


PAKISTAN REINSURANCE COMPANY LIMITED
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

		Six months period ended		Three months period ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Note		Rupees			
Net insurance premium	28	3,494,858,419	3,177,829,226	1,945,188,651	1,413,755,703
Net insurance claims	29	(2,420,358,784)	(1,930,628,467)	(1,771,851,818)	(1,278,779,716)
Net commission and other acquisition costs	30	(483,212,708)	(501,588,199)	(249,020,728)	(227,492,415)
		(2,903,571,492)	(2,432,216,666)	(2,020,872,546)	(1,506,272,131)
Management expenses		(403,749,671)	(357,730,940)	(299,850,790)	(203,051,264)
Provision for doubtful debts		(8,936,130)	(41,890,902)	(8,936,130)	(41,890,902)
Underwriting results		178,601,126	345,990,718	(384,470,815)	(337,458,594)
Investment income - net	31	568,225,598	409,037,032	288,701,376	281,337,957
Rental income - net	32	46,370,389	40,538,290	23,188,954	20,153,294
Other income		17,780,220	5,105,694	13,683,338	11,876,916
Other expenses		(2,174,345)	(1,879,225)	(1,273,121)	238,911
		808,802,988	798,792,509	(60,170,268)	(23,851,516)
Profit from window retakaful operations					
- Operator's retakaful fund	33	9,555,799	15,919,088	6,818,354	8,208,924
Profit/(loss) before tax		818,358,787	814,711,597	(53,351,914)	(15,642,592)
Taxation	34	(231,379,393)	(98,601,696)	31,999,760	106,884,095
Profit / (loss) for the period		586,979,394	716,109,901	(21,352,154)	91,241,503
Earnings / (loss) per share - basic and diluted	38	1.96	2.39	(0.07)	0.30

The annexed notes from 1 to 42 form an integral part of these condensed interim financial statements. 

CHAIRMAN

CHIEF EXECUTIVE
OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL
OFFICER

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATION
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021

		Six Months Ended		Three Months Ended	
		June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Note		-----Rupees-----			
Participant's Retakaful Fund					
Revenue account					
Contributions earned	26	332,882,314	255,371,558	177,879,812	128,811,054
Less: contributions ceded to retrotakaful	26	(49,411,020)	(28,081,538)	(21,010,108)	(13,397,007)
Net contribution revenue	26	283,471,294	227,290,020	156,869,704	115,414,047
Wakala expense	27	(66,576,463)	(58,735,458)	(38,092,139)	(29,626,542)
Net underwriting income		216,894,831	168,554,562	118,777,565	85,787,505
Net claims - reported/ settled - IBNR	28	(272,572,534)	(152,686,008)	(210,677,886)	(106,941,249)
Charge of contribution deficiency reserve	20	(30,417,426)	-	(30,417,426)	-
(Deficit)/Surplus before investment income		(86,095,129)	15,868,554	(122,317,747)	(21,153,744)
Profit on bank deposit		2,110,135	987,202	1,411,612	474,768
Investment income		3,767,428	4,756,787	3,273,730	3,853,041
Less: Modarib's share of investment income and profit on bank deposit		(1,469,391)	(1,435,997)	(1,171,336)	(1,081,952)
		4,408,172	4,307,992	3,514,006	3,245,857
Deficit before taxation		(81,686,957)	20,176,546	(118,803,742)	(17,907,887)
Taxation	29	(635,354)	(783,184)	(635,354)	-
(Deficit)/surplus transferred to accumulated deficit		(82,322,311)	19,393,362	(119,439,096)	(17,907,887)
Operator's Retakaful Fund					
Revenue account					
Wakala fee income	27	66,576,463	58,735,458	38,092,139	29,626,542
Commission expense	30	(60,455,333)	(47,407,922)	(32,115,518)	(24,125,061)
General, administrative and management expenses	31	(4,348,358)	(2,740,037)	(3,208,470)	(1,909,702)
		1,772,772	8,587,499	2,768,151	3,591,779
Modarib's share of participant's retakaful investment income and profit on bank deposit		1,469,391	1,435,997	1,171,336	1,081,952
Investment income		933,287	1,360,812	852,663	1,242,082
Profit on bank deposit		8,858,641	10,768,614	4,677,785	5,646,051
Profit before taxation		13,034,091	22,152,922	9,469,936	11,561,864
Taxation		(3,478,292)	(6,233,834)	(2,651,581)	(3,352,940)
Profit after taxation		9,555,799	15,919,088	6,818,354	8,208,924

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements. *CTM*

Chairman	Director	Director	Chief Executive Officer	Chief Financial Officer
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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PAKISTAN REINSURANCE COMPANY LIMITED

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Reinsurance Company Limited as at June 30, 2021 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

Except as explained in following paragraph, we conducted our review in accordance with International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

- 1) As disclosed in note 12 to the condensed interim financial statements, loans and other receivables include receivable from Sindh Revenue Board (SRB) amounting to Rs. 2,573.89 (2020: Rs. 2,573.89) million which was recovered by SRB against the sales tax liability on reinsurance services. The Company has recorded this amount as an asset, however the Company could not substantiate any control over the underlying asset and the flow of economic benefits is improbable due to ongoing Court case. Had the Company not recorded this asset, total assets, accumulated profit, shareholders' equity and solvency would have been reduced by the same amount accordingly.

- 2) Note 13, 15, 18, 20, 21, 26, 28, 29, 30, 33 and 35 to the condensed interim financial statements include certain account balances and class of transactions which have been recorded against treaty proportional business. We were unable to obtain sufficient and appropriate evidence in respect of such account balances and class of transactions because the Company does not obtain necessary documents from ceding companies for record keeping and verification, but solely relies on the amounts mentioned in statutory quarterly returns for the purpose of recording transactions. Consequently, we were unable to determine whether any adjustment to these amounts were necessary.

Any adjustment to these amounts would have a consequential impact on the Company's net assets as at June 30, 2021 and the profits from ordinary activities attributable to members of the Company.

- 3) As disclosed in note 18 to the condensed interim financial statements, "Total assets from window retakaful operations - Operator's Retakaful fund" include an amount of Rs. 244.254 million provided as *Qard-e-hasna* to Participant's Retakaful Fund. The review report on the condensed interim financial statements of the Company's Window Retakaful Operations includes a modified conclusion with respect to the above mentioned balance. Had the balance been fully impaired, the "Total assets from window retakaful operations - Operator's Retakaful fund", "Profit from window retakaful operations - Operator's Retakaful fund", "Profit for the period" and "Total equity" would have been reduced by the same amount, accordingly.

Qualified Conclusion

Except for the adjustment to the condensed interim financial statements that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to Note 27.1 to the financial statements which provides details regarding contingencies in respect of which decisions are pending. Our conclusion is not modified in respect of this matter.

Other Matter

- 1) The figures for the quarter ended June 30, 2021 and June 30, 2020 in the condensed interim statement of profit or loss and condensed interim statement of other comprehensive income have not been reviewed and we do not express a conclusion on them.
- 2) We have also issued a separate review report dated _____ giving disclaimer of opinion on the condensed interim financial statements of Pakistan Reinsurance Company Limited - Window Retakaful Operations for the period ended June 30, 2021.

The engagement partner on the review resulting in this independent auditor's review report is **Muhammad Shaukat Naseeb**.

Grant Thornton Anjum Rahman
Chartered Accountants
Karachi
Date:

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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
PAKISTAN REINSURANCE COMPANY LIMITED -
WINDOW RETAKAFUL OPERATIONS**

Introduction

We were engaged to review the accompanying condensed interim statement of financial position of Pakistan Reinsurance Company Limited - Window Retakaful (the Operations), as at June 30, 2021 and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in funds, and condensed interim statement of cash flows, and notes to the condensed interim financial statements for the six months period then ended (here-in-after referred to as the "condensed interim financial statements"). Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. However, because of matter described in Basis for Disclaimer of Conclusion paragraph, we were not able to obtain sufficient appropriate evidence for expressing a conclusion on these condensed interim financial statements.

Scope of Review

We were engaged to conduct our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information performed by the Independent Auditor of the Entity*". A review of these condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standard on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Disclaimer of Conclusion

1. Note 9, 10, 12, 13, 18, 19, 20, 26, 27, 28, 30, and 32 to these condensed interim financial statements, certain account balances and class of transactions which have been recorded against treaty business. We were unable to complete our review in respect of such account balances and class of transactions because the Operations does not obtain necessary documents from ceding companies for record keeping and verification, but solely relies on the amounts mentioned in statutory quarterly returns for the purpose of recording transactions. Consequently, we were unable to determine whether any adjustment to these amounts were necessary.
2. As stated in note 9 to these condensed interim financial statements, the balances under the head "Takaful/Retakaful receivables" amount to Rs. 304,732,350 in respect of which

balance confirmations have not been received. In the absence of independent confirmations, we were unable to obtain sufficient appropriate audit evidence to support our conclusion in respect of the existence and valuation related to these balances. Had we been able to complete our review of "Takaful/Retakaful receivables" matters might have come to our attention indicating that adjustments might be necessary to the interim financial information.

3. As disclosed in note 11 to these condensed interim financial statements, the Operator has recorded a receivable of Rs. 244,254,221 as "Qard-e-Hasna to Participant's Retakaful Fund". To assess the recoverability of the recognized receivable the management has prepared three years' financial projections for future surplus based on which management has concluded that there will be sufficient surplus to pay off the receivable.

The key assumptions to arrive at the surplus are those regarding the growth rates, projected retrocession rates, net claim rates, commission rates, and unearned premium rates used in the projections. However, we were unable to obtain sufficient appropriate evidence to verify the reasonableness of the assumptions used in the projections. Therefore, we were unable to conclude our review in respect of the above balances.

4. As disclosed in the note 1.4, these condensed interim financial statements are prepared on the assumption that the Operations will continue as a going concern. However, we were unable to obtain sufficient appropriate evidence to support our conclusion in respect of the assumptions used in the going concern assessment provided by the management. These condensed interim financial statements do not reflect any adjustment that would be required should the Operations be unable to continue as a going concern.

Disclaimer of Conclusion

Because of the significance of the matter described in the Basis for Disclaimer of Conclusion paragraph, we have not been able to obtain sufficient appropriate evidence to form a conclusion on these condensed interim financial statements. Accordingly, we do not express a conclusion on these condensed interim financial statements.

Emphasis of Matters

We draw attention to the following matters:

1. Note 25.1 to these condensed interim financial statements, which explains that the ultimate outcome of the matter stated cannot presently be determined for the reasons as mentioned in the aforementioned note.
2. Note 34.1 to these condensed interim financial statements, which fully explains the matter that the Participant's Retakaful Fund has not been compliant with the solvency requirements as prescribed under the Insurance Ordinance, 2000.

Our conclusion is not further modified in respect of the above matters.

Other Matter

The figures for the quarter ended June 30, 2021 and June 30, 2020 in the condensed interim statement of profit or loss and condensed interim statement of other comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditor's review report is **Muhammad Shaukat Naseeb.**

Grant Thornton Anjum Rahman
Chartered Accountants
Karachi
Date:

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