

Pakistan Reinsurance Company Limited
Condensed Interim Statement of Financial Position (Unaudited)
As at 31 March 2021

		31 March 2021 Unaudited	31 December 2020 Audited
	Note	Rupees	Rupees
ASSETS			
Property and equipment	6	61,657,923	65,702,538
Assest relating to Bangladesh		-	-
Investment property	7	25,177,306	25,496,671
Investments			
Equity securities	8	3,624,095,839	3,763,247,842
Debt securities	9	8,671,627,233	8,271,505,868
Loans and other receivables	10	2,859,290,579	2,879,141,999
Insurance / Reinsurance receivables	11	9,335,877,428	8,141,085,867
Reinsurance recoveries against outstanding claims		4,519,891,413	5,603,808,031
Deferred Commission Expense / Acquisition cost		641,762,070	708,870,616
Taxation - payments less provision		-	181,407,606
Prepayments		3,653,973,351	4,144,875,197
Cash & Bank	12	1,039,497,498	1,570,505,178
Total assets from Window Takaful Operations - OPF		433,148,244	409,366,837
Total Assets		34,865,998,884	35,765,014,250
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital		3,000,000,000	3,000,000,000
Reserves	13	7,649,641,105	7,241,544,195
Total Equity		10,649,641,105	10,241,544,195
Liabilities			
Underwriting Provisions			
- Outstanding claims including IBNR		9,578,694,797	10,475,734,890
- Unearned premium reserves		6,365,447,892	6,513,672,434
- Unearned Reinsurance Commission		244,952,220	338,532,613
Retirement benefit obligations		3,137,098,570	3,188,627,998
Deferred taxation		116,933,390	116,933,390
Insurance / Reinsurance Payables	14	4,394,608,936	4,550,351,723
Taxation - payments less provision		34,922,166	-
Lease liabilities		26,778,855	26,778,855
Unclaimed Dividend	15	155,208,129	155,208,129
Other Creditors and Accruals	15	76,402,462	88,202,370
Total Liabilities		24,131,047,417	25,454,042,402
Total liabilities from Window Takaful Operations - OPF		85,310,363	69,427,654
Total Equity and Liabilities		34,865,998,885	35,765,014,251

Contingency(ies) and commitment(s)

The annexed notes 1 to 28 form an integral part of this condensed interim financial information.

CFO

CEO

DIRECTOR

DIRECTOR

CHAIRMAN

Pakistan Reinsurance Company Limited

Condensed Interim Statement of Profit and Loss Account (Unaudited)

For the period ended March 31, 2021

		3 months ended 31 Mar	
		2021	2020
	Note		
Net insurance premium	17	1,549,669,769	1,764,073,526
Net Insurance claims	18	648,506,966	651,848,751
Net Commission and other acquisition costs	19	234,191,980	274,095,781
Insurance claims and acquisition expenses		882,698,946	925,944,532
Management Expenses		103,898,881	110,575,214
Underwriting results		563,071,942	727,553,780
Investment income		217,154,903	236,655,012
Rental income		23,181,435	20,384,996
Other income	20	4,096,882	14,132,334
Other expenses		(901,224)	(238,911)
Results of operating activities		806,603,938	998,487,211
Profit before tax from general operations		806,603,938	998,487,211
Profit from Window Retakaful Operations		7,725,894	9,240,868
Profit before tax		814,329,832	1,007,728,079
Income tax expense		(263,379,153)	(339,305,623)
Profit after tax		550,950,679	668,422,456
Earnings (after tax) per share - Rupees		1.84	2.23

The annexed notes 1 to 28 form an integral part of this condensed interim financial information.

CFO CEO DIRECTOR DIRECTOR CHAIRMAN

Pakistan Reinsurance Company Limited
Condensed Interim Statement Of Total Comprehensive Income (Unaudited)
For the period ended March 31, 2021

	31 Mar 2021 Unaudited	31 Mar 2020 Unaudited
	----- Rupees -----	
Profit for the Period	550,950,679	668,422,455
Other comprehensive income / (loss)		
Items that may not be reclassified subsequently to profit and loss account		
Unrealized loss on available for sale investments - net	(143,026,573)	-
Other Comprehensive Income Window Retakaful Operations	172,804	-
Transfer to profit and loss account on disposal of available	(142,853,769)	-
Items that will not be reclassified subsequently to profit and loss account		
Other comprehensive income for the period	(142,853,769)	-
Total comprehensive income / (loss) for the period	<u><u>408,096,910</u></u>	<u><u>668,422,455</u></u>
Profit and loss appropriation account		
Balance at the commencement of year	10,241,544,195	6,871,489,376
Total comprehensive income for the Period	408,096,910	668,422,455
Balance of unappropriated profit at the end of the period	<u><u>10,649,641,105</u></u>	<u><u>7,539,911,831</u></u>

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Pakistan Reinsurance Company Limited
Condensed Interim Statement of Changes in Equity (Unaudited)
For the period ended March 31, 2021

	Share capital	Reserves				Revenue reserves		Total
	Issued subscribed and paid-up	Reserve for exceptional losses	Unrealized gain on available for sale	General reserve		Retained earnings	Total reserves	
	Rupees							
Balance as at January 01, 2020	3,000,000,000	281,000,000	1,652,641,179	1,777,419,085		3,117,737,411	6,828,797,675	9,828,797,675
Total Comprehensive income for the period ended March 31, 2020	-	-		-		668,422,455	668,422,455	668,422,455
Transactions with owners	-	-	-	-		668,422,455	668,422,455	668,422,455
Balance as at March 31, 2020	3,000,000,000	281,000,000	1,652,641,179	1,777,419,085		3,786,159,866	7,497,220,130	10,497,220,130
Balance as at January 01, 2021	3,000,000,000	281,000,000	1,440,831,468	1,777,419,085		3,742,293,642	7,241,544,195	10,241,544,195
Total Comprehensive income for the period ended March 31, 2021	-	-	-	-		550,950,679	550,950,679	550,950,679
Remeasurement of defined benefit obligations - net			(142,853,769)				(142,853,769)	(142,853,769)
Transactions with owners	-	-	(142,853,769)	-		550,950,679	408,096,910	408,096,910
Effect of change in accounting policy - note	-	-		-		-	-	-
Balance as at March 31, 2021	3,000,000,000	281,000,000	1,297,977,699	1,777,419,085		4,293,244,321	7,649,641,105	10,649,641,105

The annexed notes 1 to 28 form an integral part of this condensed interim financial information.

CFO

CEO

DIRECTOR

DIRECTOR

CHAIRMAN

Pakistan Reinsurance Company Limited
Condensed Interim Statement of Cash Flows (Unaudited)
For the period ended March 31, 2021

	2021 (Rupees)	2020 (Rupees)
Operating Cash Flows:		
Underwriting activities:-		
Premium received	2,438,940,124	2,992,665,957
Reinsurance premium paid	(1,912,391,303)	(2,143,964,565)
Claims paid	(1,581,064,956)	(516,122,968)
Reinsurance and other recoveries received	1,119,434,515	-
Commission paid	(351,906,471)	(281,515,610)
Commission received	91,242,643	98,625,562
Premium and claim reserves retained from retrocessionaires/withheld by ceding companies	14,312,108	-
Other underwriting payments (management expenses)	(99,875,003)	(108,511,991)
Net cash flows generated from underwriting activities	(281,308,343)	41,176,385
Other Operating Activities		
Income tax paid	(47,049,381)	(187,065,041)
General management expenses paid	(356,156)	(238,911)
Payment under defined benefit obligations		
Other operating (payments) / receipts	(63,867,547)	(47,166,414)
Advances to employees	7,342,267	8,012,887
Net cash used in other operating activities	(103,930,817)	(226,457,479)
Total cash flow generated from all operating activities	(385,239,160)	(185,281,094)
Investment activities		
Fixed Capital expenditure	(87,411)	(5,230,267)
Acquisition of investments	(4,340,301,873)	(2,157,309,969)
Rental income received - net of expenses	(2,427,460)	(4,378,127)
Dividend income received	38,636,940	34,868,421
Interest income on bank deposits	84,784,447	105,987,988
Investment income received - net of expenses	141,241,714	211,659,656
Proceeds on sale/ maturity of investments	3,932,385,123	1,695,943,074
Total cash used in investing activities	(145,768,520)	(118,459,224)
Financing activities		
Surplus paid	-	-
Dividend paid	-	(80,253)
Payments of finance leases	-	-
Total cash generated used in financing activities	-	(80,253)
Net cash generated from all activities	(531,007,680)	(303,820,571)
Cash at beginning of the period	1,570,505,178	815,678,747
Cash at end of the period	1,039,497,498	511,858,176

The annexed notes 1 to 28 form an integral part of this condensed interim financial information.

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	2021 (Rupees)	2020 (Rupees)
Reconciliation to profit and loss account		
Operating cash flows	(385,239,160)	(185,281,094)
Depreciation expense		
-Fixed assets	(4,451,391)	(1,366,391)
-Investment property	-	(696,832)
Exchange gain	(545,068)	5,712,474
Rental income	23,558,515	20,384,996
Reinsurance recoveries against outstanding claims	(1,083,916,618)	1,882,331
Provision for outstanding claims	891,923,333	(137,608,114)
Provision for unearned premium	148,224,541	1,660,354,785
Prepaid reinsurance	(490,495,118)	(1,160,366,726)
Provision for employee benefits	51,529,428	46,409,759
Dividend income	47,980,350	34,868,421
Investment income	(14,268,679)	(67,204,570)
Interest income	181,187,365	243,473,527
Amortization of premium	6,319,723	7,139,278
Gain on sale of investment	-	18,378,357
(Decrease)/Increase in operating assets other than cash	1,198,182,172	(321,042,744)
(Decrease)/(Increase) in operating liabilities	196,914,990	637,992,208
	766,904,383	803,029,665

Other adjustments:

Income tax paid	47,049,381	187,065,041
	47,049,381	187,065,041
Profit/(Loss) before taxation	813,953,764	990,094,706
Provision for taxation	(263,379,153)	(339,305,623)
Profit/(Loss) after taxation	550,574,611	650,789,083

Definition of cash

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

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

Cash and cash equivalents:

Cash and other equivalent	101,929	121,638
Current and other accounts	1,039,395,569	811,736,538
<i>Rupees</i>	<u>1,039,497,498</u>	<u>811,858,176</u>

The annexed notes 1 to 28 form an integral part of this condensed interim financial information.

CFO

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DIRECTOR

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CHAIRMAN

1 STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Reinsurance Company Limited (the Company) was incorporated in Pakistan as a public limited company on March 30, 2000. The Company is engaged in providing of reinsurance and other insurance business. The shares of the Company are quoted on Pakistan Stock Exchange Limited.

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

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at PRC Towers, 32-A, Lalazar Drive, Maulvi Tamizuddin Khan Road, Karachi. The zonal office of the Company is located at 1st Floor, 15-A, Davis Road, State Life Building, Lahore, Pakistan.

3 BASIS OF MEASUREMENT

- 3.1 This condensed interim financial information has been prepared under the historical cost convention, except that 'held to maturity' investments are stated at amortised cost and Investment 'at fair value through profit or loss – held for trading' are stated at fair value and available for sale at market value.

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

3.2 Functional and presentation currency

This condensed interim financial information has been prepared and presented in Pakistan Rupees, which is the Company's functional and presentation currency.

3.3 Statement of compliance

This condensed interim financial information is unaudited and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended December 31, 2019 which have been prepared in accordance with approved accounting standards as applicable to insurance companies in Pakistan.

This condensed interim financial information of the Company for the quarter ended March 31, 2020 has been prepared in accordance with the requirements of the International Accounting Standard 34 – (IAS 34): Interim Financial Reporting, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2017. In case where requirements differ, the provisions of or directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2017 have been followed.

PAKISTAN REINSURANCE COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 31, 2021

The comparative statement of financial position presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended December 31, 2020, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the quarter ended March 31, 2021.

4 USE OF ESTIMATES AND JUDGMENTS

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

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

In preparing this condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimating uncertainty were the same as those applied to the financial statements of the Company for the year ended December 31, 2020.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and method of computation adopted by the Company in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual audited financial statements of the Company as at and for the year ended December 31, 2020 .

Amendments to certain existing standards and new standards and interpretations on approved accounting standards became effective during the period either were not relevant to the Company's operations or did not have any significant impact on the accounting policies of the Company

6 PROPERTY AND EQUIPMENT

	Mar. 31, 2021 Rupees	Dec. 31, 2020 Rupees
Opening balance as at	65,702,538	63,881,050
Additions during the period		
Furniture, fixtures and office equipments		291,290
Motor vehicles (owned)		-
Right-of-use Asset(Leasehold land)		
Capital work in process(Computer equipment)	72,511	727,752
Leasehold improvements	72,511	1,019,042
	65,775,049	64,900,092
Less:		
transferred		(8,474,169)
Deprecation charge for the period	4,117,126	7,671,723
	61,657,923	65,702,538

7 INVESTMENT PROPERTIES

	Mar. 31, 2021 Rupees	Dec. 31, 2020 Rupees
Cost	158,716,140	158,716,140
Depreciation	(133,219,469)	(131,866,547)
Balance at beginning of year	25,496,671	26,849,593
Depreciation for the period/year	(319,365)	(1,352,922)
	25,177,306	25,496,671
Carrying Value	<u>25,177,306</u>	<u>25,496,671</u>

The market value of investment properties is Rs.1.229.30 million, as per valuation carried out by an independent valuer as at December 31, 2020.

8 INVESTMENT IN EQUITY SECURITIES

8.1 Investments - Held For Trading

	March 31,2020 (Uaudited)				Dec 31,2020			
	Cost		Unrealized Gain / Loss	Carrying Value	Cost	Impairment / provision	Unrealized Gain / Loss	Carrying Value
	Rupees				Rupees			
Listed Share	174,704,867		(10,240,539)	164,464,328	192,711,620		(18,006,753)	174,704,867
Total of Held For Trading	174,704,867		(10,240,539)	164,464,328	192,711,620		(18,006,753)	174,704,867

8.2 Investments - Available For Sale

	March 31,2020 (Uaudited)				Dec 31,2020			
	Cost		Unrealized Gain / Loss	Carrying Value	Cost	Impairment / provision	Unrealized Gain / Loss	Carrying Value
	Rupees				Rupees			
Listed shares	373,163,266		1,619,935,713	1,993,098,979	373,163,266	-	1,781,322,761	2,154,486,027
Unlisted Shares	2,608,104	1,990,492		617,613	2,608,104	1,990,491	-	617,613
Mutual Funds	1,592,488,809	307,657,758	(434,231,648)	1,465,914,919	1,592,488,810	307,657,758	(466,707,233)	1,433,439,335
Total Available For Sale	1,968,260,179	309,648,250	1,185,704,065	3,459,631,511	1,968,260,180	309,648,249	1,314,615,528	3,588,542,975
Total Equity Securities	2,142,965,046	309,648,250	1,175,463,526	3,624,095,839	2,160,971,800	309,648,249	1,296,608,775	3,763,247,842

9 Investments in Debt Securities

9.1 Pakistan Investment Bond - Held To Maturity

	Amortized cost	Carrying Value	Amortized cost as at	Carrying Value
	March 31,2021 (Uaudited)		31-Dec-20	
	Rupees		Rupees	
1 Pakistan Investment Bonds - Fixed	2,024,018,163	2,024,018,163	2,024,018,163	2,017,569,742
2 Pakistan Investment Bonds - Float	551,325,992	551,325,992	551,691,150	551,454,689
3 Term Finance Certificate	99,920,000	99,920,000	99,920,000	99,920,000
4 Treasury Bills	5,374,516,775	5,374,516,775	4,973,013,535	4,973,013,535
Total	8,049,780,930	8,049,780,930	7,648,642,848	7,641,957,966

9.2 Pakistan Investment Bond - Available For Sale

	Amortized cost	Carrying Value	Amortized cost as at	Carrying Value
	March 31,2021 (Uaudited)		31-Dec-20	
	Rupees		Rupees	
1 Pakistan Investment Bonds	592,727,736	621,846,295	553,208,750	629,547,902
Total				
Grand Total Debt Securities	8,642,508,666	8,671,627,225	8,201,851,598	8,271,505,868

10 LOANS AND OTHER RECEIVABLES

	March 31, 2021	Dec. 31, 2020
	Rupees	Rupees
- Considered good		
Accrued investment income	192,432,530	103,805,616
Loans to employees	71,903,571	79,245,838
Receivable from Sindh Revenue Board	2,573,888,727	2,573,888,727
Receivable from Tenants	-	108,231,867
Sundry receivables	21,065,751	13,969,952
	<u>2,859,290,579</u>	<u>2,879,141,999</u>

- 10.1** Loans to employees represent mark-up free loans are secured against retirement benefits of respective employees including, where applicable, documents of assets for which the loan has been given. None of the amount is either past due or impaired, consequently no provision for bad or doubtful loans has been made. No loan has been advanced to the Directors of the Company.

11 INSURANCE / REINSURANCE RECEIVABLES - unsecured, considered good

	March 31, 2021	Dec. 31, 2020
	Rupees	Rupees
Due from insurance contract holders	10,220,993,291	9,181,348,022
Less: provision for impairment of receivables from insurance contract holders	(870,803,755)	(1,040,262,155)
	<u>9,350,189,536</u>	<u>8,141,085,867</u>
Premium and claim reserves retained by cedants	2,687,892	17,000,000
Less: provision for impairment of receivables from other insurers / reinsurers	(17,000,000)	(17,000,000)
	<u>9,335,877,428</u>	<u>-</u>
	<u>9,335,877,428</u>	<u>8,141,085,867</u>

12 CASH AND BANK

	March 31, 2021	Dec. 31, 2020
	Rupees	Rupees
Cash in Hand	101,929	100,232
Cash and other equivalents	(101,696,106)	87,404,388
Saving accounts	1,141,091,675	1,483,000,559
	<u>1,039,497,498</u>	<u>1,570,505,178</u>

- 12.1** The saving accounts carry markup at the rates ranging from 8.75% to 11.25% (2018: 3.75% to 8.75%) per annum.

13 RESERVES

	March 31, 2021	Dec. 31, 2020
	Rupees	Rupees
Capital Reserve		
Reserve for exceptional losses	281,000,000	281,000,000
Revenue Reserve		
Available for Sale Reserve	1,297,804,895	1,440,831,468
General Reserve	6,062,937,512	5,519,712,727
	<u>7,641,742,407</u>	<u>7,241,544,195</u>

14 INSURANCE / REINSURANCE PAYABLES

	March 31, 2021	Dec. 31, 2020
	Rupees	Rupees
Due to insurance contract holders	4,378,784,579	4,534,527,366
Premium and claim reserves retained	15,824,356	15,824,356
	<u>4,394,608,935</u>	<u>4,550,351,722</u>

15 OTHER CREDITORS AND ACCRUALS

		March 31, 2021	Dec. 31, 2020
		Rupees	Rupees
Unpaid and unclaimed dividend		155,208,129	147,891,866
Other Creditors and Accruals		40,982,942	42,119,119
Security Deposits	15.1	19,425,891	20,075,526
Accrued expenses		8,412,844	18,426,940
Surplus profit payable		<u>7,580,785</u>	<u>7,580,785</u>
		<u><u>76,402,462</u></u>	<u><u>88,202,370</u></u>

- 15.1** This represents deposits received from tenants in connection with letting of PRC Towers and earnest money deposits for the purpose of securing tenders of suppliers and contractors, which is in the normal course of business and does not carry any interest or mark-up.

16 CONTINGENCIES AND COMMITMENTS

KPT

The Company has dispute in respect of the unilateral increase in rentals of its lease hold land by Karachi Port Trust (KPT) being exorbitant and unreasonable, a view supported by the Company's legal advisor. The amount not acknowledged in this regard however the Company has recorded provision in this regard as at December 31, 2019 amounting to Rs. 29.950 million (December 31, 2018: Rs. 26.935 million).

Currently, a stay is operating in favour of the Company and the matter is pending before the Honourable High Court of Sindh, for the issue and hearing of application. The matter is currently being contested by both parties and there has been no negotiation to settle the matter out of the Court. Most likely outcome of the case, may be in accordance with the market rate in the vicinity. The case is pending in the Honourable High Court of Sindh and a hearing has been fixed on April 09, 2021 and the matter is still pending.

SRB

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

In the aforementioned tribunal orders, the SRB was directed to reconcile and separate the sales tax liability on reinsurance premium generated within the province of Sindh and rest of Pakistan.

Subsequently, the Company received two orders in pursuance of Appellate Tribunal (SRB) Order against Appeal No. AT-02/2013 and AT-109/2015 dated May 23, 2016 from Sindh Revenue Board (SRB) demanding the amount of sales tax liability on re-insurance services provided / rendered by the Company in Sindh from the period from July 2011 to November 2011 and for the period from December 2011 to December 2012 which were worked out and calculated by SRB amounting to Rs. 372.2 million and Rs. 1,118.1 million respectively. The Company has filed reference in the Honourable High Court of Sindh, dated April 18, 2016 against the Orders of Appellant Tribunal.

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

During the year 2017, the Company has paid an amount of Rs. 2,131.464 million under protest against the principal amount of sales tax liability in respect of above notices issued by SRB for tax years 2011, 2012 and 2013. The Company has also apprised Ministry of Commerce through letter dated April 14, 2017, on the matter of disputed sales tax demand raised by SRB. Ministry of Commerce through letter dated on May 03, 2017, directed to take action as per Board of Directors decision and also directed that the Company may keep contesting the case in High Court vigorously.

After obtaining legal opinion and approval from Board of Directors and Ministry of Commerce, the Company wrote a letter dated May 17, 2017, to the Commission (SRB) that the Company is in agreement to make payment of the principal amount of the demand under protest subject to the condition that SRB will withdraw all notices issued u/s 66 of Sindh Sales Tax Act, 2011, to the clients and debtors of the Company for the attachment of payables to Company, SRB will not initiate any further proceedings in relation to the amount of default surcharge and penalty until the liability of tax on reinsurance services is finally decided by the Honourable High Court of Sindh and SRB will not initiate any further proceedings against the Company for the tax periods subsequent to these three tax periods and matter shall be decided after the decision of the Honourable High Court of Sindh.

During previous year, the SECP vide letter No. ID/PRDD/TAXATION/2020/15 dated March 13, 2020 highlighted taxation issues to SRB faced by the insurance industry in Pakistan. SECP highlighted that, insurance companies obtained reinsurance services to mitigate their risk by sharing it with other insurance/reinsurance companies, hence, forming part of the overall risk management function of insurance companies. The imposition of sales tax on reinsurance services through service charge mechanism, may lead to double taxation on the insurance business, in the context of foreign reinsurance.

Imposition of sales tax on the reinsurance services would increase the cost of doing business for insurance companies, which may reflect as an increase in the rates of insurance premiums, making insurance more costly for the policyholders. As lowering the cost of business is the primary agenda of the Government of Pakistan and as such, the imposition of sales tax on reinsurance services would be working at odds with measures taken by the Government of Pakistan for ease of doing business in Pakistan.

SRB vide letter SRB/TP/57/2016 dated April 26, 2020 advised the Company with the provisions of Sindh Sales Tax Act, 2011 by issuing tax invoices, e-filing of tax returns and e-depositing the SST invoice.. The aggregate amount of Rs. 2,573.889 million paid has been recorded as "receivable from SRB" in the financial statements. Moreover, the Company has not recorded provision against the orders passed by SRB in pursuance of Appellate Order dated February 01, 2016 in Appeal No. AT-02/2013 and order dated February 03, 2016 in Appeal No. AT-109/2015.

Further, if the matter is decided against the Company, the charge to accumulated profits would amount to Rs. 14,042.042 million (approximately) pertaining to the years 2011 to 2020 excluding any additional penalty or default surcharge. The pending legal proceeding may result in claims that the Company is unlikely to be able to satisfy. Further, in that case, the overall equity may erode and turn into negative and the Company would also face liquidity crunch and be unable to meet its solvency requirements in addition to "going concern assumption" basis of accounting.

Based on the legal opinion of the Company's legal advisor, management is confident that strong grounds exist to contest the case and that the eventual resolution of the matter would be in favour of the Company. Accordingly, no provision for sales tax liability for the years 2011 to 2020 has been recorded in these financial statements.

Employee Old Age Benefit Institution

The Company has received a notice from the Regional Director of Employee Old Age Benefit Institution (EOBI) vide letter dated October 31, 2009 that Pakistan Reinsurance Company Limited is required to be registered with EOBI. The Company is of the view that since it is a statutory body corporate under the management and control of Ministry of Commerce, Government of Pakistan and

have its own pensioner rules and limitation and therefore provisions of EOBI Act, 1976 are not applicable. A suit was filed with the Honourable Civil Court in 2011 where the judgment was passed against the Company.

Further, the Company filed an appeal in the Honourable High Court of Sindh against the Civil Court judgment and there has been no further proceeding in the court but the management expects a favourable outcome. On the basis of meeting held with EOBI officials, the Company is considering registration of its contractual employees with EOBI which is pending approval from Ministry of

Federal Excise Duty

Federal Board of Revenue (FBR) has issued show-cause notices dated November 22, 2017, whereby the Company is required to explain as to why Federal Excise Duty (FED) on aggregate reinsurance premium revenue has not been paid in respect of tax periods from October 2012 to September 2017. The Company has submitted its reply against show-cause challenging levy of FED on various legal grounds. Further, the Company also filed Constitutional Petition against show cause notices in the Honourable High Court of Sindh and the Honourable High Court of Sindh vide order dated January 29, 2019 has suspended the proceedings initiated through the above show-cause notice.

Unaudited

3 months

		March 31, 2021	March 31, 2020
		Rupees	Rupees
17	NET PREMIUM REVENUE		
	Written gross premium	3,648,043,791	2,683,361,677
	Add: Unearned premium reserve opening	6,513,672,434	8,451,658,849
	Less: Unearned premium reserve closing	6,365,447,892	6,791,304,063
	Premium earned	3,796,268,333	4,343,716,463
	Less: Reinsurance premium ceded	1,756,103,448	1,419,276,212
	Add: Prepaid reinsurance premium opening	4,144,132,224	5,453,474,265
	Less: Prepaid reinsurance premium closing	3,653,637,106	4,293,107,539
	Reinsurance expense	2,246,598,566	2,579,642,938
		1,549,669,767	1,764,073,525
18	NET INSURANCE CLAIMS		
	Claims paid	1,581,064,956	516,122,968
	Add: Outstanding claims including IBNR closing	9,583,646,797	8,154,207,023
	Less: Outstanding claims including IBNR opening	10,480,686,890	8,016,598,909
	Claims expense	684,024,863	653,731,082
	Less: Reinsurance and other recoveries received	1,119,434,515	-
	Add: Reinsurance and other recoveries in respect of outstanding claims closing	4,519,891,413	3,936,247,052
	Less: Reinsurance and other recoveries in respect of outstanding claims opening	5,603,808,031	3,934,364,721
	Reinsurance and other recoveries revenue	35,517,897	1,882,331
		648,506,966	651,848,751
19	NET COMMISSION AND OTHER ACQUISITION COSTS		
	Commission paid or payable	351,906,470	281,515,610
	Add: Deferred commission expense opening	708,870,616	918,544,431
	Less: Deferred commission expense closing	641,762,070	719,055,375
	Net commission	419,015,016	481,004,666
	Less: Commission received or recoverable	91,242,643	98,625,562
	Add: Unearned reinsurance commission opening	338,532,613	452,020,316
	Less: Unearned reinsurance commission closing	244,952,220	343,736,996
	Commission from reinsurers	184,823,036	206,908,882
		234,191,980	274,095,784

20 OTHER INCOME

	March 31, 2021 Rupees	March 31, 2020 Rupees
Return on Deposits	4,096,882	8,392,500
Miscellaneous income	-	27,360
Exchange gain	-	5,712,474
	<u>4,096,882</u>	<u>14,132,334</u>

21 TAXATION

	March 31, 2021 Rupees	March 31, 2020 Rupees
For the quarter Current	263,379,153	339,305,623

Income Tax

The status of orders passed under section 122 of the Income Tax Ordinance, 2001 is as follows:

S. no.	Tax year	Tax Demand (Rupees)	Status of the case
1	2010	20,748,022	CIRA has decided issues against Company which are pending in ATIR.
2	2011	97,770,680	Tax liability of Rs. 97,770,680 is arising due to unavailability of brought forward loss relating to TY 2010 due to assessment order passed for the aforesaid tax year.
3	2012	127,326,208	Tax liability of Rs. 127,326,208 is arising due to unavailability of loss of Rs. 212,481,202 relating to Tax Year 2010 and tax refund of Rs. 52,957,787 relating to Tax Year 2011, due to assessment orders passed for these tax years.
4	2013	9,342,660	Appeal effect order with regard to CIRA & ATIR orders are pending. Tax liability of Rs. 42,040,463 is arising due to unavailability of tax refunds of Rs. 1,025,968 and Rs. 41,014,495 relating to Tax Years 2010 and 2012 respectively, due to assessment orders passed for these tax years.
5	2014	412,724,772	This pertains to the non deduction of tax on commission and charge id Workers' Welfare Fund.
6	2015	772,134	This pertains to the disallowance of exchange loss of Rs. 50,578,845 on the ground that it was notional in nature and a provision without considering that the loss is allowable as per provisions of the Ordinance. The Company is contesting the gross loss has been incurred due to following of the mercantile system therefore it is to be allowed and the Company's has relied on the judgement of the Tribunal reported as 2011 PTD 352 and unreported judgement in ITA no. 133 KB 2011.
7	2016	223,912,913	Loss on re-measurement of defined benefit obligations of Rs. 675,584,000 and Provision for compensated absences of Rs. 60,868,000 was disallowed. The Company contends that loss is computed by a qualified actuary and is a determined liability. The above disallowance is found well by the ADCIR. The issue is pending in ATIR, however same issue have been decided in Company's favour in tax year 2015. Appeal effect given vide order dated April 6, 2017. Full bench had been formed due to a conflicting decision of Hon. Tribunal in respect of issue of Commission, however, hearing of main appeal had not been fixed yet.

S. No.	Tax year	Tax Demand (Rupees)	Status of the case
8	2018	353,612,146	<p>This pertains to the non deduction of tax on commission and the commission expense has been disallowed. It was clarified to ACIR that reinsurance commission is reimbursement of expenses and is not in the nature of Commission as also clarified by SECP. It was further informed to ACIR that the so called commission expense was not in the nature of commission in terms of section 233 of the Ordinance.</p> <p>It was further informed to ACIR that the issue is already decided by Tribunal in Company's favour in respect of Tax years 2008, 2009, 2011 and 2012, which were required to be followed as per section 124A of the Ordinance. ACIR does not agree with Company's view and disallowed Commission expense on the ground that the tax was not withheld on the amount by relying on the decision of Tribunal in the Company's own case in respect of Tax year 2014/15. The Company has filed an appeal before CIRA and the matter is still pending.</p>
			<u>1,246,209,535</u>

The status of orders passed under section 161 of the Income Tax Ordinance, 2001 is as follows:

S. no.	Tax year	Tax Demand (Rupees)	Status of the case
1	2014	260,214,169	<p>Company received various notices in respect of non deduction of with holding tax on commission paid to ceding companies. CIRA has decided issue of Commission expense against Company and appeal is pending in ATIR. Full bench had been formed due to a conflicting decision of Hon. Tribunal in respect of issue of Commission, however, hearing of main appeal had not been fixed yet.</p>
2	2015	39,541,845	
3	2016	182,699,756	
			<u>482,455,770</u>

Grand total **1,728,665,305**

The above matters are pending before various forums. On the basis of the opinion of tax advisor, the Company is confident that the eventual outcome will be in favour of the Company.

22 FAIR VALUE HIERARCHY

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement.

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

The fair value hierarchy has the following levels:

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

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

	As at March 31, 2021	Level 1	Level 2	Level 3
		-----Rupees-----		
Financial assets measured at fair value				
Investments at fair value through profit or loss - held for trading				
Ordinary shares - listed	164,464,328	164,464,328.00	-	-
Investments at fair value- available for sale				
Ordinary shares - listed	1,993,098,979	1,993,098,979	-	-
Mutual fund units	1,465,914,919	1,465,914,919	-	-
Ordinary shares - unlisted	617613	-	-	617,613
Investments- held to maturity				
Pakistan Investment Bonds-Fixed	2,645,864,458	-	2,645,864,458	-
Pakistan Investment Bonds Floater	551,325,992	-	551,325,992	-
Treasury Bills	5,374,516,775	-	5,374,516,775	-
TFC	99,920,000		99,920,000	-
Available for Sale				
Pakistan Investment Bond-Fiixed	621,846,295	-	621,846,295	-
	As at Dec. 31, 2020	Level 1	Level 2	Level 3
		-----Rupees-----		
Financial assets measured at fair value				
Investments at fair value through profit or loss - held for trading				
Ordinary shares - listed	174,704,867.00	174,704,867	-	-
Investments at fair value - available for sale				
Ordinary shares - listed	2,154,486,027	2,154,486,027	-	
Mutual fund units	1,433,439,335	1,433,439,335	-	
Ordinary shares - unlisted	617,613		-	617,613
Investments- held to maturity				
Pakistan Investment Bonds	2,647,117,644	-	2,647,117,644	
Pakistan Investment Bonds	551,454,689	-	551,454,689	
Treasury Bills	4,973,013,535	-	4,973,013,535	
TFC	99,920,000		99,920,000	

23 SEGMENT REPORTING

Segment	Current Year	Fire and property damage	Marine Cargo	Marine Hull	Accident	Aviation	Engineering	Treaty Prop	Treaty Non- prop	TOTAL
-----31 March 2021-----										
-----Rupees-----										
Gross written premium	355,683,725	7,507,093	55,704,338	50,191,219	74,740,585	1,714,208,067	1,209,105,636	180,903,128		3,648,043,791
Unearned-Opening	566,711,447	7,963,063	93,166,700	44,987,784	236,576,190	3,618,269,871	1,506,408,842	439,588,537		6,513,672,434
Unearned-Closing	655,335,670	9,023,397	3,164,687	53,404,121	190,380,520	3,237,978,329	1,805,106,082	411,055,086		6,365,447,892
Premium Earned	267,059,502	6,446,759	145,706,351	41,774,882	120,936,255	2,094,499,609	910,408,396	209,436,579		3,796,268,333
Reinsurance-Ceded	172,735,265	-	30,680,092	-	29,712,526	1,522,975,565	-	-		1,756,103,448
Prepaid Reinsurance-Opening	17,885,008	-	54,446,935	2,938,875	168,543,304	3,465,398,241	336,674,207	98,245,654		4,144,132,224
Prepaid Reinsurance-Closing	244,787,743	-	-	1,477,556	116,610,324	3,021,175,314	208,688,353	60,897,816		3,653,637,106
Reinsurance Expenses	(54,167,470)	-	85,127,027	1,461,319	81,645,506	1,967,198,492	127,985,854	37,347,838		2,246,598,566
Net insurance premium	321,226,972	6,446,759	60,579,324	40,313,563	39,290,749	127,301,117	782,422,542	172,088,741		1,549,669,767
Commission income	4,788,381	-	-	147,756	10,323,164	169,556,223	7,512	-		184,823,036
Net underwriting income	326,015,353	6,446,759	60,579,324	40,461,319	49,613,913	296,857,340	782,430,054	172,088,741		1,734,492,803
Insurance claims paid	38,618,335	135,093	59,430	6,508,701	1,035,523,011	10,248,082	397,691,494	92,280,810		1,581,064,956
Outstaning-opening	1,765,854,730	140,719,544	81,818,633	327,965,630	4,220,242,139	1,108,830,004	2,302,231,060	533,025,150		10,480,686,890
Outstaning-closing	1,881,506,089	81,430,547	53,400,530	322,173,580	3,044,657,371	1,199,471,165	2,435,801,274	565,206,241		9,583,646,797
Insurance claims expenses	154,269,694	(59,153,904)	(28,358,673)	716,651	(140,061,757)	100,889,243	531,261,708	124,461,901		684,024,863
Reinsurance Recoveries Received	-	-	-	-	1,119,434,515	-	-	-		1,119,434,515
Recovery-opening	245,413,842	66,733,022	29,989,753	-	3,974,870,199	845,050,591	376,534,914	65,215,710		5,603,808,031
Recovery-closing	245,413,842	5,083,022	10,949,753	-	2,929,344,215	906,458,602	360,247,281	62,394,698		4,519,891,413
Insurance claims recovered from reinsuers	-	(61,650,000)	(19,040,000)	-	73,908,531	61,408,011	(16,287,633)	(2,821,012)		35,517,897
Net claims	154,269,694	2,496,096	(9,318,673)	716,651	(213,970,288)	39,481,232	547,549,341	127,282,913		648,506,966
Commission expense	50,340,193	526,305	9,801,572	3,931,258	4,507,019	115,400,582	233,250,905	1,257,182		419,015,016
Mangement expense	10,130,125	213,807	1,586,499	1,429,482	2,128,665	48,821,865	34,436,188	5,152,250		103,898,881
Preium deficiency expense	-	-	-	-	-	-	-	-		-
Net insurance claims and expenses	214,740,012	3,236,208	2,069,398	6,077,391	(207,334,604)	203,703,679	815,236,434	133,692,345		1,171,420,863
Underwriting results	111,275,341	3,210,551	58,509,926	34,383,928	256,948,517	93,153,661	(32,806,380)	38,396,396		563,071,940
Net investment income										217,154,903
Rental income										23,181,435
General and Admin expenses										(901,224)
Other expenses (Emp. Laon)										-
Other income										4,096,882
Profit before tax										806,603,936
Segment Assets	326,015,353	6,446,759	60,579,324	40,461,319	49,613,913	296,857,340	782,430,054	172,088,741		1,734,492,803
Unallocated Assets										33,131,506,081
										34,865,998,884
Segment Liabilites	214,740,012	3,236,208	2,069,398	6,077,391	(207,334,604)	203,703,679	815,236,434	133,692,345		1,171,420,863
Unallocated Liabilitied										23,044,936,917
										24,216,357,780

24 Transaction with related parties are summarised as follows:

	<u>March 31, 2021</u>	<u>March 31, 2020</u>
	<u>Rupees</u>	<u>Rupees</u>
Nature of transaction		
Dividend Income	31,680,000.00	27,720,000.00
Group Company		
Insurance claims paid	1,035,789,687	-
Insurance commission paid	36,692,446	45,262,417
Premium due but unpaid	3,327,220,693	5,372,210,471
Insurance premium written during period	1,691,786,605	1,001,638,335
Premium received	(2,885,873,536)	(1,911,820,700)
	<u>2,133,133,762</u>	<u>4,462,028,106</u>

25 EARNINGS PER SHARE - BASIC AND DILUTED

Basic earning per share is calculated by dividing the net profit for the period by the weighted average number of shares outstanding as at the period end as follows:

	<u>Three Months ended</u>	<u>Three Months ended</u>
	<u>2021</u>	<u>2020</u>
Profit after tax for the period		
(Rupees)	<u>550,950,679</u>	<u>668,422,623</u>
Weighted average number		
of ordinary shares	<u>300,000,000</u>	<u>300,000,000</u>
Earning per share - basic (Rupees)	<u>1.84</u>	<u>2.23</u>

No diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.

26 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are consistent with that disclosed in the annual financial statements for the year ended December, 31 2020.

27 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information has been authorized for issue on 30th April, 2021 by the Board of Directors of the Company.

28 GENERAL

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

CFO

CEO

DIRECTOR

DIRECTOR

CHAIRMAN

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020

		Operator's Retakaful Fund		Participant's Retakaful Fund	
		2021	2020	2021	2020
Note		-----Rupees-----			
Assets					
		17,493,049	17,251,711	85,759,917	84,586,557
	6	1,237,340	1,377,632	-	-
	7	-	-	310,861,306	213,512,771
		39,955,911	29,557,577	-	-
		-	-	74,058	
	8	-	-	66,427,132	54,941,261
	9	50,201,274	41,504,925	-	-
		-	-	47,446,786	75,847,698
		324,260,670	319,674,992	108,938,167	102,591,279
		433,148,244	409,366,837	619,507,365	531,479,566
Funds & Liabilities					
Funds attributable to:					
Operator's Retakaful Fund					
	12	300,000,000	300,000,000	-	-
	11	47,837,881	39,939,183		
		347,837,881	339,939,183	-	-
Participant's Retakaful Fund					
	12	-	-	1,000,000	1,000,000
	11	-	-	(84,215,968)	(114,920,221)
		-	-	(83,215,968)	(113,920,221)
Liabilities:					
Underwriting provisions					
	13	-	-	331,763,236	299,136,344
	14	-	-	288,813,616	238,875,048
	15	-	-	19,010,777	19,010,777
		-	-	639,587,629	557,022,169
			54,941,261	-	-
		66,427,131.91	-	23,178,794	-
		-	-		58,819,041
				39,955,911	29,557,577
		11,430,903	8,960,899		-
		-	69,101	-	-
		7,452,328	866,500	1,000	1,000
		-	4,589,893	-	-
		85,310,363	69,427,654	702,723,334	645,399,787
		433,148,244	409,366,837	619,507,365	531,479,566
Contingencies and Commitments					

The annexed notes 1 to 25 form an integral part of these financial statements

Chairman

Director

Director

Chief Executive Officer

Chief Financial Officer

PAKISTAN REINSURANCE COMPANY LIMITED (WINDOW RETAKAFUL OPERATIONS)
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED March 31, 2021

	Note	2021 (Rupees)	2020 (Rupees)
Revenue account			
Participants' retakaful fund			
Net contribution revenue	17	126,601,590	111,875,973
Wakala expense	18	(35,650,575)	(29,108,916)
Net retakaful benefits	19	(61,894,648)	(45,744,759)
Retakaful Rebate		-	-
Underwriting result		29,056,367	37,022,298
Profit on bank deposit		698,523	512,434
Dividend Income		493,698	903,746
Modarib's shares		(298,055)	(354,045)
		894,166	1,062,135
Cede money received		-	-
Deficit/Surplus for the period		29,950,533	38,084,433
Revenue account			
Operator's fund			
Wakala fee	18	35,650,575	29,108,916
Management expenses		(1,139,887)	(830,334)
Commission expense	20	(28,339,815)	(23,282,861)
Cede money paid to participants' retakaful fund		-	-
		6,170,873	4,995,721
Modarib's share of participants' retakaful fund investment income		298,055	354,045
Profit on bank deposit		4,180,856	5,122,563
Dividend Income		80,624	118,730
Profit before taxation		10,730,408	10,591,059
Taxation		(3,004,514)	(3,389,139)
Profit after taxation		7,725,894	7,201,920
Profit and loss appropriation account			
Balance at the beginning of the period		39,770,004	9,319,339
Profit for the period		7,725,894	7,201,920
		47,495,898	16,521,259

The annexed notes from 1 to 25 form an integral part of these financial statements.

CHAIRMAN CHIEF EXECUTIVE OFFICER DIRECTOR DIRECTOR CHIEF FINANCIAL OFFICER

Pakistan Reinsurance Company Limited
Condensed Interim Statement of Cash Flows (Unaudited)
For the period ended March 31, 2021 (WTO)

	Operator's Fund	Participants Retakaful Fund	Aggregate 2021	Aggregate 2020
	(Rupees)			
Operating Cash Flows:				
Underwriting activities:-				
Contribution received	-	107,592,537	107,592,537	307,391,534
Retro takaful contribution paid	-	(35,640,247)	(35,640,247)	(64,575,000)
Benefits paid	-	(29,267,756)	(29,267,756)	(93,227,303)
Benefits recoveries from retro takaful	-	-	-	-
Rebate paid	(37,036,166)	-	(37,036,166)	(72,928,306)
Rebate received	-	-	-	-
	-	-	-	-
Net cash flows generated from underwriting activities	(37,036,166)	42,684,534	5,648,368	76,660,925
Other Operating Activities				
Income tax paid	3,862,160	(74,058)	3,788,102	(459,904)
General management expenses paid	(1,139,887)	-	(1,139,887)	(4,117,234)
Other operating (payments) / receipts	35,634,731	(31,940,104)	3,694,627	1,812,517
Net cash used in other operating activities	38,357,003	(32,014,162)	6,342,841	(2,764,621)
Total cash flow generated from all operating activities	1,320,837	10,670,372	11,991,209	73,896,304
Investment activities				
Acquisition of investments	(996,639)	(4,817,182)	(5,813,821)	(93,325,000)
Profit on bank deposits	4,180,856	-	4,180,856	2,945,613
Dividend income	80,624	493,698	574,322	-
Statutory fund	-	-	-	250,000,000
Total cash used in investing activities	3,264,841	(4,323,484)	(1,058,643)	159,620,613
Financing activities				
Net cash generated from all activities	4,585,678	6,346,888	10,932,566	233,516,917
Cash at beginning of the period	319,674,992	102,591,279	422,266,271	51,258,000
Cash at end of the period	324,260,670	108,938,167	433,198,837	284,774,917

The annexed notes from 1 to 16 form an integral part of these financial statements.

CHAIRMAN CHIEF EXECUTIVE OFFICER DIRECTOR DIRECTOR CHIEF FINANCIAL OFFICER

	Operator's Fund	Participants Retakaful Fund	Aggregate	Aggregate
	(Rupees)			
Reconciliation to profit and loss account				
Operating cash flows	1,320,837	10,670,372	11,991,209	73,896,304
Provision for outstanding claims	-	-	-	
Reinsurance recoveries against outstanding claims		-	-	
Provision for unearned premium	-	-	-	
Prepaid reinsurance		-	-	
Dividend income	80,624	493,698	574,322	554,299
Profit on bank deposits	4,180,856	0	4,180,856	2,945,613
Income tax paid	-	-	-	-
(Decrease)/Increase in operating assets other than cash	(19,030,812)	(950,538)	(19,981,350)	326,234,924
Decrease/(Increase) in operating liabilities	24,178,902	19,737,022	43,915,924	(427,580,544)
	10,730,407	29,950,553	40,680,961	(23,949,404)

Other adjustments:

Income tax paid	(3,004,514)		(3,004,514)	459,904
	(3,004,514)	-	(3,004,514)	459,904
Profit before taxation	7,725,893	29,950,553	37,676,447	(23,489,500)
Provision for taxation	-	-	-	(3,774,439)
Total Profit/Deficit for the period	<i>Rupees</i> 7,725,893	29,950,553	37,676,447	(27,263,939)

Definition of cash

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

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

Cash and cash equivalents:

Current and other accounts	323,912,984	108,239,644	432,152,628	284,774,917
	<i>Rupees</i> 323,912,984	108,239,644	432,152,628	284,774,917

The annexed notes from 1 to 25 form an integral part of these financial statements.

CHAIRMAN CHIEF EXECUTIVE OFFICER DIRECTOR DIRECTOR CHIEF FINANCIAL OFFICER

Pakistan Reinsurance Company Limited
Condensed Interim Statement of Changes in Fund
For the period ended March 31, 2021

OPERATORS FUND			
Statutory Fund	Unrealized gain on available for sale investment	Retained earnings	Total
Rupees			
300,000,000	169,179	39,770,004	339,939,183
-		7,725,894	7,725,894
	172,804		172,804
300,000,000	341,983	47,495,898	347,837,881

PARTICIPANTS RETAKAFUL FUND			
Cede Money	Unrealized gain on available for sale investment	Accumulated Surplus/(Deficit)	Total
Rupees			
1,000,000	1,887,212	(116,807,433)	(113,920,221)
-		29,950,533	29,950,533
	753,720		753,720
1,000,000	2,640,932	(86,856,900)	(83,215,968)

The annexed notes from 1 to 25 form an integral part of these financial statements.

CHAIRMAN CHIEF EXECUTIVE OFFICER DIRECTOR DIRECTOR CHIEF FINANCIAL OFFICER

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2021

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Reinsurance Company Limited (the Company) is a public listed company incorporated in Pakistan on March 30, 2000 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Pakistan Reinsurance Company Limited - Window Retakaful Operations (the Operator) is listed on Pakistan Stock Exchange and is engaged in general retakaful business comprise of fire, marine, aviation, engineering and accident. The registered office of the Operator is situated at PRC Tower. 32-A. Lalazar Drive. Maulvi Tamizuddin Khan Road, Karachi. The zonal office of the Operator is located at 1st floor, 15-A, Davis Road, State Life Building, Lahore, Pakistan.
- 1.2** The Operator has been authorized to undertake Window Retakaful Operations on September 26, 2018 by Securities and Exchange Commission of Pakistan (SECP) under Takaful Rules, 2012 to carry on General Window Retakaful Operations in Pakistan. For the purpose of carrying on the Retakaful business, the Operator has formed a Waqf (Participants' Retakaful Fund) on September 26, 2018 under the Waqf Deed with a Cede money of Rs. 1,000,000.
- 1.3** The Waqf Deed and Participant Retakaful Fund Policies (Waqf Rules) govern the relationship of Operator, Waqf and Participants for management of Retakaful operations, investment of Waqf and Operator's Fund as approved by the Shariah Advisor of the Operator. The accounts of the Waqf are maintained by the Operator in a manner that the assets and liabilities of Waqf remain separately identifiable. The financial statements of the Operator are prepared in such a manner that the financial position and results from the operations of Waqf and the Operator are shown separately.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

-International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

-Provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules 2017, General Takaful Accounting Regulations, 2019 and Takaful Rules, 2012.

In case requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules 2017, General Takaful Accounting Regulations, 2019 and Takaful Rules, 2012 shall prevail.

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2021

The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O. 1416(I).2019 dated November 20, 2019 has issued General Takaful Accounting Regulations, 2019. Accordingly, the Operator has changed format for preparation and presentation of the financial statement to comply with the requirement of the regulation. The application of these regulations for the purpose of preparation and presentation of the financial statement are effective from January 01, 2020.

2.1 Basis of measurement

These financial statements have been prepared on the historical cost basis except for the available-for-sale investments that have been measured at fair value. No adjustment for the effect of inflation has been accounted for in the financial statements. All transactions reflected in these financial statements are on accrual basis except for those reflected in Statement of Cash Flows.

2.2 Functional and presentation currency

These annual financial information have been presented in Pakistani Rupees, which is also the functional and presentation currency of the Operator.

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

3.1 Standards, amendments and interpretations to the published standards that are relevant to the Operation and adopted in the current year

The Company has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

New or Revised Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 3 - Definition of a Business - (Amendments)	January 1, 2020
IAS 1 and IAS 8 - Definition of Material - (Amendments to IAS 1 and IAS 8)	January 1, 2020
IAS 39 and IFRS 7 Investment rate benchmark Reform (Amendments)	January 1, 2020
IFRS 16 - COVID-19 Rent Related Concessions (Amendment)	June 1, 2020
Annual improvements to accounting standards (2015-2017 cycle)	January 1, 2020
Adoption of the above standards have no effect on the amounts for the year ended December 31, 2020.	

IFRS 9 'Financial Instruments' and amendment (effective for period ending on or after June 30, 2019) replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It has also carried forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Further, IFRS 4 provides two alternative options in relation to application of IFRS 9 for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from the effective date to remove from the profit and loss account the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied. The Company has adopted the temporary exemption which allows the Company to defer the application of IFRS 9 until December 31, 2022.

For the companies adopting the temporary exemption, the IFRS 4 requires certain disclosures which have been disclosed as follows:

Temporary exemption from application of IFRS 9

As an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance.

3.2 Standards, amendments and interpretations to the published standards that may be relevant but not yet effective and not early adopted by the Company

"The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standards or interpretation	Effective Date (Annual periods beginning on or after)
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest Rate Benchmark Reform - Phase 2 (Amendments)	January 1, 2021
IFRS 17 - Insurance Contracts	January 1, 2022
IFRS 3 - Reference to the Conceptual Framework (Amendments)	January 1, 2022
IAS 16 - Proceeds before Intended Use (Amendments)	January 1, 2022
IAS 37 - Onerous Contracts – Costs of Fulfilling a Contract (Amendments)	January 1, 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41 - Annual Improvements to accounting standards (2018-2020 cycle)	January 1, 2022
IAS 1 - Classification of Liabilities as Current or Non-current (Amendments)	January 1, 2023

The Company is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Company.

3.3 Standards, amendments and interpretations to the published standards that are not yet notified by the SECP

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

Standard or Interpretation	IASB effective date (Annual periods beginning on or after)
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 17 Insurance Contracts	January 1, 2022
IFRS 9 ECL model on financial assets due from government	July 1, 2021

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. The policies are consistent in all the years presented in these financial statements.

4.1 Retakaful contracts

Retakaful contracts are based on the principles of Wakala. Retakaful contracts so agreed usually inspire concept of Tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

A separate Participants Retakaful Fund is created in which all contribution received under general Retakaful contribution net off any Government levies and administrative surcharge are credited. The role of Retakaful Operator is of the management of the Participants Retakaful Fund. At the initial stage of the setup of the Participants Retakaful Fund, the Retakaful Operator makes payment as ceded money to the Participants Retakaful Fund. The terms of the Retakaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Retakaful Operator.

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

The Operator underwrites non-life Retakaful contracts that can be categorized into:

- Fire and property damage;
- Marine, aviation and transport;
- Motor; and
- Miscellaneous

Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. The Retakaful risk involved in these contracts is similar to the contracts undertaken by the Operator as Retakaful operator.

Fire and property damage

Fire and property damage Retakaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

Marine, aviation and transport

Marine, aviation and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships, and liabilities to third parties and passengers arising from their use.

Motor

Motor Retakaful contracts cover physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

Miscellaneous

All other Retakaful contracts like machinery breakdown, bonds, cash in hand, cash in transit, personal accident, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under Miscellaneous Retakaful cover.

4.2 Retakaful surplus

Retakaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, shall made after the adjustment of claims paid to them during the year.

4.3 Qard-e-Hasna

Qard-e-Hasna is provided by Operators' Fund to Participant's Retakaful Fund in case of deficit in Participant's Retakaful Fund. Qard-e-Hasna is recognized at the amount provided to Participant's Retakaful Fund less impairment, if any. The Operator would be allowed to recover this Qard from the Participant Retakaful Fund over any period without charging any profit.

4.4 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognized in statement of profit or loss except to the extent that it relates to items recognized directly in other comprehensive income and below funds, in which case it is recognized in equity.

4.4.1 Current

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

4.4.2 Deferred

Deferred tax is accounted for using the statement of financial position liability method in respect of all temporary difference arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. A deferred tax asset is generally recognized and only to the extent that is probable that future taxable profits will be available and the credits can be utilized.

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

4.5 Revenue recognition

4.5.1 Contribution

For all takaful contracts, contributions including administrative surcharge under a takaful contract are

recognized as written from date of issuance to the date of attachment of risk to the policy / cover note.

Contributions income net of wakala fee is determined after taking into account the unearned portion of contributions. The unearned portion of contribution income is recognized as a liability in Participant's

Re-takaful ceded is recognized as expense after taking into account the proportion of deferred re-takaful contribution expense which is calculated using twenty fourths method. The deferred portion of re-takaful contribution expense is recognized as a prepayment.

4.5.2 Rebate From Retrotakaful Operator

Rebate and other forms of revenue (apart from recoveries) from re-takaful operators are deferred and recognized as liability and recognized in the profit and loss account as revenue of Participants' Retakaful Fund in accordance with the pattern of recognition of the re-takaful contributions.

4.5.3 Investment income

Profit on bank deposits is recognized on a time proportion basis taking into account the effective yield.

Dividend income is recognized when the Operations' right to receive the payment is established.

Return on fixed income securities classified as available for sale is recognized on a time proportion basis taking into account the effective yield on the investments.

Gain / loss on sale of investments is recognized at the time of scale.

4.5.4 Receivables and payables related to takaful contracts

Receivables including contribution due but unpaid, relating to retakaful contracts are recognized when due. The claim/benefits payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment losses, if any. Contribution received in advance is recognized as liability till the time of issuance of takaful contract there against.

4.6 Cash and cash equivalents

Cash and cash equivalents comprise of cash in deposit accounts with banks (current and savings), cheques in hand and in transit.

4.7 Provisions

A provision is recognized in the statement of financial position when the Operator 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.

4.8 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and or services received, whether or not billed to the Operator.

Provisions are recognized when the Operator has a legal or constructive obligation as a result of a past event and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, the provisions are

4.9 Wakala fee

Wakala fee is recognized in the Profit and loss account. Wakala Fee is taken 23% of Contribution earned from all business categories. This is recognized as an expense of Participant Retakaful Fund and income of Operator Fund.

4.9.1 Provision for unearned wakala fee

The Operator manages the general takaful operations for the participants and charges wakala fee to Participants' Retakaful Fund on gross contributions recognized for each class. Unearned portion of wakala fee is determined on the basis of unearned portion of contribution received.

4.10 Commission

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

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2021

4.10.1 Commission income

Commission income is being taken to profit and loss account on a time proportion basis in accordance with the pattern of recognition of retrotakaful Contribution to comply with the requirements of Insurance Rules, 2017. issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

4.10.2 Deferred commission expense

Commission expenses are deferred and recognized as an asset in correlation with unearned Contribution that will be recognized in the subsequent reporting period to comply with the requirements of Insurance Rules, 2017. issued by SECP vide its S.R.O. 89(1) / 2017 dated February 09, 2017.

4.11 Statutory fund

Total amount of Rs. 300 million is deposited as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank.

4.12 Contribution

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

4.12.1 Provision for unearned contribution

The portion of Contribution written relating to the unexpired period of coverage is recognized as unearned Contribution by the Company. The unearned portion of Contribution income is recognized as a liability. For Treaty Business the liability is calculated by applying 1/8 method and for Facultative Business over the period of insurance from the date of issuance of the policy to which it relates to its expiry.

4.13 Retro-takaful ceded

The Company enters into retrotakaful contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward retrotakaful Contributions are accounted for in the same period as the related Contributions for the accepted retrotakaful business being retakaful.

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

retrotakaful assets are not offset against related insurance liabilities. Income for expenses from retrotakaful contracts are not offset against expenses or income from related insurance assets. retrotakaful assets or liabilities are derecognized when the contractual rights are extinguished or expired.

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

4.14 Provision for outstanding claims including Incurred But Not Reported (IBNR)

A liability for outstanding claims is recognized in respect of all claims incurred up to the financial statement date which is measured at the undiscounted value of expected future payments. Provision for outstanding claims include amounts in relation to claims reported but not settled, claims incurred but not reported (IBNR) and expected claims settlement costs.

Retakaful recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

4.15 Retrotakaful recoveries against outstanding claims

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

4.16 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.

4.17 Segment reporting

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

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

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

4.18 Investments

4.18.1 Classification and recognition

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

These are recognized and classified as follows:

- Held for trading,
- Held to maturity, and
- Available-for-sale.

The classification depends on the purpose for which the financial assets were acquired.

4.18.2 Measurement

(a) Held for trading

Investments which are designated as held for trading 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 remeasurement of these investments are recognized in profit or 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. After initial recognition, these are carried at amortized cost less provision for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition using effective yield method.

(c) Available-for-sale

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

Equity securities held by the Operator that are traded in an active market are classified as Available for Sale and are stated at fair value at the end of each reporting period. Dividend on AFS equity investments are recognized in profit and loss account. Other changes in the carrying amount of AFS financial assets are recognized in other comprehensive income and accumulated under the heading of capital reserve. When the investments is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in comprehensive income reclassified to profit and loss account.

4.18.3 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For Available-for-Sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

4.19 Impairment of non financial assets

The carrying amount of assets are reviewed at each reporting date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost to sell and value in use. Impairment losses are recognized in profit and loss account.

4.20 Management expenses

Management expenses directly attributable to Window Retakaful Operations are charged to Operator's Retakaful Fund on an accrual basis.

4.21 Mudarib's fee

The Operator also manages the participants' investment as Mudarib and charges 25 % of the investment income and profit on bank deposits earned by the Participant's Retakaful Fund as Mudarib's fee. It is recognized on the same basis on which related revenue is recognized.

4.22 Benefits

Benefits are charged to Participants Retakaful Fund as incurred based on estimated liability for compensation owed under the takaful contracts. It includes claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

4.23 Receivables and payables related to retakaful contracts

Receivables including contribution due but unpaid relating to takaful contracts are recognized when due. The claim payable is recorded when intimation is received. These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any. Contribution received in advance is recognized as liability till the time of issuance of takaful contract there against.

If there is an objective evidence that any contribution due but unpaid is impaired, the Operations reduces the carrying amount of that contribution receivable and recognizes the loss in profit and loss account.

4.24 Contribution deficiency reserve

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

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

5.1 Use of estimates and judgements

In preparing these financial statement, management has made judgement, estimates and assumptions that affect the application of the Operations' accounting policies and reported amounts of assets, liabilities, Income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements and assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the subsequent years are included in following notes:

	Note
a) classification of investments;	4.18.1
b) impairment of available for sale investments ;	4.18.3
c) taxation;	4.4
d) provision for unearned wakala fee;	4.9.1
e) Deferred commission expense;	4.10.2
f) provision for outstanding claims including IBNR and re-takaful recoveries;	4.14
g) provision for unearned contribution;	4.12.1
h) Allocation of management expenses; and	4.20
i) contribution deficiency reserves.	4.24

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2021

			Operator's Retakaful Fund	
			March 31, 2021	December 31, 2020
			-----Rupees-----	
6	OTHER RECEIVABLES	Note		
	Loan to employee		5,000	25,000
	Accrued markup on bank deposits		1,232,340	1,352,632
			<u>1,237,340</u>	<u>1,377,632</u>
7	TAKAFUL/RETAKAFUL RECEIVABLES			
			Participant's Retakaful Fund	
			March 31, 2021	December 31, 2020
			-----Rupees-----	
	Due from takaful participants holders			
	Treaty takaful		243,331,106	157,639,043
	Facultative takaful		74,428,627	62,772,155
			<u>317,759,733</u>	<u>220,411,198</u>
	Less: provision for impairment		6,898,427	6,898,427
			<u>310,861,306</u>	<u>213,512,771</u>

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2021

8	DEFERRED WAKALA FEE / UNEARNED WAKALA FEE					
	Facultative business	8.1	4,086,321	4,148,353		
	Treaty		62,340,811	50,792,908		
			<u>66,427,132</u>	<u>54,941,261</u>	<u>-</u>	<u>-</u>
8.1	Facultative business					
	Fire		2,465,980	2,232,422		
	Marine Cargo		24,948	14,906		
	Marine Hull		70,961			
	Accident		964,344	1,132,376		
	Engineering		560,088	768,649		
			<u>4,086,321</u>	<u>4,148,353</u>	<u>-</u>	<u>-</u>
9	DEFERRED COMMISSION EXPENSE					
	Facultative business	9.1	1,830,898	1,773,629	-	-
	Treaty		48,370,376	39,731,296	-	-
			<u>50,201,274</u>	<u>41,504,925</u>	<u>-</u>	<u>-</u>
9.1	Facultative business					
	Fire		1,326,757	1,326,757	-	-
	Marine cargo		13,117	13,117	-	-
	Marine Hull		30,853		-	-
	Accident		216,655		-	-
	Engineering		243,516	334,195	-	-
			<u>1,830,898</u>	<u>1,674,069</u>	<u>-</u>	<u>-</u>

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2021

10 STATUTORY FUND

Total amount of Rs. 300 million is deposited by the Operator as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank.

11 RESERVES

	Operator's Retakaful Fund		Participant's Retakaful Fund	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
	-----Rupees-----			
Revenue				
Unappropriated profit / (loss)	44,359,948	39,770,004	(49,577,636)	(116,807,433)
Capital				
Unrealized gain / (loss) on Available for sale investments	341,983	169,179	2,640,932	1,887,212
	<u>44,701,932</u>	<u>39,939,182</u>	<u>(46,936,704)</u>	<u>(114,920,221)</u>

12 SEED MONEY

It represent the initial amount deposited by the Operator of Rs. 1,000,000 in waqf fund to create a Participant's Retakaful Fund.

13 OUTSTANDING CLAIMS INCLUDING IBNR

	Note	Participant's Retakaful Fund	
		March 31, 2021	December 31, 2020
		-----Rupees-----	
Facultative business	13.1	72,944,880	74,901,532
Treaty	13.2	221,015,199	224,234,812
		<u>293,960,079</u>	<u>299,136,344</u>
13.1 Facultative business			
Fire		65,843,072	70,709,441
Marine cargo		136,745	136,745
Marine Hull		1,994,662	1,994,662
Accident		3,115,526	1,221,279
Engineering		1,854,875	839,405
		<u>72,944,880</u>	<u>74,901,532</u>

14 UNEARNED CONTRIBUTION RESERVES

	Note	Participant's Retakaful Fund	
		March 31, 2021	December 31, 2020
		-----Rupees-----	
Facultative business	14.1	17,766,614	18,036,317
Treaty		271,047,003	220,838,731
		<u>288,813,617</u>	<u>238,875,048</u>

14.1 Facultative business

	Participant's Retakaful Fund	
	March 31, 2021	December 31, 2020
	-----Rupees-----	
Fire	10,721,652	9,706,183
Marine cargo	108,469	64,808
Marine Hull	308,528	
Accident	4,192,800	4,923,375
Engineering	2,435,165	3,341,951
	<u>17,766,614</u>	<u>18,036,317</u>

15 OTHER CREDITORS AND ACCRUALS

	Operator's Retakaful Fund		Participant's Retakaful Fund	
	March 31, 2021	December 31, 2020	March 31, 2021	December 31, 2020
	-----Rupees-----			
Salaries payable	-	-	-	-
Income tax deducted at source	45,000	-	-	-
Employee income tax payable	24,116	-	-	-
Sindh sales tax payable	-	-	-	-
Other payable	6,516,712	-	-	-
Audit fee payable	716,500	716,500	-	-
Miscellaneous creditors	150,000	150,000	1,000	1,000
	<u>7,452,328</u>	<u>866,500</u>	<u>1,000</u>	<u>1,000</u>

16 CONTINGENCIES AND COMMITMENTS

16.1 The Operator was served with a notice by Sindh Revenue Board (SRB) in 2016 for non filing of sales tax returns and raised sales tax liability via same notice on conventional reinsurance services provided by the Operator details of which are stated in note 33.4 to the operator's financial statement. Company has contested the notice and the case is pending with the Honorable High Court of Sindh. In case of unfavorable outcome of the said matter, the charge to profit or loss account would be amounted to Rs. 78.4 million pertaining to the year 2020 (2019: Rs. 55.2 millions) on retakaful operations excluding any additional penalty or default surcharge.

16.2 There were no commitments as at March 31, 2021 (2020: Nil).

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATIONS
NOTES TO THE FINANCIAL STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2021

17 NET CONTRIBUTION REVENUE

		Participant's Retakaful Fund	
		March 31, 2021	March 31, 2020
Note		-----Rupees-----	
Written gross contributions		204,941,071	211,568,272
Add: Unearned contribution reserve opening		238,875,048	192,193,748
Less: Unearned contribution reserve closing		288,813,617	277,201,516
Contributions earned		155,002,502	126,560,504
Retakaful contribution ceded			23,860,562
Add: prepaid retakaful contribution opening		75,847,698	20,300,625
Less: prepaid retakaful contribution closing		47,446,786	29,476,656
Retakaful expense		(28,400,912)	(14,684,531)
		126,601,590	111,875,973

18 WAKALA FEE

Gross wakala fee		47,136,446	48,660,703
Add: unearned wakala fee- opening		54,941,261	44,204,562
Less: unearned wakala fee- closing		66,427,132	63,756,349
	18.1	35,650,575	29,108,916

18.1 This represents expense for Participants Retakaful Fund and revenue for Operator's Retakaful Fund. The Operator manages the Window Retakaful Operations for the participants and charges 23% of the gross contribution written as wakala fee against the services.

19 NET CLAIMS - REPORTED / SETTLED - IBNR

	Participant's Retakaful Fund	
	March 31, 2021	March 31, 2020
	-----Rupees-----	
Benefits/claims paid	29,267,756	12,727,667
Less: Outstanding benefits/claims including IBNR - opening	299,136,344	112,646,017
Add: Outstanding benefits/claims including IBNR - closing	331,763,236	63,756,349
Claims expense	61,894,648	45,744,759
Retakaful and other recoveries received	-	-
Add: Retakaful and other recoveries received- closing	-	-
Less: Retakaful and other recoveries received- opening	-	-
Retakaful and other recoveries revenue	-	-
Net claims expenses	61,894,648	45,744,759

20 COMMISSION EXPENSE

COMMISSION EXPENSE

	Operator's Retakaful Fund	
	March 31, 2021	March 31, 2020
	-----Rupees-----	
Commission paid or payable	37,036,166	447,578,289
Add: deferred commission expense- opening	41,504,923	565,597,977
Less: deferred commission expense- closing	50,201,274	657,659,818
Net Commision	28,339,815	355,516,448

21 NUMBER OF EMPLOYEES

	2021	2020
Number of employees at the year end	3	3
Average number of employees during the year	3	3

13 SEGMENT REPORTING
PARTICIPANTS RETAKAFUL FUND

PARTICIPANTS RETAKAFUL FUND		Period ended March 31, 2021 (Un-Audited)			
Segment Current Year	Fire and property damage	Marine	Accident	Treaty	TOTAL
	</				

Pakistan Reinsurance Company Limited
Notes to the Financial Statements
For three months period ended March 31, 2021

13 SEGMENT REPORTING

PARTICIPANTS RETAKAFUL FUND

Segment Current Year	Three months ended March 31, 2020 (Un-Audited)				TOTAL
	Fire and property damage	Marine	Accident	Treaty	
	Rupees				
Gross written Contribution	1,246,779		3,237,450	207,084,043	211,568,272
Unearned-Opening	14,708,070	165,628	3,416,224	173,903,826	192,193,748
Unearned-Closing	8,088,011	100,672	2,225,103	266,787,730	277,201,516
Contribution Earned	7,866,838	64,956	4,428,571	114,200,139	126,560,504
Retakaful-Ceded	-	-	-	23,860,562	23,860,562
Prepaid Retakaful-Opening	-	-	-	20,300,625	20,300,625
Prepaid Retakaful-Closing	-	-	-	29,476,656	29,476,656
Retakaful Expenses	-	-	-	14,684,531	14,684,531
Net insurance Contribution	7,866,838	64,956	4,428,571	99,515,608	111,875,973
Rebate	-	-	-	-	-
Net underwriting income	7,866,838	64,956	4,428,571	99,515,608	111,875,973
Insurance claims paid	-	-	-	12,727,667	12,727,667
Outstanding-opening	3,005,450	22,787	1,598,713	75,001,975	79,628,925
Outstanding-closing	14,822,978	92,115	3,001,025	94,729,899	112,646,017
Insurance claims expenses	11,817,528	69,328	1,402,312	32,455,591	45,744,759
Retakaful Recoveries Received	-	-	-	-	-
Recovery-opening	-	-	-	-	-
Recovery-closing	-	-	-	-	-
Insurance claims recovered from reinsurers	-	-	-	-	-
Net claims	11,817,528	69,328	1,402,312	32,455,591	45,744,759
Wakala Fee	1,809,373	14,940	1,018,571	26,266,032	29,108,916
Management expense	-	-	-	-	-
Preium deficiency expense	-	-	-	-	-
Net insurance claims and expenses	13,626,901	84,268	2,420,883	58,721,623	74,853,675
Underwriting results	(5,760,063)	(19,312)	2,007,688	40,793,985	37,022,298
Profit on bank deposits					512,434
Modarib Fee					(354,045)
Dividend Income					903,746
Profit before tax					38,084,433
Segment Assets	14,822,978	92,115	3,001,025	124,206,555	142,122,673
Unallocated Assets					252,856,054
					394,978,727
Segment Liabilities	24,771,232	215,942	5,373,902	422,878,807	453,239,883
Unallocated Liabilities					3,037,287
					456,277,170

OPERATORS FUND

Segment Current Year	Three months ended March 31, 2020 (Un-Audited)				TOTAL
	Fire and property damage	Accident	Accident	Treaty	
	Rupees				
Wakala Fee	1,809,373	14,940	1,018,571	26,266,032	29,108,916
Commission	(948,619)	(6,968)	(328,126)	(21,999,148)	(23,282,861)
Management Expenses	(51,567)	(426)	(29,029)	(748,582)	(829,604)
Segment Results	809,187	7,546	661,416	3,518,302	4,996,451
Profit on bank deposits					5,122,434
Modarib Fee					354,045
Dividend Income					118,730
Profit before tax					10,591,660
Segment Assets	268,675	198,444	198,444	8,862,378	9,527,941
Unallocated Assets					333,095,962
					342,623,903
Segment Liabilities	1,860,243	23,155	511,774	61,361,178	63,756,350
Unallocated Liabilities					(61,522,448)
					2,233,902

23 CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its business.

The objectives, policies and processes for managing capital of the Operator are as follows:

- to be an appropriately capitalized institution, as defined by regulatory authorities;
- maintain strong rating and to protect the Operator against unexpected events;
- availability of adequate capital at reasonable cost so as to enable the Operator to expand; and
- achieve low cost of capital with approximate mix of capital elements.

Amount of Rs. 300 million is deposited as statutory fund to comply with provisions of paragraph 4 of circular no. 8 of 2014 read with section 11(1)(c) of Takaful Rules, 2012 issued by SECP, which states that 'every insurer who is interested to commence Window Takaful business shall transfer an amount of not less than Rs. 50 million to be deposited in a separate bank account for Window Takaful business duly maintained in a scheduled bank.

The Company monitors capital using a ratio of "net debt" to "equity". Net debt is calculated as total liabilities (as shown in statement of financial position) less cash and cash equivalents. Equity comprises all components of Operator' and Participant' Retakaful Fund

24 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on _____ by the Board of Directors of the Operator.

25 GENERAL

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

Chairman

Director

Director

Chief Executive Officer

Chief Financial Officer