2007 incident.

The commission expenses of the company for the year 2007 were Rs.400 million as compared to Rs.367 million in the corresponding period last year. Expenses would have been more as the company had accepted more business and retrocede less, however as a result of management's better negotiation, there is a nominal increase of Rs.33 million only.

The investment income in the year 2007 increased to Rs.3, 689 million as compared to Rs.772 million in the year 2006.

The increase in investment income was mainly due to realization of capital gain and improved dividend on NIT units. The realization of capital gain would strengthen the company's equity base and support overall growth of the company's reinsurance business in the country. The sale and repurchase transactions were performed in view of possible tax exposure on capital gain in future years. The break-up value of PRC's share as at 31st December, 2007 was Rs.117.9 per share of Rs.10/= each and the earning per share was Rs.69.02.

The profit before tax was Rs.3,860 million. After making provision for taxation of Rs.133 million, the profit after tax works out to Rs. 3,727 million as compared to profit after tax of Rs.672 million in the year 2006.

Department-wise results are as follows:-

Fire Department

The gross premium of Fire dept. was Rs. 1,910 million which contributed about 40% to the company's revenue. The net premium of this department was Rs. 862 million. The claim ratio was 62% .

Marine Department

The Gross Premium of Marine dept. was Rs. 411million which contributed about 9% to the company's revenue. The net premium of this department was Rs. 214 million. The claim ratio was 9%.

Aviation, Engineering & Accident Departments

The Gross Premium of Aviation, Engineering and Accident dept. was Rs.2,409 million which contributed about 51% to the company's revenue. The net premium of the department was Rs.618 million. The claim ratio was 29%.

Investment

The company has an upper edge due to its excellent investment portfolio which comprises equities, fixed income and real estate, thus making it quite attractive at current levels. Investment as at the end of year 2007 has increased to Rs.6, 412million as compared to Rs.3,588 million in the year 2006, on lower cost or market value and amortised cost basis.

The equity portfolio of Company showed excellent performance even after realizing capital gain of Rs.2, 862 in the year 2007. The market value of investment in equities showed an appreciation of Rs.4, 590 as on December 31,2007, as compared to Rs 4,052 for the year December 31,2006.

Investment Plan

Investment Plan of PRCL is being updated continually. The main objective of the Investment plan is to make prudent investment in safe securities as well as to ensure regular and maximum return on the investments. Accordingly, PRCL has adopted the strategy of diversification, and the portfolio is being balanced between fixed income securities and equities.

Profit

The profit before tax of the company for the year ended 31st December, 2007 is as follows:-

	Rupees in million
Net profit before tax	3,860.353
Less: Provision for taxation	(133.393)
Profit after tax	3,726.960
Add: Unappropriated profit brought forward	721.954
Final Dividend 2006	(90.000)
Final Bonus 2006	(90.000)
Less: Transfer to General Reserve	500.000
Unappropriated profit carried forward	3,768.913

The auditors have qualified their report for the year ended December 31, 2007 in respect of amount due from and due to other persons and bodies carrying on insurance business and premium and claim reserves retained by cedants and retained from retrocessionaires. These amounts represent unrecognized items which are adjusted/ recovered in due course after returns and supporting documents are received by the company. During the year the management has made active efforts for identification of reconciliation differences and resolution thereof.

Pension, Gratuity and Provident Funds

The value of investment in pension, gratuity and provident fund is as follows:-
(Rs. in million)

Provident Fund	
- CPF	54
- GPF	40
Gratuity Fund	52
Pension	
- Staff	40
- Officer	22

Vision of the future

The operating environment for PRCL in 2007 will be further challenging as this would be third year without compulsory cession. PRCL will have to compete in the market for enhanced facultative business, to enable it to increase its profits, along with expanding aggressively in the treaty business segment, in which it is already a market leader. The company has already taken measures by strengthening its reinsurance retention capacity by mean of reducing employee strengthen and realizing capital gain. The company has also offered VRS (Voluntary Retirement Scheme) to its employees this year which was availed by 50 employees.

In order to achieve the target/goal, its business strategy is to provide prompt service to insurance companies particularly with reference to facultative offers. PRCL is also concentrating on quality treaty and facultative business and profitable treaty cession and is in the process of increasing its retention capacity.

In view of above, the directors do not foresee any problem arising as a result of the above factor and a corporate plan has been prepared by the Company, which it shall vigorously implement.

Insurance Rules, 2002

The Insurance Rules, 2002 have been issued by the Federal Government in December, 2002. Moreover, SECP has also prescribed a new format for preparing financial statement by the insurance companies. The overall regulatory framework for the Insurance industry has become more stringent. Your company has taken every possible measure to comply with the requirements of Insurance Rules, 2002.

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 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, presently in place, is being continually reviewed by the internal audit dept. The process of review will continue to strengthen the system for its effective implementation.
- 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

During the year, nine meetings of the Board of Directors were held and the number of meetings attended by each Director is given hereunder:-

S.No.	Name of Director	No. of meetings attended
1.	Ms. Naheed Hyder	One
2.	Mrs. Rukhsana Saleem	Eight
3.	Mr. Fazlur Rehman Dittu	Nine
4.	Mr. Kamal Afsar	Five
5.	Syed Yawar Ali	Eight
6.	Mr. Shamim Ahmed Khan	Nine
7.	Mr. Sikander Hayat Jamali	Four
8.	Mr. S. Aijaz Akthar	Six
9.	Mr. Javed Syed	Six
10.	Mr. Fazal-I-Qadir	Eight

The Board places on record its sincerest appreciation to the outgoing Directors Mr. Fazlur Rehman Dittu, Syed Yawar Ali and Mr. S.M.Rafiq Akhtar 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. Saifuddin N. Zoomkawala, Mr. Abdul Hamid Dagia and Mr. Ali Jahangir Siddiqui on PRCL's 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 consisting of the following members and has also approved its terms of reference.

Mr Abdul Hamid Dagja	Chairman
Mr. Shamim Ahmed Khan	Member
Mr. Kamal Afsar	Member
Mr. Shahzad F. Lodhi	Secretary

Performance of the company during the last five years

	(Rs. in million)				
	2007	2006	2005	2004	2003
Gross Premium	4,730	4,499	4,159	5,241	4,697
Net Premium	1,695	1,415	2,005	2,289	2,133
Net Commission	400	367	620	774	219
Net Claims	931	777	823	1,329	1,011
Management Expenses	158	146	171	134	140
Underwriting Profit/(Loss)	206	125	391	51	76
Investment Income	3,689	772	465	360	333
Profit before Tax	3,860	783	782	391	366
Profit after Tax	3,727	672	594	326	297

Dividend

Your directors are pleased to declare a cash dividend of Nil and 455.554670783% Bonus shares for the year 2007.

Earning per share

The earning per share of the Company was Rs.69.02 for the year 2007 as compared to Rs.12.44 in the year 2006.

Trading in Company Shares

Except as detailed below, no trading in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary, their spouses and minor children:-

Name	No. of Shares (CDC/Physical)
Mr. S.M.Rafiq Akhtar	642,120/36

Appointment of Auditors

The present auditors M/s. KPMG Taseer Hadi & Co., Chartered Accountants retire, and being eligible offer themselves for re-appointment. Appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants has been endorsed by Audit Committee and the Board of Directors of the Company for shareholders consideration at the forthcoming annual general meeting for re-appointment as external auditors of the company for year 2008. The external auditors have been given satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan.

Pattern of shareholding

A statement of pattern of shareholding is separately shown in report.

Acknowledgement

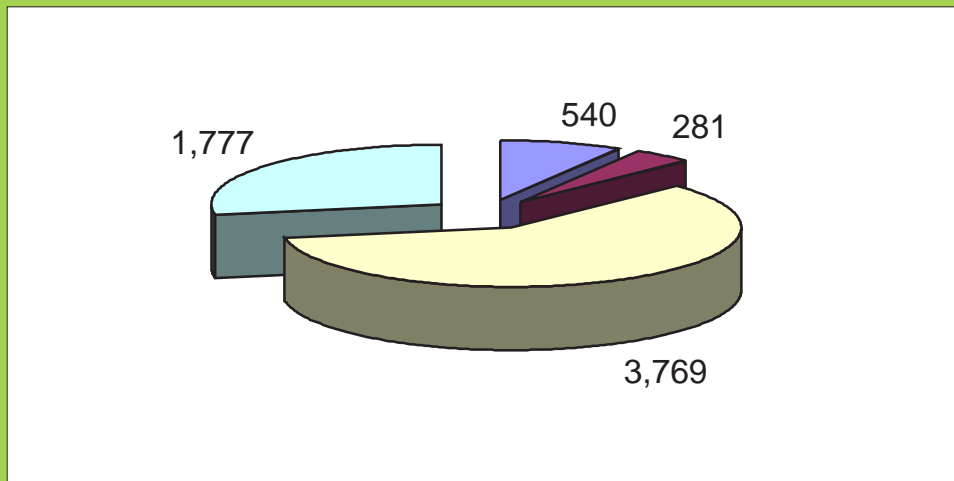
In the end, your directors would like to thank all insurance companies their Chairmen, Directors, Officers and staff for the co-operation extended by them in running the affairs of the company.

For and on behalf
of the Board of Directors.

(Rukhsana Saleem)

**BREAK-UP VALUE OF COMPANY'S
SHARE AS AT 31, DECEMBER
2007**

Paid-up Capital	540
Reserve for Exceptional Losses	281
Retained Earnings	3,769
General Reserve	<u>1,777</u>
Net worth (Owner's equity)	<u><u>6,367</u></u>

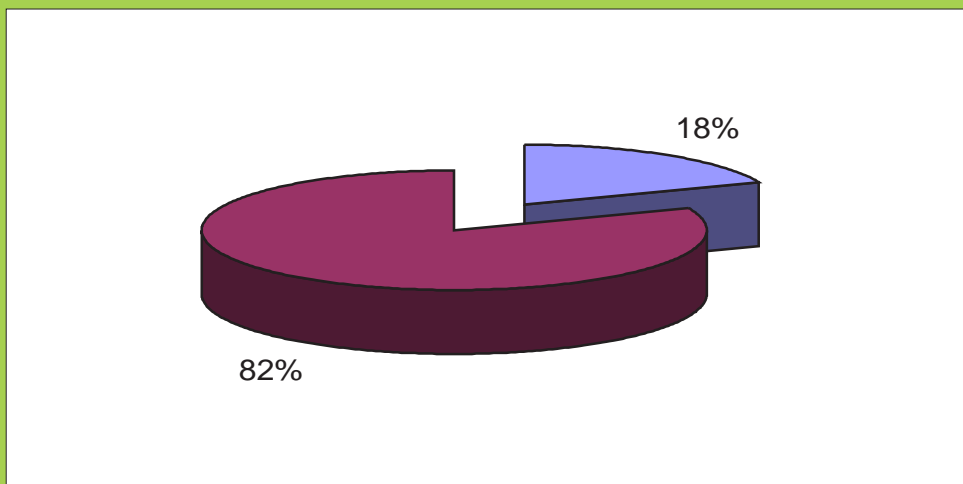


Break-up value per share Rs. 117.90
of Rs.10/- each

**PAKISTAN INSURANCE MARKET
AND COMPANY'S SHARE**

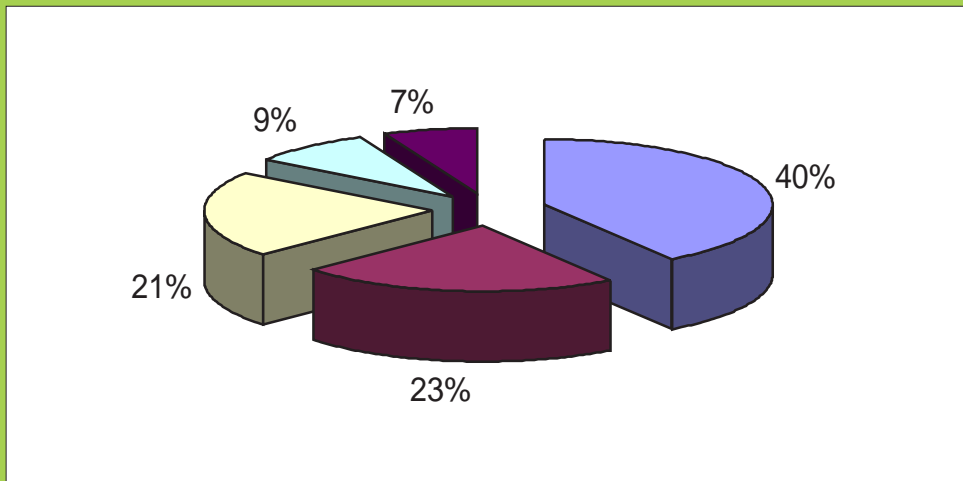
	Rs. in million
1) Gross Premium	
(a) Insurance Market	25,000*
(b) Company	4,499
2) Company's Share of Market	18%

*** Published figure of 2006**



**GROSS PREMIUM INCOME
BY CLASS OF BUSINESS
2007**

Class of Business	Rs. in million	
	Gross Premium	% of Total
(a) Fire	1,911	40
(b) Engineering	1,082	23
(c) Aviation	1,013	21
(d) Marine	411	9
(e) Accident	314	7
	<u>4,731</u>	<u>100</u>



**RESERVES, PROVISIONS AND
INVESTMENTS**

2007

Rs. in million

1	RESERVES & PROVISIONS		
	A. FINANCIAL RESERVES		
	1) Reserve for Exceptional Losses	281	
	2) General Reserve	1,777	
	3) Retained Earnings	<u>3,769</u>	5,827
	B. UNDERWRITING PROVISIONS		
	1) Outstanding Claims	676	
	2) Unearned Premium	2,322	
	3) Unearned Commission	<u>45</u>	
		3,043	
	Less : Prepaid Reinsurance ceded	1,414	
	Prepaid Commission	<u>253</u>	<u>1,376</u>
			<u><u>7,203</u></u>
2	INVESTMENTS		
	1) NIT Units	2,769	
	2) Stocks & Shares	1,621	
	3) D.S.C	362	
	4) Pakistan Investment Bonds	609	
	5) Six Months Treasury Bills	<u>1,074</u>	
		6,435	
	Less: Diminution in Stock & Shares	<u>23</u>	<u><u>6,412</u></u>

Auditor's Report to the Members



We have audited the annexed financial statements comprising of:

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

of Pakistan Reinsurance Company Limited ("the Company") as at 31 December 2007 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 the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

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 misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

- i) As more fully described in the notes 13, 16.1 and 21 to the financial statements, the balances of Rs.742.676 million (net of provision amounting to Rs. 386 million) and Rs. 683.213 million were respectively due from and due to other persons and bodies carrying on insurance business. The Company is in process of obtaining confirmations and reconciling these balances as at 31 December 2007 with these persons and bodies. Further, as explained in note 16.2 to the financial statements, the Company has reversed certain claims lodged by other insurance companies amounting to Rs.66 million due to the reason that appropriate documentation for substantiating these claims was not provided. Pending confirmation of various balances, finalisation of reconciliations and settlement of differences with these persons and bodies, adjustments if any, required in these balances could not be quantified and consequently we are unable to verify these balances.
- ii) As stated in notes 14 and 22 to the financial statements, as at 31 December 2007, the balances in respect of premium and claim reserves retained by cedants amounted to Rs. 16.610 million and balances in respect of premium and claim reserves retained from retrocessionaires amounted to Rs. 25.248 million. These balances have not been confirmed by respective insurance companies. Consequently, we are unable to verify these balances.



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 up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2007 and of the profit, 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 deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Date: April 4, 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2007



This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation NO.37 and No.XIII of listing regulations of the Karachi Stock Exchange(Guarantee) Ltd., and the Lahore Stock Exchange(Guarantee) Ltd., respectively for the purpose of establishing a framework of good governance by a listed company and additional frame work by a listed insurance company, whereby a listed company /listed insurance company is managed in compliance with the best practice of corporate governance.

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

1. The company encourages representation of independent non-executive Directors on its Board. At present, the Board include eight (out of nine) independent non-executive Directors. Out of eight non-executive directors, six are nominated by the major shareholders (i.e. GOP) and two are elected on 31.12.2007 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.
4. The Company has prepared a 'Statement of Ethics and Business Practices'.
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 alongwith 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 Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers were circulated normally 07 days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
8. There was no new appointment of Company Secretary. A new CFO has been appointed during the year and the previous CFO was designated as Chief Internal Audit.
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 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.
15. The Company has an internal audit department headed by E.D.(Internal Audit). The Internal Audit department is in the process of strengthening.



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16. 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.
17. 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.
18. The actuary appointed by the company has confirmed that he or his spouse and minor children do not hold any shares of the company. The Board has ensured that the appointed actuaries complied with the requirement set out for them in this code.
19. The Company has established the committees namely Underwriting Committee, Claim Settlement Committee and Reinsurance Committee & Co-insurance.
20. We confirm that all other material principles contained in the Code have been complied with.

Fazal-i-Qadar
Director

Abdul Hamid Dagia
Director

Rukhsana Saleem
Chief Executive

Review report to the members on Statement of Compliance with best practices of Code of Corporate Governance



We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pakistan Reinsurance Company Limited (“the Company”) to comply with the Listing Regulations of the respective 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 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board’s statement on internal control covers all controls and the effectiveness of such internal controls.

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 as applicable to the Company for the year ended 31 December 2007.

Date: April 4, 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants



Balance Sheet as at

	Note	2007	2006
Share capital and reserves			
Authorized share capital			
400,000,000 Ordinary shares of Rs.10 each (2006: 100,000,000 ordinary shares of Rs.10 each)	6	<u>4,000,000,000</u>	<u>1,000,000,000</u>
Paid up share capital	6	540,000,860	450,000,720
Retained earnings		3,768,913,622	721,954,126
Exceptional losses reserve	7	281,000,000	281,000,000
General reserve		1,777,419,085	1,277,419,085
		5,827,332,707	2,280,373,211
		<u>6,367,333,567</u>	<u>2,730,373,931</u>
Underwriting provisions			
- Provision for outstanding claims (including IBNR)	8	675,533,994	669,922,164
- Provision for unearned premium	9	2,322,009,096	2,263,357,449
- Commission income unearned	10	44,720,548	69,370,524
Total underwriting provisions		3,042,263,638	3,002,650,137
Deferred liability - Employee benefits	11	111,509,000	123,817,001
Long term deposits	12	22,472,667	19,740,060
Creditors and accruals			
Amount due to other persons and bodies carrying on insurance business	13	683,213,446	412,127,526
Premium and claim reserves retained from retrocessionaires	14	25,248,173	26,055,623
Other creditors and accruals	15	34,254,848	34,539,387
Taxation - Provision less payments	26	148,075,585	103,167,230
Retention money payable		6,388,681	6,410,112
		897,180,733	582,299,878
Other liabilities			
Dividend payable		4,625,512	4,177,252
Surplus profit payable		1,214,008	1,230,606
		5,839,520	5,407,858
TOTAL LIABILITIES		4,079,265,558	3,733,914,934
TOTAL EQUITY AND LIABILITIES	Rupees	<u>10,446,599,125</u>	<u>6,464,288,865</u>
CONTINGENCIES	16		

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

December 31, 2007



	Note	2007	2006
Cash and bank deposits			
Cash and other equivalents		33,366	16,992
Current and other accounts		719,390,353	208,266,875
Deposits maturing within 12 months		301,700,000	1,700,000
	17	1,021,123,719	209,983,867
Loans - Secured and unsecured (considered good)			
- to employees		44,690,616	28,945,349
- to others		3,750,521	3,100,142
	18	48,441,137	32,045,491
Investments	19	6,412,290,053	3,588,323,007
Investment properties	20	50,824,182	54,087,325
Deferred taxation		151,660,579	87,346,888
Other assets			
Amount due from other persons and bodies carrying on insurance business	21	742,676,308	493,663,550
Premium and claim reserves retained by cedants	22	16,609,595	32,724,184
Accrued investment income	23	44,249,114	21,522,485
Sundry receivables	24	261,394,758	207,724,808
Prepaid reinsurance ceded	25	1,413,690,161	1,469,746,545
Deferred commission expense		252,874,145	238,217,500
Stock of stationery		61,112	289,707
		2,731,555,193	2,463,888,779
Fixed assets			
Tangible			
Land and building		21,898,134	23,367,122
Furniture, fixture, books and office equipment		4,150,294	2,616,363
Motor vehicles		4,655,834	2,630,023
	27	30,704,262	28,613,508
Assets relating to Bangladesh	28	-	-
TOTAL ASSETS	Rupees	<u>10,446,599,125</u>	<u>6,464,288,865</u>

Abdul Hamid Dagia
Director

Fazal-i-Qadar
Director

Profit and Loss Account for the year ended December 31, 2007



	Note	Fire	Marine Cargo	Marine Hull	Accident	Aviation	Engineering	Treaty	2007	2006
Revenue account										
Net premium revenue		255,705,868	25,797,913	19,538,344	22,863,347	44,950,538	140,092,873	1,185,839,989	1,694,788,872	1,415,505,472
Net claims		139,443,562	493,493	11,377,833	7,085,244	1,762,405	44,314,545	726,812,410	931,289,492	776,709,665
Expenses	29	6,383,063	4,466,599	1,160,988	4,749,635	5,809,115	3,577,972	131,471,456	157,618,828	146,333,344
Net commission		30,076,618	4,096,674	2,752,176	2,965,410	(2,610,787)	(18,028,325)	380,630,137	399,881,903	367,421,905
Underwriting result	Rupees	<u>79,802,625</u>	<u>16,741,147</u>	<u>4,247,347</u>	<u>8,063,058</u>	<u>39,989,805</u>	<u>110,228,681</u>	<u>(53,074,014)</u>	<u>205,998,649</u>	<u>125,040,558</u>
Investment income-net									3,689,376,821	771,733,341
Rental income-net							30		30,543,619	26,065,423
Exchange (loss)/gain									(15,922,348)	(6,403,120)
Other income							31		65,804,433	11,701,610
General and administration expenses							32		(46,345,455)	(25,094,267)
VRS expenses							33		(69,102,472)	-
Provision for doubtful debts									-	(120,000,000)
									<u>3,654,354,598</u>	<u>658,002,987</u>
Profit before tax									<u>3,860,353,247</u>	<u>783,043,545</u>
Taxation - Current									<u>197,707,158</u>	<u>155,496,888</u>
- Deferred									<u>(64,313,691)</u>	<u>(44,296,888)</u>
Profit after tax							26.1		<u>133,393,467</u>	<u>111,200,000</u>
								Rupees	<u>3,726,959,780</u>	<u>671,843,545</u>
Profit and loss appropriation account										
Balance at the commencement of year									721,954,126	630,110,869
Profit after tax for the year									3,726,959,780	671,843,545
Transfers to general reserve									(500,000,000)	(400,000,000)
Final cash dividend									(90,000,144)	(180,000,288)
Final bonus dividend									(90,000,140)	-
Balance of unappropriated Profit at the end of year								Rupees	<u>3,768,913,622</u>	<u>721,954,126</u>
Basic and diluted diluted earning per share of Rs. 10 each 34								Rupees	<u>69.02</u>	<u>12.44</u>

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Fazal-i-Qadar
Director

Statement of Premium for the year ended December 31, 2007



Class	Unearned premium reserve			Premium earned (D=A+B-C)	Reinsurance ceded (E)	Prepaid reinsurance Premium ceded		Re-insurance expense (H=E+F-G)	Net premium revenue	
	Premium written (A)	Opening (B)	Closing (C)			Opening (F)	Closing (G)		31 December 2007 (I=D-H)	31 December 2006
Business underwritten inside Pakistan	----- Rupees -----									
Facultative										
Fire	1,001,591,175	464,018,565	465,747,571	999,862,169	758,951,579	305,657,044	320,452,322	744,156,301	255,705,868	138,498,146
Marine Cargo	27,183,142	5,837,310	4,004,687	29,015,765	-	3,217,852	-	3,217,852	25,797,913	17,797,114
Marine Hull	22,755,072	12,115,355	11,877,390	22,993,037	-	3,454,693	-	3,454,693	19,538,344	11,260,898
Accident	37,837,751	9,562,394	24,410,271	22,989,874	-	126,527	-	126,527	22,863,347	13,074,824
Aviation	1,013,161,679	574,988,229	512,303,028	1,075,846,880	963,652,686	552,980,777	485,737,121	1,030,896,342	44,950,538	37,377,140
Engineering	865,648,919	545,449,106	540,468,642	870,629,383	692,783,269	474,520,825	436,767,584	730,536,510	140,092,873	80,247,224
TOTAL	2,968,177,738	1,611,970,959	1,558,811,589	3,021,337,108	2,415,387,534	1,339,957,718	1,242,957,027	2,512,388,225	508,948,883	298,255,346
Treaty	1,762,376,297	651,386,490	763,197,506	1,650,565,281	505,669,599	129,788,827	170,733,134	464,725,292	1,185,839,989	1,117,250,126
GRAND TOTAL Rupees	4,730,554,035	2,263,357,449	2,322,009,095	4,671,902,389	2,921,057,133	1,469,746,545	1,413,690,161	2,977,113,517	1,694,788,872	1,415,505,472

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Fazal-i-Qadar
Director

Statement of Claims for the year ended December 31, 2007



Class	Claims paid (A)	Outstanding claims		Claims expense (D=A+C-B)	Reinsurance and other recoveries received (E)	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue (H=E+G-F)	Net claims expenses	
		Opening (B)	Closing (C)			Opening (F)	Closing (G)		31 December 2007 *(I=D-H)	31 December 2006
Business underwritten inside Pakistan										
Facultative										
Fire	67,746,487	91,418,677	163,115,752	139,443,562	-	68,968,099	68,968,099	-	139,443,562	14,857,502
Marine Cargo	677,078	183,585	-	493,493	-	-	-	-	493,493	602,384
Marine Hull	5,407,759	15,833,000	16,720,709	6,295,468	-	7,088,000	2,005,635	(5,082,365)	11,377,833	1,298,285
Accident	4,246,802	4,500,000	7,338,442	7,085,244	-	-	-	-	7,085,244	(1,217,829)
Aviation	100,716,106	90,484,823	71,420,531	81,651,814	98,073,688	87,681,528	69,497,249	79,889,409	1,762,405	(10,527,449)
Engineering	144,960,658	339,859,000	625,550,910	430,652,568	75,922,863	303,047,000	613,462,160	386,338,023	44,314,545	12,920,207
TOTAL	323,754,890	542,279,085	884,146,344	665,622,149	173,996,551	466,784,627	753,933,143	461,145,067	204,477,082	17,933,100
Treaty	912,395,623	1,656,701,406	2,314,808,855	1,570,503,072	136,476,300	1,057,321,700	1,764,536,062	843,690,662	726,812,410	758,776,565
GRAND TOTAL Rupees	1,236,150,513	2,198,980,491	3,198,955,199	2,236,125,221	310,472,851	1,524,106,327	2,518,469,205	1,304,835,729	931,289,492	776,709,665

* This includes net claims of Rs. 79 million, reported in respect of riots occurred in Pakistan on or after 27 December 2007.

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Fazal-i-Qadar
Director

Statement of Expense for the year ended December 31, 2007



Class	Commission Paid or payable (A)	Deferred commission		Net commission expense (D=A+B-C)	Other management expense (E)	Underwriting expense (F=D+E)	Commission from reinsurers (G)	Opening (H)	Closing (I)	Net commission retrocession (J=G+H-I)	Net underwriting expenses	
		Opening (B)	Closing (C)								31 December 2007 (K=F-J)	31 December 2006
Business underwritten inside Pakistan	----- Rupees -----											
Facultative												
Fire	74,251,847	33,696,385	37,559,653	70,388,579	6,383,063	76,771,642	40,938,212	12,901,334	13,527,585	40,311,961	36,459,681	17,429,570
Marine cargo	4,414,362	423,805	573,049	4,265,118	4,466,599	8,731,717	-	168,444	-	168,444	8,563,273	5,888,246
Marine hull	3,543,635	1,470,769	1,830,392	3,184,012	1,160,988	4,345,000	-	431,836	-	431,836	3,913,164	1,640,472
Accident	5,163,844	1,222,078	3,407,859	2,978,063	4,749,635	7,727,698	-	12,653	-	12,653	7,715,045	5,604,285
Aviation	2,689,548	2,530,647	1,196,628	4,023,567	5,809,115	9,832,682	3,111,137	4,915,336	1,392,119	6,634,354	3,198,328	(3,008,919)
Engineering	34,559,451	34,555,152	23,617,306	45,497,297	3,577,972	49,075,269	43,298,967	47,603,611	27,376,956	63,525,622	(14,450,353)	(13,338,274)
TOTAL	124,622,687	73,898,836	68,184,887	130,336,636	26,147,372	156,484,008	87,348,316	66,033,214	42,296,660	111,084,870	45,399,138	14,215,380
Treaty	412,071,046	164,318,664	184,689,260	391,700,450	131,471,456	523,171,906	10,156,889	3,337,310	2,423,887	11,070,312	512,101,594	499,539,869
GRAND TOTAL Rupees	536,693,733	238,217,500	252,874,147	522,037,086	157,618,828	679,655,914	97,505,205	69,370,524	44,720,547	122,155,182	557,500,732	513,755,249

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Fazal-i-Qadar
Director



Cash Flow Statement for the year ended December 31, 2007

	31 December 2007	31 December 2006
Operating Cash Flows		
Underwriting activities		
Premium received	4,481,541,277	4,346,839,232
Reinsurance premium paid	(2,665,893,561)	(3,043,357,718)
Claims paid	(1,236,150,513)	(921,619,248)
Reinsurance and other recoveries received	310,472,851	296,818,771
Commission paid	(536,693,733)	(464,621,175)
Commission received	97,505,205	139,400,037
Premium and claim reserves retained from retrocessionaires/ withheld by ceding companies	17,795,448	43,092,678
Expenses paid	(227,005,834)	(141,653,667)
Net cash flows from underwriting activities	241,571,140	254,898,910
Other Operating Activities		
Income tax paid	(152,798,803)	(194,908,517)
General administration expenses paid	(39,853,459)	(14,619,808)
Loans recovered / (disbursed) from employees	(16,395,646)	2,855,046
Other receipts / (payments)- sundry debtors	(53,669,950)	8,036,150
Other payments - staff contribution	(15,033,799)	(23,857,224)
Net cash flows from other operating activities	(277,751,657)	(222,494,353)
Total cash flow from all operating activities	(36,180,517)	32,404,557
Investment activities		
Fixed capital expenditure	(4,749,890)	(142,484)
Sale proceeds of Fixed Assets	17,952	-
Acquisition of investments	(7,259,214,850)	(2,313,917,170)
Rental income received	36,181,739	30,457,452
Dividend income received	605,240,201	603,203,999
Interest income on bank deposits	22,453,903	11,028,987
Investment income received	73,700,000	53,700,000
Sale proceeds of investments	7,463,259,796	1,702,255,100
Total cash flow from investment activities	936,888,851	86,585,884
Financing activities		
Surplus paid	(16,598)	(83,199)
Dividend paid	(89,551,884)	(179,058,935)
Payments of finance leases	-	(1,253,061)
Total cash flows from financing activities	(89,568,482)	(180,395,195)
Net cash flow from all activities	811,139,852	(61,404,754)
Cash and cash equivalents at beginning of the year	209,983,867	271,388,621
Cash and cash equivalents at end of the year	Rupees 1,021,123,719	209,983,867

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Fazal-i-Qadar
Director

December 31, 2007



	31 December 2007	31 December 2006
Reconciliation to profit and loss account		
Operating cash flows	(36,180,517)	32,404,557
Depreciation expense	(5,913,112)	(6,419,039)
Exchange (gain) / loss	(15,922,348)	(6,403,120)
Provision for doubtful debts/Litigation	-	(120,000,000)
Rental income	37,591,513	32,625,473
Pension officers expense	(3,859,133)	3,471,200
Pension staff expense	(903,000)	(345,023)
Medical expense	9,086,000	(8,089,000)
Gratuity expense	12,132,989	17,429,231
Compensated absences	(3,632,000)	3,418,000
Provision for outstanding claims	5,611,830	151,909,188
Provision for unearned premium	58,651,647	148,601,305
Prepaid reinsurance	56,056,384	179,322,213
Provision for employee benefits	(12,308,001)	8,698,176
Dividend income	611,242,675	649,163,245
Investment income	242,423,455	105,260,630
Amortization of premium	(16,290,075)	(15,114,724)
Gain on sale of investment	2,862,854,600	2,157,782
(Decrease) / increase in operating assets other than cash	(80,591,919)	125,622,282
(Increase) / decrease in operating liabilities	290,230,888	(335,932,000)
	4,010,281,876	967,780,376
Other adjustments		
Decrease / (increase) in provision for diminution in value of investments	2,870,174	10,171,686
Income tax paid	(152,798,803)	(194,908,517)
	(149,928,629)	(184,736,831)
Profit before taxation	3,860,353,247	783,043,545
Provision for taxation	(133,393,467)	(111,200,000)
Profit after taxation	3,726,959,780	671,843,545
	Rupees	
Cash and cash equivalents		
Cash and other equivalent	33,366	16,992
Current and other accounts	719,390,353	208,266,875
Deposit maturing within 12 months	301,700,000	1,700,000
	Rupees	
	1,021,123,719	209,983,867

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Fazal-i-Qadar
Director



Statement of Investment Income for the year ended December 31, 2007

	2007	2006
Income from non-trading investments		
Held to maturity		
Return on Government Securities	129,144,283	91,014,696
Return on other fixed income securities and deposits	28,315,240	14,245,934
Income on treasury bills	80,709,482	43,208,794
Amortization of premium on Pakistan Investment Bond	(16,290,075)	(15,114,724)
Available for sale		
Dividend income	611,242,675	649,163,245
Gain on sale of non-trading investments		
Available for sale investments	2,862,854,600	2,157,782
(Loss) / Gain on revaluation of investments		
Available for sale	(2,870,174)	(10,171,686)
At fair value through profit or loss classified as held for trading	1,724,222	11,922
	3,694,830,253	774,515,963
Investment related expenses	(5,453,432)	(2,782,622)
Net investment income	3,689,376,821	771,733,341

Rupees

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Fazal-i-Qadar
Director

Statement of Changes in Equity for the year ended December 31, 2007



	Note	Share capital Issued subscribed and paid-up	Exceptional losses reserve	Reserves			Total
				General reserve	Revenue reserves Retained earnings	Total	
Balance as at 31 December 2005		450,000,720	281,000,000	877,419,085	630,110,869	1,507,529,954	2,238,530,674
Final cash dividend 2005 @ 40% (Rs.4 per share)		-	-	-	(180,000,288)	(180,000,288)	(180,000,288)
Effect of change in accounting policy Transfer to General Reserve declared subsequent to year end		-	-	400,000,000	(400,000,000)	-	-
Total income and expense recognized during the year - profit for the year 2006		-	-	-	671,843,545	671,843,545	671,843,545
Balance as at 31 December 2006		450,000,720	281,000,000	1,277,419,085	721,954,126	1,999,373,211	2,730,373,931
Final bonus dividend 2006 @ 20% (Rs.2 per share)		90,000,140	-	-	(90,000,140)	(90,000,140)	-
Final cash dividend 2006 @ 20% (Rs.2 per share)		-	-	-	(90,000,144)	(90,000,144)	(90,000,144)
Transfer to General Reserve		-	-	500,000,000	(500,000,000)	-	-
Total income and expense recognized during the year - profit for the year 2007		-	-	-	3,726,959,780	3,726,959,780	3,726,959,780
Balance as at 31 December 2007	Rupees	540,000,860	281,000,000	1,777,419,085	3,768,913,622	5,546,332,707	6,367,333,567

The annexed notes from 1 to 43 form an integral part of these financial statements.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Fazal-i-Qadar
Director

1. STATUS AND NATURE OF BUSINESS

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

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 12 December 2002.

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, requirements of the Companies Ordinance 1984, the Insurance Ordinance 2000 and the Securities and Exchange Commission (Insurance) Rules, 2002. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the Securities and Exchange Commission (Insurance) Rules 2002 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance 1984, the Insurance Ordinance, 2000, the Securities and Exchange Commission (Insurance) Rules, 2002 or the requirements of the said directives take precedence.

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for derivatives which are recognized at fair value as stated in note 5.12.

3. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 01 January 2008 are either not relevant to Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The objective of revising IAS 1 is to aggregate information in the financial statements on the basis of shared characteristics. The changes affect the presentation of owner changes in equity and of comprehensive income. It introduces a requirement to include in a complete set of financial statements a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

Revised IAS 23-Borrowing costs (effective from 1 January 2009). Revised IAS 23 removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of the standard is not likely to have an effect on Company's financial statements.

IFRIC 9 - Reassessment of embedded derivatives - The IFRIC is effective during the year and will be applied together with application of IAS 39.

IFRIC 11 - IFRS 2-Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 requires that a share based payment arrangement in which an entity receives goods or services as consideration for its own payment regardless of how the equity instruments are obtained. IFRIC 11 is not expected to have any impact on the Company's financial statements.

IFRIC 12 – Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private concession arrangements. IFRIC 12 is not relevant to the Company’s operations.

IFRIC 13- Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 addresses the accounting by entities that operates, or otherwise participate in, customer loyalty programmes for their customers.

IFRIC 14 IAS 19- The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on minimum funding requirements (MFR) for such asset.

4. USE OF ESTIMATES AND JUDGEMENT

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgements / estimates and associated assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgements / estimates and associated assumptions are based on historical experience 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 periodic basis. Revisions to accounting estimates are recognized in the period in which the revision is made.

Significant areas requiring the management to use estimates in these financial statements relate to provision for outstanding claims including IBNR, impairment of assets, premium deficiency reserves, provision for income taxes, recoveries from reinsurers, staff retirement benefits and useful lives of assets and methods of depreciation.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. Subsequently, these are recognized and classified as follows:

5.1.1 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.

5.1.2 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 at cost, 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 rate 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 at cost, 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.

Unquoted

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

5.2 Investment properties

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

- 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.

5.3 Underwriting provisions

5.3.1 Provision for outstanding claims

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

5.3.2 Claim recoveries

Claim recoveries receivable from the reinsurers are recognized as an asset at the same time as the claims which give rise to the right of recovery are recognized and are measured at the amounts expected to be received. Claims are reported net off reinsurance in the revenue account.

5.3.3 Provision for unearned premium

Provision for unearned premium is made in the Revenue Account on the basis of 1/24 method as per Regulation 8 of Securities and Exchange Commission (Insurance) Rules, 2002. This provision is calculated by an actuary.

5.3.4 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 and is a part of revenue account.

5.3.5 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.

5.3.6 Commission income unearned

Commission income receivable is taken to revenue account in accordance with the pattern of recognition of the reinsurance premium to which it relates.

5.4 Staff retirement benefits

5.4.1 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 31 December 2007 using the Projected Unit Credit Method. Actuarial gains / losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognised 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).

5.4.2 Defined contribution plan

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

5.5 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.

5.6 Taxation

Current

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

Deferred

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

5.7 Fixed assets

Owned

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

Depreciation is charged to income applying the reducing balance method. The rates of depreciation are stated in note 27 to the financial statements.

Depreciation on additions during the financial year is charged from the month in which asset is put to use whereas no depreciation is charged from the month in which the asset is disposed off. The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying amount of fixed assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed their estimated recoverable amount, assets are written down to their recoverable amount.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired.

Gains and losses on disposal of fixed assets, if any, are included in current income.

5.8 Revenue recognition

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 as described in note 5.3.3.

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

Commission

Commission and profit commission receivable from reinsurers are deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premiums to which they relate.

Investments

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

Profit / interest income from securities are recognized on effective interest rate 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.

5.9 Reinsurance expense

Premium reinsured to reinsurers is recognized as a liability on attachment of the underlying policies reinsured or on inception of the reinsured contract in case of proportional and non-proportional basis respectively.

Where the pattern of incidence of risk varies over the period of the policy, the premium is recognized as an expense in accordance with the pattern of incidence of risk.

5.10 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue.

Commission and other forms of revenue (apart from recoveries) from reinsurers are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

5.11 Expenses of management

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

5.12 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. Attributable transaction costs are recognized in profit or loss when incurred. 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.

5.13 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. The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

5.14 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.

5.15 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 12 December 2002.

5.16 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.

5.17 Segment reporting

(a) Primary segments

The Company's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The perils covered under insurance include damages by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and impact.

Marine insurance provide coverage against cargo risk, war risk and damages occurring in inland transit.

Motor insurance provides indemnity against third party loss and other comprehensive car coverage.

Miscellaneous insurance provide cover against burglary, loss of cash in safe and cash in transit and personal accident money.

(b) Secondary segments

Revenues are attributed to geographical segments based on the location of the assets producing the revenues.

The Company generally accounts for intersegment sales and transfers, if any, as if the sales or transfers were made to third parties at current market prices.

5.18 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.

5.19 Provision for doubtful debts

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

5.20 Financial instruments

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

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and derecognised 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	2007	2006
	Authorized share capital		
	400,000,000 Ordinary Shares of Rs.10 each	Rupees 4,000,000,000	1,000,000,000
	(2006: 100,000,000 ordinary shares of Rs. 10 each)		
	Issued, subscribed and paid up		
	8 Ordinary shares of Rs. 10 each fully paid	80	80
	in cash (2006: 8 ordinary shares of Rs. 10 each)		
	5,000,000 ordinary shares of Rs. 10 each	50,000,000	50,000,000
	issued for consideration other than cash		
	(2006: 5,000,000 ordinary shares of Rs. 10 each)		
	49,000,078 (2006: 40,000,064) ordinary shares		
	of Rs. 10 each issued as fully paid	490,000,780	400,000,640
	bonus shares	Rupees 540,000,860	450,000,720

7. EXCEPTIONAL LOSSES RESERVE

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, the Company has been setting aside amounts to exceptional losses reserve through profit and loss appropriation account.

8. PROVISION FOR OUTSTANDING CLAIMS
(including IBNR)

	2007	2006
Fire	268,938,579	229,205,021
Marine	110,328,289	78,224,055
Miscellaneous	296,267,126	362,493,088
	Rupees 675,533,994	669,922,164

Represents estimated liabilities in respect of outstanding claims incurred upto the balance sheet date as intimated by the ceding companies to the Company. Out of the same, estimated recoveries are deducted to arrive at the net amount of such liabilities which would fall on the Company (net account). The Company, generally computes such liabilities on the basis of various forms received from the ceding companies including forms "H", "HH" and "HHH" (Annual statement of Estimated Liability for Outstanding Losses). In case where no information is received from the ceding companies, the estimated liability is recorded on the basis of actuarial valuation for the concerned class of business. At the end of the next accounting period / year, the reserve brought forward is reversed and a new reserve is created for the estimated liability in respect of the outstanding claims.

In the year 2002 an amount of Rs.4.952 million representing brought forward claims from previous years which relate to Bangladesh (former East Pakistan) has been excluded from reserve for outstanding claims on Balance Sheet and has been taken along with other liabilities of Rs. 809,000 to net off Assets in Bangladesh of Rs. 15,974,000 (refer note 28).

Fire	2,382,000	2,382,000
Marine	1,470,000	1,470,000
Miscellaneous	1,100,000	1,100,000
	Rupees 4,952,000	4,952,000

9. PROVISION FOR UNEARNED PREMIUM

Fire	956,068,761	856,084,690
Marine	58,235,423	101,433,314
Miscellaneous	1,307,704,912	1,305,839,445
	Rupees 2,322,009,096	2,263,357,449



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10.	COMMISSION INCOME UNEARNED			2007	2006
	Fire			15,739,276	14,948,880
	Marine			101,731	1,620,542
	Miscellaneous			28,879,541	52,801,102
			Rupees	<u>44,720,548</u>	<u>69,370,524</u>
11.	DEFERRED LIABILITY-EMPLOYEE BENEFITS				
	Defined benefit obligations				
	- Pension				
	Officers			42,335,000	48,436,000
	Staff			-	753,001
	- Post retirement medical benefits			43,445,000	52,531,000
	Compensated absences			25,729,000	22,097,000
		37.1	Rupees	<u>111,509,000</u>	<u>123,817,001</u>
12.	LONG TERM DEPOSITS				
	This represents deposits received from tenants in connection with letting of PRC Towers.				
13.	AMOUNT DUE TO OTHER PERSONS AND BODIES CARRYING ON INSURANCE BUSINESS				
	Amount due to other persons and bodies				
	carrying on insurance business	21.2	Rupees	<u>683,213,446</u>	<u>412,127,526</u>
	13.1 This includes Rs. Nil (2006: Rs. 258,349) due to related parties.				
14.	PREMIUM AND CLAIM RESERVES RETAINED FROM RETROCESSIONAIRES				
	Premium reserve withheld			537,183	(236,362)
	Losses reserve withheld			18,850,769	19,298,296
	Cash losses received from retrocessionaires			5,860,221	6,993,689
			Rupees	<u>25,248,173</u>	<u>26,055,623</u>
	This represents Company's retention of deposits withheld against the total amount retroceded to other companies.				
15.	OTHER CREDITORS AND ACCRUALS				
	Bonus payable			11,018,028	9,879,487
	Provision for litigation			16,075,253	16,075,253
	Accrued expenses			5,990,996	7,471,867
	Others			1,170,571	1,112,780
			Rupees	<u>34,254,848</u>	<u>34,539,387</u>
16.	CONTINGENCIES				
	16.1 The Company is in process of reconciling balances of amount due to and due from other persons and bodies carrying on insurance business and have identified reconciling items of Rs.134 million (2006: Rs.348 million) as at 31 December 2007, which have not yet been agreed and settled with these insurance companies. Further, the Company is in process of getting confirmation and reconciling balances with various other insurance companies. Consequently, the impact of possible adjustments on these balances and Profit and Loss account could not be quantified.				

- 16.2 The Company has reversed certain claims lodged by insurance companies estimated at Rs.66 million in the previous years due to the reason that appropriate documentation for substantiating these claims was not provided by the ceding companies.

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

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

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

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

- 16.4 The Income Tax department had made add backs on account of excess allocation to "Reserve for unexpired risk" and "provision for diminution in value of investment" in the assessment year 2002-03, against which the Company filed an appeal before the Commissioner of Income tax (Appeals) which was decided in favour of the Company. Subsequently the Large Tax Payers' Unit has filed an appeal before the Income Tax Appellate Tribunal on account of the above two grounds amounting to Rs. 417.8 million and Rs. 13.4 million respectively on the plea that the learned CIT(A) has erred in deleting the above balance. These cases have been set aside by the Income Tax Appellate Tribunal and final status of the cases is yet to be decided.

The management is of the view that the decision will be made in favour of the Company and therefore no tax liability will arise in this case. Accordingly no provision has been made in the current financial statements in this regard.

- 16.5 Case related to Export Credits Guarantee Scheme

Decrees have been awarded against the Company in two cases amounting to Rs. 31.92 million, pertaining to the export credit guarantees issued by Export Credits Guarantee Scheme (ECGS). The management is of the view that the said matter relates to ECGS and the Company has no responsibility for any liability in this respect. It further, contends that no liability will arise for the ECGS from such cases. The Scheme has been abolished by the Federal Government and also, the accounts relevant to the Scheme have been transferred by the Company.

- 16.6 The company is a defendant in a case filed by Commercial Union for a claim of Rs. 50 million. Pending the ultimate outcome of the decision, no provision has been made in the financial statements in this respect by the company.

17. CASH AND BANK DEPOSITS	2007	2006
Cash and other equivalents	33,366	16,992
Current and other accounts	17.1 719,390,353	208,266,875
Deposits maturing within 12 months	301,700,000	1,700,000
	Rupees <u>1,021,123,719</u>	<u>209,983,867</u>

- 17.1 These include interest bearing accounts representing Rs. 713 million which carry interest ranging from 2.73% to 7%.



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18. LOANS - Secured and Unsecured
(considered good)

		2007	2006
Loan to employees- secured		38,347,314	24,322,723
- unsecured		6,343,302	4,622,626
		44,690,616	28,945,349
Others- unsecured		3,750,521	3,100,142
	18.1 Rupees	48,441,137	32,045,491
18.1 Maturity of loans			
Receivable within one year		11,821,296	6,597,098
Receivable after one year		36,625,156	25,453,708
		48,446,452	32,050,806
Provision against impaired loan		(5,315)	(5,315)
	Rupees	48,441,137	32,045,491

18.2 Loans to employees represent mark-up free loans except house building loans 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 instalments.

19. INVESTMENTS

		2007	2006
Available for sale			
Ordinary shares - listed	19.1	1,597,218,902	860,654,117
Ordinary shares - unlisted	19.2	617,613	617,613
National Investment Trust Units	19.3	2,769,200,429	646,115,801
		4,367,036,944	1,507,387,531
Held to maturity			
Defence Saving Certificates	19.4	362,235,728	313,514,002
Pakistan Investment Bonds	19.5	609,327,719	875,617,794
Treasury Bills (1 year)	19.6	1,073,689,662	891,803,680
		2,045,253,109	2,080,935,476
	Rupees	6,412,290,053	3,588,323,007

As mentioned in note 5.1.2 to these financial statements, available for sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard 39 dealing with the recognition and measurements of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on 31 December 2007 would have been higher by Rs. 4,580 million, and the net equity would have been higher by Rs. 4,580 million.

19.1 Investment in listed companies

Cost of investment in listed companies	19.1.1	1,618,105,047	878,416,010
Less: Provision for diminution in value:			
Balance brought forward from last year		17,761,893	7,588,637
Provision made during the year		3,124,252	10,173,256
		20,886,145	17,761,893
	Rupees	1,597,218,902	860,654,117

19.1.1 Book values and market values
of investment in listed companies are:

Name of Company	31 December 2007		
	Number of shares / certificates	Book value (Rupees)	Market value
Open-End Mutual Funds			
MCB Dynamic Fund	960,639	100,000,000	100,586,566
Pakistan Capital Market Fund	8,328	79,326	106,099
	968,967	100,079,326	100,692,665
Close-End Mutual Funds			
BSJS Balanced Fund	346,204	2,978,100	4,881,476
Pakistan Premier Fund Limited	18,712	209,095	225,480
PICIC Growth Fund	30,406,721	836,877,603	866,591,549
PICIC Investment Fund	17,246	263,864	227,647
UTP Growth Fund	28,348	385,533	362,854
	30,817,231	840,714,195	872,289,006
Modarabas			
Investic Modaraba 1st	265	238	1,325
Investment Banks/COS/Securities			
Escort Investment Bank	16,846	285,540	284,697
Pakistan Industrial Credit and Investment Corporation (PICIC)	14,505,546	92,074,149	852,200,828
	14,522,392	92,359,689	852,485,525
Commercial Banks			
Allied Bank Limited	90,974	529,820	11,840,266
Askari Commercial Bank Limited	17,010	1,175,958	1,696,748
Bank Al-Falah Limited	4,332	159,151	232,628
Faysal Bank Limited	30,143	1,637,409	1,987,931
MCB Bank Limited	900	17,861	359,955
National Bank of Pakistan	4,072,351	11,387,971	945,396,285
PICIC Commercial Bank Limited	5,381	187,259	231,383
ABN AMRO Bank Pakistan Limited	7,106	405,042	340,733
Saudi Pak Commercial Bank Limited	3,333	60,765	85,491
The Bank of Punjab	24,064	1,570,197	2,353,459
United Bank Limited	678	4,350	117,226
	4,256,272	17,135,783	964,642,105
Insurance			
Adamjee Insurance Company Limited	408,514	153,037,294	146,390,992
Asia Insurance Company Limited	25,000	250,000	391,750
Central Insurance Company Limited	279,665	50,000	55,387,653
Crescent Star Insurance Company Limited	483,993	2,933,155	12,317,622
Habib Insurance Company Limited	843,485	256,787	66,508,792
Pakistan Guarantee Insurance Company Limited	22,029	173,000	147,594
PICIC Insurance Company Limited	489,023	4,890,230	16,895,745
Sterling Insurance Company Limited	23,250	232,500	162,750
Union Insurance Company Limited	56,227	500,000	1,499,574
United Insurance Company Limited	298,266	455,000	10,021,738
	2,929,452	162,777,966	309,724,210

Name of Company	31 December 2007		
	Number of shares / certificates	Book value (Rupees)	Market value
Textile Spinning			
Brothers Textile Mills	353	1,059	653
Crescent Fibre	103,684	926,675	1,607,102
Khurshid Spinning Mills	7,600	13,300	14,060
Regent Textile Limited	5,000	50,000	120,000
Sahrish Textile Mills	13,510	23,643	91,868
	130,147	1,014,677	1,833,683
Textile Weaving			
Nakshbandi Industries Limited	463	4,425	3,473
Yousaf Weaving Mills	228	1,414	1,106
	691	5,839	4,579
Textile Composite			
Colony Mills	185,762	1,551,113	3,705,952
Dawood Lawrencepur	2,172	35,338	213,073
Gul Ahmed Textile Limited	11,929	145,068	454,495
Hussain Industries Limited	15,820	192,017	245,210
Kohinoor Industries	11,681	155,750	75,927
Muhammad Farooq Textile	5,174	33,372	29,233
Taj Textile	5,600	14,560	7,560
Towellers Limited	315,790	6,000,010	7,184,223
Usman Textile Limited	300	3,888	1,380
	554,228	8,131,116	11,917,053
Synthetic & Rayon			
Pakistan Synthetics Limited	2,846	24,760	18,357
Jute			
Amin Fabrics	45,738	150,000	320,166
Crescent Jute Product	157,314	1,250,055	589,928
	203,052	1,400,055	910,094
Sugar and Allied Industries			
Bawany Sugar Mills Limited	59,574	131,400	262,126
Crescent Sugar Mills Limited	290,484	1,720,486	3,587,477
Fecto Sugar Mills Limited	3,427	30,559	34,270
Kohinoor Sugar Mills Limited	42,601	379,563	809,419
Mirpur Khas Sugar Mills Limited	7,216	19,900	1,514,638
Mirza Sugar Mills	5,495	14,837	24,178
Noon Sugar Mills Limited	75,562	1,244,920	2,395,315
Pangrio Sugar Mills Limited	100,000	1,337,000	2,060,000
Sakrand Sugar Mills	11,900	35,700	32,725
Shahtaj Sugar Mills Limited	2,217	16,607	116,282
Sind Abadgar Sugar Mills Limited	98,500	1,276,150	1,329,750
	696,976	6,207,122	12,166,180
Cement			
Dada Bhoi Cement Industries	17,300	124,560	116,775
Fauji Cement Company Limited	5,238	107,379	78,046
Gharibwal Cement Limited	71,956	296,081	1,133,307
Javedan Cement Limited	14,666	133,330	1,452,667
Lucky Cement Limited	7,343	771,015	855,460
Mustekam Cement Limited	2,400	19,364	191,760
Zeal Pak Cement Limited	39,130	1,360,268	162,390
	158,033	2,811,997	3,990,405

Name of Company	31 December 2007		
	Number of shares / certificates	Book value (Rupees)	Market value
Tobacco			
Lakson Tobacco Company Limited	21,206	36,893	9,691,142
Pakistan Tobacco Company Limited	70,140	234,209	10,906,770
	91,346	271,102	20,597,912
Refinery			
National Refinery Limited	407,184	6,275,195	146,993,424
Power Generation & Distribution			
Hubpower Company Limited	451,885	6,697,419	13,782,493
Karachi Electric Supply Corporation Limited	1,623,450	3,635,645	8,604,285
Kot Addu Power Company	10,000	430,500	484,500
Southern Electric Power	13,963	83,778	78,193
	2,099,298	10,847,342	22,949,471
Oil & Gas Marketing Companies			
Pakistan State Oil Company Limited	90,271	6,529,784	36,704,189
Sui Northern Gas Pipeline Limited	7,530,913	17,110,611	493,651,347
Sui Southern Gas Company Limited	9,671,792	36,461,488	252,917,361
	17,292,976	60,101,883	783,272,897
Oil & Gas Exploration Companies			
Oil & Gas Development Company Limited	10,761	1,536,671	1,285,401
Pakistan Oilfields Limited	6,474	2,199,542	2,164,906
Pakistan Petroleum Limited	3,520	802,880	862,576
	20,755	4,539,093	4,312,883
Engineering			
Dadex Eternit Limited	533	995	36,244
Huffaz Seamless Pipe	100,152	558,000	9,639,630
Metropolitan Steel Corporation	3,492	32,369	93,062
Pakistan Engineering Company Limited	43,776	364,738	14,883,840
	147,953	956,102	24,652,776
Automobile Assembler			
Ghandhara Industries	173,724	1,645,613	6,836,039
Pak Suzuki Motor Company Limited	1,134	14,780	373,823
	174,858	1,660,393	7,209,862
Automobile Parts & Accessories			
Dewan Automotive Engineering	58,333	334,000	344,165
Transport			
Pakistan International Airlines Corporation "A"	2,497,778	9,875,646	15,736,001
Technology & Communication			
Pakistan Telecommunication Company Limited	438,246	6,957,078	18,428,244
Worldcall Telecom	3,672	46,634	60,955
	441,918	7,003,712	18,489,199
Fertilizer			
Fauji Fertilizer Bin Qasim	20,035	559,978	842,472
Fauji Fertilizer Company Limited	71,246	8,478,274	8,460,463
	91,281	9,038,252	9,302,935

Name of Company	Number of shares / certificates	31 December 2007	
		Book value (Rupees)	Market value
Pharmaceuticals			
Glaxo Smithkline Beecham Co.	6,233	12,998	1,199,229
Chemicals			
BOC Pakistan Limited	4,582	641,480	1,157,871
ICI Pakistan Limited	312,276	3,122,760	61,409,075
Pakistan PTA Limited	2,365,949	23,620,633	11,948,042
Sardar Chemical Limited	500	10,000	2,200
	2,683,307	27,394,873	74,517,188
Paper and Board			
Packages Limited	714,535	246,495,386	259,947,833
Security Papers Limited	765,358	279,000	69,073,559
	1,479,893	246,774,386	329,021,392
Vanaspati & Allied Industries			
Universal Oil Mills Limited	30,000	300,000	240,000
Food & Personal Care Products			
Unilever Pakistan Limited	487	3,520	1,110,384
Miscellaneous			
Hashmi Can Company Limited	5,250	53,787	50,925
	82,769,402	1,618,105,047	4,590,675,830
19.2 Investment in unlisted companies		2007	2006
Cost of investment in unlisted companies	19.2.1	2,608,105	2,862,183
Less: Provision for diminution in value			
Balance brought forward from last year		2,244,570	2,246,140
Provision (reversed)/made during the year		(254,078)	(1,570)
		1,990,492	2,244,570
	Rupees	617,613	617,613

19.2.1 Ordinary shares/certificate of Rs.10 each unless stated otherwise:

Name of Company	31 December 2007	
	Number of shares / certificates	Book value
Banks		
Industrial Development Bank of Pakistan (Break-up value is Rs.NIL per share based on financial statements for the year ended 30 June 2007) Chairman/Managing Director: Mr. Naeem Iqbal		
	6,213	618,227
The State Bank of Pakistan (Break-up value is Rs.176,122.43 per share based on financial statements for the year ended 30 June 2007) Governor: Shamshad Akhter		
	4,900	517,614
Development Financial Institutions		
National Investment Trust Limited (Break-up value is Rs. 5,493.47 per share based on financial statements for the year ended 30 June 2007) Managing Director & Chairman: Mr. Tariq Iqbal Khan		
	52,800	100,000

31 December 2007

Name of Company	31 December 2007	
	Number of shares / certificates	Book value
Insurance		
Indus Assurance	25,000	250,000
Cotton and Textile		
Afsar Textile Mill	1,000	9,950
Kohinoor Cotton Mill	22,397	219,801
Chemical		
Synthetic Chemical	20,000	200,000
Vanaspati and Allied Industries		
Burma Oil	861	6,470
Burma Soap	64	640
Miscellaneous		
Arag Industries	133,333	685,403
	<u>202,655</u>	<u>1,372,264</u>
19.2.2 Rupees	<u>266,568</u>	<u>2,608,105</u>

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

19.3 The Company holds 51,328,425 NIT units (2006: 51,270,425 units). The cost ranges from Rs. 53.95 to Rs. 54.50 per unit. The units repurchase price as at 31 December 2007 was Rs. 62.40 per unit.

19.4 Defence Saving Certificates

	Tenure	Maturity date	Effective interest rate		Carrying value	
					2007	2006
Defence Saving Certificates	10 Years	3 September 2009 to 16 March 2010	15.01% to 15.97%	Rupees	<u>362,235,728</u>	<u>313,514,002</u>

19.5 Pakistan Investment Bonds

	Tenure	Maturity date	Profit Repayment frequency	Coupon rate	Carrying value	
					2007	2006
5 to 10 years	6 October 2008 to 29 April 2014	Semi-annually	7% to 8%	Rupees	<u>609,327,719</u>	<u>875,617,794</u>

19.6 Treasury bills

	Tenure	Maturity date	Face value Rs.	Cost Rs.	
Treasury bills	1 2 Months	10 April 2008	1,100,000,000	1,051,828,500	Rupees <u>1,073,689,662</u> <u>891,803,680</u>

19.7 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 13 April 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. INVESTMENT PROPERTIES

	2007									
	C O S T				D E P R E C I A T I O N					
	As at 01 January 2007	Addition / (Disposal)	Transfer in / (Transfer out)	As at 31 December 2007	As at 01 January 2007	Transfer in / (Transfer out)	For the year / (disposal)	As at 31 December 2007	Book value	Rate %
PRC Building -Karachi	-	-	150,302	150,302	-	34,000	5,815	39,815	110,487	5
Lease hold land	572,406	-	-	572,406	-	-	-	-	572,406	-
Building	89,151,323	-	-	89,151,323	40,288,956	-	2,443,118	42,732,074	46,419,249	5
Electrical installation	18,995,068	-	-	18,995,068	17,678,158	-	263,384	17,941,542	1,053,526	20
Air conditioning	26,556,830	-	-	26,556,830	24,682,064	-	374,953	25,057,017	1,499,813	20
Lift	21,085,825	-	-	21,085,825	19,624,949	-	292,175	19,917,124	1,168,701	20
Rupees	156,361,452	-	150,302	156,511,754	102,274,127	34,000	3,379,445	105,687,572	50,824,182	

	2006									
	C O S T				D E P R E C I A T I O N					
	As at 01 January 2006	Addition / (Disposal)	Transfer in / (Transfer out)	As at 31 December 2006	As at 01 January 2006	Transfer in / (Transfer out)	For the year / (disposal)	As at 31 December 2006	Book value	Rate %
Lease hold land	572,406	-	-	572,406	-	-	-	-	572,406	-
Building	89,151,323	-	-	89,151,323	37,717,252	-	2,571,704	40,288,956	48,862,367	5
Electrical installation	18,995,068	-	-	18,995,068	17,348,930	-	329,228	17,678,158	1,316,910	20
Air conditioning	26,556,830	-	-	26,556,830	24,213,372	-	468,692	24,682,064	1,874,766	20
Lift	21,085,825	-	-	21,085,825	19,259,730	-	365,219	19,624,949	1,460,876	20
Rupees	156,361,452	-	-	156,361,452	98,539,284	-	3,734,843	102,274,127	54,087,325	

20.1 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.

20.2 The market value of the investment properties is Rs.763.609 million, as per valuation carried out by an independent valuer in 2007.

21. AMOUNT DUE FROM OTHER PERSONS AND BODIES CARRYING ON INSURANCE BUSINESS

	2007	2006
Amount due from other persons and bodies carrying on insurance business	21.1 1,128,676,308	879,663,550
Provision for doubtful balances	(386,000,000)	(386,000,000)
	Rupees <u>742,676,308</u>	<u>493,663,550</u>

21.1 This includes Rs. 67,351,276 (2006: Rs. 50,938,134) due from related parties.

21.2 Out of above gross due from balance of Rs. 1,129 million and due to balance of Rs. 683 million (note 13), the Company prepared reconciliations for parties representing due from balance of Rs. 329 million and due to balance of Rs. 16 million. These reconciliations highlighted an unreconciled difference of Rs. 134 million, which has been disclosed as contingency in note 16.1. For the remaining due from balance of Rs. 800 million and due to balance of Rs. 667 million, the Company has not been able to prepare such reconciliations pending receipt of statements from various companies.

22. PREMIUM AND CLAIMS RESERVES RETAINED BY CEDANTS

Premium reserve withheld by ceding companies	23,397,927	23,038,865
Losses reserve withheld by ceding companies	16,376,479	25,778,915
Cash losses paid to ceding companies	(6,164,811)	906,404
Provision for doubtful deposits	(17,000,000)	(17,000,000)
	Rupees <u>16,609,595</u>	<u>32,724,184</u>

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

23. ACCRUED INVESTMENT INCOME

Dividend receivable	8,931,856	2,929,382
Interest accrued	17,543,630	4,961,856
Accrued rental income	19,771,162	15,628,781
	<u>46,246,648</u>	<u>23,520,019</u>
Provision for dividend receivable	(1,997,534)	(1,997,534)
	Rupees <u>44,249,114</u>	<u>21,522,485</u>



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24. SUNDRY RECEIVABLES

		2007	2006
Gratuity	37.1	121,105,000	105,890,000
Export Credit Guarantee Schemes	24.1	56,964,435	56,964,435
Receivable against National Co-insurance Scheme		5,837,171	5,837,171
Receivable from War Risk Insurance - Karachi		7,724,303	13,885,278
Receivable from War Risk Insurance - Lahore		10,541,524	10,284,017
Receivable from Economic Cooperation Organisation (ECO) Reinsurance Pool		20,948,810	16,047,025
P.R.C Employees Provident Fund		5,229,080	1,879,719
Others		1,571,772	858,446
Receivable from ICP		4,565,000	4,565,000
Government Provident Fund		91,129	53,905
Employees General Provident Fund		4,445,565	927,539
Employees Pension Fund		47,392,000	-
Employees Welfare Fund		1,573,153	61,687
Derivative financial instrument - Right Share		<u>1,724,222</u>	<u>11,922</u>
		289,713,164	217,266,144
Provision for doubtful debts		<u>(28,318,406)</u>	<u>(9,541,336)</u>
	Rupees	<u><u>261,394,758</u></u>	<u><u>207,724,808</u></u>

24.1 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 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 21 August 2007 granted leave to appeal filed by the Company against the judgement of the High Court. The matter is now before Alternate Dispute Resolution Committee (ADRC). The hearing was fixed for 15 November 2007 but was adjourned sine-die for appointment of a new member representing the tax department on the Committee.

25. PREPAID REINSURANCE CEDED

Facultative business			
- Fire		320,452,322	305,657,044
- Marine Cargo		-	3,217,852
- Marine Hull		-	3,454,693
- Accident		-	126,527
- Aviation		485,737,121	552,980,777
- Engineering		<u>436,767,584</u>	<u>474,520,825</u>
		1,242,957,027	1,339,957,718
Treaty		<u>170,733,134</u>	<u>129,788,827</u>
	Rupees	<u><u>1,413,690,161</u></u>	<u><u>1,469,746,545</u></u>

26. TAXATION

Tax provision for current year of Rs.197 million (2006: Rs.155 million) has been made on the basis of taxable income under the Income Tax Ordinance, 2001, at the rates specified in the said Ordinance. Income tax assessments of the Company (formerly Pakistan Insurance Corporation) have been finalized upto and including assessment year 2002-2003 (Income year ended 31 December 2001).

The department had made add backs relating to assessment years 1984-85 to 2001-02 on account of ECGS income in the Company's income. In case of assessment years 1995-96 to 2001-02 the difference in rate of unexpired risk and excess perquisites have been added back in assessment years 1995-96 to 2001-02. The Company is in second and third appeals on the above issues which are pending at ITAT / High Court / ADRC level, respectively.

In case of ECGS, ITAT decided appeals against the Company in assessment years 1984-85 to 1994-95 and appeals for assessment years 1995-96 to 2001-02 are pending finalization.

The Company's appeals on account of unexpired risk in assessment years 1995-96 to 2001-02 are pending with the Appellate Tribunal and in case of assessment years 1988-89 to 1995-96 appeal is at High Court level. The Company's appeal is also pending in High Court in respect of applicability of Section 80 D. Similarly the Company's appeal against the disallowances on account of excess perquisites are also pending in respect of assessment year 1995-96 to 2001-2002 with the Appellate Authority.

The Company has made adequate provision against various disallowances made by tax authorities.

The Company has filed writ petition in the case of tax on commission paid to foreign non-resident insurance companies for the assessment years 1998-1999, 2000-2001 and 2001-2002 before the Honourable High Court of Sindh.

The Company has also filed reference application for the tax year 2003 in respect of various additions made by income tax authorities before the High Court of Sindh.

Fresh date of hearing in respect of the above two cases have not yet been fixed by the Court.

	2007	2006
26.1 Provision for taxation		
Current	197,707,158	155,496,888
Deferred - for the year	<u>(64,313,691)</u>	<u>(44,296,888)</u>
Rupees	<u>133,393,467</u>	<u>111,200,000</u>
26.2 Relationship between tax expenses and accounting profit		
Profit before tax	<u>3,860,353,247</u>	<u>783,043,545</u>
Tax at the applicable rate of 35%	1,351,123,636	274,065,241
Permanent differences - Capital gain	(1,001,999,110)	3,437,016
Tax effect of dividend income taxed at lower rate	(152,810,669)	(166,208,277)
Tax effect of property income being taxed separately	(5,178,673)	(93,980)
Prior year's deferred tax effect on provisions	<u>(57,741,717)</u>	
Rupees	<u>133,393,467</u>	<u>111,200,000</u>

27. FIXED ASSETS

Particulars	2007									
	COST				DEPRECIATION					
	As at 1 January 2007	Addition	Disposal / transfer*	As at 31 December 2007	As at 1 January 2007	For the year	Disposal / transfer*	As at 31 December 2007	Book value 31 December 2007	Rate %
PRC Building - Karachi	150,302	-	150,302	-	34,000	-	34,000	-	-	5
PRC House - Karachi	2,693,186	-	-	2,693,186	609,250	104,197	-	713,447	1,979,739	5
Lift	146	-	-	146	-	-	-	-	146	20
	<u>2,843,634</u>	-	<u>150,302</u>	<u>2,693,332</u>	<u>643,250</u>	<u>104,197</u>	<u>34,000</u>	<u>713,447</u>	<u>1,979,885</u>	
PRC Towers										
Leasehold land	223,622	-	-	223,622	-	-	-	-	223,622	-
Building	34,828,850	-	-	34,828,850	15,706,712	956,107	-	16,662,819	18,166,031	5
Electrical installation	7,420,825	81,300	-	7,502,125	6,906,347	112,381	-	7,018,728	483,397	20
Air conditioning plant	10,379,488	-	-	10,379,488	9,643,710	147,157	-	9,790,867	588,621	20
Lift	8,237,624	-	-	8,237,624	7,666,902	114,144	-	7,781,046	456,578	20
	<u>61,090,409</u>	<u>81,300</u>	-	<u>61,171,709</u>	<u>39,923,671</u>	<u>1,329,789</u>	-	<u>41,253,460</u>	<u>19,918,249</u>	
Furniture and fixture	9,466,981	153,950	2,048	9,618,883	8,635,984	92,199	929	8,727,254	891,629	10
Office equipment	1,545,686	85,460	6,966	1,624,180	629,726	144,774	1,299	773,201	850,979	15
	<u>11,012,667</u>	<u>239,410</u>	<u>9,014</u>	<u>11,243,063</u>	<u>9,265,710</u>	<u>236,973</u>	<u>2,228</u>	<u>9,500,455</u>	<u>1,742,608</u>	
Motor vehicles	8,849,412	2,629,000	-	11,478,412	6,219,389	603,189	-	6,822,578	4,655,834	20
Books	93,552	43,422	-	136,974	17,359	9,183	-	26,542	110,432	10
Computers	1,737,268	1,756,758	-	3,494,026	944,055	252,717	-	1,196,772	2,297,254	20
	<u>10,680,232</u>	<u>4,429,180</u>	-	<u>15,109,412</u>	<u>7,180,803</u>	<u>865,089</u>	-	<u>8,045,892</u>	<u>7,063,520</u>	
Leased vehicles	-	-	-	-	-	-	-	-	-	20
	<u>85,626,942</u>	<u>4,749,890</u>	<u>159,316</u>	<u>90,217,516</u>	<u>57,013,434</u>	<u>2,536,048</u>	<u>36,228</u>	<u>59,513,254</u>	<u>30,704,262</u>	
2006										
Particulars	COST				DEPRECIATION					
	As at 1 January 2006	Addition / *transfer	Disposal	As at 31 December 2006	As at 1 January 2006	For the Year	Disposal/ *transfer	As at 31 December 2006	Book value 31 December 2006	Rate %
	PRC Building - Karachi	150,302	-	-	150,302	27,879	6,121	-	34,000	116,302
PRC House - Karachi	2,693,186	-	-	2,693,186	499,569	109,681	-	609,250	2,083,936	5
Lift	146	-	-	146	-	-	-	-	146	20
	<u>2,843,634</u>	-	-	<u>2,843,634</u>	<u>527,448</u>	<u>115,802</u>	-	<u>643,250</u>	<u>2,200,384</u>	
PRC Towers										
Leasehold land	223,622	-	-	223,622	-	-	-	-	223,622	-
Building	34,828,850	-	-	34,828,850	14,700,284	1,006,428	-	15,706,712	19,122,138	5
Electrical installation	7,420,825	-	-	7,420,825	6,777,727	128,620	-	6,906,347	514,478	20
Air conditioning plant	10,379,488	-	-	10,379,488	9,459,766	183,944	-	9,643,710	735,778	20
Lift	8,237,624	-	-	8,237,624	7,524,222	142,680	-	7,666,902	570,722	20
	<u>61,090,409</u>	-	-	<u>61,090,409</u>	<u>38,461,999</u>	<u>1,461,672</u>	-	<u>39,923,671</u>	<u>21,166,738</u>	
Furniture and fixture	9,462,506	4,475	-	9,466,981	8,543,913	92,071	-	8,635,984	830,997	10
Office equipment	1,454,851	90,835	-	1,545,686	475,584	154,142	-	629,726	915,960	15
	<u>10,917,357</u>	<u>95,310</u>	-	<u>11,012,667</u>	<u>9,019,497</u>	<u>246,213</u>	-	<u>9,265,710</u>	<u>1,746,957</u>	
Motor vehicles	2,913,012*	5,936,400	-	8,849,412	2,664,921	49,618*	3,504,850	6,219,389	2,630,023	20
Books	61,353	32,199	-	93,552	10,789	6,570	-	17,359	76,193	10
Computers	1,722,293	14,975	-	1,737,268	747,621	196,434	-	944,055	793,213	20
	<u>4,696,658</u>	<u>5,983,574</u>	-	<u>10,680,232</u>	<u>3,423,331</u>	<u>252,622</u>	<u>3,504,850</u>	<u>7,180,803</u>	<u>3,499,429</u>	
Leased vehicle	5,936,400	-	5,936,400*	-	2,896,963	607,887*	(3,504,850)	-	-	20
Rupees	<u>85,484,458</u>	<u>6,078,884</u>	<u>5,936,400</u>	<u>85,626,942</u>	<u>54,329,238</u>	<u>2,684,196</u>	-	<u>57,013,434</u>	<u>28,613,508</u>	

28. ASSETS RELATING TO BANGLADESH (FORMER EAST PAKISTAN)

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

	2007	2006
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 (refer note 8)	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
	Rupees -	-

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

29. EXPENSES

Salaries, wages and benefits	120,284,705	113,150,565
Retirement benefits		
- Pension		
- Officer	37.1 3,859,133	(3,471,200)
- Staff	37.1 903,000	345,023
- Medical	37.1 (9,086,000)	8,089,000
- Gratuity	37.1 (12,132,989)	(17,429,231)
- Compensated absences	37.1 3,632,000	(3,418,000)
Travelling and conveyance	8,519,035	5,267,535
Entertainment expenses	2,932,239	3,140,056
Subscription and membership	396,533	285,543
Legal and professional	1,181,587	821,990
Telephone and electricity	14,534,405	15,094,413
Printing and stationery	1,829,362	1,908,816
Repairs and renewal	363,931	404,273
Others	32,903,214	31,487,233
Expense allocated to rental income	(7,047,894)	(6,560,050)
Expense allocated to investment income	(5,453,433)	(2,782,622)
	Rupees 157,618,828	146,333,344

30. RENTAL INCOME - Net

Rental income	37,591,513	32,625,473
Investment property related expenditure	(7,047,894)	(6,560,050)
	Rupees 30,543,619	26,065,423

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

31. OTHER INCOME

		2007	2006
Interest on deposits held by ceding companies		2,620,698	1,674,946
Interest on loans		14,732	26,664
Management fee - ECO Reinsurance Pool		9,697,400	10,000,000
Commission income	31.1	53,372,512	-
Miscellaneous income		99,091	-
	Rupees	<u>65,804,433</u>	<u>11,701,610</u>

31.1 This represents agency commission on sale of 51,270,425 NIT units mobilized through the Company.

32. GENERAL AND ADMINISTRATION EXPENSES

Depreciation	20 & 27	5,913,112	6,419,039
Directors' fee		2,397,946	1,616,846
Auditors' remuneration	32.1	578,884	484,440
Advertisement and publicity		771,854	1,232,024
Training and research		241,585	150,500
Mark-up / Interest		132,389	31,523
Donation	32.2	100,000	-
Fee for increase in capital		7,500,000	-
Others		9,932,615	8,597,361
Provision against dividend receivable		-	1,997,534
Provision against other receivables		18,777,070	4,565,000
	Rupees	<u>46,345,455</u>	<u>25,094,267</u>

32.1 Auditors' remuneration

Audit fee	32.1.1	526,258	440,400
Out of pocket expenses		52,626	44,040
	Rupees	<u>578,884</u>	<u>484,440</u>

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

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

33. The company vide its circular No. 176 (1)/47 dated May 09, 2007 introduced Voluntary Retirement Scheme (VRS) for 254 employees (only staff members). As a result, fifty employees opted for the offer during the year.

34. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after tax for the year	Rupees	<u>3,726,959,780</u>	<u>671,843,545</u>
Weighted average number of ordinary shares	Number	<u>54,000,086</u>	<u>54,000,086</u>
Earnings per share	Rupees	<u>69.02</u>	<u>12.44</u>

Earnings per share - basic and diluted for the comparative period has been adjusted for the increase in the number of ordinary shares outstanding as a result of bonus issue.

35. FINANCIAL RISK MANAGEMENT

35.1 Reinsurance Risk

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.

35.2 Credit risk and concentration of credit risk exposure

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs. 8,547 million, the financial assets which are subject to credit risk amounted to Rs. 1,069 million. The Company considers itself as not being exposed to major concentration of credit risk.

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 credit exposure, review and conservative estimates of provisions for doubtful assets, if any, and through the prudent use of collateral policy. Subject to the effect of note 16.1 and 16.2 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 sector segments.

35.3 Foreign currency risk

Foreign currency risk arises mainly where receivables / payables exist due to transactions with foreign undertakings. Financial assets and liabilities exposed to foreign exchange risk amounted to Rs. 147 million (2006:Rs. 256 million) and Rs. 627 million (2006:Rs. 358 million) respectively, at the year end.

35.4 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for investments which are stated at cost and in respect of amount due from persons carrying on insurance business subject to the effect of note 16.1 and 16.2.

The market value of investments is as follows:

		2007	2006
Market value of available for sale investments	Rupees	<u>8,946,624,673</u>	<u>7,223,973,355</u>

35.5 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, debentures, 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.



35.6 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

35.7 Interest rate risk

The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated.

35.8 Capital Management

The management's policy is to maintain a strong capital base for the confidence of stakeholders and to sustain future development of the business.

The management closely monitors the return on capital alongwith the level of distributions to ordinary shareholders. The Company needs minimum paid up capital requirements as required by Securities and Exchange Commission of Pakistan.

36. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

2007

	Interest / mark-up bearing			Not-interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
------(Rupees in 000)-----							
Financial assets							
Cash and bank deposits	1,014,820	-	1,014,820	6,304	-	6,304	1,021,124
Loans	1,324	1,600	2,924	2,426	43,091	45,517	48,441
Investment	1,185,465	859,788	2,045,253	-	4,367,037	4,367,037	6,412,290
Amount due from other persons and bodies carrying on Insurance business	-	-	-	742,676	-	742,676	742,676
Premium and claim reserves retained from cedants	16,610	-	16,610	-	-	-	16,610
Accrued investment income	-	-	-	44,249	-	44,249	44,249
Sundry receivables	-	-	-	261,395	-	261,395	261,395
Total	2,218,219	861,388	3,079,607	1,057,050	4,410,128	5,467,178	8,546,785
Financial liabilities							
Provision for outstanding claims - net	-	-	-	675,534	-	675,534	675,534
Long term deposits	-	-	-	7,127	15,346	22,473	22,473
Amount due to other persons and bodies carrying on insurance business	-	-	-	683,213	-	683,213	683,213
Premium and claim reserves retained from retrocessionaires	25,248	-	25,248	-	-	-	25,248
Other creditors and accruals	-	-	-	34,255	-	34,255	34,255
Retention money payable	-	-	-	6,389	-	6,389	6,389
Dividend payable	-	-	-	4,626	-	4,626	4,626
Surplus profit payable	-	-	-	1,214	-	1,214	1,214
Total	25,248	-	25,248	1,412,358	15,346	1,427,704	1,452,952
On balance sheet gap	2,192,971	861,388	3,054,359	(355,308)	4,394,782	4,039,474	7,093,833

	2006						Total
	Interest / mark-up bearing			Not-interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
------(Rupees in 000)-----							
Financial assets							
Cash and bank deposits	161,213	1,700	162,913	47,071	-	47,071	209,984
Loans	55	617	672	6,542	24,831	31,373	32,045
Investment	1,149,550	931,385	2,080,935	-	1,507,388	1,507,388	3,588,323
Amount due from other persons and bodies carrying on Insurance business	-	-	-	493,664	-	493,664	493,664
Premium and claim reserves retained from cedants	32,724	-	32,724	-	-	-	32,724
Accrued investment income	4,962	-	4,962	16,560	-	16,560	21,522
Sundry receivables	-	-	-	207,725	-	207,725	207,725
Total	1,348,504	933,702	2,282,206	771,562	1,532,219	2,303,781	4,585,987
Financial liabilities							
Liabilities against asset subject to finance lease	-	-	-	-	-	-	-
Provision for outstanding claims - net	-	-	-	669,922	-	669,922	669,922
Long term deposits	-	-	-	4,484	15,256	19,740	19,740
Amount due to other persons and bodies carrying on insurance business	-	-	-	412,128	-	412,128	412,128
Premium and claim reserves retained from retrocessionaires	26,056	-	26,056	-	-	-	26,056
Other creditors and accruals	-	-	-	34,539	-	34,539	34,539
Retention money payable	-	-	-	6,410	-	6,410	6,410
Dividend payable	-	-	-	4,177	-	4,177	4,177
Surplus profit payable	-	-	-	1,231	-	1,231	1,231
Total	26,056	-	26,056	1,132,891	15,256	1,148,147	1,174,203
On balance sheet gap	1,322,448	933,702	2,256,150	(361,329)	1,516,963	1,155,634	3,411,784

The effective interest rates for financial assets and liabilities are as follows:

	2007	2006
Investments	7% to 15.97%	3.5% to 15.97%
Premium and claim reserves retained by cedants	3%	3%
Bank balance	2.73% to 10.5%	2.8%
Premium and claim reserves retained from retrocessionaires	3.5%	3.5%

37. EMPLOYEE BENEFITS

37.1 Defined benefit plans

Pension and gratuity fund scheme

The Projected Unit Credit method based on the significant assumptions stated below has been used for valuation of the above funds carried out by an actuary as at 31 December 2007.

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 31 December 2007.

Employees compensated absences

The Company makes periodic provisions in the financial statements for its liability towards defined encashment of leaves upto maximum of 6 months in respect of leave preparatory to retirement (LPR) on the basis of basic plus all allowances except conveyance allowance. The liability is estimated on the basis of actuarial advice under the Projected Unit Credit method carried out by a qualified actuary.

	Pension		Gratuity	Medical	Compensated absences	Total
	Officer	Employees				
Reconciliation of payable to / (receivable) from defined benefit plan						
Present value of defined benefit obligation	124.163	91.933	35.385	87.931	25.729	365.141
Fair value of plan assets	(56.951)	(117.694)	(196.169)	-	-	(370.814)
Net actuarial gains / (losses) not recognized	(24.877)	(21.631)	39.679	(44.486)	-	(51.315)
	<u>42.335</u>	<u>(47.392)</u>	<u>(121.105)</u>	<u>43.445</u>	<u>25.729</u>	<u>(56.988)</u>
Charge / (prepaid) for defined benefit plan						
Current service cost	1.940	2.121	0.899	0.822	-	5.782
Interest cost	8.636	8.132	2.242	6.071	-	25.081
Expected return on plan assets	(3.902)	(8.447)	(13.792)	-	-	(26.141)
Actuarial (gains) / losses not recognized	-	-	(1.017)	2.727	-	1.710
Charge for defined benefit obligation	6.675	1.806	(11.668)	9.621	-	6.432
VRS loss	-	43.072	0.031	6.369	-	49.472
Total charge	<u>6.675</u>	<u>44.878</u>	<u>(11.637)</u>	<u>15.990</u>	<u>7.162</u>	<u>63.068</u>

	Pension		Gratuity	Medical	Compensated absences	Total
	Officer	Employees				
Reconciliation of the present value of the defined benefit obligations						
Present value of obligation as at 01 January	95.959	90.353	24.911	67.459	-	278.682
Current service cost	1.940	2.121	0.899	0.822	-	5.782
Interest cost	8.636	8.132	2.242	6.071	-	25.081
Benefits paid	(12.776)	(93.023)	(3.578)	(25.076)	-	(134.453)
VRS loss	-	43.072	0.031	6.369	-	49.472
Actuarial loss	30.404	41.278	10.880	32.286	-	114.848
Present value of obligation as at 31 December	<u>124.163</u>	<u>91.933</u>	<u>35.385</u>	<u>87.931</u>	<u>-</u>	<u>339.412</u>
Movement in net liability / (assets) recognized						
Opening net liability	48.436	0.753	(105.890)	52.531	22.097	17.927
Expenses recognized	6.675	44.878	(11.637)	15.990	7.162	63.068
Contributions to the Fund / benefits paid during the year	(12.776)	(93.023)	(3.578)	(25.076)	(3.530)	(137.983)
Closing net liability	<u>42.335</u>	<u>(47.392)</u>	<u>(121.105)</u>	<u>43.445</u>	<u>25.729</u>	<u>(56.988)</u>
Movement in fair value of plan assets						
Fair value at the beginning of the year	43.351	93.854	153.243	-	-	290.448
Expected return on plan assets	3.902	8.447	13.792	-	-	26.141
Contributions to the Fund	12.776	93.023	3.578	-	-	109.377
Benefits paid	(12.776)	(93.023)	(3.578)	-	-	(109.377)
Actuarial gain / (loss) on plan assets	9.698	15.394	29.134	-	-	54.226
Fair value at the end of the year	<u>56.951</u>	<u>117.695</u>	<u>196.169</u>	<u>-</u>	<u>-</u>	<u>370.815</u>
Actual return on plan assets						
Expected return on plan assets	3.902	8.447	13.792	-	-	26.141
Actuarial gain / (loss) on plan assets	9.698	15.394	29.134	-	-	54.226
	<u>13.600</u>	<u>23.841</u>	<u>42.926</u>	<u>-</u>	<u>-</u>	<u>80.367</u>

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

	Officers' Pension Fund				
	2007	2006	2005	2004	2003
Present value of defined benefit obligation	124.163	95.959	87.781	64.438	66.489
Fair value of plan assets	(56.951)	(43.351)	(41.047)	(31.339)	(8.879)
(Surplus) / deficit	<u>67.212</u>	<u>52.608</u>	<u>46.734</u>	<u>33.099</u>	<u>57.610</u>
Experience adjustments on plan liabilities	(30.404)	(6.238)	(23.264)	0.231	(6.364)
Experience adjustments on plan assets	9.698	(7.891)	14.522	16.580	(1.063)

	Employees' Pension Fund				
	2007	2006	2005	2004	2003
Present value of defined benefit obligation	91.933	90.353	89.825	87.376	79.873
Fair value of plan assets	(117.694)	(93.854)	(88.415)	(76.889)	(50.218)
(Surplus) / deficit	<u>(25.761)</u>	<u>(3.501)</u>	<u>1.410</u>	<u>10.487</u>	<u>29.655</u>
Experience adjustments on plan liabilities	(41.278)	8.869	5.040	0.701	(21.956)
Experience adjustments on plan assets	15.394	(8.482)	8.857	19.384	18.029

	(Rupees in million)				
	Gratuity Fund				
	2007	2006	2005	2004	2003
Present value of defined benefit obligation	35.385	24.911	22.553	18.726	18.263
Fair value of plan assets	(196.169)	(153.243)	(146.359)	(130.075)	(145.755)
(Surplus) / deficit	<u>(160.784)</u>	<u>(128.332)</u>	<u>(123.806)</u>	<u>(111.349)</u>	<u>(127.492)</u>
Experience adjustments on plan liabilities	(10.880)	(0.866)	(2.283)	(0.004)	(3.571)
Experience adjustments on plan assets	(29.134)	(8.068)	6.565	(27.340)	76.965

Components of plan assets as a percentage of total plan assets

	Pension		Gratuity	Medical	Compensated absences
	Officer	Employees			
Government securities	0.00%	55.33%	62.41%	-	-
Equity securities	99.09%	44.53%	37.58%	-	-
Others (including cash and bank balances)	0.91%	0.14%	0.01%	-	-
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>-</u>	<u>-</u>

Expected contributions to the Funds in the next financial year

Expected charge for the year ending 31 December 2008	<u>11.120</u>	<u>0.161</u>	<u>(18.138)</u>	<u>18.776</u>	<u>-</u>
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Actuarial valuation assumptions

Valuation discount rate	10.00%	10.00%	10.00%	10.00%	10.00%
Expected return in plan assets	10.00%	10.00%	10.00%	-	-
Salary increase rate	8.00%	8.00%	8.00%	8.00%	-
Indexation in pension	4.00%	4.00%	-	-	-
Increase in cost of medical benefits	-	-	-	-	6.00%
Exposure inflation rate	-	-	-	-	3.00%

(b) Geographical segment

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

Locations		2007		2006	
		Lahore	Karachi	Lahore	Karachi
Revenue - Net premium	Rupees	<u>167,011,971</u>	<u>1,527,776,901</u>	<u>115,824,004</u>	<u>1,299,681,468</u>
Total assets	Rupees	<u>384,301</u>	<u>10,446,214,824</u>	<u>266,689</u>	<u>6,464,022,176</u>
Total liabilities	Rupees	<u>79,705,039</u>	<u>3,999,560,519</u>	<u>68,975,830</u>	<u>3,664,939,104</u>

39. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise companies under common directorship, staff retirement benefit funds, directors and key management personnel. Transactions with related parties, other than remuneration and benefits to key management personnel under the terms of their employment disclosed in note 40 of these financial statements, are as follows:

		2007	2006
Balance at the beginning		50,679,785	36,596,134
Insurance premium written during the period		200,768,500	87,964,264
Premium received		(199,745,723)	(73,880,613)
Balance at the end	Rupees	<u>51,702,562</u>	<u>50,679,785</u>
Insurance commission paid	Rupees	<u>47,993,118</u>	<u>30,750,760</u>
Insurance claims paid	Rupees	<u>76,130,090</u>	<u>5,817,343</u>
Premium paid-net	Rupees	<u>(8,413)</u>	<u>12,837</u>
Insurance commission received	Rupees	<u>(117,443)</u>	<u>(5,347)</u>
Insurance claims received	Rupees	<u>(1,061,771)</u>	<u>(87,290)</u>
Dividend income	Rupees	<u>32,396,463</u>	<u>87,329,211</u>
Commission income received	Rupees	<u>53,372,512</u>	<u>-</u>
Contributions / provision for retirement benefit plans	Rupees	<u>33,387,305</u>	<u>9,787,878</u>

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

40. REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES

	Chief Executive		Executives		Total	
	2007	2006	2007	2006	2007	2006
Managerial remuneration	415,930	439,945	2,373,353	2,227,584	2,789,283	2,667,529
Bonus	-	104,220	358,890	565,161	358,890	669,381
Retirement benefits	85,331	109,440	75,286	146,551	160,617	255,991
House rent	292,143	307,966	1,668,983	1,590,703	1,961,126	1,898,669
Utilities	75,272	51,842	178,111	186,183	253,383	238,025
Medical expenses	52,212	267,840	564,962	552,021	617,174	819,861
Others	324,595	301,737	1,222,673	409,600	1,547,268	711,337
Rupees	<u>1,245,483</u>	<u>1,582,990</u>	<u>6,442,258</u>	<u>5,677,803</u>	<u>7,687,741</u>	<u>7,260,793</u>
Number of persons	<u>1</u>	<u>1</u>	<u>10</u>	<u>9</u>	<u>11</u>	<u>10</u>

The Company makes contribution based on actuarial calculations and provides certain household items for use of certain executives. Company maintained cars have been provided to Chief Executive, Executive Directors and Secretary of the Company.



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41. SUBSEQUENT EVENT - NON ADJUSTING

The Board of Directors in its meeting held on 4 April 2008 have proposed a bonus issue of Rs.45.55 per share (455.554670783%) [2006: Rs.2 per share (20%)] for the approval of the members in the Annual General Meeting to be held on April 30, 2008.

42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 4 April 2008 by the Board of Directors of the Company.

43. GENERAL

43.1 Corresponding figures have been reclassified and rearranged wherever necessary for the purpose of comparison.

43.2 All figures have been rounded off to the nearest rupees.

Farzana Munaf
Chief Financial Officer

Rukhsana Saleem
Chief Executive

Abdul Hamid Dagia
Director

Fazal-i-Qadar
Director

Pattern of Holding of the Share held by the Shareholders as at December 31, 2007



No. of Shareholders	No. of Shares			Total share held	
186	From	1	to	100	11440
279	From	101	to	500	86980
141	From	501	to	1000	120908
184	From	1001	to	5000	430242
90	From	5001	to	20000	884358
41	From	20001	to	50000	1267932
15	From	50001	to	150000	1137928
6	From	150001	to	300000	1206520
2	From	300001	to	400000	762500
2	From	400001	to	1000000	1109940
3	From	1000001	to	3000000	6261498
1	From	3000001	to	15000000	13179840
1	From	15000001	to	22950000	27540000
951					54000086

Categories of Shareholders	Number	Shares held	Percentage
Directors, Chief Executive and their family	13	642,632	1.19
Finance Companies	6	96,436	0.17
Investment & Modaraba Companies	4	62,500	0.12
Leasing Company	1	31,500	0.06
Insurance Companies (General)	11	1,762,870	3.26
Insurance Companies (Life)	1	467,820	0.87
M/s. State Life Insurance Corp. of Pakistan	1	13,179,840	24.41*
Joint Stock Companies	64	3,796,093	7.03
Government of Pakistan, Ministry of Commerce	1	27,540,000	51.00**
Administrative Abandoned Properties Organization	1	27,000	0.05
Staff Provident Fund (Adamjee Industries)	1	54,000	0.10
Others	21	964,691	1.79
General Public (Individuals)	826	5,374,704	9.95
Total	951	54,000,086	100.00

Shareholders having more than 15% Holding (Name-Wise Detail)

* State Life Insurance Corporation of Pakistan 13,179,840 24.41

** Government of Pakistan 27,540,000 51.00



Additional Information regarding PRC Shares as at December 31, 2007

SHAREHOLDERS CATEGORY

S.No.	Name	No. of Shares of Rs.10/=each
<u>INSURANCE COMPANIES</u>		
1	M/s. Alpha Insurance Co.	32,000
2	M/s. Adamjee Insurance Co.	51,632
3	M/s. Allianz EFU health Co.	26,000
4	M/s. Crescent Star Insurance Co.	360
5	M/s. E.F.U Life Assurance Co.	467,820
6	M/S. E.F.U. General Insurance Co.	1,196,498
7	M/s. East West Insurance Co.	60
8	M/s Habib Insurance Co.	43,300
9	M/s. Central Insurance Co.	2,500
10	M/S. Premier Insurance Co.	266,120
11	M/s. Reliance Insurance Co	4,000
12	M/s. Cooperative Insurance Co.	140,400
13	M/s. State Life Insurance Corp. of Pakistan.	13,179,840
<u>OTHERS</u>		
1	M/s. Staff Provident Fund	54,000
2	M/s. Abandoned Properties Origination Government of Pakistan	27,000
<u>INVESTMENT & MODARABA COMPANIES</u>		
1	M/s. First Dawood Investment Bank Ltd.	6,000
2	M/s. First Dawood Investment Bank Ltd	4,200
3	M/s. HSBC Fund Service	51,300
4	M/s. Prudential Stock Fund	1,000
<u>DIRECTORS</u>		
1	Mr. Aijaz Akhtar (Son)	108
2	Mr. Aamir Akhtar (Son)	108
3	Mr. M. Rafique Akhtar & Saira Akhtar (Self & Daughter)	36
4	Mrs. Razia Sultana (Wife)	180
5	Mr. M. Raifque Akhtar	642,120
<u>GOVERNMENT OF PAKISTANS' DIRECTORS</u>		
1	Mrs. Rukhsana Saleem	10
2	Syed Yawar Ali	10
3	Mr. Fazlur Rehman Dittu	10
4	Mr. Kamal Afsar	10
5	Mr. Shamim Ahmed Khan	10
6	Mr. Fazal-i-Qadar	10
7	Mr. Sikandar Hayat Jamali	10
8	Mr. S. M. Rafique Akhtar/Mr. S. Aijaz Akhtar	10
9	Mr. Javed Syed	
Ministry of Commerce		27,540,000
Joint Stock Companies		3,796,093
Finance Companies		96,436
General Public (Individuals)		5,374,704
Others		964,691

Form of Proxy



I/ We _____ of _____
being a member of Pakistan Reinsurance Company Limited hereby appoint

Mr. _____ of _____

or failing him _____ of _____
as my / our proxy in my our absence to attend and vote for me / us and on my / our behalf at the 8th Annual General Meeting of
the Company to be held on Wednesday April 30, 2008 at 3.30 p.m. and at any adjourment thereof.

Signed this _____ day of April, 2008

Affix Rupees Five
Revenue Stamp

Signature of Member(s)

Shareholder's Folio No. _____
and / or CDC

Participant I.D. No. _____

and Sub Account No. _____

WITNESSES:

- | | |
|------------------------------|------------------------------|
| 1. Signature: _____ | 2. Signature: _____ |
| Name: _____ | Name: _____ |
| Address: _____ | Address: _____ |
| NIC or
Passport No. _____ | NIC or
Passport No. _____ |

IMPORTANT:

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