PAKISTAN REINSURANCE COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	December 31, 2023	December 31, 2022
		------------- (Rupees) -------------	
Net insurance premium	37	**9,323,453,350**	7,929,369,976
Net insurance claims	38	**(4,707,325,117)**	(4,311,851,021)
Net commission and other acquistion costs	40	**(949,366,578)**	(1,025,917,948)
Premium deficiency reserve expense		**12,526,427**	46,346,941
Insurance claims and acquisition expenses		**(5,644,165,268)**	(5,291,422,028)
Management expenses	41	**(1,569,671,296)**	(1,528,435,094)
(Provision) / reversal for doubtful debts	16	**(216,799,192)**	542,510,469
Underwriting results		**1,892,817,594**	1,652,023,323
Investment income	42	**2,389,536,960**	1,338,391,205
Rental income - net	43	**148,543,674**	126,643,188
Finance cost	44	**(7,327,337)**	(2,760,634)
Fair value gain on investment property		**87,650,468**	-
Other income	45	**1,197,078,078**	419,206,393
Other expenses	46	**(614,445,617)**	(7,130,355)
		3,201,036,226	1,874,349,797
Total profit from operations		**5,093,853,820**	3,526,373,121
Profit from Window Retakaful Operations	47	**95,468,993**	30,370,651
Profit before taxation		**5,189,322,813**	3,556,743,771
Taxation	48	**(2,124,074,696)**	(931,915,282)
Profit after taxation		**3,065,248,117**	2,624,828,489
Earnings (after tax) per share - Rupees	49	**3.41**	2.92

The annexed notes 1 to 63 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer	Chief Financial Officer

PAKISTAN REINSURANCE COMPANY LIMITED - WINDOW RETAKAFUL OPERATION
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	**December 31, 2023**	December 31, 2022
		----Rupees----	
Participant's Retakaful Fund			
Contributions earned		**1,379,231,674**	1,079,281,056
Less: contributions ceded to retrotakaful		**(129,887,135)**	(100,155,434)
Net contribution revenue	**28**	**1,249,344,539**	979,125,622
Wakala fee expense	**29**	**(275,846,335)**	(215,856,211)
Net underwriting income		**973,498,204**	763,269,411
Net claims - reported/ settled - IBNR	**30**	**(435,568,023)**	(501,892,882)
Reversal of contribution deficiency reserve		**-**	42,862,640
Surplus before investment income		**537,930,181**	304,239,169
Investment income	**31**	**14,670,315**	8,316,060
Other income	**32**	**239,197,024**	72,908,632
Less: Modarib's fees		**(63,466,835)**	(20,306,173)
Charge for doubtful contributions	**8.1**	**(49,977,453)**	(8,773,125)
Surplus before taxation		**678,353,232**	356,384,563
Taxation	**34**	**(34,061,086)**	(10,760,328)
Surplus transferred to accumulated surplus		**644,292,146**	345,624,235
Operator's Retakaful Fund			
Wakala fee income	**29**	**275,846,335**	215,856,211
Commission expense	**35**	**(263,110,958)**	(213,471,407)
General, administrative and management expenses	**36**	**(21,767,791)**	(15,746,091)
		(9,032,414)	(13,361,287)
Investment income	**31**	**2,958,821**	1,687,509
Other income	**32**	**85,097,792**	34,143,170
Modarib's fee	**33**	**63,466,835**	20,306,173
		151,523,448	56,136,852
Profit before taxation		**142,491,034**	42,775,565
Taxation	**34**	**(47,022,041)**	(12,404,914)
Profit after taxation attributable to shareholders		**95,468,993**	30,370,651

The annexed notes 1 to 45 form an integral part of these financial statements.

Chairman	Director	Director	Chief Executive Officer	Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT
To the members of Pakistan Reinsurance Company Limited
Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of Pakistan Reinsurance Company Limited, which comprise the statement of financial position as at December 31, 2023, profit and loss account, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters discussed in the Basis for Qualified Opinion section of our report, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2023 and of the profit, total comprehensive income, its cash flows and the changes in equity for the year then ended.

Basis for Qualified Opinion

1. Receivable from Sindh Revenue Board (SRB) and the Related Litigation

As disclosed in note 15 and 36.2 to the financial statements, an amount of Rs. 2,573.89 million (2022: Rs. 2,573.89 million) is receivable from Sindh Revenue Board (SRB) 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 remote due to ongoing Court case. Had the Company not recorded this asset, total assets, accumulated profit and shareholders' equity would have been reduced by the same amount accordingly.

2. Unreconciled Balances

The Company's amount due from other insurance companies on account of treaty and facultative business as appearing in note 16 in the annexed financial statements includes unreconciled gross amount of Rs 16,089.612 million and net amount of Rs. 15,905.456 million and that gross amount includes balance of related party M/s National Insurance Corporation Limited amounting to Rs. 10,468.111 million whose financial statements are not yet being issued after the year 2017 for litigation issues. Similarly, the Company's amount due to other insurance companies on account of treaty and facultative business as appearing in note 31 in the annexed financial statements includes unreconciled balance of Rs 175.701 million. Managements asserted that the reason for time lag in reconciliation is intimations and communications of the transactions which normally takes place after 3 to 4 months of transaction. The Company is in the process of reconciling these balances. Due to pending reconciliations relating to the above balances, resultant adjustment and consequential impact thereon, if any, on these financial statements remain unascertained.

Emphasis of Matters

1. We draw attention to the notes 16, 17, 18, 25, 26, 27, 37, 38 and 54 to the financial statements, which reflect the transactions and balances relating to the Company's treaty proportional reinsurance business. Hitherto fore, no supporting documentation of the premium and claims of the ceding insurance companies were made available to the auditors. However, during the year the management has developed some control mechanism over treaty proportional business premium and claims which includes obtaining relevant information from ceding companies in support of periodic returns on random basis and performing ceding company wise analysis of treaty proportional business as well as checking compliance of the treaty terms. However, this needs consistency and continuity of the internal control system over the years.

2. We draw attention to note 36.1 to the financial statements, which provide details regarding contingencies in respect of which decisions are pending.

Our opinion is not further modified in respect of the matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

In addition to the matters described in the Basis for Qualified Opinion section and Emphasis of Matters section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

Following are the Key Audit Matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1.	**Revenue Recognition -Facultative premium earned**	
	Refer notes 5.12 and 37 to the financial statements for accounting policies and details in respect of revenue recognition. The Company recognizes facultative premium earned from facultative reinsurance policies representing 76% of gross premium written. We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be accurately recorded, recognized in the appropriate period and not properly disclosed in the financial statements.	Our audit procedures to address this matter included the following: • Obtained an understanding, including the design and implementation of internal controls over process of capturing, processing in and recording of facultative premium income. • Assessed the appropriateness of the company's accounting policies for recording of facultative premiums in line with the requirements of applicable laws, accounting and reporting standards.

<table>
<tr><th>S. No.</th><th>Key Audit Matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td></td><td></td><td>Tested the policies on sample basis where policies were written close to the year-end and subsequent to the year- end, and evaluated that these were recorded in the appropriate accounting period.
Tested the facultative premium recorded on sample basis to test the accuracy from the underlying policies issued to insurance contract holders.
Recalculated the unearned portion of facultative premium and ensured that appropriate amount has been recorded as provision for unearned premium in liabilities.</td></tr>
<tr><td>2.</td><td colspan="2">Valuation of outstanding claims including claims incurred but not reported</td></tr>
<tr><td></td><td>Refer to note 5.6 and 25 to the financial statements for accounting policy and details in respect to facultative claim liabilities.

The Company’s facultative claim liabilities represent approximately 38% of the Company’s total liabilities, both Conventional and Takaful. Valuation of these liabilities involves significant judgment because it requires a number of assumptions to be made with high estimation uncertainty such as loss ratios, trend of historical claims and estimates of the frequency and severity of claims. Facultative claim liabilities are recognized on intimation of the insured event based on management judgment and estimate.

The Company maintains provision for IBNR claims based on the advice of an independent actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions.

Based on the above factors, we have considered it as a key audit matter.</td><td>Our audit procedures to address this matter included the following:
Assessed the appropriateness of the accounting policy for recording of facultative claims in line with the requirements of applicable laws and accounting and reporting standards.
Obtained an understanding of the Company's polices including the design and implementation of internal controls over the capturing, processing and recording of information related to claims.
Performed test of details and test of controls on a sample basis to evaluate whether the facultative claims settled during the year-end and outstanding at the year-end are appropriately recorded in accordance with the requirements of company surface regulations.
Assessed the competence, capability and objectivity of the actuary involved by the company to value IBNR reserves for facultative claims.</td></tr>
</table>

S. No.	Key Audit Matters	How the matter was addressed in our audit
		• Reviewed the valuation report of management actuary to: - Understand the basis and methodology used for such valuation. - - Evaluate the completeness and accuracy of source data used for the purpose of valuation. • Evaluated the adequacy of disclosures given on outstanding claims including IBNR as per the insurance regulations and applicable accounting and reporting standards.
3.	**Retirement Benefits Plans**	
	Please refer notes 5.8 and 28 to the financial statements. The company operates various defined benefit plans. The Company's obligation in respect of these plans as at December 31, 2023 amounted to Rs. 3,350.609 million. Valuation of these plans require significant level of judgement and technical expertise to select appropriate valuation assumptions. Changes in the key assumptions (discount rate, salary increase rate, retirement age and mortality rate etc.) may have a material impact on the valuation of these obligations under the retirement plans. Based on the above factors, we have considered this as a key audit matter.	Our audit procedures to address this matter included the following: • Assessed the competence and objectivity of the actuary involved by the Company to value the obligation under the plan. • Reviewed the actuarial valuation reports to: - Understand the basis and methodology used for such valuation. - Evaluate the completeness and accuracy of source data used for the purposes of valuation. • Ensured the appropriateness of amount involved in valuation of these obligations. • Evaluated the adequacy of disclosures in the financial statements in accordance with the applicable accounting and reporting standards.

Information Other than the Financial Statements and Auditor's Report Thereon

The board of directors are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion, except for the effects of the matters described in basis for qualified opinion section of our report:

a) proper books of account have been kept by the Company as required by Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

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

Other Matter

The financial statements of the Company for the year ended December 31, 2022 were audited by another firm of chartered accountants, who expressed a qualified opinion on those financial statements vide their report dated April 6, 2023.

The engagement partner on the audit resulting in this independent auditor's report is Mohammad Hanif Razzak.

Chartered Accountants
Karachi:
Dated:
UDIN :

INDEPENDENT AUDITOR'S REPORT
To the members of Pakistan Reinsurance Company Limited – Window Retakaful Operations
Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the annexed financial statements of Pakistan Reinsurance Company Limited – Window Retakaful Operations (the Operator), which comprise the statement of financial position as at December 31, 2023, profit and loss account, the statement of comprehensive income, the statement of cash flows, the statement of changes in fund for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters discussed in the Basis for Qualified Opinion section of our report, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of cash flows and the statement of changes in fund together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at December 31, 2023 and of the profit, total comprehensive income, its cash flows and the changes in fund for the year then ended.

Basis for Qualified Opinion

1. Unreconciled Balances

The Operator's amount due from other insurance companies on account of treaty and facultative business as appearing in note 8 in the annexed financial statements includes unreconciled gross amount of Rs 511.588 million and net amount of Rs. 498.982 million and that gross amount includes balance of related party M/s National Insurance Corporation Limited amounting to Rs. 8.833 million whose financial statements are not yet being issued after the year 2017 for litigation issues. Managements asserted that the reason for time lag in reconciliation is intimations and communications of the transactions which normally takes place after 3 to 4 months of transaction. The Operator is in the process of reconciling these balances. Due to pending reconciliations relating to the above balances, resultant adjustment and consequential impact thereon, if any, on these financial statements remain unascertained.

Emphasis of Matters

1. We draw attention to the notes 8, 12, 13, 20, 28, 30, 35 and 38 to the financial statements, which reflect the transactions and balances relating to the Operator's proportional treaty retakaful business. Hitherto fore, no supporting documentation of the contributions and claims of the ceding takaful companies were made available to the auditors. However, during the year the management has developed some control mechanism over treaty proportional business contributions and claims which includes obtaining relevant information from ceding companies in support of periodic returns on random basis and performing ceding company wise analysis of treaty proportional business carried out with ceding companies as well as checking compliance of the treaty terms. However, this needs consistency and continuity of the internal control system over the years.

2. We draw attention to the note 27.1 to these financial statements which explains that notice was served 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 service provider by the Operator. Our opinion is not modified in respect of this matter.

Our opinion is not further modified in respect of the matters.

Information Other than the Financial Statements and Auditor’s Report Thereon

The management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Operator’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Operator or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Operator’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Operator's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Operator's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Operator to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion, except for the effects of the matter described in basis for qualified opinion section of our report:

a) proper books of account have been kept by the Operator as required by Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of cash flows and the statement of changes in fund together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and

d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financial statements of the Operator for the year ended December 31, 2022 were audited by another firm of chartered accountants, who expressed disclaimer of opinion on those financial statements vide their report dated April 6, 2023.

The engagement partner on the audit resulting in this independent auditor's report is Mohammad Hanif Razzak.

Chartered Accountants
Karachi:
Dated:
UDIN :