

73RD ANNUAL REPORT

**THE PAKISTAN GENERAL INSURANCE COMPANY LIMITED
YEAR ENDED DECEMBER 31, 2020**

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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

Malik Ejaz Nazir (Chairman)
Nasira Raees
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)
Aftab Ahmad
Tariq Gorski

Legal Advisors

Ahmad Ali Ranjha (Advocate High Court)

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 Taraqyati Bank Limited
Soneri Bank Limited
The Bank of Khyber
Habib Metropolitan Bank Limited
First Women Bank Limited

Registered and Head Office

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

Contacts

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www.pgi.com.pk

Review Report by the Chairman 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: March 31, 2021

Director’s Report to the Shareholders’

Dear Fellow Shareholders!

Directors of “The Pakistan General Insurance Company Limited” take pleasure in presenting the 73rd annual report of your Company, together with the audited financial statements for the year ended December 31, 2020.

During 2020, some CPEC projects achieved their commercial operations and further projects are expected to be completed as per their timelines. The conditions of insurance industry continued to be challenging due to COVID-19 Pandemic.

Pakistan's economy is likely to rebound in 2021 as the impact of the pandemic gradually fades and domestic demand recovers. GDP is expected to grow between 1.5-2.5 per cent in 2021.

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 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. (41.791) million. Following is tabular analysis of the Company’s results at a glance.

	(rupees in ‘000)	
	Dec 2020	Dec. 2019
Gross written premium	-	-
Net premium	-	(17,975)
Underwriting results	(22,513)	(11,728)
(Loss) after tax	(41,791)	(19,530)
Losses per share (in Rs.)	(0.90)	(0.42)

Modifications in auditors' report

- a) 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 and solvency requirements of the Company as at December 31, 2020 is short by Rs. 36 million and Rs. 3.5 million respectively 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 both the capital and solvency requirements.

- b) Further to above, SECP has referred the matter to the National Accountability Bureau (NAB) and the matter by NAB is 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. Moreover, during the year 2021 SECP has agreed our contention that the said payment is to be made by the Company.
- c) 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.
- 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) 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) 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.

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 have completed their audit of the Company's financial statements and review of compliance with the Code of Corporate Governance for the year ended December 31, 2020. The Board Audit Committee has recommended the appointment of M/s. Sarwars Chartered Accountants as statutory auditors of the Company for the year ending December 31, 2021 on terms approved by the Board of Directors.

Appropriations and dividends

The amount available for appropriations is as under:

	Rs. in 000
a) Retained earnings	
At beginning of the year	(45,240)
(Loss) for the year	(41,791)
Transfer from surplus on revaluation of fixed assets on account of:	
- Disposal of fixed assets (net of tax)	750
	71
Amount available	<hr style="width: 100%; border: 0.5px solid black; margin-bottom: 5px;"/> (86,209)

For and on behalf of the Board

-sd-
Nasira Raees
Chairperson
Lahore:

Date: March 31, 2021

Board and Management Committees

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

Board Committees	Management Committees
Audit Committee	Underwriting and Risk Management Committee
Investment Committee	Claims Settlement Committee
Human Resources and Compensation 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.

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. Nasira Raees	4/4
3. Ch. Habibullah	4/4

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. Zaheer Ahmad	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	4/4
2. Zaheer Ahmed Khan	4/4
3. Saddiq Sabir	4/4

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	4/4
2. Aftab Ahmad	4/4
3. Khawar Munir	1/4
4. Tariq Gorsu	3/4

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 nine 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	7	7
Nasira Raees	Non Executive Director	7	7
Muhammad Haroon	Non Executive Director	7	7
Sajid Rabbani	Executive Director	7	7
Malik Ejaz Nazir	Independent Director	7	7
Ch. Habibullah	Non Executive Director	7	7
Shehroz Qamar	Non Executive Director	7	7

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: March 31, 2021

Six Years' Review at a Glance

	December 31,					
	2020	2019	2018	2017	2016	2015
	----- Rupees in thousands -----					
Underwriting results						
Gross premium written	-	-	-	201,098	352,440	457,540
Net insurance premium	-	(17,975)	(5,150)	287,600	250,957	264,591
Net insurance claims	-	41,200	(6,757)	4,142	84,856	128,632
Equity and total assets						
Paid-up capital	464,015	464,015	464,015	464,015	400,013	400,013
Reserves*	51,495	51,983	52,184	51,942	114,988	114,988
Shareholders' equity*	429,300	470,757	490,374	609,917	567,833	566,910
Total assets*	507,520	549,389	637,139	918,178	979,585	893,520
Dividends and earnings						
(Loss) / Profit after tax	(41,791)	(19,530)	(121,377)	40,241	32,217	66,640
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.

Pattern of shareholding as at December 31, 2020

-----Shareholding-----

No. of Shareholders	From	To	Total Shares Held
308	1	100	5,660
189	101	500	60,876
126	501	1,000	100,435
566	1,001	5,000	1,000,707
84	5,001	10,000	634,893
35	10,001	15,000	442,301
19	15,001	20,000	356,598
9	20,001	25,000	202,705
7	25,001	30,000	201,384
4	30,001	35,000	132,588
8	35,001	40,000	315,600
4	40,001	45,000	167,260
7	45,001	50,000	342,331
2	50,001	55,000	102,161
7	55,001	60,000	410,895
2	60,001	65,000	124,761
1	65,001	70,000	70,000
3	70,001	75,000	216,153
1	75,001	80,000	77,500
2	80,001	85,000	167,000
2	90,001	95,000	184,910
5	95,001	100,000	495,999
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	275,001	280,000	275,328
1	315,001	320,000	319,237
1	330,001	335,000	331,041
1	370,001	375,000	370,624
1	375,001	380,000	378,500
1	450,001	455,000	450,500
1	455,001	460,000	459,372
1	465,001	470,000	468,793
1	555,001	560,000	559,260
1	580,001	585,000	583,044
1	595,001	600,000	598,844
1	655,001	660,000	656,500
1	675,001	680,000	676,260

1	810,001	815,000	812,678
1	1,180,001	1,185,000	1,184,605
1	1,185,001	1,190,000	1,187,480
1	1,340,001	1,345,000	1,340,058
1	1,460,001	1,465,000	1,460,500
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	7,055,001	7,060,000	7,058,196
1	8,340,001	8,345,000	8,340,402

1428

46,401,450

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	5,131,829	11.0596%
Associated Companies, undertakings and related parties. (Parent Company)	0	0.0000%
NIT and ICP	1,668	0.0036%
Banks Development, Financial Institutions, Non Banking Financial Institutions	0	0.0000%
Insurance Companies	0	0.0000%
Modarabas and Mutual Funds	0	0.0000%
Shareholders holdings 10% or more	17,351,637	37.3946%
General Public		
a. Local	38,844,238	83.7134%
b. Foreign	-	-
Government Holding	459,516	0.9903%
Joint Stock Companies	1,954,199	4.2155%
Others	10,000	0.0216%

**Categories of Shareholding required under Code of Corporate Governance (CCG)
As on December 31, 2020**

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.MAZHARZAHOR	2,130,384	4.5912%
2	MRS.NASIRARAEES	1,330,637	2.8677%
3	MR.HAROONGHANIMEMON	257,248	0.5544%
4	MALIKEJAZNAZIR	1,000	0.0022%
5	CH.HABIBULLAH	500	0.0011%
6	MR.SAJDRUBANI(CDC)	85,041	0.1833%
7	MR.SHEHROZEQAMAR	24,515	0.0526%
8	MRS.RUBINAMAZHARW/OCH.MAZHARZAHOR	1,184,605	2.5529%
9	MR.RAEES-UD-DINH/ONASIRARAEES	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	MR. USMAN ALI	7,058,196	15.2112%
2	CH. ZAHOR AHMED	10,293,441	22.1834%

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
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**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, 2020**

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 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:

<u>Category</u>	<u>Names</u>
Independent Director	Malik Ejaz Nazir
Non-Executive Directors	Shehroz Qamar Muhammad Haroon Ch. Habibullah
Executive Directors	Mazhar Zahoor (Chief Executive Officer) Sajid Rabbani
Female Director (Non-Executive 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. No casual vacancy occurring on the Board during the year.
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, 2021.
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
Zaheer Ahmed Khan	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
Aftab Ahmad	Member
Tariq Gorski	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
Malik Ejaz Nazir	Chairman – Independent Director
Nasira Raees	Member – Non-Executive Director
Ch. Habiullah	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

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 Zahoor	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	42 Years
Abdul Rasheed	Head of Internal Audit	BA	33 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

Ch. Mazhar Zahoor
Chief Executive Officer
Lahore:
Date: March 31, 2021

Sajid Rabbani
Director

**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, 2020 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 Board of Directors has not established a system of sound internal control;
- iv. No orientation courses were carried out during the year for the directors of the Company;
- v. The Board of Directors has not formed the Nominations Committee, Ethics and Compliance Committee and Risk Management Committee;

- vi. Restructuring of HR and Remuneration Committee is made without the approval of the Board;
- vii. The Company has not devised significant policies including investment policy, underwriting policy, claims management policy, reinsurance policy, IT backup policy and remuneration policy;
- viii. The Board of Directors has not established an effective internal audit function;
- ix. The Board of Directors has not set up Grievance function;
- x. The Board of Directors and the Chief Executive of the Company have not been approved by SECP under the Insurance Companies (Sound and Prudent Management) Regulations, 2012; and
- xi. Casual vacancy occurred in the Board during the year ended December 31, 2019, 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, 2020.

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

Muniff Ziauddin & Co

Chartered Accountants

Engagement Partner: Arqum Naveed

Place: Lahore

Date:

31 MAR 2021

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, 2020, 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 h) 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, 2020 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 41.79 million (2019: Rs. 19.53 million) during the year ended December 31, 2020, and as of that date, its accumulated loss is Rs. 86.20 million (2019: Rs. 45.24 million). These conditions, along with the inability of the Company to meet the minimum paid up capital and solvency requirements indicate the material uncertainty that may cast significant doubt on the Company's ability to continue as a 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 an 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, approved plea bargain of Rs. 86.2 million to Ch. Zahoor Ahmed and also disqualified him for 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, accumulated loss, and cash and bank balances of the Company as at December 31, 2019, and December 31, 2020, would have been lower and higher respectively by Rs. 86.2 million.

- c) The Company has entered into reinsurance arrangements with foreign reinsurers and ceded reinsurance premium amounting to Rs. 17.98 million during the year ended December 31, 2019. We were unable to satisfy ourselves as to the 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 during the year ended December 31, 2019, accumulated loss and insurers / reinsurers payables as at December 31, 2019, and December 31, 2020, would have been lower by Rs. 17.98 million.
- d) The amount due from insurance contract holders as disclosed in note 11 to the financial statements, amounting to Rs. 100.39 million (2019: Rs. 114.55 million) remains unconfirmed. Management has not recorded any provision in respect of these balances. The Company has claimed recovery of Rs. 14.15 million (2019: Rs. 35.79 million) during the year and booked commission expense of Rs. 2.87 million (2019: Rs. 11.41 million) against these recoveries as disclosed in note 23 to the financial statements, which 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 records, resultant adjustments and consequential impacts thereof, if any, on the financial statements remain unascertained.
- e) The acquisition of vehicles amounting to Rs. 13.59 million and disposal of vehicles amounting to Rs. 29.19 million along with related depreciation expenses amounting to Rs. 0.86 million and net gain on disposal amounting to Rs. 2.09 million for the year ended December 31, 2019, had remained unverified. In the absence of relevant documentation and supporting records, we were unable to determine whether any adjustment to the opening balance of property and equipment might be necessary. Our audit opinion on the financial statements for the period ended December 31, 2019, 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 insurers / reinsurers payables to Pakistan Reinsurance Company Limited (PRCL) amounting to Rs. 29.2 million (2019: Rs. 29.2 million) as disclosed in note 18.1 to the financial statements remain unconfirmed. The Company is in process of reconciling these balances with PRCL. Due to pending confirmation / reconciliation relating to the above balance, resultant adjustments and consequential impacts thereof, if any, on the financial statements remain unascertained.
- g) Expenses amounting to Rs. 11.49 million (2019: Rs. 39.85 million), included in 'Management expense and Other expense' in the 'Statement of Comprehensive Income' remain unverified. In the absence of relevant documentation and supporting records, resultant adjustments and consequential impacts thereof, if any, on the financial statements remain unascertained.

- h) As disclosed in note 22.1 to the financial statements, the Company has reversed outstanding marine claim and recognized net insurance claim income amounting to Rs. 41.20 million during the year ended December 31, 2019. We were unable to satisfy ourselves as to the justification of reversal or settlement of this outstanding claim. In the absence of relevant documentation and supporting records, we were unable to determine whether any adjustment to the opening balance of outstanding claims might be necessary. Our audit opinion on the financial statements for the period ended December 31, 2019, 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.

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.

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:

Key audit matter	How the matter was addressed in our audit
<p>Contingencies</p> <p>Refer to note 20 to the financial statements, there are certain contingencies that 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 several procedures to verify the appropriateness of contingencies in the financial statements.</p> <p>This included, among others:</p> <ul style="list-style-type: none"> We followed the progress of each case and the Company's estimate of the cost to be incurred; We reviewed the key elements of the methodology employed by management in challenging the reasonableness of the cost estimates;



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	<ul style="list-style-type: none">• 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 authorities on previous lawsuits / cases appearing in the financial statements.
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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:

- 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



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matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- except for the effects of the matters 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);
- 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;
- 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;
- 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 Arqum Naveed.

Muniff Ziauddin & Co
Chartered Accountants
Place: Lahore
Date: 31 MAR 2021

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 2020 signed by Mrs. Nasira Raees and approved by the Board of Directors is part of the Annual Report 2020 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, ii and iii below relating to re-insurance arrangements:
 - i. Minimum Paid up Capital Requirement;
 - ii. Minimum Solvency Requirement;
 - iii. Reinsurance arrangements
- c. As at the date of the statement, the Pakistan General Insurance Company Limited except for point i, ii and iii 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-
Director**

**-sd-
Director**

**-sd-
Chief Financial Officer**

**-sd-
Chief Executive officer**

The Pakistan General Insurance Company Limited
Statement of Financial Position
As at December 31, 2020

	Note	Dec. 31/2020	Dec. 31/2019
----- Rupees -----			
Assets			
Property and equipment	5	95,778,364	101,809,348
Investment property	6	251,906,598	267,554,347
Investments			
- Equity securities	7	1,134,318	1,622,005
- Debt securities	8	44,990,375	44,737,819
- Term deposits	9	2,500,000	-
Loans and other receivables	10	6,871,163	10,788,433
Insurance / reinsurance receivables	11	100,395,257	116,085,669
Deferred taxation	12	-	-
Taxation - payment less provision	13	1,036,005	412,865
Cash and bank	14	2,907,551	6,378,619
Total Assets		507,519,651	549,389,105
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	15	464,014,500	464,014,500
Reserves	16	51,495,030	51,982,717
Accumulated loss		(86,209,452)	(45,240,335)
Total Equity		429,300,078	470,756,882
Surplus on revaluation of fixed assets	17	5,411,750	6,233,692
Liabilities			
Underwriting provisions			
- Outstanding claims including IBNR	22	-	-
Insurance / Reinsurance payables	18	42,712,699	42,712,699
Other creditors and accruals	19	30,095,124	29,633,842
		72,807,823	72,346,541
Total Equity and Liabilities		507,519,651	549,389,105
Contingencies and commitments	20		

The annexed notes, from 1 to 44, form an integral part of these financial statements.

Chairman

NASIRA RAEES

Director

HABIBULLAH

Director

SAJID
RUBBANI

Chief Executive Officer

MAZHAR ZAHOOR

Chief Financial Officer

JAVED QABAL

The Pakistan General Insurance Company Limited
 Statement of Comprehensive Income
 For the Year Ended December 31, 2020

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
Net insurance premium	21	-	(17,975,376)
Net insurance claims	22	-	41,200,000
Net commission and other acquisition costs	23	(2,871,596)	(11,607,286)
Insurance claims and acquisition expenses		(2,871,596)	29,792,716
Management expenses	24	(19,641,769)	(23,545,274)
Underwriting results		(22,513,365)	(11,727,914)
Investment income	25	4,906,387	3,334,047
Rental income		2,360,620	1,429,420
Other income	26	5,422,698	15,096,356
Other expenses	27	(31,903,325)	(54,911,274)
Result of operating activities		(61,728,985)	(66,779,387)
Finance costs	28	(62,064)	(129,572)
Loss before tax		(61,791,049)	(66,908,659)
Income tax expenses	29	-	27,378,197
Loss after tax		(61,791,049)	(19,530,262)
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss:			
Unrealized (loss) / gain on available-for-sale investments		(487,687)	(290,611)
Reclassification adjustment relating to available-for-sale investments disposed off during the year		-	7,335
Less: Related deferred tax impact		-	82,150
Other comprehensive (loss) / income for the year		(487,687)	(201,126)
Total comprehensive loss for the year		(42,278,736)	(19,731,388)
Losses (after tax) per share - Rupees	30	(0.90)	(0.42)

The annexed notes, from 1 to 44, form an integral part of these financial statements.



Chairman

NASIRA RAEES



Director

HABIBULLAH



Director

SAJID
RUBBANI



Chief Executive Officer

MAZHAR ZAMUR



Chief Financial Officer

JAVED QABAL

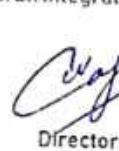
The Pakistan General Insurance Company Limited
Cash Flow Statement
For the Year Ended December 31, 2020

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
Operating cash flows			
a) Underwriting activities			
Insurance premiums received		14,155,934	35,790,312
Reinsurance premium paid		-	(4,793,545)
Commission paid		(2,871,596)	(11,407,284)
General and management expenses paid		(26,570,828)	(54,037,355)
Net cash flow from underwriting activities		(15,286,490)	(34,447,872)
b) Other operating activities			
Income tax paid		(623,140)	(412,865)
Loan repayments received		2,262,500	25,800
Other operating receipts		-	8,614
Other operating payments		(230,114)	(1,570,237)
Net cash flow from other operating activities		1,409,246	(1,948,688)
Total cash flow from all operating activities		(13,877,244)	(36,396,560)
Investment activities			
Profit/return received		4,603,520	3,429,482
Dividends received		-	780
Rentals received		2,360,620	1,429,420
Payments for investments		(2,500,000)	(22,719,851)
Proceeds from investments		-	12,069,450
Fixed capital expenditure		(6,045,900)	(13,552,010)
Payments for investment properties		-	(21,500,000)
Proceeds from sale of investment properties and property and equipment		12,050,000	61,182,500
Total cash flow from investing activities		10,468,240	20,339,771
Financing activities			
Finance cost paid		(62,064)	(129,072)
Total cash flow from financing activities		(62,064)	(129,072)
Net cash flow from all activities		(3,471,068)	(16,185,861)
Cash and cash equivalents at beginning of year		6,378,619	22,564,480
Cash and cash equivalents at end of year	14.3	2,907,551	6,378,619
Reconciliation to profit and loss account			
Operating cash flows		(13,877,244)	(36,396,560)
Depreciation/amortisation expense		(20,844,292)	(23,437,145)
Financial charges expenses		(62,064)	(129,072)
Decrease in assets other than cash		(19,909,012)	(35,824,727)
Increase in liabilities other than borrowings		213,858	56,397,419
Investment income		4,904,387	3,333,267
Rental income		2,360,620	1,429,420
Dividend income		-	780
Profit on disposal of investment properties and assets		5,422,235	3,144,346
Other income		463	11,952,010
Loss after taxation		(41,791,049)	(19,530,262)

The annexed notes from 1 to 44 form an integral part of these financial statements.


Chairman


Director


Director


Chief Executive Officer


Chief Financial Officer

NASIRA RAEES HABIBULLAH SAJID
RUBBANI

MAZHAR ZAHOUR JAVED SOBAL

Attributable to ordinary shareholders of the Company

	Rupees				
	Share capital	General reserves	Unrealized gains/ (losses) on revaluation of available for sale investments - net	Accumulated loss	
Balance as at January 01, 2019	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	-	-	-	114,469	114,469
- Incremental depreciation on fixed assets - net of tax	-	-	-	114,469	114,469
Balance as at December 31, 2019	464,014,500	50,985,500	997,217	(45,240,335)	470,756,882
Loss after tax	-	-	-	(41,791,049)	(41,791,049)
Other comprehensive loss for the year	-	-	(487,687)	-	(487,687)
Total comprehensive loss for the year	-	-	(487,687)	(41,791,049)	(42,278,736)
Transfer from surplus on revaluation of fixed assets on account of:					
- Disposal of fixed asset - net of tax	-	-	-	750,723	750,723
- Incremental depreciation on fixed assets - net of tax	-	-	-	71,209	71,209
Balance as at December 31, 2020	464,014,500	50,985,500	509,530	(86,209,452)	429,300,078

The annexed notes from 1 to 44, form an integral part of these financial statements


 Chairman


 Director


 Chief Executive Officer


 Chief Financial Officer

NASIRA RAEES

HASIBUWAH

SAJID RUBBANI

MAZHAR ZAHOOR

JAVED SAGAL

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 5 (2019: 19) 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 Insurance Ordinance, 2000, Insurance Rules, 2017 and 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 and Insurance Accounting Regulations, 2017, shall prevail.

The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O 89(I) 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 and judgements

The preparation of financial statements in conformity with accounting and reporting 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 | - 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 |

2.4 Functional and presentation currency

These financial statements are presented in Pak Rupees which is also the Company's functional and presentation currency.

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 accounting and reporting standards that are effective in current year

The following standards, amendments and interpretations of accounting and reporting standards that are effective in current year but are considered not to be relevant or do not have any significant effect on the operation and therefore not detailed in financial statements except IFRS 9:

			Effective from annual period beginning on or after
IFRS	3	Definition of a Business (Amendments)	January 01, 2020
IFRS	10	Consolidated Financial Statements	January 01, 2020
IAS	1/8	Definition of Material (Amendments)	January 01, 2020

IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' has become applicable, however as an insurance company, the management has opted temporary exemption from the application of IFRS 9 as allowed by International Accounting Standards Board (IASB) for entities whose activities are connected with insurance. Additional disclosures, as required by the IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are given below:

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:

- 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
- All other financial assets

Financial assets	Dec. 31/2019				
	----- Rupees -----				
	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 *	2,907,551	-	-	-	-
Investments - Debt securities *	-	-	44,990,395	-	-
Investments - Equity securities	1,134,318	(487,687)	-	-	-
Loans and other receivables *	6,871,163	-	-	-	-
	10,913,032	(487,687)	44,990,395	-	-

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

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2021:

Standard	Effective Date
IFRS 16 COVID-19 - Related Rent Concessions (Amendments)	June 01 2020
IAS 16 Proceeds Before Intended Use (Amendments)	January 01, 2022
IFRS 3 Update of outdated reference in IFRS 3	January 01, 2022
IAS 37 Onerous Contracts (Amendments)	January 01, 2022
IAS 1 Classification of Liabilities as Current or Non-Current (Amendments)	January 01, 2022

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
IFRS 1	First Time Adoption of International Financial Reporting Standards	Not yet decided

There are certain other new and amended standards and interpretations that are mandatory for the insurance accounting periods beginning on or after January 01, 2021 but are considered either not to be relevant or do not have any significant impact on these financial statements

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 loss, if any, except for free hold land and building on free hold land, which are stated at re-valued amount less impairment loss, if any.

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 accumulated loss.

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.

Commission expense

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.

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.

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 in current / saving account.

4.13 Revenue recognition

Premiums 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 at 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*

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.

4.15.1 *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.

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.

4.15.2 *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.

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.

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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.

	Note	Dec. 31/2020	Dec. 31/2019
----- Rupees -----			
5	Property and equipment		
	Operating assets	94,078,364	101,809,348
	Capital work-in-progress	1,700,000	-
		95,778,364	<u>101,809,348</u>

5.1 Operating assets

	2020				Depreciation rate
	As at January 01, 2020	As at December 31, 2020	As at January 01, 2020	As at December 31, 2020	
	Cost / Revaluation		Depreciation		Written down value
	Additions / (disposals)		Impairments	Charges for the year	As at December 31, 2020
Land and buildings					
- cost	110,457,839	(200,000)			108,257,839
- revaluation	14,615,936	(2,140,000)	(101,182)	3,523,322	19,008,176
	125,073,775	(2,340,000)	(101,182)	3,523,322	126,156,915
Furniture and fixtures	14,097,379	48,500		282,185	14,428,064
Office equipment	10,059,973	347,400		464,480	10,752,893
Arms and ammunition	28,229	-		239	28,468
Bicycles	145,176	-		1,818	146,994
Motor vehicles	88,860,361	3,950,000	(1,533,807)	3,402,178	94,678,732
	238,264,893	4,345,900	(2,717,623)	7,774,517	243,669,687
	(7,020,000)				
	231,244,893				

	2019				Depreciation rate
	As at January 01, 2019	As at December 31, 2019	As at January 01, 2019	As at December 31, 2019	
	Cost / Revaluation		Depreciation		Written down value
	Additions / (disposals)		Disposals	Charges for the year	As at December 31, 2019
Land and buildings					
- cost	110,457,839	-			110,457,839
- revaluation	14,615,936	-		161,224	14,777,160
	125,073,775	-		161,224	125,235,000
Furniture and fixtures	13,382,379	715,000		247,770	14,344,649
Office equipment	8,157,373	1,902,600		376,334	10,783,943
Arms and ammunition	28,229	-		266	28,495
Bicycles	145,176	-		2,020	147,196
Motor vehicles	93,522,951	24,527,910	(9,099,651)	4,264,063	119,215,263
	240,309,883	27,145,510	(9,099,651)	8,720,593	267,036,335
	(77,190,500)				
	163,119,383				

5.1 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.

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

Particulars of Asset Land and Building	Cost	Accumulated Depreciation	Written down value Rupees	Sales Proceeds	Gain/(Loss) on disposal	Mode of disposal	Particulars of Purchaser	Status
Bilore Palace Peshawar	2,340,000	1,183,826	1,156,174	4,000,000	2,843,826	- Negotiations -	Saddaruddin Khan	Outsider
MOTOR VEHICLES								
LED-18-4150 Honda Civic	2,800,000	415,188	2,384,812	3,000,000	615,188	- Negotiations -	M/S. Sheraz Motors	Outsider
LEH-15-5066 Suzuki Mehran	645,000	369,121	275,879	300,000	24,121	- Negotiations -	M/S. Sheraz Motors	Outsider
FD-12-68 Suzuki Cultus	735,000	311,829	423,171	350,000	(73,171)	- Negotiations -	M/S. Sheraz Motors	Outsider
LZY-418 Suzuki Alto	500,000	437,669	62,331	100,000	37,669	- Negotiations -	M/S. Sheraz Motors	Outsider
	4,680,000	1,533,807	3,146,193	3,750,000	603,807			
	7,020,000	2,717,633	4,302,367	7,750,000	3,447,633			

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

5.1.4 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. 31/2020	Dec. 31/2019
Cost	110,257,839	110,457,839
Accumulated depreciation	(44,170,577)	(40,768,437)
Book Value	66,087,262	69,709,402

5.1.5 Valuation technique

The valuation of land and building was determined by external independent property valuers having appropriate professional qualifications and experience. The valuation of land and building has been categorized as a Level 3 fair value (based on the inputs to the valuation techniques used).

The valuers have arranged enquiries and verification from various estate agents, brokers and dealers, the location and condition of the property, size, utilization and current trends in price of real estate including assumptions that ready buyers are available in the current scenario and analyzed through detailed market surveys to determine the better estimates of the fair value

5.2 Capital work in progress

Advance to supplier - Motor vehicle

1,700,000

Available for sale - Investment in quoted equities

Dec. 31/2020					
	Face value per share Rupees	Number of shares Number	Cost of shares Rupees	Accumulated Unrealized gain / (loss) on revaluation Rupees	Carrying value Rupees
Bank Al-Falah Limited	10	5	109	68	177
Silk Bank Limited	10	7,398	15,233	(7,243)	7,990
Soneri Bank Limited	10	1,872	19,822	(1,196)	18,626
Summit Bank Limited	10	450	1,050	(208)	842
Bank of Khyber	10	3,039	17,965	27,559	45,524
IGI Holding	10	36	4,950	2,374	7,324
JS Bank Limited	10	5,000	20,874	11,226	32,100
MCB Bank limited	10	106	57,799	(38,159)	19,640
Meezan Bank Limited	10	34	1,168	2,382	3,550
Zeal Pak Cement Limited	10	10,000	4,400	-	4,400
Shabbir Tiles & Ceramics Limited	5	210	4,226	237	4,463
Modaraba Al-Mali	10	26	52	72	124
Sui Northern Gas Pipelines Limited	10	172	4,735	2,905	7,640
Best Way Cement Limited	10	100	28,000	(11,866)	16,134
Pakistan Tobacco Company Limited	10	600	37,092	928,692	965,784
		<u>29,048</u>	<u>217,475</u>	<u>916,843</u>	<u>1,134,318</u>

Dec. 31/2019					
	Face value per share Rupees	Number of shares Number	Cost of shares Rupees	Accumulated 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
		<u>29,048</u>	<u>217,475</u>	<u>1,404,530</u>	<u>1,622,005</u>

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
8	Investments - Debt securities		
	Held to maturity		
	Government debt securities	44,990,395	44,737,819

8.1 Government debt securities

	Maturity Year	Effective yield % age per annum	Dec. 31/2020	Dec. 31/2019
			----- Rupees -----	
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%	1,037,133	1,042,418
Pakistan Investment Bonds	2026	9.75%	6,134,475	6,153,400
Pakistan Investment Bonds	2026	8.75%	23,018,787	22,742,001
			44,990,395	44,737,819

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:

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
Pakistan Investment Bonds - face value		46,800,000	46,800,000
Cash deposit (included in cash with banks)	14	2,341,507	2,341,507
		49,141,507	49,141,507

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
9	Investments - Term deposits		
	Held to maturity		
	Deposits maturing within 12 months	2,500,000	-

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 8.75% (2019: 6.50%) per annum.

	Dec. 31/2020	Dec. 31/2019	
	----- Rupees -----		
10	Loans and other receivables		
	Considered good		
	Loans to employees and agents	51,100	4,264,600
	Security deposits	5,477,649	5,477,649
	Accrued interest on investment income	1,335,927	1,032,597
	Sundry receivables	8,487	13,587
		6,871,163	10,788,433

11 Insurance/reinsurance receivables

Unsettled but considered good

	Dec. 31/2020	Dec. 31/2019
	----- Rupees -----	
Due from insurance contract holders	100,395,257	114,551,191
Due from other insurers / reinsurers	-	1,534,478
	100,395,257	116,085,669
Less provision for impairment of due from other insurers / reinsurers	-	-
	100,395,257	116,085,669

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
11.1	Reconciliation of provision for impairment of receivables from insurance contract holders		
	Balance at beginning of the year	-	20,324,687
	Charge for the year	1,534,478	-
	Write off against provision for the year	(1,534,478)	(20,324,687)
	Balance at end of the year	-	-
12	Deferred taxation		
	Deferred tax credits arising in respect of:		
	Tax depreciation allowance	8,288,597	16,243,033
	Accrued interest income	386,839	299,453
	Unrealized gain on available-for-sale investments	265,884	407,313
	Deferred tax debits arising in respect of:		
	Amortisation charge on debt securities	-	(10,422)
	Tax losses	(8,941,320)	(16,939,377)
		-	-

12.1 The Company incurred a taxable loss of Rs 62.13 million during the year and the accumulated losses as at December 31, 2020 are of Rs. 314.85 million. Deferred tax asset on such losses is Rs 73.36 million out of which Rs. 32.8 million deferred tax asset had already been recognised in prior years. 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 only recognised deferred tax asset to the extent of available taxable temporary differences.

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
13	Taxation - payment less provision		
	Balance at beginning of the year	(412,865)	27,460,347
	Add: Charge for -		
	Current year	-	-
	Prior period taxation	-	(27,460,347)
	Less: Paid during the year	(623,140)	(412,865)
	Balance at end of the year	(1,036,005)	(412,865)

14	Cash and bank		
	Cash and cash equivalents	14.1	178,085
	Cash at bank	14.2	2,729,466
			2,907,551

14.1	Cash and cash equivalents		
	Cash in hand	54,785	63,137
	Banking instrument (Call deposit receipt)	-	3,000,000
	Policy and revenue stamps, bond papers	123,300	123,300
		178,085	3,186,437

14.2	Cash at bank		
	Current accounts	14.2.1	382,760
	Saving accounts	14.2.2	5,199
	Cash with State Bank of Pakistan	14.2.2	2,341,507
			2,729,466

14.2.1 Cash at bank - on saving accounts

Mark up rate in respect of savings accounts ranges between 2.50% to 5.25% (2019: 3.00% to 6.30%) per annum.

14.2.2 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.

	Dec. 31/2020	Dec. 31/2019
	----- Rupees -----	
14.2 Cash and short term borrowing include the following for the purpose of the cash flow statement		
Cash and cash equivalents	2,907,551	6,378,619

	Dec. 31/2020	Dec. 31/2019	Dec. 31/2020	Dec. 31/2019
	----- Number of shares -----		----- Rupees -----	
15 Share capital				
15.1 Authorized share capital				
Ordinary shares of Rs. 10 each	50,000,000	50,000,000	500,000,000	500,000,000
15.2 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
	46,401,450	46,401,450	464,014,500	464,014,500

15.3 The Company has only one class of ordinary shares. The holder of ordinary shares are entitled to receive dividend as declared and are entitled to vote at meetings of the Company.

15.4 The Company has no reserved shares for issue under option and sales contracts.

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
16 Reserves			
Revenue reserves			
General reserve	16.1	50,985,500	50,985,500
Revaluation reserve for unrealized (loss) / gain on available-for-sale investments - net		509,530	957,217
		51,495,030	51,932,717

16.1 This represents distributable profits transferred and utilizable at the discretion of the board of directors.

	Dec. 31/2020	Dec. 31/2019
	----- Rupees -----	
17 Surplus on revaluation of fixed assets		
Balance at beginning of the year	6,233,692	6,348,151
Less: realization of surplus on disposal - net of tax	(750,723)	-
Less: incremental depreciation for the year - net of tax	(71,200)	(114,469)
Balance at end of the year	5,411,750	6,233,682

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.

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
18 Insurance and reinsurance payables			
Due to other insurers / reinsurers	18.1	42,712,699	42,712,699

18.1 This includes Rs. 29.24 million (2019: Rs. 29.24 million) payable to Pakistan Reinsurance Company Limited.

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
19	Other creditors and accruals		
	Federal excise duty / sales tax	17,507,173	17,784,845
	Federal insurance fee	2,518,832	2,518,832
	Accrued expenses	4,286,765	3,642,269
	Withholding tax payable	4,644,882	4,647,054
	Payable to employees' provident fund	149,850	105,220
	Unpaid and unclaimed dividend	657,622	657,622
	Others	330,000	330,000
		<u>30,095,124</u>	<u>29,685,842</u>

20 Contingencies and commitments

- 20.1 Securities and Exchange Commission of Pakistan ('SECP') has passed an order dated June 07, 2017 under section 11(i) (f) and section 12(i) 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.
- 20.2 There are certain cases pending for adjudication before Civil Session, Insurance Tribunal, Lahore High Court and Supreme Court of Pakistan amounting to Rs. 48.76 million (2019: Rs. 78.01 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.

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
21	Net insurance premium		
	Written gross premium	-	-
	Add: Unearned premium reserve opening	-	-
	Less: Unearned premium reserve closing	-	-
	Premium earned	-	-
	Less: Reinsurance premium ceded	-	17,975,376
	Add: Prepaid reinsurance premium opening	-	-
	Less: Prepaid reinsurance premium closing	-	-
	Reinsurance expense	-	17,975,376
		-	<u>(17,975,376)</u>

22 Net insurance claims expense

	Claims paid / payable	-	-
	Add: Outstanding claims including IBNR closing	-	-
	Less: Outstanding claims including IBNR opening	-	41,200,000
	Claim expenses	-	(41,200,000)
	Less: Reinsurance and other recoveries received	-	-
		-	<u>(41,200,000)</u>

- 22.1 The Company had booked a claim payable to M/S Sheikh Pipe amounting to Rs. 41.2 million in the year 2013. The payment of the claim had since been long contested by the Company till the last financial year on account of non recovery of the same from the foreign reinsurer. However, in the last 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 last financial year hence the same payable was written back in the last financial year.

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	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
23	Net commission expenses/acquisition costs:		
	Commission paid or payable	2,871,596	11,407,284
	Add: Deferred commission opening	-	-
	Less: Deferred commission closing	-	-
	commission expense	2,871,596	11,407,284
	Less: Commission received or recoverable from reinsurer	-	-
	Net commission expense	2,871,596	11,407,284
24	Management expenses		
	Salaries, wages and benefits	24.1	7,336,284
	Entertainment		377,907
	Rent, rates and taxes		4,791,539
	Electricity, gas and water		322,566
	Travelling and conveyance		144,685
	Computer expenses		8,100
	Communication		308,240
	Registration, subscription and association		2,864,470
	Bad debts written off		3,487,978
			19,641,769
			23,545,274
25.1	Salaries, wages and benefits		
	These include contribution to provident fund amounting to Rs. 57,987 (2019: Rs. 66,558).		
25	Investment income		
	Income from equity investments		
	Available for sale investments		
	Dividend income	-	780
	Income from debt investments		
	Held to maturity investments		
	Return on government debt securities	4,843,647	3,197,784
	Income from term deposits		
	Return on term deposits	60,740	152,020
		4,904,387	3,350,584
	Income from investments through subsidiaries		
	Available for sale investments		
	Realized gains on equity security	-	10,782
	Realized losses on equity security	-	(24,255)
		-	(13,473)
	Total investment income	4,904,387	3,337,111
	Less: Investment related expenses	-	(3,064)
		4,904,387	3,334,047

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
26. Other income			
Return on bank balances		663	660
Gain on disposal of investment properties	4.1	1,974,602	1,052,695
Gain on sale of fixed asset	5.1.2	3,667,633	2,091,651
Liabilities written back		-	11,951,570
		<u>5,672,698</u>	<u>15,796,576</u>

27. Other expenses			
Legal and professional fee		416,000	4,733,649
Salaries and allowances	27.1	6,502,414	13,254,503
Auditors' remuneration	27.2	1,000,000	1,000,000
Motor vehicle expenses		954,064	2,062,966
Books and periodicals		4,260	5,920
Printing and stationery		204,475	812,748
Depreciation	27.3	21,096,868	23,415,003
Office cleaning and maintenance		2,284,770	9,229,565
Advertisement		190,050	357,950
Charity and donations	27.4	2,400	5,800
Sundry expenses		(252,576)	33,242
		<u>31,903,325</u>	<u>54,911,276</u>

27.1 Salaries and allowances

These include contribution to provident fund amounting to Rs. 47,444 (2019: Rs. 54,457).

	Note	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
27.2 Auditors' remuneration			
Audit fee		660,000	660,000
Review of Code of Corporate Governance		105,000	105,000
Fee for interim review		168,000	168,000
Special certifications and sundry advisory services		55,000	55,000
Out of pocket expenses including government levy		12,000	12,000
		<u>1,000,000</u>	<u>1,000,000</u>

27.3 Depreciation allocated is composed of:

Property and equipments	5	7,774,517	8,720,593
Investment properties	6	13,322,351	14,694,410
		<u>21,096,868</u>	<u>23,415,003</u>

27.4 Charity and donations

During the year no donations were made.

28. Finance costs

Bank charges		62,054	129,072
		<u>62,054</u>	<u>129,072</u>

		Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
29	Taxation		
	Current year	-	-
	Prior year	29.1	(27,440,347)
	Deferred	-	82,150
		-	<u>(27,378,197)</u>

29.1 The Company had recognized tax provision in its financial statements amounting to Rs. nil for the year ended December 31, 2019 whilst the tax assessed for tax years 2019 was Rs. 331,625 (based on filed tax return).

	Dec. 31/2020	Dec. 31/2019
	----- Rupees -----	
29.2 Relationship between tax expense and accounting profit		
Accounting loss for the year	(41,791,049)	<u>46,908,459</u>
Tax at the rate of 29% (2019: 29%)	-	-
Tax effect of income subject to FTR	-	(27,440,347)
Tax effect of prior years	-	82,150
Tax effect of timing difference	-	<u>(27,378,197)</u>

30 Losses (after tax) per share

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

		Dec. 31/2020	Dec. 31/2019
Loss after tax	Rupees	(41,791,049)	(19,530,262)
Weighted average number of ordinary shares	Number	46,401,450	<u>46,401,450</u>
Loss per share-basic and diluted	Rupees	(0.90)	<u>(0.42)</u>

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31 Remuneration 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				Total
	2020	2019	2020	2019	2020	2019	2020	2019	
	Rs. in lakhs								
Managerial remuneration	273.333	320.000	213.200	374.400	-	-	486.533	694.400	
House rent allowance	109.333	128.000	85.280	149.760	-	-	194.613	277.760	
Utilities	27.334	32.000	21.320	37.440	-	-	48.654	69.440	
Others	1,008.117	763.295	295.271	868.016	-	-	1,303.388	1,631.311	
	1,418.117	1,243.295	615.071	1,429.616	-	-	2,033.188	2,672.911	
Number of persons	1	1	1	1	-	-	2	2	

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.

32 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. 31/2020	Dec. 31/2019
	----- Rupees -----	
Honda civic car purchased from an associated company (PGI Autos Tracking Services (Private) Limited)	-	2,803,000
Honda city car sold to a non executive director	-	-
Sale proceeds	-	1,400,000
Gain on disposal of vehicle	-	324,520
Loan obtained from Chief Executive Officer / Director	-	20,000,000
Loan repaid to Chief Executive Officer / Director	-	20,000,000
Remuneration paid to directors, chief executive officer and executive of the Company	2,033,188	2,672,911
Contribution paid to provident fund	105,431	121,015

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	Dec. 31/2020	Dec. 31/2019
23 Number of employees		
Number of employees as at the end of year	24	68
Average number of employees during the year	46	68

	Dec. 31/2020	Dec. 31/2019
	Un-audited	Audited
	----- Rupees -----	
24 Provisional fund related disclosure		
The following information is based on the financial statements of the fund:		
Size of the fund - Total assets	1,111,036	1,293,812
Cost of investments	752,774	509,849
Percentage of investments made	67.75%	39.41%
Fair Value of investments	752,774	509,849

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

	Dec. 31/2020	Dec. 31/2019	Dec. 31/2020	Dec. 31/2019
	----- % age -----		----- Rupees -----	
With bank (saving account)	43.54%	1.93%	327,774	9,849
Term deposit receipts	56.46%	98.07%	425,000	500,000
	100.00%	100.00%	752,774	509,849

24.2 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.

25 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 year. In view of the same, segment wise analysis is not reported in these financial statements.

26 Movement in investments

	Available for sale	Held to maturity	Total
	----- Rupees -----		
As at Jan. 01, 2019	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
Additions	-	2,500,000	2,500,000
Disposal (sale and redemption)	-	-	-
Fair value net gains (excluding net realized gain)	(487,687)	-	(487,687)
Unwinding of discount on debt securities	-	-	-
As at Dec. 31, 2020	1,134,318	47,237,819	48,372,137

27 Statement of solvency

	Dec. 31/2020
	..Rupees..
Assets	
Property and equipment	95,778,364
Investment properties	251,906,598
Investments	
- Equity securities	1,134,318
- Term deposits	2,500,000
- Government debt securities	44,990,395
Loans and other receivables	6,871,163
Insurance / reinsurance receivables	100,395,257
Taxation - provision less payment	1,036,005
Cash and bank	2,907,551
Total assets (A)	<u>507,519,651</u>

Dec. 31 / 2020

...Rupees...

In-admissible assets as per section 32 (2) of the Insurance Ordinance, 2000

Property and equipment	27,785,504
Investment properties	161,747,205
Loans and other receivables	51,100
Insurance / reinsurance receivables	100,395,257
Total of in-admissible assets (B)	289,979,066
Total admissible assets (C-A-B)	217,540,585
Total Liabilities	
Underwriting provisions	-
- Provision for outstanding claims (including IBNR)	-
Deferred taxation	42,712,699
Insurers / reinsurers payables	-
Taxation - provision less payments	-
Other creditors	30,095,124
Total Liabilities (D)	72,807,823
Total net admissible assets (E+C-D)	144,732,762
Minimum Solvency Requirement (F)	150,000,000
Deficit in Net Admissible Assets over Minimum Requirements (E-F)	(5,267,238)

25 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, 2021.

26 Insurance risk management

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

26.1 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 and this risk is random and therefore unpredictable.

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.

26.2 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.

26.3 Third party indemnification of Policyholders' lawsuits

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 4.15.2.

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.

39.4 Reinsurance

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.

39.5 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 has not entered into any insurance contract therefore not assumed any significant risk during the year.

39.6 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.

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.

40 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.

40.1 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:

Accounts	Category of financial assets	Dec. 31/2020	Dec. 31/2019
		----- Rupees -----	
Investments:			
- Term deposits	Held to maturity	2,500,000	-
Loans and other receivables	Loans and receivables	6,871,163	10,788,433
Insurance / reinsurance receivables	Loans and receivables	100,395,257	116,085,669
Balances with banks	Loans and receivables	2,729,466	3,192,182
		112,495,886	<u>130,066,284</u>

40.1.1 Geographical concentration of credit risk

Geographically there is no concentration of credit risk.

40.1.2 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.

4013. Age analysis of financial assets at the reporting date is as below:

	December 31, 2020			
	Carrying Amount	Up to One year	From 1 to 2 years	More than 2 years
	Rupees			
Loans and other receivables	6,871,163	1,393,516	-	5,477,647
Insurance /reinsurance receivables	100,395,257	-	-	100,395,257
Cash and bank	2,907,551	2,907,551	-	-
	<u>110,173,971</u>	<u>4,301,065</u>	<u>-</u>	<u>105,872,904</u>

	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>

4014. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

	Rating	Agency	Dec. 31/2020	Dec. 31/2019
			Rupees	
National Bank of Pakistan	AAA	PACRA	35,988	41,219
Habib Bank Limited	AAA	JCR - VIS	18,837	12,560
Allied Bank Limited	AAA	PACRA	20,697	612,291
MCB Bank Limited	AAA	PACRA	210,688	21,372
The Bank of Punjab	AA	PACRA	7,764	52,738
United Bank Limited	AAA	JCR - VIS	25,407	25,957
Sonari Bank Limited	AA-	PACRA	1,326	1,626
The Bank of Khyber	A	PACRA	11,093	11,093
Faysal Bank Limited	AA	PACRA	25	6,335
First Women Bank Limited	A-	PACRA	7,952	7,952
SILK Bank Limited	A-	JCR - VIS	3,756	3,756
Zarai Taraqati Bank Limited	AAA	JCR - VIS	9,379	8,971
Bank Al-Falah Limited	AA+	PACRA	1,328	1,328
Habib Metropolitan Bank Limited	AA+	PACRA	10,388	19,545
Bank Al-Habib Limited	AA+	PACRA	5,511	5,511
Cash with State Bank of Pakistan			2,341,507	2,341,507
Unrated			17,820	17,820
			<u>2,729,466</u>	<u>3,192,132</u>

4015. 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. 31/2020	Dec. 31/2019
			Rupees	
The Bank of Punjab	AA	PACRA	2,500,000	3,000,000

4016. Sector wise analysis of amount due from insurance contract holders:

	Dec. 31/2020		Dec. 31/2019	
	Rupees	% age	Rupees	% age
Cables and rubber	33,505,071	33.37%	39,756,989	34.72%
Engineering	8,042,167	8.81%	8,842,167	7.72%
Construction	15,987,326	15.92%	17,880,015	15.61%
Services	13,566,092	13.51%	16,801,012	14.67%
Textile and composites	18,673,782	18.60%	19,482,316	17.01%
Agriculture	3,878,824	3.86%	4,428,465	3.87%
Other manufacturing	4,363,465	4.35%	5,771,697	5.04%
Miscellaneous	1,578,530	1.57%	1,578,530	1.38%
	<u>100,395,257</u>	<u>100%</u>	<u>114,551,191</u>	<u>100%</u>

40.1 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	
	& or above	Up till BBB	Dec. 31/2020	Dec. 31/2019
	-----Rupees-----			
Amounts due from other insurers / reinsurers	-	1,534,478	-	1,534,478

40.2 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 honor 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.

40.3 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.

40.4 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.

40.5 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. 31/2020		
	Carrying amount	Up to one year	More than one year
	-----Rupees-----		
Financial assets			
Investments			
- Equity securities	1,134,318	1,134,318	-
- Debt securities	44,990,395	-	44,990,395
- Term deposits	2,500,000	2,500,000	-
Loans and other receivables	6,871,163	6,871,163	-
Insurance / reinsurance receivables	100,395,257	100,395,257	-
Cash and bank	2,907,551	2,907,551	-
	<u>158,798,684</u>	<u>112,808,289</u>	<u>44,990,395</u>
Financial liabilities			
Outstanding claims	-	-	-
Insurance / Reinsurance payables	42,712,699	42,712,699	-
Other creditors and accruals	7,943,069	7,943,069	-
	<u>50,655,768</u>	<u>50,655,768</u>	<u>-</u>

	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
- Term deposits	-	-	-
Loans and other receivables	10,788,433	10,788,433	-
Insurance / reinsurance receivables	116,085,669	116,085,669	-
Cash and bank	6,278,619	6,278,619	-
	<u>179,612,545</u>	<u>134,814,726</u>	<u>44,737,819</u>

	Dec. 31/2019		
	Carrying amount	Up to one year	More than one year
	----- Rupees -----		
Financial liabilities			
Outstanding claims	-	-	-
Insurance / Reinsurance payables	42,712,699	42,712,699	-
Other creditors and accruals	7,253,963	7,253,963	-
	<u>49,966,662</u>	<u>49,966,662</u>	<u>-</u>

40.6 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.

40.7 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 saving 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.

40.7.1 Sensitivity analysis

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

	Dec. 31/2020	Dec. 31/2019	Dec. 31/2020	Dec. 31/2019
	Effective interest rate (%)		----- Rupees -----	
Financial assets				
Subsidiary investments				
Investment in government debt securities	8.75% to 12.00%	8.75% to 12.00%	44,990,395	44,737,819
Subsidiary investments				
Investment in term deposits	8.75%	-	2,500,000	-
Balance with banks	2.50% to 5.25%	3.00% to 6.30%	5,199	4,791

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 statement of comprehensive income and equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss 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. 31/2020	Dec. 31/2019	Dec. 31/2020	Dec. 31/2019
	Increase of 100 bps mark-up		Decrease of 100 bps mark-up	
	----- Rupees -----		----- Rupees -----	
Cash flow sensitivity - Variable rate financial assets	5	4	(5)	(4)

40.8 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:

	Mark-up / Return % age	Dec. 31/2020			Total
		Less than 1 Year	1 Year to 5 Year	More than 5 Years	
		----- Rupees -----			
Assets					
Investment in debt securities	8.75% to 12.00%	-	14,800,000	30,190,395	44,990,395
Bank balances	2.50% to 5.25%	5,199	-	-	5,199
		<u>5,199</u>	<u>14,800,000</u>	<u>30,190,395</u>	<u>44,995,594</u>

	Dec. 31/2019				Total
	Mark-up/ Return %age	Less than 1 Year	1 Year to 5 Year	More than 5 Years	
	----- Rupees -----				
Assets					
Investment in debt securities	8.75% to 12.00%	-	12,500,000	32,237,819	44,737,819
Bank balances	3.00% to 6.30%	4,791	-	-	4,791
		<u>4,791</u>	<u>12,500,000</u>	<u>32,237,819</u>	<u>44,742,610</u>

40.9 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.

40.10 Sensitivity analysis

The table below summarizes Company's equity price risk as of balance sheet date and shows the effects of a change of 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. 31/2020	Dec. 31/2019
	----- Rupees -----	
Fair value	1,134,318	1,622,005
Hypothetical price change	+ 10%	+ 10%
Estimated fair value after hypothetical change in prices	113,432	162,201
Hypothetical variance in shareholders' equity	+ 80,537	+ 115,163
Hypothetical variance in loss before tax	+ 80,537	+ 115,163

40.10 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.

40.11 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. 31/2020	Dec. 31/2019
	----- Rupees -----				
Available for sale investments	1,134,318	-	-	1,134,318	1,622,005
Held to maturity					
- Government securities	-	44,990,395	-	44,990,395	44,737,819
	<u>1,134,318</u>	<u>44,990,395</u>	<u>-</u>	<u>46,124,713</u>	<u>46,359,824</u>

41 Corresponding Figures

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

42 Subsequent events - non adjusting

During the year, the novel coronavirus (COVID-19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2021. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the Company based on its current assessment considered that there would be no significant impact that will adversely affect its business, result of operations and financial condition of the Company.

43 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 March 31st 2021

44 General

Figures have been rounded off to the nearest Rupee.



Chairman

NASIRA RAEES



Director

HABIBULLAH



Director

SAJID
RUBBANI



Chief Executive Officer

MAZHAR
ZAHOOR



Chief Financial Officer

JAVED
JABAL

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 73rd Annual General Meeting (AGM”) of The Pakistan General Insurance Company Limited (the “Company”) will be held on Friday, April 30, 2021 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 May 29, 2020.
2. To receive and adopt the Audited Accounts for the year ended December 31, 2020 together with the Directors’ and Auditors’ Report thereon.
3. To appoint Auditors for the year ending December 31, 2021 and to fix their remuneration.
4. To consider any other business of the Company with the permission of the Chair.

By Order of the Board

Ch. Mohsin Ali

Lahore: March 31, 2021 Company Secretary

Notes:

1. The share transfer books of the Company will remain closed from Saturday, April 24, 2021 to Friday, April 30, 2021 (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. 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.
4. 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.
5. Members are requested to promptly communicate any change in their address to our Share Registrar, M/s. Corplink (Private) Limited.
6. 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.

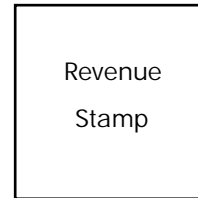
Proxy Form

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 73
Annual General Meeting of the Company to be held on Friday April 30, 2021 at 10:00 a.m. and at any adjournment thereof.

Signed this _____ day of _____ 2021

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

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