

72nd



**THE PAKISTAN GENERAL
INSURANCE COMPANY LTD.**

Annual
2019
Report



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Company Information

Board of Directors

Ch. Mazhar Zahoor
Nasira Raees
Sajid Rabbani
Muhammad Haroon
Malik Ejaz Nazir
Ch. Habibullah
Shehroz Qamar

Chief Executive Officer

Ch. Mazhar Zahoor

Chief Financial Officer

Javed Iqbal Khan

Company Secretary

Ch. Mohsin Ali

Audit Committee

Malik Ejaz Nazir (Chairman)
Muhammad Haroon
Ch. Habibullah

Investment Committee

Muhammad Haroon (Chairman)
Malik Ejaz Nazir
Ch. Habibullah
Ch. Mazhar Zahoor
Javed Iqbal Khan

Human Resources and Compensation Committee

Nasira Raees (Chairperson)
Malik Ejaz Nazir
Ch. Habibullah

Underwriting Committee

Ch. Mazhar Zahoor (Chairman)
Zahid Iqbal Zia
Tariq Qureshi

Claims Settlement Committee

Nasira Raees (Chairperson)
Siddiq Sabir
Zaheer Ahmed

Reinsurance and Coinsurance Committee

Ch. Habibullah (Chairman)
Muhammad Maqsood Peracha
Khawar Munir

Legal Advisors

Ahmad Ali Ranjah (Advocate High Court)

Head Administration

Waseem Ahmad Khan Lodhi

Auditors

Muniff Ziauddin & Co.
Chartered Accountants

Tax Consultants

Kamran & Co.
Chartered Accountants

Share Registrars

Corplink (Private) Limited
Wing Arcade, 1-K Commercial Area, Model Town Lahore

Bankers

Habib Bank Limited
The Bank of Punjab
Allied Bank Limited
National Bank of Pakistan
United Bank Limited
MCB Bank Limited
Faysal Bank Limited
Punjab Provincial Cooperative Bank Limited
Zarai Taraqiyati Bank Limited
Soneri Bank Limited
The Bank of Khyber
Habib Metropolitan Bank Limited
Meezan Islamic Bank Limited
First Women Bank Limited

Registered and Head Office

PGI House 5-A Bank Square, The Mall, Lahore

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Review Report by the Chief Executive Officer on the Overall Performance of the Board

I am pleased to present a report on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Company's objectives.

Powers for management and control of affairs of the Company rest with the Board of Directors, except for powers expressly required to be exercised by shareholders in general meeting. The Directors delegate day-to-day operations of the Company to the Management, but such delegation remains subject to the control and direction of the Board.

The Directors are required to carry out their fiduciary duties and exercise their independent judgment in the best interest of the Company.

As required under the Code of Corporate Governance, an annual evaluation of the Board of the Company is carried out. The purpose of this evaluation is to ensure the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

Following are the integral components on which the performance of the Board was evaluated:

- (a) Creating an Effective Board
- (b) Running an Effective Board
- (c) Understanding the Business including Risk
- (d) Performance Evaluation
- (e) Ethical & Values Driven
- (f) Strategic Objectives

Accordingly, performance evaluation of the Board was carried out and it was concluded that the overall performance of the Board, including effectiveness of the role played by the Board in achieving the Company's objectives, was found to be satisfactory.

Lastly, I wish to acknowledge the commitment and diligence of my fellow Directors, the executive team and all the employees of the Company for their hard work and dedication throughout the year.

-sd-
Nasira Raees
Chairperson

Lahore: April 30, 2020



Director's Report to the Shareholders'

Dear Fellow Shareholders!

Directors of "The Pakistan General Insurance Company Limited" take pleasure in presenting the 72nd annual report of your Company, together with the audited financial statements for the year ended December 31, 2019.

The country's economy showed a modest improvement but performed below its potential due to energy shortages and poor law and order situation. The conditions of insurance industry continued to be challenging and characterized by intense competition and pressure with premium rates.

We do not see any improvement (at least in the near future) in level of economic and business activities in the country and our strategy will therefore continue to emphasize on –

- Customer-driven business focus;
- Financial and investment strategy based on further strengthening its asset base;
- Conservative and sound risk management; and
- Operational agility by maintaining quality leadership.

Through investigation order dated 06 January, 2016 the Securities and Exchange Commission of Pakistan ('SECP') initiated an investigation into the affairs of the Company which led to issuance of the Order dated 07 June 2017 in which SECP fined the directors and directed the Company to cease entering into new contracts of insurance in contravention of the provisions of Section 11 (1) (f) and Section 12 (1) & (4) of the Insurance Ordinance, 2000. However, the Company had filed an appeal with Honorable Lahore High Court, Lahore against the above order which is pending adjudication. The legal counsel of the Company is of the view that there is every likelihood that the case will be settled in favour of the Company.

The Company has posted after tax loss of Rs. (19.53) million. Following is tabular analysis of the Company's results at a glance.

	(rupees in '000)	
	Dec. 2019	Dec. 2018
Gross written premium	-	-
Net premium	(17,975)	(5,151)
Underwriting results	(11,728)	(96,649)
(Loss) / Profit after tax	(19,530)	(121,377)
Earnings per share	(0.42)	(2.62)

Change in the Board of Directors

During the year the one casual vacancy occurred due to death of Mrs. Parveen Zahoor which was duly filled within 90 days and Mr. Shehroz Qamar was appointed as Director.

Modifications in auditors' report

- The auditors' had highlighted the order passed by SECP in which it had issued a direction under section 63 of the Insurance Ordinance, 2000 according to which the Company shall not enter into new contracts of insurance against which the Company had filed an appeal with Honourable Lahore High Court, Lahore which is pending adjudication and the legal counsel of the Company is of the view that there is every likelihood that the matter will be decided in favour of the Company.

Moreover, the paid-up capital of the Company as at December 31, 2019 is short by Rs. 36 million as per the statutory requirements of the Insurance Ordinance, 2000. As the Company is under direction for not entering into new contracts of insurance and with such restriction the members could not be induced to further invest into the Company but, however, as and when the direction is removed, the Company will issue right shares of Rs. 36 million which will meet the capital requirements.

- Further to above, SECP referred the matter to the National Accountability Bureau (NAB) and the matter by NAB was culminated on December 13, 2017 in which NAB had granted approval for plea bargain to Ch. Zahoor Ahmed who was then the CEO of the Company. However, the said liability was paid by the Company as the benefits have already been accrued by the Company and the Company is only refunding the same (which is also evident from the order of SECP in which SECP had directed the Company to pay to Pakistan Reinsurance Company Limited (PRCL) in respect of loss caused). The said payment was approved by the board of directors of the Company in their meeting held on November 5, 2017 and further the approval of members had been obtained in extra ordinary general meeting of members held on April 23, 2018.
- The management of the Company is of the opinion that the direction by SECP for the Company not enter into new contract of insurance business will be revoked sooner and therefore of the view that it is better to continue with the current reinsurance arrangement than to renegotiate the reinsurance treaty afresh. However, the legal matter is taking time to be resolved therefore the Company has ultimately annulled the reinsurance arrangement in the FY 2020.



Director's Report to the Shareholders'

- d) We have provided necessary details (receipts and bank statements) as regard to amount due from insurance contract holders to the auditors, however, as the customers are majority being individuals and there is general tendency in our economic culture that enquires as to balance confirmations remains unattended which is beyond our control.
- e) This modification in the auditors' report is due to comparable information in the financial statements and had been addresses in our last year's annual report.
- f) We have provided necessary details (receipts, deposit slips and bank statements etc.) as regard to additions and disposal proceeds of vehicles to the auditors.
- g) The amount is payable to PRCL, we had contacted PRCL to confirm the balance directly to the auditors, whereas the same remained un-responded from their end which is beyond our control. However, the said amount is in reconciliation and properly booked and disclosed in our financial statements.
- h) This represents various expenses incurred by branches (such as salaries, electricity, gas, telephone, vehicle running and maintenance, building repairs etc) which are paid in cash.
- i) In the current financial year the foreign reinsurer has paid the said claim to all claimants including M/S Sheikh Pipe directly. The Company has not booked reinsurance recoveries of the said claim in 2013 and only the expense was booked in that year. Now in the current year the payment of the claim has been made to M/S Sheikh Pipe hence the same payable is written back in the current financial year.

Modifications in auditors' review report on code of corporate governance:

The auditors' had highlighted certain issues and non-compliances of the best practices provided in the Code of Corporate Governance applicable to the Company. All these issues are primarily due to the non-operational status of the Company, as the Company is under direction from SECP to not enter into new contracts of insurance as per Insurance Ordinance, 2000. However, the Company will take due care to comply with all these non-compliances in future.

Corporate Social Responsibility (CSR)

Your Company is fully committed to the concept of Corporate Social Responsibility and fulfills this responsibility by engaging in a wide range of activities.

Directors Training Program

One out of seven directors has already attended the Directors' Training Program.

Auditors

The present auditors Muniff Ziauddin & Co. Chartered Accountants retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their appointment as auditors of the Company for the year ending December 31, 2020, at a fee to be mutually agreed.

Appropriations and dividends

The amount available for appropriations is as under:

	Rs. in 000
a) Related earnings	
At beginning of the year	(25,825)
(Loss) for the year	(19,530)
Adjustment of incremental depreciation on fixed assets - net of tax	114
Amount available	(45,240)

For and on behalf of the Board

-sd-
Nasira Raees
Chairperson
Lahore:

Date: April 30, 2020



ممبران کے لیے ڈائریکٹرز کی رپورٹ (یہ انگریزی رپورٹ کا ترجمہ ہے)

عزیز ممبران دی پاکستان جنرل انشورنس کمپنی لمیٹڈ کے ڈائریکٹران کمپنی کی 72 ویں سالانہ رپورٹ بمعہ آڈٹ شدہ مالیاتی حساب برائے سال 31 دسمبر 2019 پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

ملک پاکستان نے اقتصادی طور پر تھوڑی ترقی کی توانائی، بحران اور لاقانونیت کی وجہ سے انشورنس انڈسٹری میں پریکٹس ریٹ کی وجہ سے زبردست مقابلہ رہا۔ ہم مستقبل قریب میں بھی اقتصادی صورتحال میں کوئی بہتری نہیں دیکھتے اس لیے ہم درج ذیل اصولوں پر کارفرما رہیں گے۔

موجودہ کسٹمر کے ساتھ خوشگوار تعلقات سرمایہ کاری پر زور دینا

مضبوط اور محتاط برنس کا انتخاب اعلیٰ قیادت کی موجودگی

سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے 6 جنوری 2016 کے انویسٹی گیشن آرڈر کے تحت کمپنی کے معاملات چیک کیے جس میں 7 جون 2017 کو ایک آرڈر جاری ہوا جس کے تحت کمپنی کے ڈائریکٹرز کو جرمانہ ہوا اور کمپنی کو نئے انشورنس برنس حاصل کرنے کی پابندی لگادی گئی۔ انشورنس آرڈیننس 2000 کے سیکشن (f)(1) اور سیکشن (4) & (1) کی خلاف ورزی کی وجہ سے۔ تاہم کمپنی نے معزز لاہور ہائی کورٹ میں رٹ پٹیشن دائر کی ہوئی ہے جو کہ ابھی زیر التوا ہے۔ کمپنی کی قانونی مشاورتی ٹیم کے خیال کے مطابق اس کیس کا فیصلہ کمپنی کے حق میں ہونے کے روشن امکانات ہیں۔

کمپنی نے بعد از ٹیکس نقصان (19.53) ملین روپے کا نقصان اٹھایا ہے۔ کمپنی کی مالیاتی کارکردگی کا گوشوارہ درج ذیل ہے۔

	Dec. 2019	Dec. 2018
Gross written premium	-	-
Net premium	(17,975)	(5,151)
Underwriting results	(11,728)	(96,649)
(Loss) / Profit after tax	(19,530)	(121,377)
Earnings per share	(0.42)	(2.62)

(rupees in '000)

بورڈ آف ڈائریکٹرز میں تبدیلی:

رواں سال مسز پروین ظہور کی وفات کے باعث ڈائریکٹر کی نشست خالی ہوئی تھی جو کہ 90 دن کے اندر نئے ڈائریکٹر شہر و قمر کو منتخب کر کے پُر کر لی تھی۔

آڈیٹرز کی رپورٹ میں ترامیم:

1- آڈیٹروں نے ایس ای سی پی کی طرف سے منظور کردہ آرڈر پر روشنی ڈالی جس نے انشورنس آرڈینرز کے سیکشن 63 کے تحت ایک حکم نامہ جاری کیا تھا۔ جس کے مطابق کمپنی انشورنس کے نئے معاہدے میں داخل نہیں ہوگی۔ کمپنی نے معزز لاہور ہائی کورٹ میں رٹ پٹیشن دائر کی ہوئی ہے جو کہ ابھی زیر التوا ہے۔ کمپنی کی قانونی مشاورتی ٹیم کے خیال کے مطابق اس کیس کا فیصلہ کمپنی کے حق میں ہونے کے روشن امکانات ہیں۔

نیر کمپنی کے اداء شدہ سرمایہ کی ضرورت جو کہ قانون کے مطابق 31 دسمبر 2019 کو قانوناً ہونی چاہیں اُس سے کمپنی 36 ملین کم ہے۔ جیسا کہ کمپنی ایس ای سی پی کی مطابقت نئے بیمہ معاہدے نہیں کر سکتی اسی لحاظ سے کمپنی کے ممبران کو نئے شیئر لینے پر تیار نہیں کیا جاسکتا۔ جو یہ حکم نامہ معطل ہو جائے گا کمپنی رائیٹ شیئر مبلغ 36 ملین جاری کر دے گی جس سے اداء شدہ سرمایہ کمی کی ضرورت پوری ہو جائے گی۔

2- اس کے علاوہ ایس ای سی پی نے معاملے کو نیب کے حوالے بھی بھیجا اور نیب کی طرف سے معاملہ 13 دسمبر 2017 کو ختم کیا گیا جس میں نیب نے چوہدری ظہور احمد (جو کہ اُس وقت کمپنی کے چیف ایگزیکٹیف تھے) کی پبلی بارگین کی منظوری دی تاہم رقم کی ادائیگی کمپنی کے بینک اکاؤنٹ سے کی گئی چونکہ اس ساری ٹرانزیکشن کا فائدہ کمپنی کو پہنچا تھا جو کہ ایس ای سی پی کے حکم نامہ سے بھی ثابت ہے جس میں ایس ای سی پی نے کمپنی کو کہا تھا کہ مذکورہ رقم پاکستان ری انشورنس کمپنی لمیٹڈ کو واپس کی جائے۔ اس رقم کی ادائیگی کی منظوری کمپنی کے بورڈ آف ڈائریکٹران نے اپنی میٹنگ مورخہ 5 نومبر 2017 کو دی جب کہ کمپنی نے اپنے ممبران سے اس کی منظوری مورخہ 23 اپریل 2018 کے منعقد ہونے والے اضافی عام جنرل اجلاس میں کی۔

3- کمپنی کی منیجمنٹ کے رائے کے مطابق ایس ای سی پی نے جو آرڈر جاری کیا ہے جس کے مطابق کمپنی انشورنس کے نئے معاہدے میں داخل نہیں ہوگی۔ یہ آرڈر بہت جلد منسوخ ہو جائے گا۔ اس لئے موجودہ ری انشورنس آرٹیکل کو جاری رکھا گیا ہے بجائے اس کے نئے ری انشورنس آرٹیکل نیگوشی ایٹ کیے جائیں۔ تاہم قانونی معاملہ کافی وقت لے رہا ہے۔ اس لئے کمپنی سال 2020 میں ری انشورنس آرٹیکل منسوخ کر دے گی۔



- 4- ہم نے تمام ضروری تفصیلات (بینک سٹیٹمنٹ اور رسیدیں) اس رقم کی مد میں جو کہ انشورنس معاہدہ ہولڈرز سے وصول ہوئیں آڈیٹرز کو مہیا کر دیں تھیں۔ جیسا کہ آپ جانتے ہیں کہ بیمہ بہت سارے مختلف لوگوں نے کروا رکھا ہے اور پاکستان کی معاشی ثقافت میں اس قسم کے خطوط کا جواب عموماً لوگ دینا گوارہ نہیں کرتے لہذا ہمارے یہ اختیار میں نہیں ہے۔
- 5- آڈیٹر کی رپورٹ میں یہ ترمیم پچھلے سال کے مالیاتی حساب کے موازنے کی وجہ سے آئی ہے جس کو ہم نے پچھلے سال کی سالانہ رپورٹ میں تفصیل سے پیش کر دیا تھا۔
- 6- ہم نے تمام ضروری تفصیلات (ڈیپوزیٹ سلیپس، بینک سٹیٹمنٹ، رسیدیں وغیرہ) جو کہ گاڑیوں کی خرید و فروخت کے وقت بنائی جاتیں ہیں وہ آڈیٹرز کو مہیا کر دیں تھیں۔
- 7- پاکستان ری انشورنس کمپنی نے آڈیٹر کی بیلنس انکوائری کا جواب نہیں دیا جبکہ کمپنی کی کتابوں میں پاکستان ری انشورنس کابینلس اُتتہا ہی واجب الادا ہے جتنا کہ پاکستان ری انشورنس کمپنی کی کتابوں میں ہم سے وصول کیا جانا لکھا گیا ہے۔

- 8- یہ تمام اخراجات (جیسا کہ تنخواہیں، بجلی، گیس، ٹیلی فون کے بل، گاڑی کی ریجنر اور میٹیننس اور عمارتوں کی ریپیر میٹیننس وغیرہ) وہ ہیں جو کہ برانچ والوں نے کیش میں ادا کئے ہیں۔
- 9- غیر ملکی انشورر نے رواں سال متعلقہ کلیم تمام دعویہ داروں کو بشمول شیخ پاپ والوں کو ڈاربیٹ ادا کر دیا ہے۔ کمپنی نے 2013 میں ری انشورنس ریکوری بک نہیں کی تھی۔ بلکہ صرف کلیم خرچہ بک کیا تھا۔ اب جبکہ رواں سال دعویہ دار کو (شیخ پاپ) ری انشورر نے کلیم کی ادائیگی کر دی ہے۔ اس لئے جو پروویڈن 2013 میں بک کی گئی تھی۔ وہ اس سال ریورس کر دی گئی ہے۔
- آڈیٹر کی روپورٹ میں ترامیم:

آڈیٹروں نے کمپنی پر لاگو کوڈ آف کارپوریٹ گورننس میں فراہم کردہ بہترین طریقوں کے بعض مسائل اور غیر تعمیل پر روشنی ڈالی ہے۔ یہ تمام مسائل بنیادی طور پر کمپنی کے نان آپریشنل ہونے کی وجہ سے ہیں کیونکہ کمپنی کو SECP نے انشورنس آرڈیننس کے تحت نئے انشورنس کے معاہدوں میں داخل ہونے پر پابندی لگا رکھی ہے۔ تاہم کمپنی مستقبل میں ان تمام مسائل کو حل کرنے کی مکمل کوشش کرے گی۔

کارپوریٹ سماجی ذمہ داری:

آپ کی کمپنی کارپوریٹ سماجی ذمہ داری کے تصور پر مکمل پر عزم ہے اور اپنی ذمہ داری مختلف سرگرمیوں میں شامل ہو کر پوری کرتی ہے۔

ڈائریکٹر ٹریننگ پروگرام:

7 میں سے ایک ڈائریکٹر نے پہلے ہی ڈائریکٹر ٹریننگ پروگرام کا سرٹیفیکیٹ حاصل کر رکھا ہے۔

آڈیٹرز:

موجودہ آڈیٹرز میسرز مونیف ضیاء الدین اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ ریٹائرڈ ہو گئے ہیں اور انہوں نے دوبارہ منتخب ہونے کیلئے خدمات پیش کی ہیں۔ آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے تجویز پیش کی ہے کہ انہیں کمپنی کے آڈیٹرز کی حیثیت سے سال 31 دسمبر 2020 کیلئے منتخب کر لیا جائے۔ فیس جو کہ دونوں کی باہمی رضامندی سے مقرر کی جائے۔

ایپروپیشن اور ڈیوڈنڈ:

ایپروپیشن کے لیے موجود رقم درج ذیل ہے۔

	Rs. in 000
a) Related earnings	
At beginning of the year	(25,825)
(Loss) for the year	(19,530)
Adjustment of incremental depreciation on fixed assets - net of tax	114
Amount available	(45,240)

-sd-

مسز ناصرہ رئیس

چیرپرسن

لاہور: اپریل 2020، 30



Board and Management Committees

Your Company maintains following Board and Management Committees which meet atleast once every quarter.

Board Committees

Audit Committee
Investment Committee
Human Resources and Compensation Committee

Management Committees

Underwriting and Risk Management Committee
Claims Settlement Committee
Reinsurance and Coinsurance Committee

Audit Committee

Role and Focus

The Board is responsible for effective implementation of a sound internal control system including compliance with control procedures. In line with the best practices, the Board has established the audit committee. The audit committee is assisted by the internal auditor in reviewing the adequacy of operational controls and in monitoring and managing risks so as to provide reasonable assurance that such system continuous to operate satisfactorily and effectively in the Company and to add value and improve the Company's operations by providing independent and objective assurance. The principal responsibility of the internal auditors is to conduct periodic audits to ensure adequacy in operational controls, consistency in application of policies and procedures, compliance with laws and regulations.

Composition and Attendance

The composition of committee along with the meetings attended by the members is as under-

Name of the member	Meetings
1. Malik Ejaz Nazir	4/4
2. Muhammad Haroon	4/4
3. Ch. Habibullah	4/4

Terms of Reference

The Terms of Reference of the committee have been developed on the lines as laid down in the Code of Corporate Governance and approved by the Board.

These include:

- To recommend the appointment, consider resignation, removal, audit fees, provision or any service to the Company by external auditors;
- To review quarterly, half-yearly and annual financial statements, prior to their approval by the Board;
- To facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that auditors may highlight;
- To review the management letter issued by external auditors and management's response thereto;
- To ensure coordination between the internal and external auditors;

- To review the scope and extent of internal audit and ensuring internal audit function has adequate resources and appropriately placed;
- To consider major findings of internal investigations and management's response thereto;
- To ascertain that internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- To determine compliance with relevant statutory requirements; and
- To monitor compliance with the best practices of corporate governance and identification of violations.

Investment Committee

Role and Focus

The committee is responsible for developing the investment policy for the Company.

Composition and Attendance

The composition of committee along with the meetings attended by the members is as under-

Name of the member	Meetings
1. Muhammad Haroon	4/4
2. Malik Ejaz Nazir	4/4
3. Ch. Habibullah	4/4
4. Ch. Mazhar Zahoor	4/4
5. Javed Iqbal Khan	4/4

Terms of Reference

- To review performance of all asset classes and total portfolio relative to the appropriate benchmark;
- To review management's proposed annual rate of return to be included in the Company's budget;
- To review the risk assumptions and asset return assumptions embedded in the current investment policy statement and if changes have occurred then review the policy asset mix and weighted benchmark standard of performance.
- To approve investments beyond delegated limit; and
- To ensure compliance with applicable legislation.

Human resource and remuneration committee

Role and Focus

Committee is responsible to the Board for recommending, human resource management (HRM) policies (selection, evaluation, training and compensation of key officers) of the Company.



Board and Management Committees

Composition and Attendance

The composition of committee along with the meetings attended by the members is as under-

Name of the member

Meetings

1. Nasira Raees	3/4
2. Malik Ejaz Nazir	4/4
3. Ch. Habibullah	3/4
4. Parveen Zahoor	1/4

Terms of Reference

- To review and recommend the compensation / benefits philosophy and strategy within the Company;
- To review the Company's strategy for succession planning across all management levels and to ensure that comprehensive succession plans are in place for senior executive positions.
- To recommend in consultation with CEO, appointment / compensation of all employees including benefits, incentives and retirement plans;
- To review the amount of incentive bonus based on corporate and individual performance for purpose of incentive calculations; and
- To review and recommend the CEO's compensation including incentive, benefits and retirement plans to the Board for approval.

Underwriting Committee

Composition and Attendance

The composition of committee along with the meetings attended by the members is as under-

Name of the member

Meetings

1. Ch. Mazhar Zahoor	4/4
2. Zahid Iqbal Zia	4/4
3. Tariq Qureshi	4/4

Terms of Reference

- The underwriting committee formulates the underwriting policy of the Company;
- It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers; and

- It regularly reviews the underwriting and premium policies of the Company with due regard to relevant factors such as its business portfolio and the market development.

Claims settlement committee

Composition and Attendance

The composition of committee along with the meetings attended by the members is as under-

Name of the member

Meetings

1. Nasira Raees	3/4
2. Zaheer Ahmed Khan	4/4
3. Saddiq Sabir	4/4
4. Parveen Zahoor	1/4

Terms of Reference

- The claim settlement committee devices and review the claim settling policy of the Company;
- It determines the circumstances under which the claims disputes shall be brought to its attention and decides how to deal with such claims disputes; and
- It oversees the implementation of the measures for combating fraudulent claims cases.

Re-insurance and co-insurance committee

Composition and Attendance

The composition of committee along with the meetings attended by the members is as under-

Name of the member

Meetings

1. Ch. Habibullah	3/4
2. Muhammad Maqsood Piracha	4/4
3. Khawar Munir	1/4

Terms of Reference

- This committee ensures that adequate reinsurance arrangement are made for the Company's businesses;
- It peruses the proposed re-insurance arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsures, makes appropriate adjustments to those arrangements in the light of the market development; and
- It also assesses the effectiveness of the reinsurance programs for the future reference.



Statement on Corporate and Financial Reporting Framework

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements, changes if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. The Company is under direction from Securities and Exchange Commission of Pakistan (SECP) whereby the Company is ceased to enter into new contracts of insurance against which the management is of the view that final decision will be accorded in the favour of the Company. Therefore, there are no doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for the last six years is annexed.
9. Information about the taxes and levies is given in the notes to the financial statements.
10. During the year ten Board meetings were held and the attendance of the Directors is as follows:

Name	Status	No. of Meetings Held	No. of Meetings Attended
Ch. Mazhar Zahoor	Chief Executive Officer	8	8
Mrs. Parveen Zahoor	Non Executive Director	8	3
Nasira Raees	Non Executive Director	8	8
Muhammad Haroon	Non Executive Director	8	8
Sajid Rabbani	Executive Director	8	8
Malik Ejaz Nazir	Independent Director	8	8
Ch. Habibullah	Non Executive Director	8	8
Shehroz Qamar	Non Executive Director	8	2

11. The pattern of shareholding and additional information regarding pattern of shareholding is annexed.
12. No trades in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

On behalf of the Board of Directors

-sd-

Nasira Raees
Chairperson
Date: April 30, 2020



Six Years' Review at a Glance

	December 31,					
	2019	2018	2017	2016	2015	2014
	----- Rupees in thousands -----					
Underwriting results						
Gross premium written	-	-	201,098	352,440	457,540	412,925
Net insurance premium	(17,975)	(5,150)	287,600	250,957	264,591	224,004
Net insurance claims	41,200	(6,757)	4,142	84,856	128,632	122,479
Equity and total assets						
Paid-up capital	464,015	464,015	464,015	400,013	400,013	375,000
Reserves*	51,983	52,184	51,942	114,988	114,988	140,000
Shareholders' equity*	470,757	490,374	609,917	567,833	566,910	571,861
Total assets*	549,389	637,139	918,178	979,585	893,520	807,509
Dividends and earnings						
(Loss) / Profit after tax	(19,530)	(121,377)	40,241	32,217	66,640	44,842
Cash dividend	-	-	-	-	-	-
Stock dividend	-	-	-	16%	6.67%	

*In the year 2017, the Securities & Exchange Commission of Pakistan had issued the Insurance Rules, 2017 including the new Insurance Accounting Regulations, 2017. There were significant changes resulting from such new rules affecting Reserves & Retained Earnings and Total Assets. Figures have been reclassified for 2016 and 2015 as well.



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Pattern of shareholding as at December 31, 2019

No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
312	1	100	5,418
198	101	500	65,151
139	501	1,000	110,456
611	1,001	5,000	1,136,228
87	5,001	10,000	659,346
40	10,001	15,000	485,862
17	15,001	20,000	317,256
11	20,001	25,000	245,804
9	25,001	30,000	259,844
5	30,001	35,000	166,108
6	35,001	40,000	229,600
5	40,001	45,000	212,260
8	45,001	50,000	383,848
3	50,001	55,000	155,743
4	55,001	60,000	235,875
1	60,001	65,000	63,071
2	65,001	70,000	137,000
4	70,001	75,000	289,153
1	75,001	80,000	77,500
2	80,001	85,000	170,000
2	90,001	95,000	189,410
4	95,001	100,000	397,999
1	100,001	105,000	100,500
2	115,001	120,000	233,199
2	125,001	130,000	255,375
1	140,001	145,000	143,157
1	160,001	165,000	163,000
1	170,001	175,000	172,264
1	175,001	180,000	178,500
1	200,001	205,000	204,879
1	240,001	245,000	245,000
1	255,001	260,000	257,248
1	265,001	270,000	267,498
1	270,001	275,000	270,359
1	275,001	280,000	275,328
1	315,001	320,000	319,237
1	330,001	335,000	331,041
1	360,001	365,000	364,000
1	370,001	375,000	370,624
2	450,001	455,000	900,856
1	455,001	460,000	459,372
1	465,001	470,000	468,793
1	535,001	540,000	539,260
1	580,001	585,000	583,044
1	595,001	600,000	598,844
1	675,001	680,000	676,260
1	810,001	815,000	812,678
1	905,001	910,000	908,567
1	1,180,001	1,185,000	1,184,605
1	1,185,001	1,190,000	1,187,480
1	1,460,001	1,465,000	1,460,500
1	1,750,001	1,755,000	1,752,498
1	2,125,001	2,130,000	2,129,718
1	2,130,001	2,135,000	2,130,384
1	2,265,001	2,270,000	2,266,306
1	2,285,001	2,290,000	2,288,473
1	2,305,001	2,310,000	2,309,508
1	3,300,001	3,305,000	3,304,375
1	3,720,001	3,725,000	3,723,951
1	6,570,001	6,575,000	6,571,837
1512			46,401,450



Categories of Shareholding required under Code of Corporate Governance (CCG) As on December 31, 2019

Sr. No.	Name	No. of Shares Held	Percentage
---------	------	--------------------	------------

Associated Companies, Undertakings and Related Parties (Name Wise Detail):

- -

Mutual Funds (Name Wise Detail)

- -

Directors, CEO and their Spouse and Minor Children (Name Wise):

1	CH. MAZHAR ZAHOOR	2,130,384	4.5912%
2	MRS. NASIRA RAEES	1,330,637	2.8677%
3	MR. HAROON GHANI MEMON	257,248	0.5544%
4	MALIK EJAZ NAZIR	1,000	0.0022%
5	CH. HABIBULLAH	500	0.0011%
6	MR. SAJID RUBANI (CDC)	85,041	0.1833%
7	MR. SHEHROZE QAMAR	24,515	0.0526%
8	MRS. RUBINA MAZHAR W/O CH. MAZHAR ZAHOOR	1,184,605	2.5529%
9	MR. RAEES-UD-DIN H/O NASIRA RAEES	117,999	0.2543%

Executives:

- -

Public Sector Companies & Corporations:

- -

Banks, Development Finance Institutions, Non Banking Finance Institutions, Insurance Companies and Modarabas and Pension Funds :

- -

Shareholders holding five percent or more voting interest in the listed company (Name Wise)

Sr. No	Name	Holding	% AGE
1	MRS. PARVEEN AKHTAR	7,082,615	15.2638%
2	CH. ZAHOOR AHMED	8,524,876	18.3720%

All trades in the shares of the listed company, carries out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children:

Sr. No	Name	Sale	Purchase
		-	-



Statement Of Compliance With The Code Of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019 For the Year Ended December 31, 2019

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

The Company, being an insurer, has applied the principles contained in the Code and the Regulations in the following manner:

1. The total number of Directors are seven as per following:

• Male	6
• Female	1
2. The company encourages the representation of independent non -executive directors and directors representing minority interests on its Board of Directors (the Board). The composition of the Board is as follows:

Category	Names
Independent Director	Malik Ejaz Nazir
Non-Executive Directors	Shehroz Qamar
	Muhammad Haroon
	Ch. Habibullah
Executive Directors	Mazhar Zahoor (Chief Executive Officer)
	Sajid Rubbani
Female Directors (Non-Execrutive Director)	Nasira Raees (Chairperson)

The independent Director meets the criteria of independence as laid down under the Code and the Regulations.
3. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
4. All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by a stock exchange.
5. One casual vacancy occurring on the Board during the year on May 10, 2019 due to death of Mrs. Parveen Zahoor which was filled up by the Directors through the appointment of Mr. Shehroz Qamar on August 05, 2019.
6. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
7. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. The Company has prepared a Statement of Ethics and Business Practices, which has been signed by all the Directors and employees of the Company.
9. All powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the chief executive, other Executive Director and the key officers, have been taken by the Board / shareholders as empowered by the relevant provisions of Companies Act, 2017 and the Regulations.
10. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of Board. Written notices of Board meetings, along with agenda and working papers were circulated at least seven days before the meeting.
11. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
12. Orientation of the Board of Directors was conducted to appraise them of their duties and responsibilities including the fiduciary duties as contained in the Companies Act, 2017.
13. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations.
14. The Board of Directors of the Company consist of seven directors, out of which following one Director is certified under the Director's Training Program;

Ch. Mazhar Zahoor

The management is conscious of its responsibilities and is hopeful that the training of remaining directors shall be completed before December 31, 2020.



**Statement Of Compliance With The Code Of Corporate Governance for Insurers,
2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019
For the Year Ended December 31, 2019**

15. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
16. The financial statements of the Company were duly endorsed by Chief Executive Officer (CEO) and Chief Financial Officer (CFO) before approval of the Board.
17. The Directors, CEO and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
18. The Company has complied with all the corporate and financial reporting requirements of the Code.
19. The Board has formed the following management committees, the detail of committees along with their composition is as follows:

Underwriting / Risk Management Committee

Name of Member	Category
Ch. Mazhar Zahoor	Chairman
Zahid Iqbal Zia	Member
Tariq Qureshi	Member

Claims Settlement Committee

Name of Member	Category
Nasira Raees	Chairperson
Saddiq Sabir	Member
Zaheer Ahmed Khan	Member

Reinsurance and Coinsurance Committee

Name of Member	Category
Ch. Habibullah	Chairman
Maqsood Piracha	Member
Khawar Munir	Member

20. The Board has formed the following board committees, the detail of committees along with their composition is as follows:

Investment Committee

Name of Member	Category
Muhammad Haroon	Chairman - Non-Executive Director
Malik Ejaz Nazir	Member - Independent Director
Ch. Habibullah	Member - Non-Executive Director
Ch. Mazhar Zahoor	Member - Chief Executive
Javed Iqbal Khan	Member - Chief Financial Officer

HR and Remuneration Committee

Name of Member	Category
Nasira Raees	Chairperson - Non Executive Director
Malik Ejaz Nazir	Member - Independent Director
Ch. Habibullah	Member - Non-Executive Director

21. The Board has formed an Audit Committee. It comprises of three members, of whom the Chairman of the committee Malik Ejaz Nazir is independent director and other two are non-executive directors.

Audit Committee

Name of Member	Category
Malik Ejaz Nazir	Chairman - Independent
Ch. Habibullah	Member - Non-Executive Director
Muhammad Haroon	Member - Non-Executive Director

22. The meetings of the Committees were held in accordance with the requirements of the Code and the Regulations. The meetings of the Audit Committee were held at least once in every quarter and prior to approval of interim and final results of the Company as required by the Code. The Company inadvertently had not disseminated the minutes of the meetings of investment committee to the SECP within 30 days of the meeting. However, in future the same shall be sent to SECP on due time.
23. The frequency of the meetings of the Committee were as per following:
 - a) Audit Committee - quarterly meeting
 - b) HR and Remuneration Committee - quarterly meeting
 - c) Investment Committee - quarterly meeting
 - d) Reinsurance and Coinsurance Committee - quarterly meeting
 - e) Underwriting Committee - quarterly meeting
 - f) Claim Settlement Committee - quarterly meeting



PGI

**Statement Of Compliance With The Code Of Corporate Governance for Insurers,
2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019
For the Year Ended December 31, 2019**

24. The terms of references of the Committees have been formed, documented and advised to the Committees for compliance.
25. The Board has set up effective internal audit function which is staffed with the resources who are suitably qualified and experienced for the purpose and are conversant with policies and procedures of the Company and they are involved in the internal audit function on regular basis.
26. The CEO, CFO, Compliance Officer and the Head of Internal Audit possess such qualification and experience as required under the Code. Moreover, the persons heading the Underwriting, Claim, Reinsurance, Risk Management and Grievance Departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000).

Name	Designation	Qualification	Experience
Ch. Mazhar Zahoore	Chief Executive	MBA	Working in PGI since 2000
Javed Iqbal Khan	Chief Financial Officer	FA	Working in PGI since 1964
Ch. Mohsin Ali	Company Secretary	LLB	Working in PGI since 2018
Mr. Aftab Phambr	Compliance Officer	BS Insurance	41 Years
Abdul Rasheed	Head of Internal Audit	BA	32 Years
Zahid Iqbal Zia	Head of Underwriting/Grievance	Graduate	Working in PGI since 1988

All the key officers of the Company meet the qualification criteria of the Code applicable to insurance companies, except the Chief Financial Officer and Head of Internal Audit.

27. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan. and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.
28. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
29. The Board ensures that the Investment Policy of the Company has been drawn up in accordance with the provisions of the Code.
30. The Board ensures that the Risk Management System of the Company is in place as per the requirements of the Code.
31. The Company has set up a Risk Management function which carries out its tasks as covered under the Code.
32. The Board ensures that as part of the Risk Management System, the Company gets itself rated from the Pakistan Credit Rating Agency which is being used by its Risk Management Function and the respective Committee as a risk monitoring tool. However, due to cessation of underwriting operations by the Securities and Exchange Commission of Pakistan (SECP) the PACRA has suspended the rating of the Company.
33. The Board has set up a Grievance Function which fully complies with the requirements of the Code.
34. The Company has complied with the requirement relating to maintenance of register of persons having access to inside information by designated Senior Management Official in a timely manner and maintained proper record including basis of inclusion or exclusion of names of persons from the said list.
35. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of requirements of the Code.
36. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.
37. We confirm that all other requirements of the Code and Regulations have been complied with except for certain matters disclosed above in para 14, 22, 26 and 32 towards which reasonable progress in being made by the Company to seek compliance.

On behalf of the Board of Directors

-sd-

Ch. Mazhar Zahoore
Chief Executive Officer
Lahore:
Date: April 30, 2020

-sd-

Sajid Rabbani
Director



MUNIFF ZIAUDDIN & CO.

Chartered Accountants

Office No. 43 and 44, 3rd Floor, Sadiq Plaza
Shahrah-e-Quaid-e-Azam
Lahore.

Independent Auditor's Modified Review Report

To the Members of The Pakistan General Insurance Company Limited

Review Report on the Statement of Compliance contained in the Code of Corporate Governance for Insurers, 2016 and Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of The Pakistan General Insurance Company Limited (the Company) for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Regulations and provision of Ixxvii of the Code of Corporate Governance for Insurers, 2016.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Following instances of non-compliance with the requirements of the Regulations were observed which are not stated in the Statement of Compliance:

- i. The Company does not have the required number of independent directors on its Board of Director;
- ii. The appointed independent director has not furnished the declaration of his independence to the Chairman of the Board of Directors;
- iii. The record of resolution signed by directors have not been maintained;
- iv. The Board of Directors has not established a system of sound internal control;
- v. No orientation courses were carried out during the year for the directors of the Company;
- vi. The Board of Directors has not formed the Nominations Committee, Ethics and Compliance Committee and Risk Management Committee;
- vii. The Chairperson of the HR and Remuneration Committee is not an independent director;
- viii. The Company has not devised significant policies including investment policy, risk management policy, underwriting policy, claims management policy, reinsurance policy, IT backup policy and remuneration policy;
- ix. The Board of Directors has not established an effective internal audit function;
- x. The Board of Directors has not set up Grievance function;
- xi. The Board of Directors and the Chief Executive of the Company have not been duly approved by SECP under the Insurance Companies (Sound and Prudent Management) Regulations 2012; and
- xii. Casual vacancy occurred in the Board, filled up without the approval of SECP.

Based on our review, except for the above instances of non-compliance, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the Regulations as applicable to the Company for the year ended December 31, 2019.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph Reference	Description
i. Para 14	Directors' training program
ii. Para 22	Intimation to SECP about the decisions taken by the investment committee
iii. Para 26	Qualification of the Chief Financial Officer and Head of Internal Audit
iv. Para 32	Rating from credit rating agency

Chartered Accountants

Engagement Partner: M. ILYAS

Place: Lahore

Date: April 30, 2020



MUNIFF ZIAUDDIN & CO.

Chartered Accountants

Office No. 43 and 44, 3rd Floor, Sadiq Plaza
Shahrah-e-Quaid-e-Azam
Lahore.

INDEPENDENT AUDITOR'S REPORT

To the members of The Pakistan General Insurance Company Limited
Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the annexed financial statements of The Pakistan General Insurance Company Limited ("the Company"), which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that, except for the matters described in paragraph d) to l) of Basis of Adverse Opinion section below, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of our report, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof do not conform with the accounting and reporting standards as applicable in Pakistan and do not give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively do not give a true and fair view of the state of Company's affairs as at December 31, 2019 and of the total comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Adverse Opinion

a) Securities and Exchange Commission of Pakistan (SECP) vide its order dated June 07, 2017 under section 11(1) (f) and section 12(1) and (4) read with section 63 (1) and section 156 of the Insurance Ordinance, 2000, restricted the Company from entering into new contracts of insurance after July 07, 2017. Further, the Company has incurred a loss of Rs 88.40 million (2018: Rs. 121.37 million) during the year ended December 31, 2019, and as of that date, its accumulated loss is Rs. 45.24 million (2017: Rs. 25.82 million). These conditions, along with the inability of the Company to meet the minimum paid up capital requirement indicate material uncertainty that may cast significant doubt on the Company's ability to continue as going concern and therefore the Company may not be able to realize its assets and discharge its liabilities in the normal course of business. The financial statements do not adequately disclose this fact and have been prepared on going concern basis.

b) National Accountability Bureau (NAB) accused Ch. Zahoor Ahmed (Ex CEO and Chairman) to cause loss to Pakistan Reinsurance Company Limited (PRCL) to the tune of Rs. 86.2 million, by way of 87 bogus reinsurance claims and has gained illegal pecuniary advantage by receiving the amounts against the said bogus claims. NAB through its order ACR NO. 95/PB/2017 dated December 13, 2017 granted approval of plea bargain of Rs. 86.2 million to Ch. Zahoor Ahmed and also disqualified him for a period of 10 years, to be reckoned from the date he discharges his liability to the matter and transaction in issue, for seeking or from being elected, chosen, appointed or nominated as a member or representative of any public body or any statutory or local authority in Pakistan or in service of Pakistan or any province. However, the said liability of Rs. 86.2 million was paid from the business account of the Company and the management of the Company has restated its financial statements for the year ended December 31, 2016. Had the Company not paid this amount from the business account of the Company and restated its financial statements, unappropriated profit and cash and bank balances of the Company as at December 31, 2018 and December 31, 2019 would have been higher by Rs. 86.2 million.

c) The Company has entered into reinsurance arrangements with foreign reinsurers and ceded reinsurance premium of Rs. 17.98 million. We were unable to satisfy ourselves as to requirement of these reinsurance arrangement since SECP has restricted the Company from entering into new contracts of insurance after July 07, 2017. Had the Company not entered into reinsurance arrangement, unappropriated profit of the Company and insurers / reinsurers payables as at December 31, 2019 would have been higher and lower by Rs. 17.98 million respectively.

d) The amount due from insurance contract holders as disclosed in note 11 to the financial statements, amounting to Rs. 114.55 million (2018: Rs. 150.34 million) remains unconfirmed. Management has recorded a provision amounting to Rs. Nil (2018: Rs. 20.32 million) in respect of these balances. The Company has claimed recovery of Rs. 35.79 million (2018: Rs. 79.74 million) during the year and booked commission expense of Rs. 11.41 million (2018: Rs. 43.55 million) against these recoveries as disclosed in note 24 to the financial statements, which are also remain unverified. Further out of total gross premium written during the year ended December 31, 2017, premium written of Rs. 131 million remained unverified. Due to pending confirmations and underlying record, resultant adjustments and consequential impacts thereof, if any, on the financial statements remain unascertained.

e) The amount due from other insurers / reinsurers amounting to Rs. 1.5 million (2018: Rs. 1.5 million) as disclosed in note 11 to the financial statements remains unconfirmed. The Company has claimed recovery of Rs. 34.28 million during the year ended December 31, 2018 which also remained unverified / unconfirmed. Consequently, we were unable to determine whether any adjustment to the opening balance of due from insurers / reinsurers might be necessary. Our audit opinion on the financial statements for the period ended December 31, 2018 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and corresponding figures.

f) The acquisition of vehicles amounting to Rs. 13.59 million and disposal of vehicles amounting to Rs. 29.19 million alongwith related depreciation expenses amounting to Rs. 0.86 million and net gain on disposal amounting to Rs. 2.09 million remains unverified. In the absence of relevant documentation and supporting records, resultant adjustments and consequential impacts thereof, if any, on the financial statements remained unascertained.

g) The insurers / reinsurers payables to Pakistan Reinsurance Company Limited (PRCL) amounting to Rs. 29.2 million (2018: Rs. 29.2 million) as disclosed in note 18.1 to the financial statements remains unconfirmed. The Company is in process of reconciling these balances with PRCL. Due to pending confirmation / reconciliation relating to above balance, resultant adjustments and consequential impacts thereof, if any, on the financial statements remain unascertained.

h) Expenses amounting to Rs. 39.85 million (2018: Rs. 5.29 million), included in 'Management expense and Other expense' in the 'Statement of Comprehensive Income' remain unverified. In the absence of relevant documentation and supporting record, resultant adjustments and consequential impacts thereof, if any, on the financial statements remain unascertained.

i) As disclosed in note 23, the Company has reversed outstanding marine claim and recognized net insurance claim income amounting to Rs. 41.20 million. We were unable to satisfy ourselves as to the justification of reversal of this outstanding claim. In the absence of relevant documentation and supporting record, resultant adjustments and consequential impacts thereof, if any, on the financial statements remain unascertained.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.



MUNIFF ZIAUDDIN & CO.

Chartered Accountants

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Lahore.

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, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Basis for Adverse opinion section, 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	<p>Contingencies</p> <p>Refer note 21 to the financial statements, there are certain contingencies which could materially affect the financial statements if these contingencies are decided against the Company.</p> <p>There are significant uncertainties attached to the future outcome of these pending litigations and therefore, are considered as key audit matters.</p>	<p>We undertook number of procedures to verify the appropriateness of contingencies in the financial statements. This included, among others:</p> <ul style="list-style-type: none">• We reviewed the key elements of the methodology employed by management in challenging reasonableness of the cost estimates;• We obtained confirmations from legal advisors for current status on pending previous cases and any new case filed during the year; and• Checked orders by relevant authority on previous lawsuits / cases appearing in the financial statements.

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

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. Because of the significance of the matters discussed in Basis of Adverse Opinion section of our report, we have concluded that other information is materially misstated for the same reasons.

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 accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, 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 are 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:



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Chartered Accountants

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- 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:

a) except for the effects of the matters discussed in the Basis for Adverse Opinion paragraph proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

b) because of the significance of the matters described in Basis for Adverse Opinion section, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have not been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and however are in agreement with the books of account;

c) except for the effects of the matters discussed in the Basis for Adverse Opinion paragraph, investments made, expenditure incurred and guarantees extended during the year were for the purpose of the company's business; and;

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

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Ilyas.

Chartered Accountants

Place: Lahore

Date: April 30, 2020



Statement under section 46 (6) of the Insurance Ordinance, 2000

The incharge of the management of the business was Ch. Mazhar Zahoor, Chief Executive Officer and report on affairs of business during the year 2019 signed by Mrs. Nasira Raees and approved by the Board of Directors is part of the Annual Report 2019 under the title of "Directors' Report to the Shareholders" and

- a. In our opinion the annual statutory accounts of the Pakistan General Insurance Company Limited set out in the forms attached to the statement have been drawn up in accordance with the Insurance Ordinance, 2000 (Ordinance) and any rules made thereunder.
- b. The Pakistan General Insurance Company Limited has at all the time in the year complied with the provisions of the Ordinance and the rules made thereunder except for point i below relating to re-insurance arrangements:
 - i. Minimum Paid up Capital Requirement;
- c. As at the date of the statement, the Pakistan General Insurance Company Limited except for point i above continues to be in compliance with the provisions of the Ordinance and the rules made thereunder relating to re-insurance arrangements.

-sd-
Chairperson

-sd-
Chief Executive Officer

-sd-
Director

-sd-
Director

-sd-
Chief Financial Officer



Statement of Financial Position

As at December 31, 2019

		Dec. 31 / 2019	Dec. 31 / 2018
	Note	Rupees	
ASSETS			
Property and equipment	5	101,809,348	103,475,280
Investment property	6	267,554,347	298,696,062
Investments			
- Equity securities	7	1,622,005	1,988,203
- Debt securities	8	44,737,819	29,017,960
- Term deposits	9	-	5,000,000
Loans and other receivables	10	10,788,433	24,520,800
Insurance / reinsurance receivables	11	116,085,669	151,875,981
Taxation - provision less payment	20	412,865	-
Cash and bank	12	6,378,619	22,564,480
Total assets		549,389,105	637,138,766
EQUITY AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	13	464,014,500	464,014,500
Reserves	14	51,982,717	52,183,843
Accumulated loss		(45,240,335)	(25,824,542)
Total Equity		470,756,882	490,373,801
Surplus on revaluation of fixed assets	15	6,233,682	6,348,151
Liabilities			
Underwriting provisions			
- Outstanding claims including IBNR	23	-	41,200,000
Deferred taxation	16	-	-
Borrowings	17	-	-
Insurance / reinsurance payables	18	42,712,699	41,482,438
Other creditors and accruals	19	29,685,842	30,274,029
Taxation - provision less payment	20	-	27,460,347
		72,398,541	140,416,814
Total equity and liabilities		549,389,105	637,138,766
Contingencies and commitments	21	-	-

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

-sd-
Chairperson

-sd-
Chief Executive Officer

-sd-
Director

-sd-
Director

-sd-
Chief Financial Officer



Statement of Comprehensive Income

For the Year Ended December 31, 2019

		Dec. 31 / 2019	Dec. 31 / 2018
	Note	----- Rupees -----	
Net insurance premium	22	(17,975,376)	(5,150,836)
Net insurance claims	23	41,200,000	6,757,016
Net commission and other acquisition costs	24	(11,407,284)	(49,436,813)
Insurance claims and acquisition expenses		29,792,716	(42,679,797)
Management expenses	25	(23,545,274)	(48,818,544)
Underwriting results		(11,727,934)	(96,649,177)
Investment income	26	3,334,047	8,427,365
Rental income		1,429,420	1,682,144
Other income	27	15,096,356	17,625,285
Other expenses	28	(54,911,276)	(50,815,083)
Results of operating activities		(46,779,387)	(119,729,466)
Finance costs	29	(129,072)	(8,889,200)
Loss before tax		(46,908,459)	(128,618,666)
Income tax expenses	30	27,378,197	7,241,311
Loss after tax		(19,530,262)	(121,377,355)
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss:			
Unrealized (loss) / gain on available-for-sale investments		(290,611)	431,311
Reclassification adjustment relating to available-for-sale investments disposed off during the year		7,335	(110,517)
Less: Related deferred tax impact		82,150	(79,360)
Other comprehensive (loss) / income for the year		(201,126)	241,434
Total comprehensive loss for the year		(19,731,388)	(121,135,921)
Losses (after tax) per share - Rupees	31	(0.42)	(2.62)

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

-sd-
Chairperson

-sd-
Chief Executive Officer

-sd-
Director

-sd-
Director

-sd-
Chief Financial Officer



Statement of Changes in Equity

For the Year Ended December 31, 2019

	Attributable to equity holders of the Company				
	Revenue reserves				
	Share capital	General reserves	Unrealized gains / (losses) on revaluation of available for sale investments - net	Accumulated loss	Total equity
	----- Rupees -----				
Balance as at January 01, 2018	464,014,500	50,985,500	956,909	93,959,995	609,916,904
Loss after tax	-	-	-	(121,377,355)	(121,377,355)
Other comprehensive income for the year	-	-	241,434	-	241,434
Total comprehensive loss for the year	-	-	241,434	(121,377,355)	(121,135,921)
Transfer from surplus on revaluation of fixed assets on account of:					
-Disposal of fixed asset - net of tax	-	-	-	1,472,325	1,472,325
-Incremental depreciation on fixed assets - net of tax	-	-	-	120,493	120,493
	-	-	-	1,592,818	1,592,818
Balance as at December 31, 2018	464,014,500	50,985,500	1,198,343	(25,824,542)	490,373,801
Loss after tax	-	-	-	(19,530,262)	(19,530,262)
Other comprehensive loss for the year	-	-	(201,126)	-	(201,126)
Total comprehensive loss for the year	-	-	(201,126)	(19,530,262)	(19,731,388)
Transfer from surplus on revaluation of fixed assets on account of:					
-Disposal of fixed asset - net of tax	-	-	-	-	-
-Incremental depreciation on fixed assets - net of tax	-	-	-	114,469	114,469
	-	-	-	114,469	114,469
Balance as at December 31, 2019	464,014,500	50,985,500	997,217	(45,240,335)	470,756,882

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

-sd-
Chairperson

-sd-
Chief Executive Officer

-sd-
Director

-sd-
Director

-sd-
Chief Financial Officer



Statement of Cash Flows

For the Year Ended December 31, 2019

	Note	Dec. 31 / 2019	Dec. 31 / 2018
		----- Rupees -----	
Operating cash flows			
a) Underwriting activities			
Insurance premiums received		35,790,312	114,068,097
Reinsurance premium paid		(4,793,545)	(23,973,980)
Claims paid		-	(10,334)
Commission paid		(11,407,284)	(43,551,460)
General and management expenses paid		(54,037,355)	(54,691,759)
Net cash flow from underwriting activities		(34,447,872)	(8,159,436)
b) Other operating activities			
Income tax paid		(412,865)	(2,598,932)
Loan repayments received		25,800	78,350
Other operating receipts		8,614	305,436
Other operating payments		(1,570,237)	(2,708,865)
Net cash flow from other operating activities		(1,948,688)	(4,924,011)
Total cash flow from all operating activities		(36,396,560)	(13,083,447)
Investment activities			
Profit / return received		3,429,482	8,286,459
Dividends received		780	-
Rentals received		1,429,420	1,682,144
Payments for investments		(22,719,851)	(5,000,000)
Proceeds from investments		12,069,450	118,577,755
Fixed capital expenditure		(13,552,010)	(1,115,000)
Payments for investment properties		(21,500,000)	-
Proceeds from sale of investment properties and property and equipment		61,182,500	5,355,000
Total cash flow from investing activities		20,339,771	127,786,358
Financing activities			
Finance cost paid		(129,072)	(8,889,200)
Total cash flow from financing activities		(129,072)	(8,889,200)
Net cash flow from all activities		(16,185,861)	105,813,711
Cash and cash equivalents at beginning of year		22,564,480	(83,249,231)
Cash and cash equivalents at end of year	12.3	6,378,619	22,564,480
Reconciliation to profit and loss account			
Operating cash flows		(36,396,560)	(13,083,447)
Depreciation / amortisation expense		(23,437,145)	(23,695,829)
Finance cost		(129,072)	(8,889,200)
Decrease in assets other than cash		(35,824,727)	(151,346,734)
Increase in liabilities other than borrowings		56,397,419	47,903,061
Investment income		3,333,267	8,427,365
Rental income		1,429,420	1,682,144
Dividend income		780	-
Gain on disposals of investment properties and assets		3,144,346	1,124,532
Other income		11,952,010	16,500,753
Loss after taxation		(19,530,262)	(121,377,355)

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

-sd-
Chairperson

-sd-
Chief Executive Officer

-sd-
Director

-sd-
Director

-sd-
Chief Financial Officer



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

1 Legal status and nature of business

The Pakistan General Insurance Company Limited ("the Company") was incorporated in Pakistan as a public limited company on July 26, 1947 under the Companies Act, 1913 (now the Companies Act, 2017) and the shares of the Company are quoted on the Pakistan Stock Exchange Limited.

The Company is engaged in providing general insurance services in spheres of Fire and property damage; Marine, aviation and transport, Motor and Miscellaneous.

The registered office and principal place of the Company is located at PGI House, 5/A-Bank Square, The Mall, Lahore. The Company operates through 18 (2018: 21) branches in Pakistan.

2 Basis of preparation and statement of compliance

2.1 These financial statements have been prepared in accordance with 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 are notified under the Companies Act, 2017; and
- Provision of and directives issued under the Companies Act, 2017 and the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017.

In case requirements differ, the provision of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000 the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, shall prevail.

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O 89(1) 2017 dated 9 February 2017 has prescribed format of the presentation of annual financial statements for general insurance companies. These financial statements have been prepared in accordance with the format prescribed by the SECP.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention, except for:

- (a) certain property and equipment which are measured at revalued amount; and
- (b) certain financial instruments at fair value

2.3 Significant estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates 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 recognised 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 the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

- | | |
|--|-------------|
| - Provision for outstanding claims including IBNR | - note 4.15 |
| - Provision for unearned premium | - note 4.9 |
| - Provision for doubtful receivables | - note 4.8 |
| - Provision for taxation and deferred tax | - note 4.17 |
| - Useful lives of investment properties | - note 4.2 |
| - Useful lives and residual values of property and equipment | - note 4.1 |
| - Provision for premium deficiency reserve | - note 4.6 |
| - Classification of investments and impairment | - note 4.18 |



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

2.4 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to nearest Pak Rupee, unless otherwise stated.

3 Initial application of an accounting standard, amendment or an Interpretation to an existing standard and forthcoming requirements

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The Company has adopted the following accounting standards and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS	9	Financial Instruments - note 3.1.1
IFRS	4	Amendment to Insurance Contracts - note 3.1.2
IFRS	14	Regulatory Deferral Accounts
IFRS	16	Leases - note 3.1.3

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

3.1.1 IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after 30 June 2019. It 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 also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

3.1.2 Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments' with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options 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 01 July 2018 onwards to remove from profit or 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 determined that it is eligible for the temporary exemption option since the Company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Company can defer the application of IFRS 9 until the application of IFRS 17.

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

- a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

b) all other financial assets

Dec. 31 / 2019					
----- Rupees -----					
Financial assets	Fail the SPPI test		Pass the SPPI test		
	Fair Value	Change in unrealized gain or loss during the year	Carrying value	Cost less impairment	Change in unrealized gain or loss during the year
	Cash and bank *	6,378,619	-	-	-
	Investments - Debt securities *	-	-	44,737,819	-
	Investments - Equity securities	1,622,005	(201,126)	-	-
	Loans and other receivables *	10,788,433	-	-	-
	18,789,057	(201,126)	44,737,819	-	-

* The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

3.1.3 The Company has adopted IFRS 16 'Leases', issued in January 2016, with the date of initial application on January 01, 2019. IFRS 16 introduces significant changes to lessee accounting. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognize a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

The Company has elected to apply the expedient allowed by IFRS 16 on its general requirements to short-term leases (i.e. one that does not include a purchase option and has a lease term at commencement date of 12 months or less) and leases of low value assets. The Company recognizes the lease payments associated with those leases as an expense on a straight-line basis over the lease term or another systematic basis if that basis is representative of the pattern of the lessee's benefits, similar to the current accounting for operating leases.

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. The adoption of IFRS 16 does not have any impact on these financial statements.

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard	Effective Date
IFRS 3 Definition of a Business (Amendments)	January 01, 2020
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 1/8 Definition of Material (Amendments)	January 01, 2020

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

3.3 Annual improvements to International Financial Reporting Standards

In addition to above standards and amendments, improvements to various accounting standards have also been issued by the IASB in 2018-2020 cycle. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

3.4 Standards issued by IASB but not applicable in Pakistan

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	Effective Date
IFRS 17 Insurance Contracts	January 1, 2022

4 Summary of Significant Accounting Policies

4.1 Property and equipment

Property and equipments are stated at historical cost less accumulated depreciation and accumulated impairment, if any, except for free hold land and building on free hold land, which are stated at re-valued amount less impairment in value, if any.



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Assets' residual values, if significant and their useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of property and equipments have different useful lives, they are recognized as separate items of property and equipments.

Depreciation is charged to profit and loss account by applying the reducing balance method at the rates specified in note 5 to the financial statements. Depreciation on addition to property and equipment is charged from the month in which the asset is available for use while no depreciation is charge for the month in which the asset is disposed off. The useful lives and depreciation methods are reviewed on periodic intervals to ensure that the methods and period of depreciation charged during the year are consistent with the expected pattern of economic benefits from items of property and equipments.

Subsequent costs are recognized as part of asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Gains or losses on disposal of assets, if any, are included in profit and loss account for the year.

Surplus arising on revaluation is credited to surplus on revaluation of fixed assets. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred by the Company to its unappropriated profits.

4.2 Investment properties

Investment property, which is property held to earn rentals and / or for capital appreciation, is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation policy, subsequent capital expenditures and gain/ losses on disposal are accounted for in the same manner as property and equipment.

4.3 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holders. Insurance contracts are classified into following main categories:

- Fire and property damage
- Marine, aviation and transport
- Motor
- Other classes

These contracts are entered with group companies, corporate clients, and individual residing or located in Pakistan.

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

4.4 Commission

Income

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy. These are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

Profit commission, if any, under the terms of reinsurance arrangements, is recognised on accrual basis.

Expenses

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

4.5 Unearned premium

Premium under a policy is recognised at the time of the date of issuance of the policy.

Administrative surcharge is recognised as income at the time policies are written.

Revenue from premiums is determined after taking into account unearned portion of premium by applying 1/24th method prescribed by Insurance Accounting Regulations, 2017. The unearned portion of premium income is recognised as liability.

Receivables under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for impairment, if any.



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

4.6 Premium deficiency reserve

The Company is required as per Insurance Rules, 2017 and IFRS-4, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense in the profit and loss account and the same shall be recognised as a liability.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of expired periods. For this purpose average loss ratio of last three years inclusive of claims settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium.

4.7 Re-insurance contracts held

Insurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in same categories of insurance contracts for the purpose of these financial statements. The Company recognises entitled benefits under the contract as various reinsurance assets. Outward reinsurance premiums are accounted for in same period as related premiums for the direct or accepted reinsurance business being reinsured.

The deferred portion of reinsurance premium ceded is recognised as a prepayment which is calculated by using 1/24th method as prescribed by the Insurance Accounting Regulations, 2017.

4.8 Receivables and payables related to insurance contracts

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

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contract are not offset against expenses or income from related insurance assets.

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

4.9 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to unexpired period of coverage including administrative surcharge which relates to the business in force at the balance sheet date and is recognized as a liability by the Company. The Company has opted for 1/24th method and maintained its reserves for unexpired risk in accordance with the Insurance Accounting Regulations, 2017.

4.10 Reinsurance recoveries against outstanding claims

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

4.11 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

The Company presents segments reporting of operating results using the classes of business as specified under IFRS 8 'Operating Segments', the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to the Board of Directors who assess the performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

The Company has four primary business segments for reporting purposes namely fire and property, marine and transport, motor and other classes.

Fire and property damage

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



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Marine, aviation and transport

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

Motor

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

Others

Other classes includes mainly crops, live stocks, engineering etc.

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment.

4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks.

4.13 Revenue recognition

Premium income

For all the insurance contracts, premiums including administrative surcharge received / receivable under a policy are recognized as written at the time of issuance of policy. Where premiums for a policy are payable in installments, full premium for the duration of the policy is recognized as written at the inception of the policy and related assets set up for premiums receivable at a later date. Premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

Premium income includes administrative surcharge that represents documentation and other charges recovered by the Company from policy holders in respect of policies issued, at a rate of 5% of the premium restricted to a maximum of Rs. 2,000 per policy.

Return on investments

Income from held to maturity investments is recognized on a time proportion basis taking into account the effective yield on the investments.

Dividend income and entitlement of bonus shares are recognized when the Company's right to receive such dividend and bonus shares is established.

Gain / loss on sale of available for sale investments and investments at fair value through profit and loss - held for trading are recognized in profit and loss account.

Miscellaneous income

Other revenues are recognized on accrual basis.

4.14 Claims expenses

Insurance claims include all claims incurred during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, and any adjustments to claims outstanding from previous years.

The Company recognises liability in respect of all claims incurred up to the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

4.15 Provision for outstanding claims including incurred but not reported (IBNR)

The Company recognizes liability in respect of all claims incurred up to balance sheet date which is measured at undiscounted value of expected future payments. Claims are considered to be incurred at the time of incident giving rise to claim except as otherwise expressly indicated in an insurance contract. The liability for claims includes amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision in respect of unpaid reported claims is made on basis of individual case estimates. These are accounted for on management's best estimate which takes into account past trends, expected future patterns of reporting claims actually reported subsequent to the balance sheet date. Reinsurance recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the balance sheet date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured.



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

Case estimates are reviewed periodically to ensure that the recognized outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

Claims incurred but not reported (IBNR)

The provision for claims incurred but not reported (IBNR) at balance sheet date is based on an analysis of the past claims reporting pattern experienced by the Company. The provision for IBNR has been accounted for on the basis whereby all claims incurred before preceding year but reported up to current year were aggregated and the ratio of such claims to outstanding claims at preceding year has been applied to outstanding claims except exceptional losses at current year to arrive at liability for IBNR. The analysis is carried out separately for each class of business.

4.16 Employees' retirement benefits

Defined contribution plan

The Company operates a funded provident fund scheme for all permanent employees. Monthly contribution is made by the Company at the rate of 10% of basic salary and the same is charged to profit and loss account.

4.17 Taxation

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

Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. Charge for current taxation also includes adjustments relating to prior years which arise from assessments framed / finalized during the year or required by any other reason.

Deferred

Deferred tax is accounted for using liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in financial statements and corresponding tax bases used in the computation of the taxable profit. 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.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

4.18 Investments

Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include the transaction cost except for 'held for trading' in which case transaction costs are charged to the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are classified into the following categories:

- a) Held to maturity
- b) Available for sale
- c) Investment at fair value through profit and loss (held for trading)

Measurement

a) Held to maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held-to-maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account discount / premium on acquisition by using effective yield method.

The difference between the redemption value and the purchase price of the held-to-maturity investments is amortised and taken to the profit and loss account over the term of the investment.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

b) Available for sale

Available-for-sale investments are those non-derivative instruments / contracts that are designated as available-for-sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

- Quoted

Subsequent to initial measurement, the quoted available-for-sale investments are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for period within statement of comprehensive income. These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

- Unquoted

Unquoted available-for-sale investments are recorded at cost less accumulated impairment losses, if any. Provision for diminution in the value of securities is made after considering impairment losses, if any.



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

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

At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading.

Subsequent to initial recognition these are remeasured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

Derecognition

All investments are de-recognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

4.19 Management expenses

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross premium revenue. Expenses not allocable to the underwriting business are charged as administrative expenses.

4.20 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 future for the goods and / or services received, whether or not billed to the Company. Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

4.21 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non-financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each balance sheet date and are adjusted to reflect the current best estimates. Changes in the provisions are recognized as income or expense.

4.22 Financial instruments

Financial assets and financial liabilities within the scope of IAS-39 are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the profit and loss.

Financial instruments carried on the balance sheet include bank deposits, investments, insurance / reinsurance receivables, insurance / reinsurance payables, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, accrued expenses, other creditors and accruals and short term running finance. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.23 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set-off and the Company intends either to settle the assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

4.24 Foreign currency translation

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into rupees at the rates of exchange which approximate those prevailing at the balance sheet date. Exchange differences are taken to the profit and loss account.

4.25 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

4.26 Dividends, bonus shares and reserve appropriation

Dividend distribution inclusive of both cash dividend and stock dividend (bonus shares) to the Company's shareholders is recognized as a liability in the period in which the dividends are approved. Similarly, reserve appropriation is recognized in the year in which it is approved.

4.27 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

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5 Property and equipment

	2019					Written down value		Depreciation Rate
	Cost / Revaluation		Depreciation		As at	As at December		
	As at January 01, 2019	Additions / (disposals)	As at December 31, 2019	As at January 01, 2019	Disposals	Charge for the year	December 31, 2019	
	Rupees							%
Land and buildings								
- cost	110,457,839	-	110,457,839	37,079,521	-	3,668,916	40,748,437	5
- revaluation	14,615,936	-	14,615,936	11,391,463	-	161,224	11,552,687	5
	125,073,775	-	125,073,775	48,470,984	-	3,830,140	52,301,124	
Furniture and fixtures	13,382,379	715,000	14,097,379	11,035,843	-	247,770	11,283,613	10
Office equipment	8,157,373	1,902,600	10,059,973	5,139,178	-	376,334	5,515,512	10
Arms and ammunition	28,229	-	28,229	25,570	-	266	25,836	10
Bicycles	145,176	-	145,176	124,974	-	2,020	126,994	10
Motor vehicles	93,522,951	24,527,910	88,860,361	72,038,054	(9,099,651)	4,264,063	67,202,466	15
		(29,190,500)						
	240,309,883	27,145,510	238,264,893	136,834,603	(9,099,651)	8,720,593	136,455,545	
		(29,190,500)						

2018

	Cost / Revaluation		Depreciation			Written down value		
	As at January 01, 2018	Additions / (disposals)	As at December 31, 2018	As at January 01, 2018	Disposals	Charge for the year	As at December 31, 2018	Depreciation Rate
								%
Land and buildings								
- cost	110,677,839	(220,000)	110,457,839	33,277,352	(152,925)	3,955,094	37,079,521	5
- revaluation	18,323,236	(3,707,300)	14,615,936	12,855,357	(1,633,603)	169,709	11,391,463	5
	129,001,075	(3,927,300)	125,073,775	46,132,709	(1,786,528)	4,124,803	48,470,984	
Furniture and fixtures	13,382,379	-	13,382,379	10,775,117	-	260,726	11,035,843	10
Office equipment	8,092,373	65,000	8,157,373	4,804,972	-	334,206	5,139,178	10
Arms and ammunition	28,229	-	28,229	25,275	-	295	25,570	10
Bicycles	145,176	-	145,176	122,729	-	2,245	124,974	10
Motor vehicles	95,093,451	1,050,000	93,522,951	68,592,465	(530,804)	3,976,393	72,038,054	15
		(2,620,500)					21,484,897	
	245,742,683	1,115,000	240,309,883	130,453,267	(2,317,332)	8,698,668	136,834,603	
		(6,547,800)					103,475,280	

5.1 Land and buildings

Land and buildings
Constructed buildings with land were purchased in the past and value components of building and land are not easily separable hence these are being disclosed together since acquisition.



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5.2 Details of property and equipment disposed off during the year, having written down value exceeding Rs. 50,000, are as follows:

Particular of asset	Cost	Accumulated Depreciation	Written down value	Sale Proceeds	Gain / (Loss) on disposals	Mode of disposal	Particulars of Purchaser	Status
----- Rupees -----								
Motor vehicles								
LZE 5578 - Suzuki Alto	500,000	434,213	65,787	400,000	334,213	- Negotiations -	Mr. Rashid Sheikh	Outsider
LEA-07-5285 - Toyota Corola	900,000	611,481	288,519	680,000	391,481	- Negotiations -	Mr. Shahid-ur-Rehman	Outsider
LRU 418 - Toyota Corola	900,000	760,687	139,313	500,000	360,687	- Negotiations -	Mrs. Uzma	Employee
LEB-11-9240 - Honda Civic	2,300,000	1,645,622	654,378	720,000	65,622	- Negotiations -	Mrs. Ana Amin	Outsider
LEA-11-9798 - Honda City	1,400,000	604,036	795,964	1,000,000	204,036	- Negotiations -	M. Shafi	Employee
LED-08-7581 Nissan	3,000,000	2,134,442	865,558	1,076,000	210,442	- Negotiations -	Mr. Khalid Aziz	Outsider
LEE-14-9127 Daihatsu Move	850,000	450,665	399,335	500,000	100,665	- Negotiations -	Mrs. Nagina Shahzadi	Outsider
LEF-16-3455 Honda City	1,698,000	622,820	1,075,180	1,400,000	324,820	- Negotiations -	Mr. Shahroz Qammar	Director
LEC-15-5119 - Toyota Corola	2,250,000	1,021,942	1,228,058	1,200,000	(28,058)	- Negotiations -	M/S SHERAIZ MOTORS	Outsider
LEB-16-4122 - Honda City	1,799,000	643,823	1,155,177	1,300,000	144,823	- Negotiations -	M/S SHERAIZ MOTORS	Outsider
Applied For - Honda Civic	2,718,700	33,984	2,684,716	2,657,500	(27,216)	- Negotiations -	Mr. Mian Irfan Waseem	Outsider
Applied For - Honda Civic	2,718,700	33,984	2,684,716	2,657,500	(27,216)	- Negotiations -	Mr. Khawar Hussain	Outsider
Applied For - Honda Civic	2,718,700	33,984	2,684,716	2,717,000	32,284	- Negotiations -	Mr. Adeel Ahmed	Outsider
Applied For - Honda Civic	2,718,700	33,984	2,684,716	2,657,500	(27,216)	- Negotiations -	Mr. Shan Qamar	Outsider
Applied For - Honda Civic	2,718,700	33,984	2,684,716	2,717,000	32,284	- Negotiations -	M/S Bank Islamic	Outsider
	<u>29,190,500</u>	<u>9,099,651</u>	<u>20,090,849</u>	<u>22,182,500</u>	<u>2,091,651</u>			

5.3 There are no assets held by third parties and assets with zero values.

5.4 Book value without revaluation surplus

Had there been no revaluation, the cost, accumulated depreciation, and book value of revalued property (land and buildings) at year end would have been as follows:

	Dec. 31 / 2019	Dec. 31 / 2018
	----- Rupees -----	----- Rupees -----
Cost	110,457,839	110,457,839
Accumulated depreciation	(40,748,437)	(37,079,521)
Book Value	<u>69,709,402</u>	<u>73,378,318</u>

6 Investment property

2019								
	Cost		As at 31 December	Depreciation		As at 31 December	Written down value As at 31 December	Useful life
	As at 1 January	Additions (disposals)		As at 1 January	For the year			
Land and building -note- 6.1	335,185,527	21,500,000 (45,000,000)	311,685,527	36,489,465	14,694,410 (7,052,695)	44,131,180	267,554,347	20 years
	<u>335,185,527</u>	<u>21,500,000 (45,000,000)</u>	<u>311,685,527</u>	<u>36,489,465</u>	<u>14,694,410 (7,052,695)</u>	<u>44,131,180</u>	<u>267,554,347</u>	-
2018								
	Cost		As at 31 December	Depreciation		As at 31 December	Written down value as at 31 December	Useful life
	As at 1 January	Additions/ (disposals)		As at 1 January	For the year			
Land and building	318,685,527	16,500,000	335,185,527	21,492,304	14,997,161	36,489,465	298,696,062	20 years
	<u>318,685,527</u>	<u>16,500,000</u>	<u>335,185,527</u>	<u>21,492,304</u>	<u>14,997,161</u>	<u>36,489,465</u>	<u>298,696,062</u>	

Details of investment property disposed off during the year, having written down value exceeding Rs. 50,000, are as follows:

Particular of asset	Cost	Accumulated Depreciation	Written down value	Sale Proceeds	Gain / (Loss) on disposals	Mode of disposal	Particulars of Purchaser	Status
----- Rupees -----								
6.1 Investment property 73 G, Commercial Gulshan Ravi, Lahore	45,000,000	7,052,695	37,947,305	39,000,000	1,052,695	- Negotiations -	Malik Shahbaz Nazir	Outsider

6.2 This represents various properties held by the Company for investment purposes.

6.3 Constructed Buildings with land were purchased in the past and value components of building and land are not easily separable hence these are being disclosed together since acquisition.

6.4 The management estimates market value of properties at Rs. 390.000 million. Last revaluation by an independent valuer was carried out during the year ended December 31, 2017 who estimated market value of properties thereon at Rs. 374.25 million.



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

7 Investments - Equity securities

Available for sale - Investment in quoted equities

Dec. 31 / 2019					
	Face value per share Rupees	Number of shares Number	Cost of shares Rupees	Unrealized gain / (loss) on revaluation Rupees	Carrying value Rupees
Bank Al-Falah Limited	10	5	109	120	229
Silk Bank Limited	10	7,398	15,233	(8,279)	6,954
Soneri Bank Limited	10	1,872	19,822	(1,383)	18,439
Summit Bank Limited	10	450	1,050	(528)	522
Bank of Khyber	10	3,039	17,965	23,244	41,209
IGI Holding	10	36	4,950	2,394	7,344
JS Bank Limited	10	5,000	20,874	6,126	27,000
MCB Bank limited	10	106	57,799	(36,075)	21,724
Meezan Bank Limited	10	34	1,168	2,066	3,234
Zeal Pak Cement Limited	10	10,000	4,400	-	4,400
Shabbir Tiles & Ceramics Limited	5	210	4,226	(2,134)	2,092
Modaraba Al-Mali	10	26	52	25	77
Sui Northern Gas Pipelines Limited	10	172	4,735	8,366	13,101
Best Way Cement Limited	10	100	28,000	(16,650)	11,350
Pakistan Tobacco Company Limited	10	600	37,092	1,427,238	1,464,330
		29,048	217,475	1,404,530	1,622,005

Dec. 31 / 2018					
	Face value per share Rupees	Number of shares Number	Cost of shares Rupees	Unrealized gain / (loss) on revaluation Rupees	Carrying value Rupees
Bank Al-Falah Limited	10	205	4,480	3,841	8,321
Silk Bank Limited	10	7,398	15,233	(5,985)	9,248
Soneri Bank Limited	10	1,872	19,822	3,896	23,718
Summit Bank Limited	10	450	1,050	(681)	369
Bank of Khyber	10	3,039	17,965	21,390	39,355
IGI Holding	10	36	4,950	2,292	7,242
JS Bank Limited	10	5,000	20,874	15,976	36,850
MCB Bank limited	10	106	57,799	(37,281)	20,518
Meezan Bank Limited	10	31	1,168	1,696	2,864
Ibrahim Fibres Limited	10	400	18,177	5,823	24,000
Zeal Pak Cement Limited	10	10,000	4,400	-	4,400
Shabbir Tiles & Ceramics Limited	5	3,210	64,601	(18,088)	46,513
Modaraba Al-Mali	10	26	52	39	91
Sui Northern Gas Pipelines Limited	10	172	4,735	8,521	13,256
Best Way Cement Limited	10	100	28,000	(16,542)	11,458
Pakistan Tobacco Company Limited	10	600	37,092	1,702,908	1,740,000
		32,645	300,398	1,687,805	1,988,203



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

		Dec. 31 / 2019	Dec. 31 / 2018
		----- Rupees -----	
8 Investments - Debt securities			
Held to maturity			
Government debt securities	- note 8.1	44,737,819	29,017,960

8.1 Government debt securities

	Maturity Year	Effective yield % age per annum	Dec. 31 / 2019	Dec. 31 / 2018
			----- Rupees -----	
Pakistan Investment Bonds	2019	12.00%	-	7,000,000
Pakistan Investment Bonds	2022	12.00%	7,500,000	7,500,000
Pakistan Investment Bonds	2022	12.00%	5,000,000	5,000,000
Pakistan Investment Bonds	2025	9.75%	2,300,000	2,300,000
Pakistan Investment Bonds	2026	9.75%	1,042,418	1,047,264
Pakistan Investment Bonds	2026	9.75%	6,153,400	6,170,696
Pakistan Investment Bonds	2026	8.75%	22,742,001	-
			44,737,819	29,017,960

8.1.1 Statutory deposits

Company has deposited following securities with State Bank of Pakistan pursuant to the requirements of clause (a) of sub - section 2 of section 29 of Insurance Ordinance, 2000.

	Dec. 31 / 2019	Dec. 31 / 2018
	----- Rupees -----	
Pakistan Investment Bonds - face value	46,800,000	28,800,000
Cash deposit (included in cash with banks)	2,341,507	18,061,358
	49,141,507	46,861,358

	Dec. 31 / 2019	Dec. 31 / 2018
	----- Rupees -----	
9 Investments - Term deposits		
Held to maturity		
Deposits maturing within 12 months	-	5,000,000

9.1 Deposits maturing within 12 months

This represented Term Deposit Receipts (TDR's) with Bank of Punjab encashed during the year. It carried mark up at the rate of 6.50% (2018: 6.50%) per annum.

	Dec. 31 / 2019	Dec. 31 / 2018
	----- Rupees -----	
10 Loans and other receivables		
Considered good		
Loans to employees and agents	4,264,600	4,290,400
Advance for purchase of assets	-	13,593,500
Security deposits	5,477,649	5,477,649
Accrued interest	1,032,597	1,137,050
Sundry receivables	13,587	22,201
	10,788,433	24,520,800



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

		Dec. 31 / 2019	Dec. 31 / 2018
		----- Rupees -----	
11 Insurance / reinsurance receivables			
Unsecured but considered good			
Due from insurance contract holders		114,551,191	170,666,190
Provision for impairment of receivables from insurance contract holders	11.1	-	(20,324,687)
		114,551,191	150,341,503
Due from other insurers / reinsurers		1,534,478	1,534,478
		<u>116,085,669</u>	<u>151,875,981</u>
11.1 Reconciliation of provision for impairment of receivables from insurance contract holders			
Balance at beginning of the year		20,324,687	77,280,819
Charge for the year		-	20,324,687
Write off against provision for the year		(20,324,687)	(77,280,819)
Balance at end of the year		<u>-</u>	<u>20,324,687</u>
12 Cash and bank			
Cash and cash equivalents	- note 12.1	3,186,437	180,178
Cash at bank	- note 12.2	3,192,182	22,384,302
		<u>6,378,619</u>	<u>22,564,480</u>
12.1 Cash and cash equivalents			
Cash in hand		63,137	56,878
Banking instrument (Call deposit receipt)		3,000,000	-
Policy and revenue stamps, bond papers		123,300	123,300
		<u>3,186,437</u>	<u>180,178</u>
12.2 Cash at bank			
Current accounts		845,884	4,318,764
Saving accounts	- note 12.2.1	4,791	4,180
Cash with State Bank of Pakistan	- note 12.2.2	2,341,507	18,061,358
		<u>3,192,182</u>	<u>22,384,302</u>
12.2.1 Cash at bank - on saving accounts			
Mark up rate in respect of savings accounts ranges between 8.50% and 11% (2018:3.50% to 9.50%) per annum.			
12.2.2 Cash with State Bank of Pakistan			
This represents deposit with State Bank of Pakistan pursuant to the requirements of clause (a) of sub - section 2 of section 29 of Insurance Ordinance, 2000.			
12.3 Cash and short term borrowing include the following for the purpose of the cash flow statement			
Cash and cash equivalents		<u>6,378,619</u>	<u>22,564,480</u>



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

	Dec. 31 / 2019	Dec. 31 / 2018	Dec. 31 / 2019	Dec. 31 / 2018
	----- Number of shares -----		----- Rupees -----	
13 Share capital				
13.1 Authorized share capital				
Ordinary shares of Rs. 10 each	50,000,000	50,000,000	500,000,000	500,000,000
13.2 Issued, subscribed and paid up capital				
Ordinary shares of Rs. 10 each				
- Fully paid in cash	20,000,000	20,000,000	200,000,000	200,000,000
- Fully paid as bonus shares	26,401,450	26,401,450	264,014,500	264,014,500
	<u>46,401,450</u>	<u>46,401,450</u>	<u>464,014,500</u>	<u>464,014,500</u>
13.3	The Company has only one class of ordinary shares. The holder of ordinary shares are entitled to receive dividend as declared and entitled to vote at meetings of the Company.			
13.4	The Company has no reserved shares for issue under option and sales contracts.			

	Dec. 31 / 2019	Dec. 31 / 2018
	----- Rupees -----	
14 Reserves		
Revenue reserves		
General reserve	- note 14.1	50,985,500
Revaluation reserve for unrealized (loss) / gain on available-for-sale investments - net		997,217
		<u>51,982,717</u>
		<u>52,183,843</u>

14.1 These represent distributable profits transferred and utilizable at the discretion of the board of directors.

	Dec. 31 / 2019	Dec. 31 / 2018
	----- Rupees -----	
15 Surplus on revaluation of fixed assets		
Balance at beginning of the year	6,348,151	7,940,969
Less: realization of surplus on disposal - net of tax	-	(1,472,325)
Less: incremental depreciation for the year - net of tax	(114,469)	(120,493)
Balance at end of the year	<u>6,233,682</u>	<u>6,348,151</u>

The latest revaluation of freehold land and building was carried out by independent valuers M/s. Muhammad Siddique Associates on December 31, 2015, who issued their report dated March 21, 2016 in this regard. According to this revaluation report market value of these assets is Rs. 69.766 million and forced sale value is Rs. 62.789 million; suggesting an increase in market value of about Rs. 1.871 million only. The directors are of the view that as the suggested change in existing valuation is not significant, hence no new adjustment is required.

	Dec. 31 / 2019	Dec. 31 / 2018
	----- Rupees -----	
16 Deferred taxation		
Deferred tax credits arising in respect of:		
Tax depreciation allowance	16,243,033	21,313,414
Accrued interest income	299,453	-
Unrealized gain on available-for-sale investments	407,313	489,463
Deferred tax debits arising in respect of:		
Due from insurance contract holders	-	(5,894,159)
Amortisation charge on debt securities	(10,422)	-
Tax losses	(16,939,377)	(15,908,718)
	<u>-</u>	<u>-</u>



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

16.1 The Company incurred a taxable loss of Rs 84.61 million during the year and the accumulated losses as at December 31, 2019 are of Rs. 299.15 million. Deferred tax asset on such losses is Rs 86.75 million out of which Rs. 15.91 million deferred tax asset had already been recognised during the year ended December 31, 2018. Considering the uncertainty regarding the timing and extent of future taxable profits against which such remaining benefits can be utilized, the management has adopted a prudent approach and has further recognised deferred tax asset to the extent of available taxable temporary differences.

17 Borrowings

During the year the Company had obtained a interest free loan amounting Rs. 20 million from Chief Executive Officer to meet the day to day working capital requirements of the Company. The entire loan was re-paid in December, 2019.

		Dec. 31 / 2019	Dec. 31 / 2018
		----- Rupees -----	
18 Insurance / reinsurance payables			
Due to other insurers / reinsurers	- note 18.1	42,712,699	41,482,438

18.1 This includes Rs. 29.24 million (2018: Rs. 29.24 million) payable to Pakistan Reinsurance Company Limited.

19 Other creditors and accruals

Federal excise duty / sales tax	17,784,845	19,406,034
Federal insurance fee	2,518,832	2,518,832
Accrued expenses	3,642,269	2,660,219
Withholding tax payable	4,647,054	4,650,382
Payable to employees' provident fund	105,220	50,940
Unpaid and unclaimed dividend	657,622	657,622
Others	330,000	330,000
	<u>29,885,842</u>	<u>30,274,029</u>

		Dec. 31 / 2019	Dec. 31 / 2018
		----- Rupees -----	
20 Taxation - provision less payment			
Balance at beginning of the year		27,460,347	30,059,279
Add: Charge for -			
Current year		-	-
Prior period taxation	- note 30.1	(27,460,347)	-
		<u>(27,460,347)</u>	<u>-</u>
Less: Paid during the year		(412,865)	(2,598,932)
Balance at end of the year		<u>(412,865)</u>	<u>27,460,347</u>

21 Contingencies and commitments

21.1 Securities and Exchange Commission of Pakistan ('SECP') has passed an order dated June 07, 2017 under section 11(1) (f) and section 12(1) and (4) read with section 63 (1) and section 156 of the Insurance Ordinance, 2000, directing the Company to cease entering into new contracts of insurance from one month from date of direction. The operations of the Company remain ceased from July 7, 2017. The matter is pending for adjudication before the Honorable Lahore High Court, Lahore

21.2 There are certain cases pending for adjudication before Civil Session, Insurance Tribunal, Lahore High Court and Supreme Court of Pakistan amounting to Rs. 78.01 million (2018: Rs. 63.83 million). No provision has been made in these financial statements in respect of the aforementioned matters as the management is confident that the ultimate outcome of cases will be in favor of the Company.



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

	Dec. 31 / 2019	Dec. 31 / 2018
	----- Rupees -----	
22 Net insurance premium		
Written gross premium	-	-
Add: Unearned premium reserve opening	-	30,352,537
Less: Unearned premium reserve closing	-	-
Premium earned	-	30,352,537
Less: Reinsurance premium ceded	17,975,376	24,759,454
Add: Prepaid reinsurance premium opening	-	10,743,919
Less: Prepaid reinsurance premium closing	-	-
Reinsurance expense	17,975,376	35,503,373
	(17,975,376)	(5,150,836)
23 Net insurance claims expense		
Claims paid	-	10,334
Add: Outstanding claims including IBNR closing - note 23.1	-	41,200,000
Less: Outstanding claims including IBNR opening	41,200,000	47,967,350
Claim expenses	(41,200,000)	(6,757,016)
Less: Reinsurance and other recoveries received	-	-
	(41,200,000)	(6,757,016)
23.1	The Company had booked a claim payable to M/S Sheikh Pipe amounting Rs. 41.2 million in the year 2013 the payment of the claim had since been long contested by the Company till the current financial year on account of non recovery of the same from the foreign reinsurer. However in the current financial year the said claim was paid by the foreign reinsurer (through WK Webster) to all the claimants including M/S Sheikh Pipe directly. The Company has not booked the reinsurance recoveries of the said claim in the respective year (2013) due to non recoverability of the claim and only the expense was booked in that year. However as the payment was made by the reinsurer to the claimant in the current financial year hence the same payable is written back in the current financial year.	
24 Net commission expense / acquisition costs		
Commission paid or payable	11,407,284	43,551,460
Add: Deferred commission expense opening	-	5,885,353
Less: Deferred commission expense closing	-	-
Net commission	11,407,284	49,436,813
Less: Commission received or recoverable from reinsurer	-	-
	11,407,284	49,436,813
25 Management expenses		
Salaries, wages and benefits - note 25.1	16,199,948	17,329,390
Entertainment	1,039,571	1,368,963
Rent, rates and taxes	4,122,464	4,675,758
Electricity, gas and water	593,376	1,928,255
Travelling and conveyance	118,671	170,155
Computer expenses	22,830	47,565
Communication	550,045	1,585,972
Registration, subscription and association	898,369	1,387,799
Provision against amount due from insurance contract holders	-	20,324,687
	23,545,274	48,818,544
25.1 Salaries, wages and benefits		
These include contribution to provident fund amounting to Rs. 66,558 (2018: Rs. 70,524).		



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

		Dec. 31 / 2019	Dec. 31 / 2018
		----- Rupees -----	
26 Investment income			
Income from equity securities			
Available for sale investments			
Dividend income		780	-
Income from debt securities			
Held to maturity investments			
Return on government debt securities		3,197,784	2,744,542
Income from term deposits Net			
Return on term deposits		152,020	5,533,918
		<u>3,350,584</u>	<u>8,278,460</u>
Net realized gains / (losses) on investments			
Available for sale investments			
Realized gains on equity security		10,782	234,662
Realized losses on equity security		(24,255)	(80,795)
		<u>(13,473)</u>	<u>153,867</u>
Total investment income		<u>3,337,111</u>	<u>8,432,327</u>
Less: Investment related expenses		<u>(3,064)</u>	<u>(4,962)</u>
		<u><u>3,334,047</u></u>	<u><u>8,427,365</u></u>
27 Other income			
Return on bank balances		440	753
Gain on disposal of investment properties	- note 6.1	1,052,695	-
Gain on sale of fixed asset	- note 5.2	2,091,651	1,124,532
Investment property received as gift from related party		-	16,500,000
Liabilities no more payable		11,951,570	-
		<u>15,096,356</u>	<u>17,625,285</u>
28 Other expenses			
Legal and professional fee other than business related		4,733,649	6,477,108
Salaries and allowances	- note 28.1	13,254,503	14,178,591
Auditors' remuneration	- note 28.2	1,000,000	1,000,000
Motor vehicle expenses		2,062,946	3,658,510
Tours and travelling		-	284,982
Books and periodicals		5,920	9,157
Printing and stationery		812,748	556,827
Depreciation	- note 28.3	23,415,003	23,695,829
Amortisation		22,142	20,251
Office cleaning and maintenance		9,229,565	625,992
Advertisement		357,900	76,300
Charity and donations	- note 28.4	5,800	10,600
Sundry expenses		11,100	220,936
		<u>54,911,276</u>	<u>50,815,083</u>



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

28.1 Salaries and allowances

These include contribution to provident fund amounting to Rs. 54,457 (2018: Rs. 55,701).

28.2 Auditors' remuneration

Audit fee
Review of Code of Corporate Governance
Fee for interim review
Special certifications and sundry advisory services
Out of pocket expenses including government levy

Dec. 31 / 2019 Dec. 31 / 2018
----- Rupees -----

660,000	828,000
105,000	105,000
168,000	-
55,000	55,000
50,000	12,000
<u>1,000,000</u>	<u>1,000,000</u>

28.3 Depreciation allocated is composed of:

Property and equipments - note 5
Investment properties - note 6

8,720,593	8,698,668
14,694,410	14,997,161
<u>23,415,003</u>	<u>23,695,829</u>

28.4 Charity and donations

None of the directors or their spouses have any interest in the donee.

Dec. 31 / 2019 Dec. 31 / 2018
----- Rupees -----

29 Finance costs

Mark-up on short-term borrowings
Bank charges

-	8,626,011
129,072	263,189
<u>129,072</u>	<u>8,889,200</u>

30 Taxation

Current year
Prior year - note 30.1
Deferred

-	-
(27,460,347)	-
82,150	(7,241,311)
<u>(27,378,197)</u>	<u>(7,241,311)</u>

30.1 The Company had recognized tax provision in its financial statements amounting to Rs. Nil and Rs. 33,071,992 for the years ended December 31, 2018 and December 2017 respectively, whilst the tax assessed for the Tax years 2018 and 2017 was Rs. 3,949,532 and Rs. 3,188,775 (base on filed tax returns) respectively. Therefore, the extra provision recognized in prior year has been reversed/

30.2 Relationship between tax expense and accounting profit

Accounting profit for the year

Tax at the rate of 29% (2018: 29%)
Tax effect of income subject to FTR
Tax effect of prior years
Tax effect of timing difference
Tax charge for the year

(46,908,459)	(128,618,666)
-	-
-	-
(27,460,347)	-
82,150	(7,241,311)
<u>(27,378,197)</u>	<u>(7,241,311)</u>



Notes to and Forming Part of the Financial Statements

For the Year Ended December 31, 2019

31 Losses (after tax) per share

The calculation of the basic earnings per share is based on the following data :

	Dec. 31 / 2019	Dec. 31 / 2018
Loss after tax	Rupees (19,530,262)	(121,377,355)
Weighted average number of ordinary shares	Number 46,401,450	46,401,450
Loss per share- basic and diluted	Rupees (0.42)	(2.62)

32 Compensation of Directors and Executives

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits to the chief executive, directors and other executives of the Company is as follows:

	Chief Executive Officer		Directors		Executives		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	----- Rupees -----							
For the year ended December 31, 2019								
Managerial remuneration	320,000	320,000	374,400	249,600	-	1,420,000	694,400	1,989,600
House rent allowance	128,000	128,000	149,760	99,840	-	568,000	277,760	795,840
Utilities	32,000	32,000	37,440	24,960	-	142,000	69,440	198,960
Others	763,295	894,726	868,016	384,668	-	-	1,631,311	1,279,394
	1,243,295	1,374,726	1,429,616	759,068	-	2,130,000	2,672,911	4,263,794
Number of persons	1	1	1	1	-	4	2	6

The Chief Executive and other executives of the Company are entitled to medical reimbursement up to a prescribed limit as per Company's policy.

Remuneration to the above key management personnel are in accordance with the terms of their employment. Contribution to the provident fund is in accordance with the Company's staff services rules and other transactions with the related parties are in accordance with the agreed terms.

In addition to above the chief executive and the directors are provided with free use of Company's maintained cars and residential telephone and utility bills.

33 Transactions with related parties

Related parties comprise of directors of the company, key management personnel and post employment benefit plans. Remuneration of directors, chief executive and executives are disclosed in note 32. The transactions are as follows:

	Dec. 31 / 2019	Dec. 31 / 2018
	----- Rupees -----	
Honda civic car purchased from an associated company (PGI Autos Tracking Services (Private) Limited)	2,800,000	-
Honda city car sold to a non executive director		
Sale proceeds	1,400,000	-
Gain on disposal of vehicle	324,820	-
Loan obtained from Chief Executive Officer / Director	20,000,000	-
Loan repaid to Chief Executive Officer / Director	20,000,000	-
Received as gift of investment property - 380/2, Sector Z, Phase 3 DHA, Lahore	-	16,500,000
Remuneration paid to directors, chief executive officer and executive of the Company	2,672,911	4,263,794
Contribution paid to provident fund	121,015	128,225

34 Number of employees

	Dec. 31 / 2019	Dec. 31 / 2018
Number of employees as at the end of year	68	106
Average number of employees during the year	68	107

35 Provident fund related disclosure

The following information is based on the financial statements of the fund:

	Dec. 31 / 2019	Dec. 31 / 2018
Size of the fund - Total assets	935,695	1,006,434
Cost of Investments	462,385	484,084
Percentage of investments made	49.42%	48.10%
Fair Value of investments	462,385	484,084

35.1 The break-up of fair value of investments is as follows:

	Dec. 31 / 2019	Dec. 31 / 2018	Dec. 31 / 2019	Dec. 31 / 2018
	----- % age -----		----- Rupees -----	
With bank (saving account)	2.68%	1.88%	12,385	9,084
Fixed Deposit Receipts	97.32%	98.12%	450,000	475,000
	100.00%	100.00%	462,385	484,084

35.2 The investments out of provident fund by the trust have been made in accordance with section 218 of the Companies Act, 2017 and the rules formulated for this purpose.



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36 Segment information

As the Company is under direction from SECP to not enter into new insurance contracts, therefore the Company had not written any premium during the period. In view of the same, segment wise analysis is not reported in these financial statements.

37 Movement in investments

	Available for sale	Held to maturity	Aggregate
	----- Rupees -----		
As at Jan. 01, 2018	2,091,298	147,038,211	149,129,509
Additions	-	5,000,000	5,000,000
Disposal (sale and redemption)	(534,405)	(118,000,000)	(118,534,405)
Fair value net gains (excluding net realized gain)	431,311	-	431,311
Unwinding of discount on debt securities	-	(20,251)	(20,251)
As at Dec. 31, 2018	1,988,204	34,017,960	36,006,164
Additions	-	22,719,851	22,719,851
Disposal (sale and redemption)	(75,588)	(12,000,000)	(12,075,588)
Fair value net gains (excluding net realized gain)	(290,611)	-	(290,611)
Unwinding of discount on debt securities	-	8	8
As at Dec. 31, 2019	1,622,005	44,737,819	46,359,824

38 Statement of solvency

	Dec. 31 / 2019
	...Rupees...
Assets	
Property and equipment	101,809,348
Investment properties	267,554,347
Investments	
- Equity securities	1,622,005
- Government debt securities	44,737,819
Loans and other receivables	10,788,433
Insurance / reinsurance receivables	116,085,669
Taxation - provision less payments	412,865
Cash and bank	6,378,619
Total assets (A)	549,389,105
In-admissible assets as per section 32 (2) of the Insurance Ordinance, 2000	
Property and equipment	29,036,697
Investment properties	173,380,096
Loans and other receivables	4,264,600
Insurance / reinsurance receivables	116,085,669
Total of in-admissible assets (B)	322,767,062
Total admissible assets (C=A-B)	226,622,043
Total Liabilities	
Underwriting provisions	
- Provision for outstanding claims (including IBNR)	-
Deferred taxation	-
Insurers / reinsurers payables	42,712,699
Taxation - provision less payments	-
Other creditors	29,685,842
Total Liabilities (D)	72,398,541
Total net admissible assets (E=C-D)	154,223,502
Minimum Solvency Requirement (F)	150,000,000
Surplus in Net Admissible Assets over Minimum Requirements (E-F)	4,223,502



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39 Capital management

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for share holders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. The Company's overall strategy remains unchanged from 2011.

In accordance with Insurance Rules 2017, minimum paid up capital requirement to be complied with by Insurance Companies at the end of the year is Rs. 500 million. The Company is non-compliant with the aforementioned requirement, however, the management is taking steps for right issue of shares and believe that the above requirement will be fulfilled before December 31, 2020.

40 Insurance risk management

The Company issue contracts that transfer insurance risk or financial risk or both. This section summarizes the insurance risks and the way the Company manages them.

40.1 Insurance risk

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

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquakes, transit, theft and third party liabilities etc.

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

40.2 Frequency and severity of claims

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

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

40.3 Uncertainty in estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events as per terms and condition of the insurance contract.

Key source of estimation uncertainty at the balance sheet date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims (including IBNR) are given under note 4.15.

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



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40.4 Key assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected income. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate case to case basis with due regard to the claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Core estimates are reviewed regularly and are updated as and when new information is available.

Estimation of IBNR is generally subject to a greater degree of uncertainty than estimation of cost of settling claims already notified to the Company, in which case information about claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of balance sheet date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

40.5 Sensitivity analysis

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

The claim liabilities are sensitive to the incidence of insured events and severity / size of claims. As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance. The impact of 10% increase / decrease in incidence of insured events on profit before tax and shareholder's equity is as follows:

	Underwriting Results		Shareholders' Equity	
	2019	2018	2019	2018
	----- Rupees -----		----- Rupees -----	
Average claim cost				
Fire and property damage	-	(107,522)	-	(76,341)
Marine, aviation and transport	-	502,066	-	356,467
Motor	-	(14,497)	-	(10,293)
Others	-	(51,617)	-	(36,648)
	-	328,430	-	233,185

40.6 Concentration of risk

To optimise benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risk with reference to the geographical location, the most important of which is risk survey.

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial / industrial / residential occupation of the insured. Details regarding fire separation / segregation with respect to manufacturing process, storage, utilities, etc. are extracted from layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters / reinsurance personnel for their evaluation.

Reference is made to the standard construction specification as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of perfect party walls, double fire proof iron doors, physical separation between the building within an insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

For marine risks, complete underwriting details such as sums insured, mode of transport (air / inland transit), vessel identification, sailing dates, origin and destination of the shipments, per carry limits, accumulation of sum insured on a single voyage etc. are taken into consideration.

The ability to manage catastrophic risk is tied with managing the density of risk within a particular area. For catastrophic aggregates, the system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and standardising Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils.



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A number of proportional and non-proportional reinsurance arrangements are in place to protect the net account. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

The Company minimises its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

41 Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

Credit risk

Liquidity risk

Market risk (including interest / mark up rate risk and price risk)

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken. The Board of Directors reviews and agrees policies for managing each of these risks.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and adhoc reviews of risk management control and procedures, the results of which are reported to the Audit Committee.

41.1 Credit risk and concentration of credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

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

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

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

Accounts nomenclature	Category of financial assets	Dec. 31 / 2019	Dec. 31 / 2018
		----- Rupees -----	
Investments:			
- Term deposits	Held to maturity	-	5,000,000
Loans and other receivables	Loans and receivables	10,788,433	24,520,800
Insurance / reinsurance receivables	Loans and receivables	116,085,669	151,875,981
Balances with banks	Loans and receivables	3,192,182	22,384,302
		<u>130,066,284</u>	<u>203,781,083</u>

Geographical concentration of credit risk

Geographically there is no concentration of credit risk.



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Securities and provisions against receivables

The Company does not hold collateral as security. There is no single significant customer in the receivables of the Company. General provision is made for the impairment of due from insurance contract holders as disclosed in note 11.1 to these financial statements. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers/reinsurers for whom there is no recent history of default.

Age analysis of financial assets at the reporting date is as below:

December 31, 2019				
	Carrying Amount	Up to One year	From 1 to 2 years	More than 2 years
	Rupees			
Loans and other receivables	10,788,433	1,094,784	-	9,693,649
Insurance / reinsurance receivables	116,085,669	-	-	116,085,669
Cash and bank	6,378,619	6,378,619	-	-
	<u>133,252,721</u>	<u>7,473,403</u>	<u>-</u>	<u>125,779,318</u>

December 31, 2018				
	Carrying Amount	Up to One year	From 1 to 2 years	More than 2 years
	Rupees			
Loans and other receivables	24,520,800	14,827,151	-	9,693,649
Insurance / reinsurance receivables	151,875,981	-	141,402,268	10,473,713
Cash and bank	22,564,480	22,564,480	-	-
	<u>198,961,261</u>	<u>37,391,631</u>	<u>141,402,268</u>	<u>20,167,362</u>

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

	Rating	Agency	Dec. 31 / 2019	Dec. 31 / 2018
			Rupees	
National Bank of Pakistan	AAA	PACRA	41,219	5,923
Habib Bank Limited	AAA	JCR - VIS	12,560	44,215
Bank Islami Limited			2,959	2,959
Allied Bank Limited	AAA	PACRA	612,291	111,594
MCB Bank Limited	AAA	PACRA	21,372	928,158
The Bank of Punjab	AA	PACRA	52,738	185,147
United Bank Limited	AAA	JCR - VIS	25,957	73,119
Soneri Bank Limited	AA-	PACRA	1,626	2,226
The Bank of Khyber	A	PACRA	11,093	17,002
Faysal Bank Limited	AA	PACRA	6,835	17,547
First Women Bank Limited	A-	PACRA	7,952	7,952
SILK Bank Limited	A-	JCR - VIS	3,756	3,756
Zarai Taraqiat Bank Limited	AAA	JCR - VIS	8,971	8,574
The Punjab Provincial Cooperative Bank Limited			14,861	25,680
Bank Al-Falah Limited	AA+	PACRA	1,328	7,991
Habib Metropolitan Bank Limited	AA+	PACRA	19,646	2,867,849
Bank Al-Habib Limited	AA+	PACRA	5,511	13,253
Cash with State Bank of Pakistan			2,341,507	18,061,358
			<u>3,192,182</u>	<u>22,384,303</u>

41.1.3 The credit quality of Company's investment in term deposits / call deposit receipts can be assessed with reference to external credit ratings as follows:

	Rating	Agency	Dec. 31 / 2019	Dec. 31 / 2018
			Rupees	
The Bank of Punjab	AA	PACRA	3,000,000	5,000,000



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41.1.4 Sector wise analysis of amount due from insurance contract holders

	Dec. 31 / 2019		Dec. 31 / 2018	
	Rupees	% age	Rupees	% age
Cables and rubber	39,766,989	34.72%	5,925,555	3.94%
Engineering	8,842,167	7.72%	24,675,728	16.41%
Construction	17,880,015	15.61%	6,834,614	4.55%
Services	16,801,012	14.67%	21,921,180	14.58%
Textile and composites	19,482,316	17.01%	47,194,019	31.39%
Agriculture	4,428,465	3.87%	12,305,340	8.18%
Other manufacturing	5,771,697	5.04%	5,810,832	3.87%
Miscellaneous	1,578,530	1.38%	25,674,235	17.08%
	<u>114,551,191</u>	<u>100%</u>	<u>150,341,503</u>	<u>100%</u>

41.1.5 The credit quality of amount due from other insurers and reinsurers can be assessed with reference to external credit ratings as follows:

	Financial strength ratings		Aggregate	
	A or above	Up till BBB	Dec. 31 / 2019	Dec. 31 / 2018
	----- Rupees -----			
Amounts due from other insurers / reinsurers	-	1,534,478	<u>1,534,478</u>	<u>1,534,478</u>

41.2 Settlement risk

The company's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

41.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

41.4 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfill its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

41.5 Maturity analysis of financial assets and liabilities

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

	Dec. 31 / 2019		
	Carrying amount	Up to one year	More than one year
	----- Rupees -----		
Financial assets			
Investments			
- Equity securities	1,622,005	1,622,005	-
- Debt securities	44,737,819	-	44,737,819
Loans and other receivables	10,788,433	10,788,433	-
Insurance / reinsurance receivables	116,085,669	116,085,669	-
Cash and bank	6,378,619	6,378,619	-
	<u>179,612,545</u>	<u>134,874,726</u>	<u>44,737,819</u>
Financial liabilities			
Outstanding claims	-	-	-
Insurance / reinsurance payables	42,712,699	42,712,699	-
Other creditors and accruals	7,459,943	7,459,943	-
	<u>49,966,642</u>	<u>49,966,642</u>	<u>-</u>



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Financial assets

Investments

- Equity securities
- Debt securities
- Term deposits

Loans and other receivables

Insurance / reinsurance receivables

Cash and bank

Dec. 31 / 2018		
Carrying amount	Up to one year	More than one year
----- Rupees -----		
1,988,203	1,988,203	-
29,017,960	-	29,017,960
5,000,000	5,000,000	-
24,520,800	24,520,800	-
151,875,981	151,875,981	-
22,564,480	22,564,480	-
<u>234,967,424</u>	<u>205,949,464</u>	<u>29,017,960</u>

Financial liabilities

Outstanding claims

Insurance / reinsurance payables

Other creditors and accruals

Dec. 31 / 2018		
Carrying amount	Up to one year	More than one year
----- Rupees -----		
41,200,000	41,200,000	-
41,482,438	41,482,438	-
30,274,029	30,274,029	-
<u>112,956,467</u>	<u>112,956,467</u>	<u>-</u>

41.6 Market risk

Market risk means that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The market risks associated with the Company's business activities are interest / mark up rate risk and price risk. The Company is not exposed to material currency risk.

41.7 Interest / mark up rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Company limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

41.7.1 Sensitivity analysis

At the balance sheet date, the interest rate profile of the Company's significant interest bearing financial instruments were as follows:

	Dec. 31 / 2019	Dec. 31 / 2018	Dec. 31 / 2019	Dec. 31 / 2018
	Effective interest rate (%)		----- Rupees -----	
Financial assets				
Subject to fixed rates				
Investment in government debt securities	8.75% to 12.00%	9.75% to 12.00%	44,737,819	29,017,960
Subject to variable rates				
Investment in term deposits	-	6.50%	-	5,000,000
Balance with banks	8.50% to 11%	3.50% to 9.50%	4,791	4,180



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Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

A hypothetical charge of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below.

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

	Dec. 31 / 2019	Dec. 31 / 2018	Dec. 31 / 2019	Dec. 31 / 2018
	Increase of 100 bps mark-up		Decrease of 100 bps mark-up	
	----- Rupees -----		----- Rupees -----	
Cash flow sensitivity - Variable rate financial assets	4	55,347	(4)	(55,347)

41.8 Exposure to interest rate risk

A summary of the Company's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

Dec. 31 / 2019				
	Mark-up / Return % age	Less than 1 Year	1 Year to 5 Year	More than 5 Years
		----- Rupees -----		
				Total
Assets				
Investment in debt securities	8.75% to 12.00%	-	12,500,000	32,237,819
Bank balances	8.50% to 11%	4,791	-	-
		4,791	12,500,000	32,237,819
				44,742,610
Dec. 31 / 2018				
	Mark-up / Return % age	Less than 1 Year	1 Year to 5 Year	More than 5 Years
		----- Rupees -----		
				Total
Assets				
Investment in debt securities	9.75% to 12.00%	-	19,500,000	9,517,960
Bank balances	8.50% to 11%	4,180	-	-
		4,180	19,500,000	9,517,960
				29,022,140

41.9 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest/mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities and units of mutual funds at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.



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For the Year Ended December 31, 2019

41.9.1 Sensitivity analysis

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

The impact of hypothetical change would be as follows:

	Dec. 31 / 2019	Dec. 31 / 2018
	----- Rupees -----	
Fair value	1,622,005	1,988,203
Hypothetical price change	± 10%	± 10%
Estimated fair value after hypothetical change in prices	162,201	198,820
Hypothetical variance in shareholders' equity	± 115,163	± 141,162
Hypothetical variance in profits / (loss) before tax	± 115,163	± 141,162

42.10 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

42.11 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for equity and debt instruments whose fair values have been disclosed in their respective notes to these financial statements. Fair value is determined on the basis of objective evidence at each reporting date. The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in active market for identical instrument.
- Level 2: Valuation techniques based on observable inputs either directly or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs.

	Level 1	Level 2	Level 3	Dec. 31 / 2019	Dec. 31 / 2018
	----- Rupees -----				
Available for sale investments	1,622,005	-	-	1,622,005	1,988,203
Held to maturity					
- Government securities	-	44,737,819	-	44,737,819	29,017,960
- Term deposits	-	-	-	-	5,000,000
	<u>1,622,005</u>	<u>44,737,819</u>	<u>-</u>	<u>46,359,824</u>	<u>36,006,163</u>

42 Corresponding figures

Corresponding figures have been rearranged wherever necessary, for purposes of comparison. There were no material reclassifications to report.

43 Subsequent events - non adjusting

As a result of the spread of COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact the net interest income. Other financial impact could occur though such potential impact is unknown at this time.

44 Date of authorization for issue

These financial statements have been approved by the Board of Directors of the Company and are authorized for issue on April 30, 2020.

45 General

Figures have been rounded off to the nearest Thousand Rupee.

-sd-
Chairperson

-sd-
Chief Executive Officer

-sd-
Director

-sd-
Director

-sd-
Chief Financial Officer



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 72nd Annual General Meeting (AGM) of The Pakistan General Insurance Company Limited (the "Company") will be held on Friday, May 29, 2020 at 10:00 a.m. at PGI House, 5-A Bank Square, The Mall Lahore, to transact the following business:

1. To confirm the minutes of the Annual General Meeting of the Company held on July 29, 2019.
2. To receive and adopt the Audited Accounts for the year ended December 31, 2019 together with the Directors' and Auditors' Report thereon.
3. To appoint Auditors for the year ending December 31, 2020 and to fix their remuneration. Messrs Muniff Ziauddin & Co. Chartered Accountants, being eligible offer themselves for reappointment.
4. To consider any other business of the Company with the permission of the Chair.

By Order of the Board

-SD-

Ch. Mohsin Ali

Company Secretary

Lahore: April 30, 2020

Notes:

1. The share transfer books of the Company will remain closed from Saturday, May 23, 2020 to Friday, May 29, 2020 (both days inclusive).
2. A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as his/ her proxy to attend and vote on his/ her behalf. Proxy form, in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
3. In light of the direction from the Securities & Exchange Commission of Pakistan (SECP) vide circular # 5 of 2020 dated March 17, 2020 regarding "Coronavirus contingency Planning for Annual General Meeting of the Shareholder" all Shareholders may send their comments/suggestions as per AGM agenda through email accordingly. In this respect all Shareholders are requested to register their particulars (i.e. Folio No. / Name / CNIC No. / Mobile No. / Email address) to the company secretary 3 days before the AGM on email address info@pgi.com.pk Shareholders comments/suggestions for the proposed agenda of the AGM to be discussed in the meeting and made part of the minutes of the meeting. Shareholders are requested to consolidate their attendance at AGM into few people as possible through proxies.
4. Pursuant to the notification of the SECP the financial statement of the Company have been placed on the Company's website at www.pgi.com.pk
5. The CDC account/ sub account holders are requested to bring with them their Computerized National ID Cards along with the Participant(s) ID number and their account numbers at the time of attending the AGM in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution/ Power of Attorney with specimen signatures be produced at the time of meeting.
6. Members are requested to promptly communicate any change in their address to our Share Registrar, M/s. Corplink (Private) Limited.
7. The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated September 8, 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail. Accordingly, members are requested to send their consent and e-mail addresses for receiving Audited Financial Statements and Notices through e-mail.



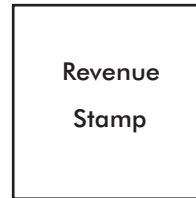
Proxy Form

I / We _____
of _____ member of The Pakistan General Insurance Company Limited hereby appoint
Mr. _____
or failing him _____
as my / our as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 72nd
Annual General Meeting of the Company to be held on Friday May 29, 2020 at 10:00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2020.

Witnesses

1. Signature _____
Name _____
Address _____
CNIC / Passport No. _____



Signature of Member (s)

2. Signature _____
Name _____
Address _____
CNIC / Passport No. _____

Shareholders' Folio No. _____
and / or CDC
Participant ID No. _____
And Sub-account No. _____

Important

This form of Proxy, duly completed, must be deposited at the Company's Registered Office at PGI House 5/A, Bank Square, The Mall Lahore, not later than 48 hours before the time appointed for the meeting.

CDC Shareholders and their Proxies are each requested to attach attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.

CDC Shareholders or their Proxies are requested to bring with them their Original Computerized National Identity Card or Passport along with the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification



دی پاکستان جنرل انشورنس کمپنی لمیٹڈ

پراکسی فارم

میں / ہم

ساکن

بحیثیت ممبر دی پاکستان جنرل انشورنس کمپنی لمیٹڈ بذریعہ ہذا مسمی

ساکن

کو یا ان کی عدم دستیابی کی صورت میں مسمی

ساکن

کو اپنی / ہماری جانب سے پراکسی مقرر کر رہا / رہی ہوں تاکہ وہ جمعہ 29 مئی 2020 بوقت 10:00 بجے صبح منعقد ہونے والے 72 ویں سالانہ اجلاس عام یا اس کے کسی بھی التوا میں میری / ہماری جگہ شرکت کرے اور ووٹ ڈالے۔

دستخط بروز _____ بتاریخ _____ 2020

گواہان:

ریونیواسٹمپ

ممبر (ممبران) کے دستخط

1- دستخط:

نام:

پتہ:

شناختی کارڈ یا پاسپورٹ نمبر:

2- دستخط:

نام:

پتہ:

شناختی کارڈ یا پاسپورٹ نمبر:

اہم نوٹ:

پراکسی کا یہ فارم جو ہر طرح سے مکمل ہو لازماً کمپنی کے رجسٹرڈ آفس واقع کوپی جی ہاؤس 5/A بنک اسکوائر دی مال لاہور میں اجلاس کے طے شدہ وقت سے کم از کم ۴۸ گھنٹے قبل جمع کر دیا جائے۔

سی ڈی سی شیئر ہولڈرز اور ان کی پراکسی سے درخواست ہے کہ ہر ایک اپنے کمپیوٹر رازڈ قومی شناختی کارڈ (سی این آئی سی) یا پاسپورٹ کی مصدقہ نقل کمپنی کو پراکسی فارم جمع کرانے سے قبل اس کے ساتھ منسلک کرے۔

سی ڈی سی شیئر ہولڈرز یا ان کے پراکسی سے درخواست ہے کہ اپنے اصل کمپیوٹر رازڈ قومی شناختی کارڈ یا پاسپورٹ بشمول پارٹیسپیٹ کا آئی ڈی نمبر اور ان کے اکاؤنٹ نمبر اپنی شناخت میں سہولت کی غرض سے سالانہ اجلاس عام میں شرکت کے وقت ہمراہ لائیں۔



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