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PGI

ANNUAL REPORT
2009

Moving towards a better tomorrow

The Pakistan General Insurance Company Limited

Our Vision

The Pakistan General Insurance Company Limited is Committed to provide quality insurance services and improved coverage by virtue of sound professionalism and risk management expertise, to provide better coverage and satisfaction of their customers.

Our Mission

Our aim is to provide cost effective insurance cover to our customers which is achieved by increasing the productivity of our employees.

We follow good governance and sound professionalism to become a well reputed and respected corporate entity in the eyes of Government and Society.

We strive to maintain a customer focused approach by ensuring that our services are delivered to the customer in time, according to the required specifications and within our stipulated cost.

Our Objectives

Our overall objective is to produce consistent underwriting results by structuring exceptional programs and providing superior service and to grow our business every year.

This objective will be accomplished by creating a work place where employees are challenged to improve our work product. We will strive to make certain that our people understand the link between their performance and the success of the company; that goals are established, responsibilities are given, and measurements are installed to ensure accountability across functions; and that we operate a company with integrity where mutual respect and team work are more than mere words.

In today's rapidly changing economic climate, we like to think of ourselves as both challenged and fortunate to be able to serve our insured in ways they have grown to trust us in the past. Our goal at The Pakistan General Insurance Company Limited is to do just that, as we strive for better and brighter future.

Risk Management

"Good Risk Management fosters vigilance in times of calm and instills discipline in times of crisis"

Ch. Manzoor Ahmed
Chairman

بسم الله الرحمن الرحيم

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Company Profile

Board of Directors
Ch. Manzoor Ahmed (Chairman) PSP
Inspector General of Police (Retd.)
DG Intelligence Bureau (Retd.)
Ch. Zahoor Ahmed (Chief Executive)
Ch. Ghulam Mustafa
Mehmod ul Haq
Ch. Athar Zahoor
Usman Ali
Ch. Mazhar Zahoor
Rehan Beg
Ch. Muhammad Saleem

Chief Executive Officer
Ch. Zahoor Ahmed

Executive Director
Ch. Ghulam Mustafa

Chief Financial Officer
Azhar Hafeez Ch.

Chief Risk Officer
Malik Muhammad Asghar

Company Secretary
Ch. Muhammad Saleem

Audit Committee
Rehan Beg (Chairman)
Mazhar Zahoor
Ch. Athar Zahoor (Secretary)

Investment Committee
Ch. Zahoor Ahmed (Chairman)
Ch. Manzoor Ahmed
Javed Iqbal Khan (Secretary)

Claims Committee
Ch. Ghulam Mustafa (Chairman)
Fazal Dad Malik
Fahd Ashraf Khan (Secretary)

Underwriting Committee
Malik Muhammad Asghar (Chairman)
Zahid Iqbal Zia
Muhammad Yousuf (Secretary)

Re-Insurance & Co-Insurance Committee
Muhammad Maqsood Piracha (Chairman)
Muhammad Usman
Sajid Hussain (Secretary)

Auditors
M. Yousuf Adil Saleem & Co.
Chartered Accountants
(A member firm of Deloitte Touché Tomatsu)
Kamran & Co.
Chartered Accountants

Legal Advisers
Law Inn. Mr. M. Javed Iqbal (Advocate)
Ch. Muhammad Maqsood Ahmed (Advocate)

Share Registrar
Corplink (Private) Limited

Tax Consultants
Kamran & Co.
Chartered Accountants

Bankers
National Bank of Pakistan Limited
Habib Bank Limited
Allied Bank Limited
Bank of Punjab Limited
United Bank Limited
MCB Bank Limited
Standard Chartered Bank Limited
Bank Alfalah Limited
Soneri Bank Limited
NIB Bank Limited
Bank of Khyber Limited
K.A.S.B Bank Limited

Registered & Head Office
Cooperative Bank House, 5 Bank Square
Shahra-e-Quaid-e-Azam
Lahore

Contact
Tel.: +92(042) 3732-4404; 3722-3224
3735-2182; 3732-3569
Fax: +92(042) 3723-0895; 3723-0634
web: www.pgi.com.pk
Email: info@pgi.com.pk

Company Profile

Early days to - date

The Pakistan General Insurance Company Limited came into existence in the year 1947 with the incorporation number 1 under the Insurance Ordinance, 2000. Since its inception PGI has grown into a reputed name in the insurance industry. With an experience of over 60 years and on the basis of well-governed procedures founded on the highest ethical and moral practices, PGI has instituted a good business footing in the non-life insurance sector in Pakistan.

With an asset base of over 540 million rupees, PGI is one of the emerging quoted insurance companies in Pakistan and has been listed on the Karachi, Lahore and Islamabad Stock Exchanges since July 1995. The organization is also on the approved list of most scheduled banks operating in the country since its inception.

PGI Philosophy

Our philosophy at PGI is to provide our customers and clients with peace of mind. We are dedicated to maintaining the highest standards of integrity and sound dealing in our relationships with all stakeholders: customers, intermediaries, employees, shareholders and business partners. In every action we seek to make a positive contribution towards community activities and are committed to perform in a socially responsible manner. With technical expertise in the field of non-life insurance, PGI offers unparalleled advice and personalized services in all spheres of general insurance: fire, marine, motor, engineering, travel and miscellaneous category.

Presence around the country

With an aim to relentlessly cater to the needs of its customers and clients across the nation, PGI has a wide network (with one of the biggest network of branches in the country) of its offices across the country.

With an unrelenting drive to expand and further establish itself, PGI has enhanced its presence in almost all areas of business. The Company's proven ability to manage associated risks, along with its substantial risk absorption capacity, provides significant cushioning to make inroads into relatively high-risk areas. PGI continues to maintain re-insurance agreements with highly reputable and world renowned reinsurers such as Labuan Re and Malaysian Re.

PGI has been awarded Insurer Financial Strength (IFS) Rating of 'BBB' with a stable outlook by JCR-VIS, denoting an adequate capacity to meet policyholder and contract obligations.

The rating also recognizes the Company's sound underwriting philosophy, prudent management, effective strategic decision making and implementation and healthy profitability, though the overall performance is currently under pressure on account of investment income.

Company Profile

Products and Services

i) Fire & Allied Perils Insurance

This cover is property insurance for factories, offices and homes. It provides coverage against perils like fire and lightning which can be extended to cover the following: impact damage, storms, earthquakes, rain-flood damage, riot and strike damage, burglary and malicious damage etc.

ii) Marine Insurance

Covers imports and exports of consignments, loss or damage of cargo during transit by Air, Sea and Rail/Road; it also covers dispatch of finished goods from the insured factory to anywhere in Pakistan. This kind of coverage is provided to transport related businesses such as Ship Agents, Freight Forwarders, Terminal Operators, Stevedores, Courier Services, etc.

iii) Motor Cover

Auto Cover is a complete auto insurance plan for both individuals and corporate offering:

- A comprehensive cover including theft, snatching, armed hold up, accidental damage, third party liability and terrorism.
- Guaranteed settlement of Snatching / Theft / Total Loss claims within 15 days of completion of required documents.

iv) Miscellaneous Insurance

We also provide customized insurance solutions for our corporate clients. The covers range from the insurance of engineering projects to electrical equipment and machinery.

Reinsurance Arrangements:

We are re-insured with world renowned and highly reputed international re-insurers holding the highest ratings in their respective businesses. These are:

- Labuan re
- Malaysian re
- African re
- Pak re
- Best re
- Trust International

Management Information

Management

Chief Executive Officer	Ch. Zahoor Ahmed
Chief General Manager	Ch. Ghulam Mustafa
Chief Risk Officer	Malik Muhammad Asghar
Company Secretary	Ch. Muhammad Saleem
Chief Financial Officer	Azhar Hafeez Ch.

Department and Regional Heads

Head of Human Resource Department	Usman Ali
Head of Internal Audit Department	Abdul Rasheed
Head of Underwriting and Claims	Zahid Iqbal Zia
Head of Underwriting – Marine and Miscellaneous	Muhammad Iqbal
Head of Underwriting – Motor	Muhammad Yousuf
Senior Executive Vice President (Accounts and Finance)	Javed Iqbal Khan
Senior Vice President Re-Insurance and Claims	Muhammad Maqsood Piracha
Vice President Marketing and Public Relations	Ch. Siddiq Sabir
Administration Department	Waseem Ahmad Khan Lodhi
Head of MIS and Information Technology Department	Sajjid Bhatti
Joint President (South Zone)	Raja Gul Saeed Ahmed Khan
General Manager (Lahore Zone I)	Shiekh Azmat Ali
General Manager (Lahore Zone II)	Ch. Habib Ullah
General Manager (Lahore Zone III)	Shiekh Muhammad Anwar
General Manager (Lahore Zone IV)	Muhammad Saeed Khokhar
General Manager (North)	Malik Fazal Dad
General Manager (Multan Region)	Syed Fahim Waris
General Manager (Bahawalpur Region)	Ch. Muhammad Ali
Executive Vice President (Karachi)	Haroon Ghani Memon
Senior Vice President (Hyderabad Region)	Muhammad Shafi Chundrigar
Vice President (Capital City Islamabad)	Raja Basit
Vice President (Quetta)	Muhammad Siddique

Management Information

PGI Branch Offices Network

Lahore

- **Registered and Head Office**
  Cooperative Bank House, 5 Bank Square, Shahrah-e-Quaid-e-Azam, Lahore
  Tel (042) 3732-3569; 3732-5382
  (042) 3732-4404; 3735-2182
  Fax (042) 3723-0634

- **President and Chief Executive Office**
  Gardee Trust Building
  Thornton Road, Lahore
  Tel (042) 3722-3224; 3731-0685
  (042) 3731-0590; 3723-0892
  (042) 3723-0894; 3731-0675
  Fax (042) 3723-0895

- **Principal Office**
  PGI House, 5-A, Bank Square
  Shahrah-e-Quaid-e-Azam, Lahore
  Tel (042) 3731-2992; 3731-2962
  (042) 3711-3551; 3711-3552
  Fax (042) 3731-2997; 3711-3537

- **Lahore (Zone I)**
  Shiekh Azmat Ali
  General Manager (Zone I)
  1st Floor Gulberg Center
  Main Boulevard, Gulberg, Lahore
  Tel (042) 3576-3146

  Zaheer-ul-Hassan Qadri
  Vice President
  27 K, Gulberg II, Lahore
  Tel (042) 3575-9553
  Fax (042) 3575-8893

- **Lahore (Zone II)**
  Ch. Habib Ullah
  General Manager (Zone II)
  89 A, Temple Road
  Lahore
  Tel (042) 3636-6997; 3637-2891
  (042) 3636-1206; 844-3534

  Ch. Gulzar Ahmed
  Vice President
  212-213 Abid Market, Qurtaba Chowk
  Lahore
  Tel (042) 3636-0959; 3630-1187

- **Lahore (Zone III)**
  Muhammad Anwar Shiekh
  General Manager (Zone III)
  2nd Floor, Asif Plaza, 19 Abbott Road
  Lahore
  Tel (042) 3631-1208
  Fax (042) 3630-4646

- **Lahore (Zone IV)**
  Muhammad Saeed Khokhar
  General Manager (Zone IV)
  226 Mozang Market, Ewing Road,
  Nila Gumbad, Lahore
  Tel (042) 3735-6202; 3724-0965

Karachi

- Haroon Ghani Memon
  Executive Vice President
  Office # 10/24, 10th Floor
  Arkay Square Ext., Shahrah-e-Liaqat
  New Challi, Karachi
  Tel (021) 241-6648
  Fax (021) 241-5097

Islamabad

- Raja Basit Ali
  Vice President
  Room # 13, 2nd Floor
  Hill View Plaza, Blue Area
  Islamabad
  Tel (051) 287-6274

- Raja M. Ifrahim Satti
  Assistant Vice President
  Flat # 283, Wasal Plaza
  Plot # 1/F, Bazar # 5, Sector 1-10/1
  Islamabad
  Tel (051) 443-5886; 443-5007

Management Information

PGI Branch Offices Network

Multan

- Syed Fahim Waris
  General Manager
  Shopping Center # 3,
  Opposite Shangrila Bakery
  Shahrah-e-Quaid-e-Azam
  Multan
  Tel (061) 454-3130; 458-1227
  Fax (061) 450-4140

Faisalabad

- Zaffar Hanif Shiekh
  Vice President
  Opposite Iqbal Park
  Jhang Road, Faisalabad
  Tel (041) 261-5774
  Fax (041)262-2874

Rahim Yar Khan

- Muhammad Iqbal
  Branch Manager
  9 – A, Babar Colony
  2nd Floor, Beloor Palace
  Rahim Yar Khan
  Tel (068) 587-2060

- Khadim Hussain Bhatti
  Branch Manager
  80/B, Umer Block, Abbasia Town
  Rahim Yar Khan
  Tel (068) 587-7883

Bahawalpur

- Ch. Muhammad Ali
  General Manager
  1st Floor, Al-Karim Plaza
  Circular Road, Bahawalpur
  Tel (062) 287-6535
  (062) 273-2335

- Syed Waqar Ali Rizvi
  Assistant Vice President
  Zahoor Market, Eid Gah Road
  Bahawalpur
  Tel (062) 228-3239

Quetta

- Muhammad Siddique
  Assistant Vice President
  Room No. 1, 2nd Floor
  Agha Siraj Complex, Circular Road
  Quetta
  Tel (081) 282-1126

Muzaffarabad (Azad Kashmir)

- Tahir Masud Minhas
  91 Light Road
  Muzaffarabad
  Tel (058810) 43830

Hyderabad

- Muhammad Shafi Chundrigar
  Senior Vice President
  Room No. 1 and 2, 3rd Floor
  Al-Falah Chambers, Tilac Incline
  Hyderabad
  Tel (022) 263-5128; 263-0545
  (022) 300-9002
  Fax (022) 261-0140

Gujranwalla

- Muhammad Arif Butt
  Vice President
  58 B, Trust Plaza, GT Road
  Gujranwalla
  Tel (055) 325-2113; 322-1117
  Fax (055) 384-2988

Sahiwal

- Ch. Iqbal Hussain
  Executive Vice President
  147 Railway Road, Sahiwal
  Tel (040) 422-0825

Sukkur

- Raja Gul Saeed Ahmed Khan
  Joint President
  16 Mehran Markaz
  Sukkur
  Tel (071) 561-3508

Management Information

PGI Branch Offices Network

Peshawar

- Malik Fazal Dad
  General Manager
  Room No. S/3 and 4, 2nd Floor
  Belore Palace, Peshawar
  Tel (091) 527-5184; 527-5405
  Fax (091) 527-1077

Abbotabad

- Ahsan Rasheed Mirza
  Branch Manager
  119 Iqbal Shopping Complex
  The Mall
  Abbotabad
  Tel (0992) 336-087

Sargodha

- Ch. Zaffar Niaz
  Regional Manager
  Shaheen Plaza
  Railway Road
  Sargodha
  Tel (048) 372-2435

- Muhammad Taufeeq Piracha
  Branch Manager
  99 Trust Plaza, Fatima Jinnah Road
  Sargodha
  Tel (048) 372-1418

Sialkot

- Naveed Bhatti
  Branch Manager
  Aurangzeb Market, Karimpura Road
  Sialkot
  Tel (052) 458-6223

Mianwali

- Muhammad Khan Baloch
  Assistant Vice President
  Bank Street, Mianwali
  Tel (0459) 233-130

DG Khan

- Syed Fahim Waris
  General Manager
  10 Z, Model Town, DG Khan
  Tel (064) 246-1101; 246-4969

- Mian Javed
  Branch Manager
  Quaid-e-Azam Road, DG Khan

Vehari

- Ch. Muhammad Ali
  General Manager
  47 B, Grain Market
  Vehari
  Tel (067) 336-5228; 336-5828
  Fax (067) 336-1046

Jhang

- Mian Zulfiqar Ali
  Vice President
  Opposite Bank of Punjab
  Yousuf Shah Road, Jhang Saddar
  Tel (047) 762-1943

Kot Addu

- Muhammad Nadeem Khan
  Branch Manager
  Flat No. 4, Abbass Plaza
  Kot Addu
  Tel (066) 224-2847

Chishtian

- Muhamamd Amin Javed
  Vice President
  Ghalla Mandi
  Chishtian
  Tel (063) 250-3042

Chakwal

- Raja Munir Akhtar
  Branch Manager
  Near Dr. Mushtaq Awan Clinic
  Bown Road, Chakwal
  Tel (0543) 551-150

Board Committees

Audit Committee

In line with the best practices, the Board of Directors has established the audit committee. 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:

i) To recommend to the Board of Directors the appointment of external auditors by the Company's shareholders and consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements;
ii) To review the quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors;
iii) To facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight;
iv) To review the management letter issued by external auditors and management's response thereto;
v) To ensure coordination between the internal and external auditors of the Company;
vi) To review the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;
vii) To consider the major findings of internal investigations and management's response thereto;
viii) To ascertain that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
ix) To determine compliance with relevant statutory requirements; and
x) To monitor compliance with the best practices of corporate governance and identification of significant violations thereof.

The audit committee comprises of the following members:

Rehan Beg	Non-executive & Independent Director (Chairman)
Mazhar Zahoor	Non-executive Director
Ch. Athar Zahoor	Non-executive Director & Secretary to the Committee

Human Resource Committee

Human Resource Committee assists the Board in fulfilling its obligations relating to human resources and related matters and to establish a plan of continuity and development of senior management for PGI.

The Terms of Reference of HR Committee are as follows:

i) To review and recommend the compensation and benefits philosophy and strategy within the Company;
ii) To review and recommend to the Board the Company's strategy respecting human resources management and planning, including recruitment, retention, training, performance management and related matters and to report the Board on the implementation of these strategies at least once a year;
iii) 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;
iv) To review and recommend, in consultation with the CEO, the appointment and compensation of all its employees, including incentive, benefit and retirement plans;
v) To review the amount of incentive bonus based on corporate and individual performance, for the purpose of incentives calculation; and
vi) To review and recommend the CEO's compensation, including incentive, benefit and retirement plans, to the Board for approval.

Board Committees

The human resource committee comprises of the following members:

Ch. Manzoor Ahmed	Non-executive Director (Chairman)
Mehmod – ul – Haq	Non-executive Director
Rehan Beg	Non-executive & Independent Director
Usman Ali	Head of HR Department & Secretary to the Committee

Underwriting Committee

- 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.

The underwriting committee comprises of the following members:

Malik Muhammad Asghar	Chief Risk Officer (Chairman)
Zahid Iqbal Zia	SVP Underwriting (Fire & Miscellaneous)
Muhammad Yousuf	VP Underwriting (Motor) & Secretary to the Committee

Claim Settlement Committee

- The underwriting committee formulates the underwriting policy of the Company. This committee devises and reviews the claims settling policy of the Company;
- It oversees the claims position of the Company and ensures that adequate claims reserves are made;
- 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 also oversees the implementation of the measures for combating fraudulent claims cases.

The claims settlement committee comprises of the following members:

Ch. Ghulam Mustafa	Executive Director (Chairman)
Fazal Dad Malik	General Manager North (Member)
Fahd Ashraf Khan	Manager Claims (Member & Secretary to the Committee)

Board Committees

Re-Insurance & Co-Insurance Committee:

- This committee ensures that adequate reinsurance arrangements 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.

The re-insurance & co-insurance committee members are as follows:

Muhammad Maqsood Piracha	SVP (Re-insurance and Claims) (Chairman)
Muhammad Usman	Member
Sajid Hussain	Member & Secretary to the Committee

Investment Committee:

The purpose of the Investment Committee is to recommend to the Board the investment policy, including the asset mix policy and the appropriate benchmark. The investment committee also reviews the effectiveness of these policies and their implementation and the Company's Risk management approcah.

The Terms of Reference of the investment committee are as follows:

i) To review performance for all asset classes and total portfolio relative to the appropriate benchmark;

ii) To review management's proposed annual rate of return to be included in the Company's budget;

iii) To review the risk assumptions and asset return assumptions imbedded in the current investment policy statement and, if changes have occurred, then review the policy asset mix and the weighted benchmark standard of performance;

iv) To approve investments beyond delegated limits; and

v) To ensure compliance with applicable legislation.

The investment committee comprises of the following members:

Ch. Zahoor Ahmed	Chief Executive (Chairman)
Ch. Manzoor Ahmed	Director (Member)
Javed Iqbal Khan	SVP Accounts and Finance (Member & Secretary to the Committee)

Key Financial Data

Six years at a glance

		2009	2008 (re-stated)	2007	2006	2005	2004
		in rupees '000					
Financial results							
Equity							
Paid-up capital		200,000	200,000	200,000	120,000	80,000	80,000
General reserves		55,000	65,000	25,000	6,000	1,000	1,000
Capital reserves		100,000	-	-	-	-	-
Retained earnings		7,066	10,041	18,894	14,097	8,245	6,407
		362,066	275,041	243,894	140,097	89,245	87,407
Underwriting provisions		123,540	134,535	124,258	84,534	39,780	21,025
Investments (at realizable value)		21,302	19,303	15,862	7,376	10,376	10,376
Tangible fixed assets (at book value)		95,230	136,935	151,124	159,378	105,427	66,788
Cash and cash equivalents		138,214	47,979	106,034	58,166	32,353	33,763
Short term prepayments and receivables		1,405	5,550	3,871	473	19,765	32,460
Total assets (book value)		544,767	508,998	438,364	237,259	179,161	160,239
Operating results							
Gross premium		205,678	196,084	167,330	100,493	62,962	53,467
Net premium		109,891	91,864	76,222	41,300	24,906	20,067
Net claims paid		29,170	20,574	17,093	9,368	4,894	7,266
Underwriting profit		54,970	51,080	50,446	22,732	8,260	2,334
Investment (loss) / income		8,362	(1,347)	2,606	800	144	37
Profit before tax		105,448	25,405	25,694	9,887	2,380	614
Income taxes		20,789	3,135	1,151	368	1,125	266
Profit after tax		84,660	22,270	24,543	9,519	1,225	348
Management expenses		31,156	26,832	18,677	12,937	17,889	17,514
Employees remuneration		25,088	19,394	14,870	11,186	9,737	8,812
Financial ratios / trend analysis							
Profit before tax to gross premium	% age	51.27%	12.96%	15.36%	9.84%	3.78%	1.15%
Profit before tax to net premium	% age	95.96%	27.66%	33.71%	23.94%	9.56%	3.06%
Profit after tax to gross premium	% age	41.16%	11.36%	14.67%	9.47%	1.95%	0.65%
Profit after tax to net premium	% age	77.04%	24.24%	32.20%	23.05%	4.92%	1.73%
Management expenses to gross premium	% age	15.15%	13.68%	11.16%	12.87%	28.41%	32.76%
Management expenses to net premium	% age	28.35%	29.21%	24.50%	31.32%	71.83%	87.28%
Employee cost to management expenses	% age	80.52%	72.28%	79.62%	86.47%	54.43%	50.31%
Underwriting profit to net premium	% age	50.02%	55.60%	66.18%	55.04%	33.16%	11.63%
Net claims to net premium	% age	26.54%	22.40%	22.42%	22.68%	19.65%	36.21%
Return on assets	% age	15.54%	4.38%	5.60%	4.01%	0.68%	0.22%
Liquidity and leverage ratios							
Current ratio	Time	2.05	1.79	5.36	2.57	2.82	2.89
Total assets turnover	Time	0.20	0.18	0.17	0.17	0.14	0.13
Fixed assets turnover	Time	1.15	0.67	0.50	0.26	0.24	0.30
Total liabilities to equity	Time	1.50	1.85	1.80	1.69	2.01	1.83
Return on capital employed	% age	20.79%	5.27%	5.97%	4.39%	1.46%	0.43%
Return on equity - before taxes paid	% age	29.12%	9.24%	10.53%	7.06%	2.67%	0.70%
Return on equity - after taxes paid	% age	23.38%	8.10%	10.06%	6.79%	1.37%	0.40%
Paid-up capital to total assets	% age	36.71%	39.29%	45.62%	50.58%	44.65%	49.93%
Equity to total assets	% age	66.46%	54.04%	55.64%	59.05%	49.81%	54.55%
Investment yield	% age	39.25%	-6.98%	16.43%	10.85%	1.39%	0.36%
Liquid assets to total assets	% age	82.52%	73.10%	40.63%	26.64%	44.62%	56.38%
Liquid assets to fixed assets	% age	472.05%	271.71%	190.07%	48.87%	69.94%	139.92%

Key Financial Data

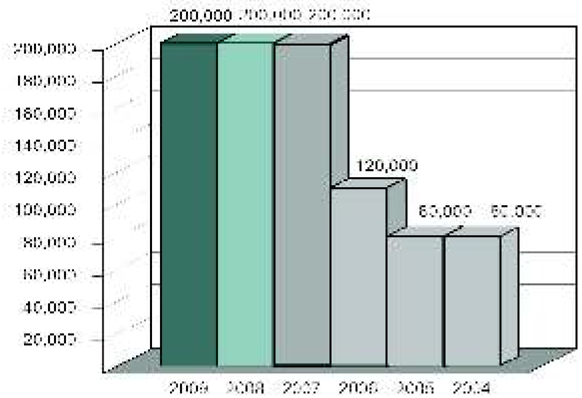
For the Year

	2009	re-stated 2008
	(Rupees in thousands)	
PROFIT AND LOSS ACCOUNT		
Gross written premium	205,678	196,084
Net written premium	109,891	97,558
Net earned premium	219,395	187,583
Claims incurred	121,156	79,009
Net claims expenses	29,170	20,574
Commission income	36,275	27,475
Commission expense	30,869	20,852
Underwriting profit	54,970	51,080
Direct expenses	31,156	26,832
Investment income / (loss)	8,362	(1,347)
Profit before tax	105,448	25,405
Profit after tax	84,659	22,270
TECHNICAL RESERVE COVER		
Fire and property damage	50,308	52,490
Marine, aviation and transport	22,075	24,050
Motor act	4,855	11,574
Miscellaneous	18,658	21,500
Total	95,896	109,614
CORPROATE ASSETS		
Investment in fixed assets	95,230	136,935
Investments in:		
- equity instruments	12,043	12,043
- properties	155,193	155,193
- deposits	76,508	46,508
- other	11,030	11,726
Total investments	350,004	362,405
Total investments at realizable value	348,233	357,939

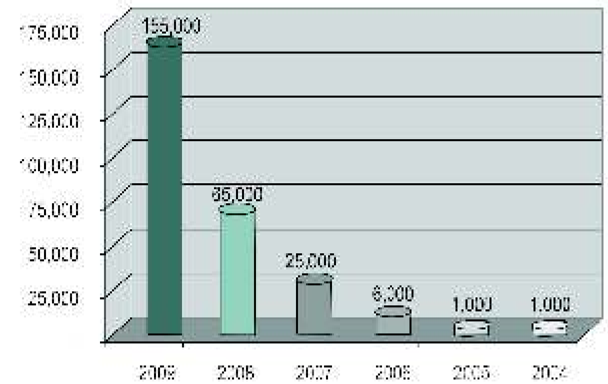
Key Financial Data

Rupees in '000

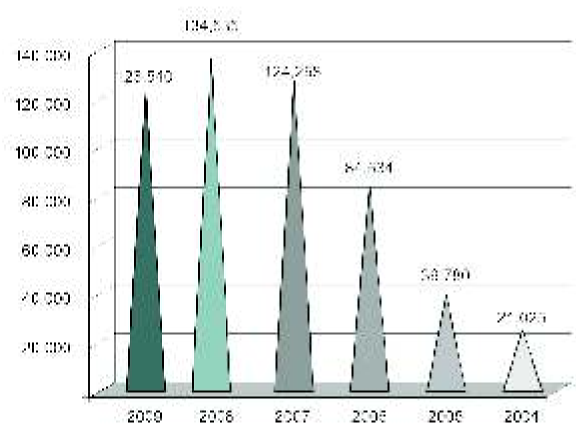
Paid up capital



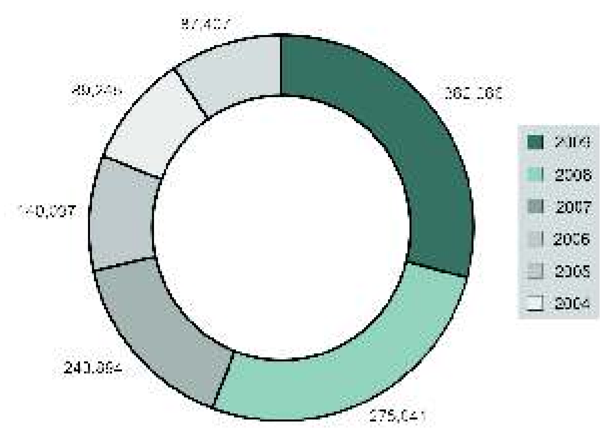
General & Capital Reserve



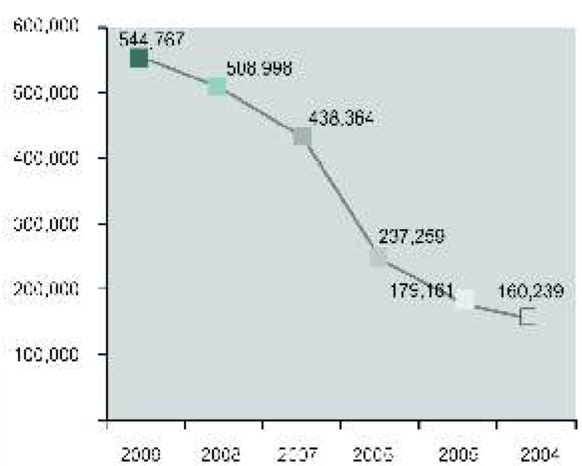
Underwriting Provisions



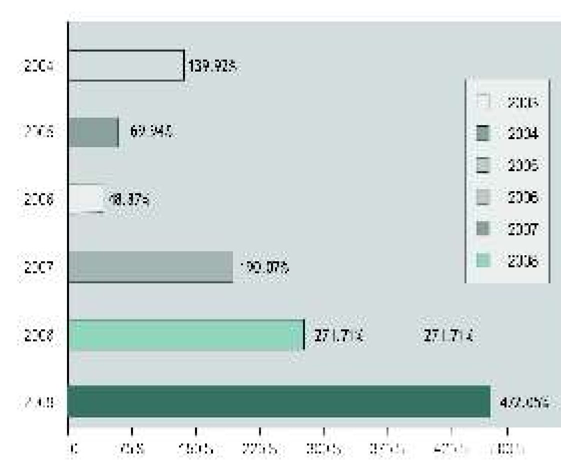
Equity



Total Assets (at book value)



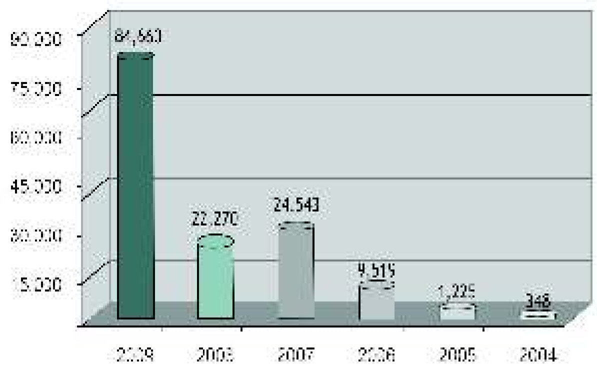
Liquid assets to fixed assets



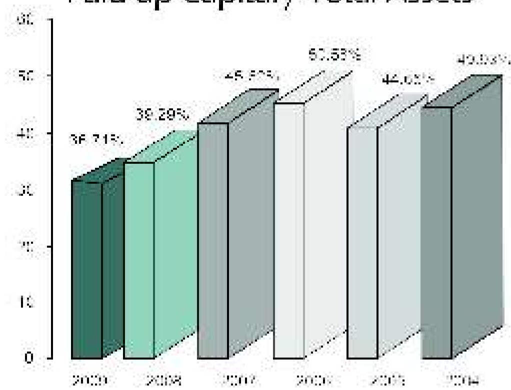
Key Financial Data

Rupees in 1000

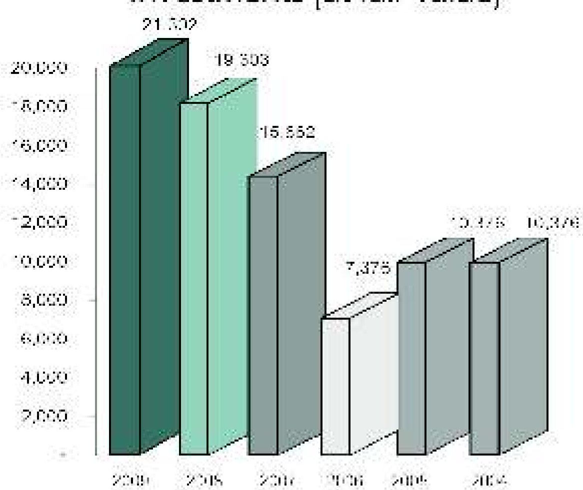
Profit after tax



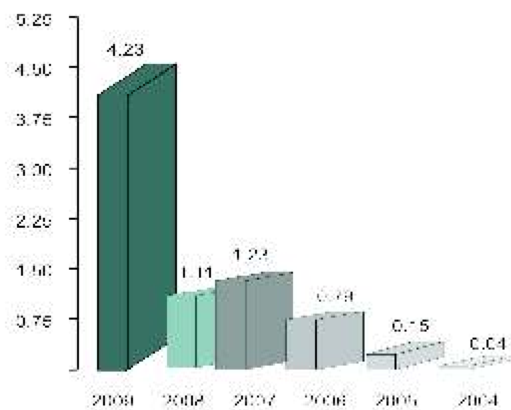
Paid up Capital / Total Assets



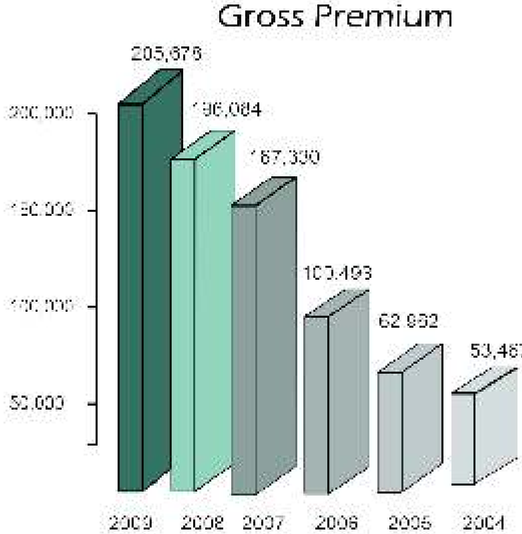
Investments (at fair value)



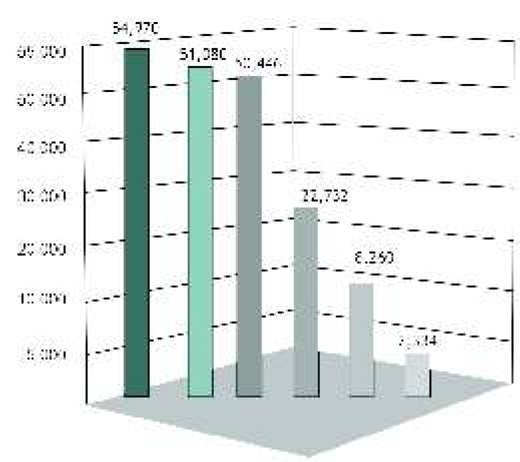
Earnings Per Share



Gross Premium



Underwriting Profit



Shareholders' Information

Registered Office
Cooperative Bank House, 5 Bank Square
Shahrah-e-Quaid-e-Azam
Lahore

Share Registrar Office
M/s. Corplink (Private) Limited
Wing Arcade, 1-K, Commercial Area
Model Town, Lahore

Listing on Stock Exchanges

PGI equity shares are listed on Karachi Stock Exchange ("KSE"), Lahore Stock Exchange ("LSE") and Islamabad Stock Exchange ("ISE").

Listing Fees

The annual listing fee for the financial year 2008 – 2009 has been paid to all three of the stock exchanges within the prescribed time limit.

Stock Code

The stock code for dealing in equity shares of PGI at KSE, LSE and ISE is PKGI

Investor Service Center

PGIs share department is operated by Corplink (Private) Limited Registrar Services. It also functions as an investor service center. The investor service center is managed by a well experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the registration purposes. The team is headed by Mr. Saleem Iqbal Khawaja at Registrar Office and Mr. Ch. Muhammad Saleem Company Secretary at PGI Registered Office.

PGI share department has online connectivity with Central Depository Company of Pakistan Limited ("CDC"). The share department undertakes activities pertaining to dematerialization of shares, shares transfers and transmission, issue of duplicate / revalidated dividend warrants, issue of duplicate / replaced share certificates, change of address and other related matters.

Services Standards

PGI has always endeavored to provide investors with prompt services. Listed below are various investors' services and the maximum time limit set for the execution.

	For request received through posts	Over the counter
Transfer of shares	45 days after receipt	45 days after receipt
Transmission of shares	45 days after receipt	45 days after receipt
Issue of duplicate share certificates	45 days after receipt	45 days after receipt
Issue of duplicate dividend warrants	5 days after receipt	5 days after receipt
Issue revalidated dividend warrants	5 days after receipt	5 days after receipt
Change of address	2 days after receipt	15 mins after receipt

Well reputed and experienced firm of the Share Registrar Services has been entrusted with the responsibility of ensuring that services are rendered within the specified time limits.

Shareholders' Information

Statutory compliance

During the year, the Company has complied with all applicable provisions except as mentioned in the auditors' report, filed all returns / forms and furnished all the relevant information as required under the Companies Ordinance, 1984 and allied laws and rules, the Securities and Exchange Commission of Pakistan ("SECP") regulations and the listing regulations.

Dividend Announcements

The Board of Directors of the Company has proposed a final cash dividend of 5% (Rs. 0.5 per share) and the bonus share in proportion 1 share to 4 shares, for the year ended December 31, 2009 subject to approval by the shareholders of the Company at the Annual General Meeting.

Book Closure Date

The register of members and share transfer books of the Company will remain close from April 24, 2010 to April 30, 2010 both days inclusive.

Dividend Remittances

Dividend declared and approved at the Annual General Meeting will be paid on or after April 30, 2010, but within the statutory time limit of 30 days:

(i) For shares held in physical form:
to shareholders whose names appear in the Register of Members of the Company after entertaining all request for transfer of shares lodged with the Company on or before the book closure date.

(ii) For shares held in electronic form:
to shareholders whose names appear in the statement of beneficial ownership furnished by CDC as at end of the business on book closure date.

Withholding of Tax and Zakat on Dividend

Under Section 150 of the Income Tax Ordinance, 2001 tax on dividend payable to a shareholder is to be withheld and will be paid to the Government @ 10% unless the shareholder's income is tax-exempt. This certificate is issued pursuant to section 164 of the Income Tax Ordinance, 2001.

Dividend Warrant

Cash Dividends are paid through dividend warrants addressed to the shareholder whose name is appearing on the register of shareholders at the date of book closure. Shareholders are requested to deposit the dividend warrants into their bank account, at their earliest. It will help the Company in clearing their unclaimed dividend account.

Investors' Grievances

As on date none of the investor or shareholder has filled any letter of compliant against any service provided by the Company to its shareholder.

Shareholders' Information

Legal Proceedings

No case has ever been filed by shareholders against the Company for non-receipt of share / refund.

General Meetings and Voting Rights

Pursuant to section 158 of the Companies Ordinance, 1984, PGI holds the general meeting of the shareholders atleast once a year. Every shareholder has a right to attend the general meeting, the notice of such meeting is sent to all the shareholders atleast twenty one days before the meeting and also advertised in one English and one Urdu newspaper having circulation in Sindh and Punjab.

Shareholders having a holding of atleast ten percent of voting rights may also apply to the Board of Directors to call for a meeting of shareholders, and if Board does not take action on such application within twenty one days, the shareholders may themselves call the meeting.

All shares issued by the Company carry equal voting rights. Generally, matters at the general meetings are decided by show of hands in the first instance. Voting by show of hands operates on the principal of "one member one vote". If majority of shareholders raise their hands in favour of the particular resolution, it is taken as past, unless a poll is demanded. Since, the fundamental voting principal in a Company is "one share one vote", voting takes place by a poll, if demanded. On a poll being taken the decision arrived by a poll is final, overruling any decision taken on a show of hands.

Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 and according to the MOA and AOA of the Company, every shareholder of the Company who is entitled to attend and vote at a general meeting of the Company, can appoint another person as his/her proxy to attend and vote instead of himself/herself. Every notice calling a general meeting of the Company contains a statement that shareholder entitled to attend and vote is entitled to appoint a proxy who needs not to be a member of the Company.

The instrument appointing proxy, duly signed by the shareholder appointing that proxy should be deposited with the Company not less than forty-eight hours before the meeting.

Web Presence

Updated information regarding the Company can be accessed at PGI web site, www.pgi.com.pk. The web site contains the latest financial results of the Company together with Company's profile, the corporate philosophy and major products.

Shareholders’ Information

Shareholding Pattern

The shareholding pattern of the equity share capital of the company as on December 31, 2009 was as follows.

Shareholders' Category	Share Holding	Percentage
Directors, Chief Executive and Family	6,608,076	33.04
Executives	-	-
Associated Companies, Undertakings and Related Parties	-	-
Public Sector Companies and Corporations	1,000	0.01
Banks, DFIs and NBFIs	-	-
Insurance Companies	-	-
Modarabas and Mutual Funds	-	-
Other Companies	9,620	0.05
Non Resident	-	-
General Public	13,381,304	66.90
	20,000,000	100.00

Shareholders' Information

Information as required under Code of Corporate Governance

Categories of Shareholders as at December 31, 2009

Category	Share Holding	Percentage
Associated Companies, Undertakings and Related Parties		
Associated Companies and Related Parties	-	-
NIT and ICP		
Investment Corporation of Pakistan Limited	1,000	0.01
Directors, Chief Executive Officer their Spouses and Minor Children		
Ch. Manzoor Ahmed	505,000	2.53
Mr. Usman Ali	500,500	2.50
Mr. Mazhar Zahoor	608,500	3.04
Ch. Ather Zahoor	927,228	4.64
Ch. Zahoor Ahmed	898,132	4.49
Ch. Zahoor Ahmed (CDC)	172,000	0.86
Ch. Ghulam Mustafa	500	0.00
Ch. Muhammad Saleem	540,993	2.70
Mr. Mahmood-ul-Haq	539,500	2.70
Mr. Rehan Beg	85,000	0.43
Mrs. Qaiser Sultana W/O Ch. Manzoor Ahmed	110,000	0.55
Mrs. Rubina Mazhar W/O Mr. Mazhar Zahoor	515,750	2.58
Mrs. Parveen Akhtar W/O Ch. Zahoor Ahmed	879,973	4.40
Mrs. Mehvish Nasir W/O Mr. Nasir Ali	469,000	2.35
Mrs. Khalida Parveen W/O Ch. Muhammad Saleem	325,000	1.63
Public Sector Companies and Corporations		
Capital Vision Securities (Private) Limited - (CDC)	500	0.00
Durvesh Securities (Private) Limited - (CDC)	3,000	0.02
Excel Securities (Private) Limited - (CDC)	1,919	0.01
First National Equities Limited - (CDC)	1	0.00
Imperial Investment (Private) Limited - (CDC)	1,000	0.01
Money Line Securities (Private) Limited - (CDC)	700	0.00
Predential Securities Limited - (CDC)	1,000	0.01
Sarfraz Mahmood (Private) Limited - (CDC)	500	0.00
Time Securities (Private) Limited - (CDC)	1,000	0.01
Bank, Development Finance Institutions, Non Banking Finance Institutions		
Banks, DFIs and NBFIs	-	-
Leasing Companies		
Leasing Companies	-	-
Modarabas and Mutual Funds		
Modarabas and Mutual Funds	-	-
Insurance Companies		
Insurance Companies	-	-
Non Residents / Foreign Companies		
Non Residents / Foreign Companies	-	-
Shareholders holding more than 10% of capital		
Shareholders holding more than 10% of capital	-	-
General Public		
General Public	13,381,304	66.91
	20,000,000	100.00

Shareholders' Information

Pattern of Shareholding as at December 31, 2009

Number of shareholders	Shareholding From	Shareholding To	Total Shares Held
201	1	100	3,842
510	101	500	246,583
73	501	1,000	70,221
81	1,001	5,000	204,985
22	5,001	10,000	193,650
4	10,001	15,000	56,000
15	15,001	20,000	291,300
4	20,001	25,000	92,000
3	25,001	30,000	88,500
2	35,001	40,000	75,994
8	45,001	50,000	399,376
2	50,001	55,000	106,100
2	55,001	60,000	120,000
1	60,001	65,000	63,497
2	65,001	70,000	138,000
1	70,001	75,000	75,000
1	75,001	80,000	80,000
2	80,001	85,000	170,000
1	85,001	90,000	87,500
5	95,001	100,000	500,000
4	105,001	110,000	435,500
2	110,001	115,000	227,000
3	115,001	120,000	359,500
1	120,001	125,000	122,500
4	125,001	130,000	515,634
1	155,001	160,000	160,000
1	170,001	175,000	175,000
1	175,001	180,000	180,000
1	190,001	195,000	195,000
2	200,001	205,000	407,992
2	205,001	210,000	415,500
2	220,001	225,000	448,500
1	230,001	235,000	231,500
4	235,001	240,000	953,780
1	250,001	255,000	251,000
1	265,001	270,000	270,000
1	285,001	290,000	287,500
1	290,001	295,000	290,920
1	305,001	310,000	310,000
1	315,001	320,000	320,000
1	320,001	325,000	325,000
1	370,001	375,000	373,000
1	465,001	470,000	469,000
1	470,001	475,000	471,000
2	500,001	505,000	1,005,500
2	515,001	520,000	1,032,750
1	535,001	540,000	539,500
1	540,001	545,000	540,993
1	605,001	610,000	608,500
1	620,001	625,000	622,750
1	660,001	665,000	664,500
1	875,001	880,000	879,973
1	895,001	900,000	898,132
1	925,001	930,000	927,228
1	1,020,001	1,025,000	1,022,800
992			**20,000,000**

During the financial year no trading is carried out by the directors, chief executive officer, chief financial officer, company secretary and their spouses and minor children in shares of the Company.

Directors' Report to the Shareholders

Dear Fellow Shareholders,

The directors of The Pakistan General Insurance Company Limited take pleasure in presenting the annual report of your Company, together with the audited financial statements for the year ended December 31, 2009.

Economic Overview

The year under review was a volatile period for the financial services sector globally. The economic picture during the last year remained weak, despite signs of recovery in some sectors. There were symptoms of downward trend in inflation in the second half of 2009; however, pressures were not abated. Weak confidence kept credit in a state of ambiguity which compelled the Government to take shelter under the aid of International Monetary Fund ('IMF'). Serious concerns over the domestic security of the country hampered FDIs. There were only three IPOs which took place during the year raising only Rs. 1 billion against Rs. 18 billion in 2008.

In the burning lashes the slight bit of improvement in the current economy was observed as regards to some external account, mainly supported by a decline in international oil and and commodity prices coupled with robust flow of remittances. However, the improvements in the economy are still fragile, and could be reversed in the short term by adverse shocks or any failure in the disciplined implementation of supportive reforms. In general, the monetary policy remained cautious and the central bank softened its monetary stance only by 150 basic points during the year. Following the progress in economic stabilization, Moody's improved Pakistan's B3 rating outlook to “stable” and Standard and poor's upgraded Pakistan's rating to “B-minus” during 2009.

Company Performance Review 2009

After a reasonable start, the year 2009 finished with a moderate closure, both in terms of our results and share price performance. Some of our business segments did not meet expectations, nevertheless, the fundamental strength of our core operations remains intact and the Company has been able to maintain its operational performance, reflected by a 7.62% increase in underwriting profitability. Gross Written Premium (GWP) increased by 4.89%, from Rs. 196 million in 2008 to Rs. 206 million in 2009. The business mix has shifted to more profitable segments with share of fire, marine, motor & miscellaneous at 51%, 23%, 6% and 20% respectively. Premium growth has been achieved mainly in new businesses and focus on Company insurance philosophy.

The Company's net premium stands at 54% of GWP, up by 6% in 2009, mainly due to retention of good clients in fire portfolio. This impact was offset by a remarkable 42% increase in net claims, from Rs. 20 million in 2008 to Rs. 29 million in 2009. General & administrative expenses were increased by 32%, from Rs. 26 million in 2008 to Rs. 35 million in 2009. The equity market of the Company has recovered a bit during the later half of the year which helped the Company to register a gain in the fair value of investments by Rs. 2.7 million on its investment portfolio. Further the Company has also booked Rs. 4 million as provision for doubtful debts during the year. The gain on disposal of non-current assets held for sale amounted to Rs. 72.75 million which remarkably increased the profitability of the Company. Consequently the Company posted Rs. 105.4 million profit before tax in 2009 against Rs. 25.4 million profit before tax in 2008. Earnings per share of the Company calculated to Rs. 4.23 in 2009 against Rs. 1.11 in 2008.

Directors' Report to the Shareholders

Segments at a Glance

Fire and property damage

GWP grew by 15.3% from Rs. 91 million in 2008 to Rs. 104.8 million in 2009 and net premium earned increased by 23% from Rs. 38 million to Rs. 47 million. As losses increased by 88% from Rs. 10 million in 2008 to Rs. 19 million in 2009, underwriting profit decreased by 14.2% from Rs. 21 million in 2008 to Rs. 18 million in 2009. The graphical analysis of fire business is:

	2009	2008	Change	
	-------- Rupees in '000	--------	Rupees in '000	% age
Gross premium	104,808	91,145	13,663	15%
Net premium	46,619	38,409	8,210	21%
Net claims	(18,858)	(10,200)	(8,658)	85%
Net expenses	(15,876)	(13,673)	(2,203)	16%
Net commissions	5,777	6,942	(1,165)	-17%
Underwriting result	17,662	21,478	(3,816)	-18%
Claim ratio	40%	27%		
Expense ratio	34%	36%		
Combined ratio	75%	62%		

Marine, Aviation and Transport

Marine business grew by 6.8% from Rs. 44 million in 2008 to Rs. 47 million in 2009. Net earned premium went up by 15%. Further the Company had to experience more losses in this segment which are increased by Rs. 0.5 million from Rs. 5.1 million in 2008 to Rs. 5.6 million in 2009. Underwriting profit increased by 0.7 million resulting in 5.6% increase over 2008 from Rs. 11.2 million in 2008 to Rs. 11.9 million in 2009. The graphical analysis of Marine, Aviation and Transport business is:

	2009	2008	Change	
	-------- Rupees in '000	--------	Rupees in '000	% age
Gross premium	46,966	44,039	2,927	7%
Net premium	25,088	21,856	3,232	15%
Net claims	(5,631)	(5,183)	(448)	9%
Net expenses	(7,114)	(6,646)	(468)	7%
Net commissions	(483)	1,200	(1,683)	-140%
Underwriting result	11,860	11,227	633	6%
Claim ratio	22%	24%		
Expense ratio	28%	30%		
Combined ratio	51%	54%		

Directors' Report to the Shareholders

Motor

GWP decreased by 43% from Rs. 21 million in 2008 to Rs. 11.8 million in 2009 and net premium earned increased by 3% from Rs. 17 million to Rs. 17.6 million. The losses decreased by 65.7% from Rs. 2.9 million in 2008 to Rs. 1 million in 2009, the underwriting results increased by 57% from Rs. 8 million in 2008 to Rs. 12.7 million in 2009 in a year. The graphical analysis of motor business is:

	2009	2008	Change	
	-------- Rupees in '000 --------		Rupees in '000	% age
Gross premium	11,825	20,693	(8,868)	-43%
Net premium	17,614	17,082	532	3%
Net claims	(983)	(2,867)	1,884	-66%
Net expenses	(1,791)	(3,111)	1,320	-42%
Net commissions	(2,133)	(3,031)	898	-30%
Underwriting result	12,707	8,073	4,634	57%
Claim ratio	6%	17%		
Expense ratio	10%	18%		
Combined ratio	16%	35%		

Others (Miscellaneous)

For Miscellaneous lines, which include engineering, contract, travel business, crop and live stock. GWP increased by 5% from Rs. 40 million in 2008 to Rs. 42 million in 2009. Net Earned Premium increased by 40%, closing at Rs. 21 million. Underwriting profit increased by 23% from Rs. 10.3 million in 2008 to Rs. 12.7 million in 2009. The graphical analysis of others (Miscellaneous) business is:

	2009	2008	Change	
	-------- Rupees in '000 --------		Rupees in '000	% age
Gross premium	42,079	40,210	1,869	5%
Net premium	20,570	14,520	6,050	42%
Net claims	(3,699)	(2,295)	(1,404)	61%
Net expenses	(6,374)	(3,402)	(2,972)	87%
Net commissions	2,245	1,511	734	49%
Underwriting result	12,742	10,334	2,408	23%
Claim ratio	18%	16%		
Expense ratio	31%	23%		
Combined ratio	49%	39%		

Directors' Report to the Shareholders

Claims

The settlement time for claims depends on various factors such as the line of business, cause of loss, the nature of claim etc. Typically, claims which result in total or partial destruction of assets or records (such as those caused by Acts of God), those where adequate documentation to establish the claims are awaited and those which are the subject matter of judicial processes tend to have longer settlement times, which are beyond the control of the Company. During the year, the Company has settled more than 93% of all claims pertaining to 2008 and earlier. The Company has improved internal processes for further reduction of average claims settlement time and claims outstanding.

Re-Insurance

Your Company follows a policy of optimizing retention of risk through a carefully designed program of re-insurance with "A" rated and well reputed re-insurers lead by our leader "Labuan Reinsurance, Berhad". The focus of the reinsurance treaty program has been designed to protect the value at risk by insuring timely and quality protection for individual risks and in catastrophic events.

In this challenging period of economic slowdown, declining prices and softening of local insurance markets, your Company's strategy of increasing its retention of risk will help in achieving a positive net premium growth, thereby offsetting some of the impact of fall in premiums.

Risk Management

Insurance being the business of transfer of risks from client to insurer is viable only if underwriter has the ability to precisely assess the risk. Your Company's Risk Management approach is proficient in qualitative evaluation of risk, providing safety consultancy for loss reduction and suggesting measures for risk mitigation to the client. Your company is striving to develop expertise in areas like risk pricing, business continuity planning and consequence analysis which will help us in offering value added services to the clients.

Investments

Equity and Other Investments

Our investment objective is to achieve a superior total return on the investment portfolio adhering to our investment philosophy and the regulations as applicable from time to time. We are guided by value investing principles. The investment committee supervises the implementation of the investment policies laid down by the Board and guides the asset allocation strategy to ensure financial liquidity, security and diversification. Appropriate risk management practices are adopted with an objective to manage risks arising out of duration, market, credit, legal and operations.

Your Company's investment portfolio is invested with prudence while seeking a reasonable yield, in line with market conditions. After posting dismal returns last year, Pakistan equities (benchmark KSE-100) marked a solid 60% YoY return during the year with the help of Securities and Exchange Commission of Pakistan. Market capitalization was also up 45% YoY, whereas increased by 37% in USD terms in 2009. However, higher risk perception coupled with the prevalent liquidity crunch, uncertainty on the political canvas, military operations against insurgency and its aftermap have gripped the markets so far.

The book value of your Company's investments in equity instruments increased from Rs. 7.576 million to Rs. 10.272 million, i.e., by Rs. 2.7 million during the year 2009.

Directors' Report to the Shareholders

Even the soundest of assets were victims of extraordinary and indiscriminate price declines during this turmoil. However, once the liquidity of credit markets is restored, the equity markets in general and our core investments portfolio have the potential to pay back. The Company will continue to place special emphasis in generating a significant portion of its investment income from sustainable sources such as interest and dividends.

Investment Properties

With the increase in equity market, the Company has reduced its emphasis in properties and thereby there is no change in investment in properties during the year. The Company has generated rental income of Rs. 5.6 million as compared to Rs. 3.4 million in previous year registering a growth of 65%.

Capital Management and Liquidity

The Company has a policy to maintain a strong capital position and provide the flexibility necessary to take advantage of growth opportunities, to support the risk associated with its businesses and to optimize shareholder return. The Company's capital base is structured to exceed regulatory capital targets and maintain strong credit ratings while maintaining a capital-efficient structure and desired capital ratios.

The Company's risk management framework includes a number of liquidity risk management procedures, including prescribed liquidity stress testing, active monitoring and contingency planning. The Company maintains an overall asset liquidity profile that exceeds requirements to fund potential liabilities under adverse scenarios. The Company also actively manages and monitors the matching of its asset positions against its commitments, together with the diversification and credit quality of its investments against established targets. The Company's primary source of funds is cash provided by operating activities, including premiums and net investment income. These funds are used primarily to pay claims, commissions, operating expenses, interest expenses and shareholder dividends.

Cash flows generated from operating activities are generally invested to support future payment requirements, including the payment of dividends to shareholders.

The Company's liquidity remained strong with operating and investing cash flows of Rs. 16 million and Rs. 77 million respectively. The total cash and cash equivalents as at the end of 2009 are Rs. 138 million against Rs. 48 million in 2008.

Information Technology, Business Process Re-engineering and Disaster Recovery Program

Strategic initiative to leverage IT for improved business performance continued yielding required results. Your Directors recognize the importance of Technology in the conduct of business and the need for investing in new technology. As in all industries, adapting new technology has become absolute necessity in Insurance Industry to achieve the desired effect. Disaster Recovery Program (DRP) remains implemented during the current year.

PGI Website

Website of your company www.pgi.com.pk allows the user to obtain the Company related information. PGI is the first & pioneer in offering innovative online "Insurance Quote System".

Directors' Report to the Shareholders

Human Resource

As a successful company, Human Capital is now an integral part of the organization, shifting from a hitherto support to a business partner role. Dynamic strategies are planned, developed and implemented to achieve the vision of the Company. Employee oriented incentives have been introduced to enhance retentions & motivation at all levels. For infusing fresh blood, Management Trainee Program was introduced. These trainees are now contributing to the business growth. Based on training need analysis, courses on core and soft skills were organized. Formal orientation programs for new entrants ensure quick integration into the business. Good working environment continues to contribute in the productivity enhancement.

Our continued focus on equal opportunity employment goes a long way in maintaining a pool of employees with knowledge, experience and skills in their respective fields and employees remain our most valuable assets.

Corporate Social Responsibility

We at PGI Insurance are conscious of the well being of our employees as well as community at large. Pollution reduction and waste management processes have been defined and are being applied to ensure minimal impact on our environment. Waste management includes reduce, reuse, recycle and disposal processes. The Company focuses on energy conservation and all departments and employees adhere to the power conservation measures. Your Company takes its contribution towards national economy seriously and has always discharged its obligations in a transparent, accurate and timely manner. During the year, Rs. 17.6 million was paid on account of income tax, federal excise duty, federal insurance fee and other levies.

Insurer's Financial Strength Rating

The JCR VIS Credit Rating Agency has assigned your Company, an "Insurer Financial Strength" (IFS) Rating of "BBB" (Triple B) and a Stable Outlook, on the basis of financial statements for the year 2008.

Appropriations

The proposed appropriations are as under:

	2009	2008
	(Rupees in thousands)	
Transfer to capital reserves - for issue of bonus shares	100,000	Nil
Transfer to general reserves	90,000	40,000

Directors' Report to the Shareholders

Future Outlook

Despite significant presence of insurance companies, insurance penetration in Pakistan is low compared to the global levels and those of regional countries. Pakistan is also low in terms of insurance density (ratio of premium to total population). Growth of insurance business is directly related to economic activities in the country but in case of Pakistan we believe that regulatory framework can provide the stimulus to the industry growth.

Overall, 2010 is expected to mark the end of the slide in the economy. Despite rising political and security uncertainties, economic stabilization is progressing. Going forward, the economic sustainability is highly contingent upon a number of positive developments. It includes materialization of the expected foreign inflows, overall inflation in the economy and exchange rate stability.

We cherish no illusions about the magnitudes of challenges ahead. While competition is increasing in all business segments, the phenomenal strength of the Company and the strategies pursued by PGI makes us feel confident to achieve plans for 2010. By applying prudent policies and discipline in business operations and using cost effective methods, we are positive that the targets set for the year will be reached.

Enhanced customer service with fair and efficient claims settlement is a significant source of achieving success in a competitive market. A disciplined approach with customer focus will remain our hallmark for 2010.

As a responsible corporate entity, we will continue to conduct our business in a transparent way subscribing to high ethical standards and strictly complying with all regulatory obligations. Our aim is to ensure that our performance exceeds expectation of our shareholders, not only during the current year but beyond.

Acknowledgement

We would like to thank our customers, business partners and employees whose loyalty & dedication makes PGI the great Company that it is. We also take this opportunity to thank Securities and Exchange Commission of Pakistan, our brokers and re-insurers, including Pakistan Re-insurance Company Limited, shareholders and the bankers of the Company for support given to PGI during the year. Lastly, we would like to place on record our appreciation for the devotion, loyalty and continued hard work of the workforce and the employees.

For and on behalf of the Board

Ch. Zahoor Ahmed
Chief Executive

Lahore: April 07, 2010

Directors' Report on Corporate Governance

Code of Corporate Governance

From its inception the Company has maintained a visible record of good corporate governance this is reflected merely by the growth of the Company over the years. In the phase of implementing the code of corporate governance as required by the listing regulations, the Company has implemented all aspects of the code of corporate governance and the management is pleased to state that the fullest efforts have been made to comply with the provisions of the code.

The Directors confirms compliance with the Corporate and Financial Reporting Framework of the SECP Code of Corporate Governance for the following:

Statement of corporate and financial reporting

1) The financial statements together with the notes forming an integral part of these statements have been prepared by the management of your Company in conformity with the Companies Ordinance, 1984 and the Insurance Ordinance, 2000 and present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

2) Proper books of accounts of the Company have been maintained.

3) Appropriate accounting policies have been consistently applied in preparation of these financial statements and accounting estimates are based on reasonable and prudent judgment.

4) The International Accounting 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 continuously monitored by the internal audits. This is a continuing process and any weaknesses will be removed and its effective implementation shall be ensured.

6) There is no doubt 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 attached with this report.

9) Outstanding taxes and duties are given in the financial statements.

10) The related party transactions are approved or ratified by the audit committee and the Board of Directors.

11) The value of investments based on audited financial statements of the Company's Employee Provident Fund as at December 31, 2009 is Rs. 344,000.

12) No trade is carried out during the year by the Directors, CEO, CFO, Company Secretary, Executives and their spouses and minor children.

13) All the major decisions relating to investments / disinvestments of funds, change in the policy of underwriting, if any, appointment, remuneration and terms & conditions of CEO are taken to the Board.

Directors' Report on Corporate Governance

Insurance Ordinance, 2000
As required under the Insurance Ordinance and rules framed there under, the Directors confirm that:

- in their opinion and to the best of their belief the annual statutory accounts of the Company set out in the forms attached with this statement have been drawn up in accordance with the Insurance Ordinance and any rules made there under;
- the Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to the paid-up capital, solvency and re-insurance arrangements; and
- as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and rules framed there under as mentioned above.

Board of Directors
The Directors of your Company were elected in the Annual General Meeting held on April 30, 2007 for a period of three years and we would like to take this opportunity of welcoming Mr. Ch. Ghulam Mustafa for joining the Board by filing the casual vacancy of Mr. Nasir Ali as executive director. No meeting was held during the year after being on board, hence Ch. Ghulam Mustafa did not attended any meeting as a director.

During the year, five (5) meetings of the Board of Directors were held and attendance by each Director is given below:

Name of Director Number of meetings attended

Name	**Designation**	**Meetings attended**
Ch. Manzoor Ahmed	Non Executive Director and Chairman	5
Ch. Zahoor Ahmed	Executive Director and Chief Executive	5
Nasir Ali	Executive Director and Vice Chairman	5
Mehmod ul Haq	Non Executive Director	5
Rehan Beg	Non Executive and Independent Director	5
Ch. Mazhar Zahoor	Non Executive Director	5
Usman Ali	Executive Director	5
Ch. Muhammad Saleem	Executive Director	5
Ch. Ather Zahoor	Non Executive Director	5

No director remain absent from the meetings held in their tenure of directorship during the year.

Audit Committee
As required under the Code of Corporate Governance, the audit committee continued to perform as per its terms of reference duly approved by the Board. The committee composition and its terms of reference are also attached with this report. During the year, committee met four (4) times.

Directors' Report on Corporate Governance

Auditors

The present auditors M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants and M/s. Kamran & Co., Chartered Accountants, retire and being eligible, have offered themselves for reappointment. The external auditors hold satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) as required under their Quality Control Review Program. As suggested by the Audit Committee, the Board of Directors has recommended the appointment of M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants and M/s. Kamran & Co., Chartered Accountants, as auditors of the Company for the year 2010, at a fee to be mutually agreed.

Material Changes

There have been no material changes and commitments affecting the financial position of your Company since December 31, 2009.

Pattern of Shareholding

A statement showing the pattern of shareholding is attached with this report.

Earnings per Shares

Earnings per share during the year have increased by 3% from Rs. 1.11 per share in 2008 to Rs. 4.23 in 2009.

Statement of Ethics and Business Practices

The Board has adopted "Statement of Ethics and Business Practices". Entire management and employees are aware of the statement and are obliged to observe the rules of conduct in relation to the business operations and regulations.

For and on behalf of the Board

Ch. Zahoor Ahmed
Chief Executive

Lahore: April 07, 2010

Statement of Compliance with Best Practices and Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance as contained in the Listing Regulations of respective stock exchanges and SRO 68(1)/2003 issued by the Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes five (5) non-executive directors (out of which one represents independent director), including the Chairman, out of nine directors.

2. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the directors have given declaration that they are aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the listing regulations of the stock exchanges of Pakistan.

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 Development Financial Institution or a Non-Banking Financial Institution. None of the director or their spouse is a member of a stock exchange.

5. Casual vacancy occurred in the Board on November 16, 2009 which was filled up by Directors on the same day.

6. The Company has prepared a 'Statement of Ethics and Business Practices' (Code of Conduct), which has been signed by all directors and employees of the Company.

7. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company.

8. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

9. All the powers of the Board have been duly exercised and decisions on material transactions, including the appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

10. All the meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

11. The Board has established a system of sound internal control which is effectively implemented at all levels within the Company.

Statement of Compliance with Best Practices and Corporate Governance

12. The Board has arranged an orientation course for its directors during the year to apprise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.

13. All material information as required under the relevant rules, has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time limit.

14. 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.

15. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

16. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

17. The Company has complied with all the corporate and financial reporting requirements of the Code.

18. The Board has formed Underwriting, Claims Settlement and Re-insurance & Co-insurance Committees.

19. The Board has formed an Audit Committee. It comprises of three members all of whom are non-executive directors including the chairman of the committee.

20. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

21. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Company and are involved in the Internal Audit function on a full time basis.

22. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants 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 International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

24. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non-arm's length transaction and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm’s length transactions only if such terms can be substantiated.

25. We confirm that all other material principles contained in the Code have been complied with.

Ch. Zahoor Ahmed
Chief Executive
Lahore. April 07, 2010

KAMRAN & CO.
Chartered Accountants
Apartment A/2, Ingola Apartments
24 – Jail Road
Lahore.

Deloitte.
M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants
66 – E – FCC, Syed Maratab Ali Road
Gulberg – IV
Lahore.

REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of THE PAKISTAN GENERAL INSURANCE COMPANY LIMITED ("the Company") to comply with the relevant Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges in Pakistan where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. 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 Code.

As part of our audit of 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place Before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, 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 best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2009.

KAMRAN & CO.
(Chartered Accountants)

Lahore, April 07, 2010

M. YOUSUF ADIL SALEEM & CO.
(Chartered Accountants)

Lahore, April 07, 2010

KAMRAN & CO.
Chartered Accountants
Apartment A/2, Ingola Apartments
24 – Jail Road
Lahore.

Deloitte.
M. YOUSUF ADIL SALEEM & CO.
Chartered Accountants
66 – E – FCC, Syed Maratab Ali Road
Gulberg – IV
Lahore.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

(I) Balance sheet;
(ii) Profit and loss account;
(iii) Statement of changes in equity;
(iv) Cash flow statement;
(v) Statement of premiums;
(vi) Statement of claims;
(vii) Statement of expenses; and
(viii) Statement of investment income

of THE PAKISTAN GENERAL INSURANCE COMPANY LIMITED ("the Company") as at December 31, 2009 together with notes forming part thereof, for the year then ended.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the International Financial Reporting Standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

In our opinion-

a) proper books of accounts have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;

b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance,1984, and accurately reflect the books and records of the Company and are further in accordance with the accounting policies consistently applied;

c) The financial statements together with the notes thereon present fairly in all material respects the state of the Company's affairs as at December 31, 2009 and of the profit, its cash flow and statement of changes in equity for the year then ended, in accordance with approved accounting standards as applicable in Pakistan, and, give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

KAMRAN & CO.
(Chartered Accountants)

Kamran Fatah
(Engagement Partner)

Lahore, April 07, 2010

M. YOUSUF ADIL SALEEM & CO.
(Chartered Accountants)

Hafiz Muhammad Yousaf
(Engagement Partner)

Lahore, Apirl 07, 2010

Balance Sheet
As At December 31, 2009

EQUITY AND LIABILITIES	Note	2009	restated 2008
		--------- Rupees --------	
Share capital and reserves			
Authorized share capital			
30,000,000 (2008: 30,000,000) ordinary shares of Rs. 10 each		**300,000,000**	300,000,000
Issued, subscribed and paid-up share capital	4	**200,000,000**	200,000,000
Un-appropriated profit		**7,065,878**	10,041,429
Capital reserves		**100,000,000**	-
General reserves		**55,000,000**	65,000,000
		362,065,878	275,041,429
Surplus on revaluation of fixed assets	5	**6,810,017**	9,174,983
Underwriting provisions			
Provision for outstanding claims (including IBNR)		**10,353,437**	8,585,317
Provision for unearned premium		**95,896,243**	109,614,056
Commission income unearned		**17,290,629**	16,335,867
Total underwriting provisions		**123,540,309**	134,535,240
Deferred liability			
Deferred taxation	6	**31,445,783**	11,206,542
Creditors and accruals			
Amounts due to other insurers / reinsurers		**5,161,218**	20,909,068
Accrued expenses		**594,810**	1,004,273
Other creditors	7	**14,189,275**	14,617,894
Current portion of liabilities against assets subject to finance lease	8	**267,852**	992,952
		20,213,155	37,524,187
Other liabilities			
Liabilities against assets subject to finance lease	8	**691,733**	141,009
Advance received against sale of land	18	**-**	41,375,000
		691,733	41,516,009
TOTAL LIABILITIES		**175,890,980**	224,781,978
TOTAL EQUITY AND LIABILITIES		**544,766,875**	508,998,390

CONTINGENCIES AND COMMITMENTS 9

The annexed notes from 1 to 35 form an integral part of these financial statements.

CHAIRMAN	CHIEF EXECUTIVE / PRINCIPAL OFFICER	DIRECTOR	DIRECTOR
(CH. MANZOOR AHMED)	(CH. ZAHOOR AHMED)	(CH. GHULAM MUSTAFA)	(CH. MUHAMMAD SALEEM)

Balance Sheet
As At December 31, 2009

ASSETS	Note	2009	restated 2008
		----------- Rupees --------	
Cash and bank deposits			
Cash and other equivalents	10	**469,596**	80,635
Current and other accounts		**61,236,735**	1,390,437
Deposits maturing within 12 months	11	**58,508,000**	28,508,000
Deposits maturing after 12 months	12	**18,000,000**	18,000,000
		138,214,331	47,979,072
Loans - unsecured; considered good			
To employees		**106,126**	98,648
Investments	13	**21,302,080**	19,302,964
Investment properties	14	**148,742,113**	155,193,290
Current assets - others			
Premiums due but unpaid - net - unsecured	15	**56,739,888**	51,019,037
Amounts due from other insurers / reinsurers - unsecured		**7,086,366**	5,818,755
Premium and claim reserves retained by cedants		**-**	15,074,049
Accrued investment income		**5,287,661**	4,023,023
Reinsurance recoveries against outstanding claims		**7,691,738**	5,383,256
Taxation - payments less provision	16	**662,128**	656,383
Deferred commission expense		**12,007,143**	12,429,204
Prepaid reinsurance premium ceded		**50,953,826**	50,191,580
Sundry receivables	17	**743,112**	4,894,288
		141,171,862	149,489,575
Non current assets held for sale	18	**-**	42,000,000
Fixed assets			
Tangible fixed assets			
Owned			
- land and buildings		**65,031,235**	68,453,932
- furniture, fixtures and office equipment		**4,975,654**	5,482,221
- vehicles		**21,965,102**	16,304,603
		91,971,991	90,240,756
Assets subject to finance lease			
- vehicles		**3,258,372**	4,694,085
	19	**95,230,363**	94,934,841
TOTAL ASSETS		**544,766,875**	508,998,390

The annexed notes from 1 to 35 form an integral part of these financial statements.

CHAIRMAN	CHIEF EXECUTIVE / PRINCIPAL OFFICER	DIRECTOR	DIRECTOR
(CH. MANZOOR AHMED)	(CH. ZAHOOR AHMED)	(CH. GHULAM MUSTAFA)	(CH. MUHAMMAD SALEEM)

Profit And Loss Account
For the Year ended December 31, 2009

	Fire and property damage	Marine, aviation and transport	Motor act	Miscellaneous	Treaty	Note	Aggregate 2009	Aggregate 2008 restated
	---------- Rupees ----------						---------- Rupees ----------	
Revenue Account								
Net premium revenue	46,618,713	25,088,278	17,613,763	20,569,787	-		**109,890,541**	91,863,844
Net claims	(18,857,552)	(5,630,901)	(982,529)	(3,699,222)	-		**(29,170,204)**	(20,574,466)
Expenses	(15,876,453)	(7,114,479)	(1,791,244)	(6,374,279)	-	22	**(31,156,455)**	(26,831,940)
Net commission	5,777,037	(483,416)	(2,132,890)	2,245,534	-		**5,406,265**	6,622,576
Underwriting result	17,661,745	11,859,482	12,707,100	12,741,820	-		**54,970,147**	51,080,014
Investment income / (loss)							**8,361,941**	(1,346,842)
Rental income							**5,562,000**	3,420,000
Other income						20	**72,735,769**	11,259
Finance cost						21	**(1,241,765)**	(1,213,417)
General and administration expenses						23	**(34,939,915)**	(26,546,120)
							50,478,030	(25,675,120)
Profit before tax							**105,448,177**	25,404,894
Provision for taxation						24	**(20,788,694)**	(3,134,985)
Profit for the year							**84,659,483**	22,269,909
Other comprehensive income for the year							**-**	-
Total comprehensive income for the year							**84,659,483**	22,269,909
Profit and loss appropriation account								
Balance at beginning of the year							**10,041,429**	18,893,998
Cumulative effect of prior year error note - 27							**-**	7,674,000
Profit for the year							**84,659,483**	22,269,909
Transfers to general reserves							**(90,000,000)**	(40,000,000)
Incremental depreciation on revalued assets							**388,819**	1,203,522
Revaluation surplus transferred on disposal of non current assets held for sale							**1,976,147**	-
Balance at end of the year							**7,065,878**	10,041,429
Earnings per share - basic and diluted						29	**4.23**	1.11

The annexed notes from 1 to 35 form an integral part of these financial statements.

CHAIRMAN	CHIEF EXECUTIVE / PRINCIPAL OFFICER	DIRECTOR	DIRECTOR
(CH. MANZOOR AHMED)	(CH. ZAHOOR AHMED)	(CH. GHULAM MUSTAFA)	(CH. MUHAMMAD SALEEM)

Statement of Changes in Equity
For the Year ended December 31, 2009

	restated				
	Share capital	Reserves Capital	Reserves General	Un-appropriated profit	Total
	---------- Rupees ----------				
Balance as at December 31, 2007 - as previously reported	**200,000,000**	**-**	**25,000,000**	**18,893,998**	**243,893,998**
Cumulative effect of prior year error note - 27	-	-	-	7,674,000	7,674,000
Balance as at December 31, 2007 - as restated	**200,000,000**	**-**	**25,000,000**	**26,567,998**	**251,567,998**
Profit for the year	-	-	-	22,269,909	22,269,909
Incremental depreciation on surplus on revaluation of fixed assets	-	-	-	1,203,522	1,203,522
Transferred to general reserves	-	-	40,000,000	(40,000,000)	-
Balance as at December 31, 2008	**200,000,000**	**-**	**65,000,000**	**10,041,429**	**275,041,429**
Profit for the year	-	-	-	84,659,483	84,659,483
Incremental depreciation on surplus on revaluation of fixed assets	-	-	-	388,819	388,819
Revaluation surplus transferred due to disposal of non current assets held for sale	-	-	-	1,976,147	1,976,147
Transferred to general reserves	-	-	90,000,000	(90,000,000)	-
Transferred to reserve for issue of bonus shares	-	100,000,000	(100,000,000)	-	-
Balance as at December 31, 2009	**200,000,000**	**100,000,000**	**55,000,000**	**7,065,878**	**362,065,878**

The annexed notes from 1 to 35 form an integral part of these financial statements.

CHAIRMAN	CHIEF EXECUTIVE / PRINCIPAL OFFICER	DIRECTOR	DIRECTOR
(CH. MANZOOR AHMED)	(CH. ZAHOOR AHMED)	(CH. GHULAM MUSTAFA)	(CH. MUHAMMAD SALEEM)

Cash Flow Statement

For the Year Ended December 31, 2009

	2009	2008
	------------ Rupees ----------	
Operating cash flows		
a) Underwriting activities		
Premiums received	**195,761,510**	174,808,429
Reinsurance premiums paid	**(110,267,076)**	(98,525,883)
Claims paid	**(121,156,497)**	(83,238,871)
Reinsurance and other recoveries received	**91,445,931**	60,534,883
Commissions paid	**(36,807,590)**	(32,345,730)
Commissions received	**43,590,678**	39,425,213
Net cash inflow from underwriting activities	**62,566,956**	60,658,041
b) Other operating activities		
Income tax paid	**(764,562)**	(551,248)
General management expenses paid	**(47,898,853)**	(37,896,978)
Loans advanced	**(7,478)**	-
Loan repayments received	**-**	25,314
Other operating payments on operating assets	**(17,444,080)**	(2,711,982)
Other operating receipts in respect of operating assets	**19,225,225**	5,606,038
Net cash out flow from other operating activities	**(46,889,748)**	(35,528,856)
Total cash inflow from all operating activities (a+b)	**15,677,208**	25,129,185
Investment activities		
Profit / return received	**4,006,207**	976,585
Dividends received	**395,880**	35,425
Rentals received	**5,562,000**	3,420,000
Miscellaneous income	**5,411**	4,968
Payments for investments	**-**	(7,907,074)
Advance received against sale of land	**-**	41,375,000
Proceeds from disposal of investments	**696,100**	-
Fixed capital expenditure	**(6,975,106)**	(118,778,626)
Proceeds from disposal of fixed assets	**73,595,700**	240,000
Total cash inflow / (out flow) from investing activities	**77,286,192**	(80,633,722)
Financing Activities		
Financial charges paid	**(1,241,765)**	(928,483)
Repayments of finance leases liabilities	**(1,486,376)**	(1,621,540)
Total cash out flow from financing activities	**(2,728,141)**	(2,550,023)
Net cash in flow / (out flow) from all activities	**90,235,259**	(58,054,560)
Cash at the beginning of the year	**47,979,072**	106,033,632
Cash at the end of the year	**138,214,331**	47,979,072

Cash Flow Statement

For the Year Ended December 31, 2009

RECONCILIATION TO PROFIT AND LOSS ACCOUNT	2009	2008
	----------- Rupees --------	
Operating cash flows	**15,677,208**	25,129,185
Depreciation expense	**(14,411,783)**	(9,603,238)
Gain / (loss) on remeasurement of investments	**2,695,216**	(4,466,233)
Provision for doubtful receivables	**(4,195,197)**	(5,836,920)
Finance cost	**(1,241,765)**	(928,483)
Investment income	**5,265,434**	3,083,966
Rental income	**5,562,000**	3,420,000
Dividend income	**395,880**	35,425
Other income	**72,741,180**	11,259
(Increase) / Decrease in assets other than cash	**(5,385,421)**	35,101,012
Increase / (Decrease) in liabilities	**7,556,731**	(23,676,064)
Profit after taxation as per profit and loss account	**84,659,483**	22,269,909

DEFINITION OF CASH

Cash for the purposes of the statement of cash flows consists of:

Cash and other equivalents	**469,596**	80,635
Current and other accounts	**61,236,735**	1,390,437
Deposits maturing within 12 months	**58,508,000**	28,508,000
Deposits maturing after 12 months	**18,000,000**	18,000,000
	138,214,331	47,979,072

The annexed notes from 1 to 35 form an integral part of these financial statements.

CHAIRMAN	CHIEF EXECUTIVE / PRINCIPAL OFFICER	DIRECTOR	DIRECTOR
(CH. MANZOOR AHMED)	(CH. ZAHOOR AHMED)	(CH. GHULAM MUSTAFA)	(CH. MUHAMMAD SALEEM)

Statement of Premiums
For the Year Ended December 31, 2009

Business underwritten inside Pakistan

Class	Premiums				Reinsurance				Net premium revenue	
	Written	Unearned premium reserve		Earned	Reinsurance premium ceded	Prepaid reinsurance premium ceded		Reinsurance expense		
		Opening	Closing			Opening	Closing		2009	2008
	Rupees									
Direct										
Fire and property damage	104,807,500	52,490,534	50,307,898	106,990,136	59,619,120	27,901,372	27,149,069	60,371,423	**46,618,713**	38,409,451
Marine, aviation and transport	46,965,826	24,049,900	22,075,063	48,940,663	23,084,486	12,016,454	11,248,555	23,852,385	**25,088,278**	21,855,605
Motor act	11,824,794	11,574,009	4,854,890	18,543,913	930,150	-	-	930,150	**17,613,763**	17,082,412
Miscellaneous	42,079,438	21,499,613	18,658,392	44,920,659	26,633,320	10,273,754	12,556,202	24,350,872	**20,569,787**	14,520,161
Total	205,677,558	109,614,056	95,896,243	219,395,371	110,267,076	50,191,580	50,953,826	109,504,830	**109,890,541**	91,867,629
Treaty										
Non proportional	-	-	-	-	-	-	-	-	**-**	(3,785)
Grand total	205,677,558	109,614,056	95,896,243	219,395,371	110,267,076	50,191,580	50,953,826	109,504,830	**109,890,541**	91,863,844

The annexed notes from 1 to 35 form an integral part of these financial statements.

CHAIRMAN	CHIEF EXECUTIVE / PRINCIPAL OFFICER	DIRECTOR	DIRECTOR
(CH. MANZOOR AHMED)	(CH. ZAHOOR AHMED)	(CH. GHULAM MUSTAFA)	(CH. MUHAMMAD SALEEM)

Statement of Claims
For the Year Ended December 31, 2009

Business underwritten inside Pakistan

Class	Claims paid	Outstanding Claims: Outstanding Opening	Outstanding Claims: Outstanding Closing	Claims expense	Reinsurance: Reinsurance and other recoveries received	Reinsurance: Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance: Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance: Reinsurance and other recoveries revenue	Net claims expense 2009	Net claims expense 2008
	Rupees									
Direct										
Fire and property damage	73,869,025	3,742,238	5,773,179	75,899,966	55,170,555	2,254,634	4,126,493	57,042,414	**18,857,552**	10,200,399
Marine, aviation and transport	20,441,566	2,917,067	3,278,986	20,803,485	14,956,741	2,523,622	2,739,465	15,172,584	**5,630,901**	5,183,424
Motor act	2,560,269	1,726,012	143,272	977,529	450,000	455,000	-	(5,000)	**982,529**	2,867,346
Miscellaneous	24,285,637	200,000	1,158,000	25,243,637	20,868,635	150,000	825,780	21,544,415	**3,699,222**	2,295,403
Total	121,156,497	8,585,317	10,353,437	122,924,617	91,445,931	5,383,256	7,691,738	93,754,413	**29,170,204**	20,546,572
Treaty										
Non proportional	-	-	-	-	-	-	-	-	**-**	27,894
Grand total	121,156,497	8,585,317	10,353,437	122,924,617	91,445,931	5,383,256	7,691,738	93,754,413	**29,170,204**	20,574,466

The annexed notes from 1 to 35 form an integral part of these financial statements.

CHAIRMAN (CH. MANZOOR AHMED)	CHIEF EXECUTIVE / PRINCIPAL OFFICER (CH. ZAHOOR AHMED)	DIRECTOR (CH. GHULAM MUSTAFA)	DIRECTOR (CH. MUHAMMAD SALEEM)

Statement of Expenses
For the Year Ended December 31, 2009

Business underwritten inside Pakistan

Class	Commissions				Other management expense	Underwriting expense	Commission from reinsurers	Net underwriting expense	
	Paid or payable	Deferred		Net expense					
		Opening	Closing					2009	2008
	Rupees								
Direct									
Fire and property damage	15,554,903	6,613,160	5,964,151	16,203,912	15,876,453	32,080,365	21,980,949	**10,099,416**	6,730,430
Marine, aviation and transport	6,913,509	3,705,506	2,806,715	7,812,300	7,114,479	14,926,779	7,328,884	**7,597,895**	5,445,764
Motor act	1,710,060	1,217,069	794,239	2,132,890	1,791,244	3,924,134	-	**3,924,134**	6,141,766
Miscellaneous	6,268,089	893,469	2,442,038	4,719,520	6,374,279	11,093,799	6,965,054	**4,128,745**	1,891,404
Grand total	30,446,561	12,429,204	12,007,143	30,868,622	31,156,455	62,025,077	36,274,887	**25,750,190**	20,209,364

The annexed notes from 1 to 35 form an integral part of these financial statements.

CHAIRMAN (CH. MANZOOR AHMED)	CHIEF EXECUTIVE / PRINCIPAL OFFICER (CH. ZAHOOR AHMED)	DIRECTOR (CH. GHULAM MUSTAFA)	DIRECTOR (CH. MUHAMMAD SALEEM)

Statement of Investment Income
For the Year Ended December 31, 2009

Income from non - trading investments	Note	2009	2008
		---------- Rupees --------	
Available for sale			
Dividend income		**395,880**	35,425
Gain / (loss) on revaluation of available for sale investments - quoted	13	**2,695,216**	(4,466,233)
Investment related expenses		**(18,536)**	(3,415)
Held to maturity			
Return on Defense Saving Certificates		**1,264,638**	1,298,183
Return on Term Deposit Receipts		**4,024,743**	1,789,198
Net investment income / (loss)		**8,361,941**	(1,346,842)

The annexed notes from 1 to 35 form an integral part of these financial statements.

CHAIRMAN	CHIEF EXECUTIVE / PRINCIPAL OFFICER	DIRECTOR	DIRECTOR
(CH. MANZOOR AHMED)	(CH. ZAHOOR AHMED)	(CH. GHULAM MUSTAFA)	(CH. MUHAMMAD SALEEM)

Notes To The Financial Statements
For the Year Ended December 31, 2009

1 LEGAL STATUS AND OPERATIONS

1.1 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 (repealed by the Companies Ordinance, 1984) and is quoted on Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited on July 25, 1995. The Company is engaged in providing general insurance services in spheres of Fire and property damage, Marine, aviation and transport, Motor act and Miscellaneous. The registered office of the Company is situated at Cooperative Bank House, 5-Bank Square, Lahore.

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

2 BASIS OF PRESENTATION

These financial statements have been prepared in accordance with the format prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 ["the SEC (Insurance) Rules, 2002"].

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Insurance Ordinance 2000, the SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 ("the Ordinance") and directives issued by the Securities and Exchange Commission of Pakistan ("SECP"), and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") as notified under the provisions of the Ordinance. Wherever, the requirements of the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, the Ordinance or directives issued by SECP differ with the requirements of these standards, the requirements of the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, the Ordinance or the requirements of the said directives take precedence.

3.2 Adoption of international financial reporting standards that are effective and applicable to the Company

Revised IAS - 1 "Presentation of Financial Statements". The Company applies IAS - 1 revised which became effective from January 01, 2009. The Company presented all items of income and espense recognized during the year in a single statement of comprehensive income. This presentation has been applied as of and for the year ended on December 31, 2009. Comparative information has been presented in conformity with revised standard. The change in accounting policy impacts presentation only without any impact on earning per share.

IFRS 4 - "Insurance Contracts" . The IFRS makes limited improvements to accounting for insurance contracts until the Board completes the second phase of its project on insurance contracts. The standard also requires that an entity issuing insurance contracts (an insurer) to disclose information about those contracts. The required information has been disclosed in notes to these financial statements.

IFRS 7 - "Financial Instruments": Disclosures requires extensive disclosures about the significance of financial instruments for the Company's financial position and performance, and quantitative and qualitative disclosures on the nature and extent of risks. These requirements incorporate many of the requirements previously in IAS 32 - "Financial Instruments" : Presentation. The company has adopted this standard from the financial year beginning July 01, 2008 and its initial application has led to extensive disclosures in the Company's financial statements.

The International Accounting Standards Board made certain amendments to existing standards as part of its first annual improvements project. The effective dates for these amendments vary by standard and most became applicable during the year. These amendments however did not have an impact on the Company’s financial statements.

Notes To The Financial Statements
For the Year Ended December 31, 2009

3.3 Interpretation to the existing standards that are effective and not applicable to the Company

IFRS - 8 "Operating Segments", has replaced IAS - 14 "Segment Reporting" and became effective from January 01, 2009. IFRS - 8 requires "management approach", under which segment information is presented on the same basis as at that used for internal reporting purposes. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format. IFRS - 8 does not effect the Company's financial statements.

Revised IAS 23 - "Borrowing costs" has removed the option to expense borrowing costs and requires that an entity capitalize borrowing costs as part of the cost of that asset. This standard does not affect the Company's financial statements.

IAS 27 - "Consolidated and separate financial statements". The amendment removed the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The amendment is not relevant to the Company's financial statements.

Amendments to IAS 32 - "Financial instruments : Presentation" and IAS 1 - "Presentation of Financial Statements"- Puttable Financial Instruments and Obligations Arising on Liquidation requires puttable instruments, and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, to be classified as equity if certain conditions are met. The amendments, which required retrospective application, had no impact on the Company's financial statements.

Amendment to IFRS 2 - "Share-based Payment" - Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The application of this standard does not have any effect on the Company's financial statements.

Amendment to IFRS 7 - "Improving disclosures about Financial Instruments". These amendments have been made to bring the disclosure requirements of IFRS 7 more closely in line with US standards. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. The amendment does not affect the Company's financial statements.

Amendments to IAS 39 and IFRIC 9 -" Embedded derivatives". Amendments require entities to assess whether they need to separate an embedded derivative from a hybrid (combined) financial instrument when financial assets are reclassified out of the fair value. The amendments are not relevant to the Company's financial statements.

IFRIC 16 - "Hedge of Net Investment in a Foreign Operation" has clarified that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation, the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged and that on disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit and loss. The interpretation allows an entity that uses the step-by-step method of consolidation an accounting policy choice to determine the cumulative currency translation adjustment that is reclassified to profit and loss on disposal of a net investment as if the direct method of consolidation had been used. The amendment is not relevant to the Company's operations.

IFRIC 18 - Transfers of Assets from Customers clarified the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. The interpretation is not relevant to the Company's operations.

3.4 New accounting standards and IFRS interpretations which are not effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after the date mentioned against each of them:

Notes To The Financial Statements
For the Year Ended December 31, 2009

	Effective from
IFRS 3 - Business Combinations (as revised)	July 1,2009
IAS 27 - Consolidated and Separate Financial Statements	July 1,2009
IAS 24 - Related Party Disclosures (revised 2009)	January 1,2011
Amendments to IAS 39 - Financial Instruments: Recognition and Measurement – Eligible hedged items	July 1,2009
Amendment to IFRS 2 - Share-based Payment – Group Cash-settled Share-based Payment Transactions	January 1,2011
Amendment to IAS 32 - Financial Instruments: Presentation – Classification of Rights Issues	February 1,2010
Amendments to IFRIC 14 and IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	January 1,2011
IFRIC 15 Agreement for the Construction of Real Estate	October 1,2009
IFRIC 17 Distributions of Non-cash Assets to Owners	July 1,2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	July 1,2010

The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Company's 2010 financial statement. These amendments are unlikely to have an impact on the Company's financial statements. Improvements to IFRSs 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – (effective for annual periods beginning on or after 1 July 2009).

3.5 Basis of measurement

These financial statements have been prepared under the historical cost convention, modified by:

- revaluation of certain fixed assets at fair value
- financial instruments at fair value

3.6 The principle accounting policies adopted are set out below:

3.6.1 Significant estimates

The preparation of financial statements in conformity with IFRSs require management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying value 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 an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are 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.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next years are disclosed in the ensuing paragraphs.

Fixed assets

The Company reviews the useful lives of fixed assets on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of fixed assets with corresponding effect on the depreciation charge and impairment.

Investment properties

The Company reviews the useful lives of investment properties on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of investment properties with corresponding effect on the depreciation charge and impairment.

Notes To The Financial Statements
For the Year Ended December 31, 2009

Taxation

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and the Company considers that its view on items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

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

The Company recognizes liability in respect of all claims incurred upto the balance sheet date which is measured by assessing the discounted value of the expected future claim settlement payments.

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

The Company recognizes liability in respect of all claims incurred upto 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 includes amounts in relation 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. These are accounted for based on the management's best estimate which takes into account the past trends, expected future patterns of reporting claims actually reported subsequent to the balance sheet date.

3.6.3 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage 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 regulation 8(4)(b) of the accounting regulations for non life insurance companies issued by SECP.

3.6.4 Commission income unearned

Unearned commission income from the reinsurers represents the portion of income relating to the unexpired period of coverage and is recognized as a liability. The Company uses 1/24th method to calculate the provision of unearned commission income under the relevant provisions of S.R.O # 938 of SEC (insurance) Rules, 2002.

3.6.5 Amounts due to / from other insurers / reinsurers

Amounts due to / from other insurers / reinsurers are carried at cost less provision for impairment. Cost represents the fair value of the consideration to be paid / received in future for the services received / rendered.

3.6.6 Creditors, accruals and provisions

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

Provisions are recognized in the balance sheet when the Company has a present, legal or constructive obligation as a result of past events, 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 of obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.6.7 Staff retirement benefits

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.

Notes To The Financial Statements
For the Year Ended December 31, 2009

3.6.8 Taxation

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credit, rebates and exemption available if any or minimum taxation at the rate of one-half percent of the premium whichever is higher. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is accounted for using liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of 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 income statement, except in the case of items credited or charged to equity in which case it is included in equity.

Deferred tax is provided on temporary differences arising on investments in associates stated under equity method of accounting.

3.6.9 Leases

Lease is classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liabilities to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Lease payments are classified as current and long term depending upon the timing of payment. Lease payments are apportioned between finance charge and reduction of the liabilities against assets subject to finance lease, so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on the borrowing costs.

Rentals payable under operating leases are charged to profit and loss account on the straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

3.6.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks, stamps in hand and finances under mark-up arrangements. In the balance sheet, finances under mark-up arrangements are included in current liabilities.

3.6.11 Investments

Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include the transaction cost. These are classified into the following categories:

- Held to maturity
- Available for sale
- Held for trading

Notes To The Financial Statements
For the Year Ended December 31, 2009

Measurement

Held to maturity

Held to maturity investments are financial assets with fixed or determinable payments and with fixed maturity that the management has the positive intent and ability to hold to maturity. Held to maturity investments are initially measured at cost and at subsequent reporting dates measured at amortized cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and included in the income for the period on a straight-line-basis over the term of the investment using the effective yield.

Available for sale

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity or change in interest rates, exchange rates and equity price are classified as available for sale. The Company has stated these investments, classified as available for sale, at lower of cost or market value; the requirements of IAS-39 have not been complied with, due to exemption granted to insurance companies by SECP through S.R.O. # 938 in December 2002.

Financial assets at fair value through profit and loss

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuations in price or are part of a portfolio for which there is a recent actual pattern of short-term profit taking and are included in current assets. These investments are designated at fair value through profit or loss at inception. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

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.

3.6.12 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 on buildings is charged to income on the reducing balance method so as to write off the depreciable amount of building over its estimated useful life at the rates specified in note 14 to the financial statements. Depreciation on additions to investment property is charged from the month in which a property is acquired or capitalized while no depreciation is charged for the month in which the property is disposed off.

3.6.13 Premiums due but unpaid

These are recognized at cost, which is the fair value of the consideration given less provision for impairment and / or doubtful debts, if any.

3.6.14 Non current assets held for sale

Non current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the assets (or disposal group) are available for immediate sale in their present condition. Management must be committed to sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and the fair value less cost to sell.

Notes To The Financial Statements
For the Year Ended December 31, 2009

3.6.15 Prepaid reinsurance expense

Premium for reinsurance contracts operative on a proportional basis is recorded as a liability on attachment of the underlying risks reinsured. The reinsurance for proportional reinsurance contracts, the reinsurance expense is recognized in accordance with the pattern of recognition of premium income to which they relate.

3.6.16 Fixed assets

Fixed assets are stated at historical cost except free hold land and building on free hold land, which are stated at re-valued amount, less accumulated depreciation and impairment in value, if any. Cost includes borrowing cost as referred to in accounting policy for borrowing cost.

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 fixed assets have different useful lives, they are recognized as separate items of fixed assets.

Repair and maintenance costs are charged to profit and loss during the period in which they are incurred.

Depreciation is charged to profit and loss account by applying the reducing balance method over estimated useful life at the rates specified in note 19 to the financial statements. Depreciation on addition to fixed asset is charged from the month in which fixed asset is available for use while no depreciation is charge for the month in which fixed 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 fixed assets.

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 during the period in which they are incurred.

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

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

Assets subject to finance lease in respect of additions and disposals during the year, depreciation is charged from the month of acquisition and upto the month preceding the disposal respectively.

3.6.17 Assets subject to finance lease

Assets subject to finance lease are depreciated over their expected useful lives on the same basis as owned assets.

3.6.18 Impairment

The carrying amount of the 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 assets is estimated and the impairment losses are recognized in the profit and loss account currently.

For goodwill, the recoverable amount is estimated at each balance sheet date.

Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income/ expense currently.

Notes To The Financial Statements

For the Year Ended December 31, 2009

3.6.19 Financial instruments

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognized 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 account for the year.

Financial instruments carried on the balance sheet include cash and bank deposits, loans, investments, premiums due but unpaid, amounts due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers/reinsurers, accrued expenses, other creditors and accruals, short-term borrowings and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.6.20 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

3.6.21 Segment reporting

A business segment is a distinguishable component of the Company that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 as the primary reporting format.

The Company has five primary business segments for reporting purposes namely fire, marine, motor, investment properties and miscellaneous.

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

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

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

Miscellaneous insurance provides cover against burglary, loss of cash in safe and cash in transit, personal accident, money, engineering losses and other covers.

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.

3.6.22 Revenue recognition

Premium income

Premium income under a policy is recognized over the period of insurance from the date of issue of the policy to which it relates to its expiry as follows:

a) For direct business, evenly over the period of the policy.
b) For proportional reinsurance business, evenly over the period of underlying policies.

Where the pattern of incidence of risk varies over the period of policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

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.

3.6.23 Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary 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 / income in profit and loss account for the year.

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

3.6.24 Expenses of management

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.

3.6.25 Commission

Commission expense

Commission due on direct, faculative and treaty business and on reinsurance cessions are recognized in accordance with the policy of recognizing premium revenue.

Commission income

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought into account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

3.6.26 Claims recoveries

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

3.6.27 Foreign currency

Transactions in currencies other than Pakistani Rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities, in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

Notes To The Financial Statements

For the Year Ended December 31, 2009

3.6.28 Pakistan Reinsurance Company Limited ("PRCL") Retrocession

PRCL retrocession business is accounted for on the basis of the statements received relating to the first three quarters of the current year and one quarter of the previous year, with the exception of cash and bank transactions which are accounted for currently.

3.6.29 Zakat

Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) is accounted for when the dividends are approved.

3.6.30 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.

3.6.31 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are approved.

			2009	2008
4	**ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL**	**Note**	**---------- Rupees --------**	
	20,000,000 (2008: 20,000,000) ordinary shares of Rs. 10 each fully paid in cash		**200,000,000**	**200,000,000**

4.1 The Company has only one class of ordinary shares which carry no right to fixed income. The holder of ordinary shares are entitled to receive dividend as declared and entitled to vote at meetings of the Company.

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

4.3 There is no movement in share capital of the Company during the year.

			2009	restated 2008
5	**SURPLUS ON REVALUATION OF FIXED ASSETS**	Note	**---------- Rupees --------**	
	Balance at beginning of the year		**9,174,983**	33,117,583
	Less:			
	- effect of prior year error - see note 27		**-**	(7,674,000)
	- impairment loss charged during the year	5.1	**-**	(15,486,310)
	- transferred to unappropriated profit on disposal of non current assets held for sale		**(1,976,147)**	-
	- transferred to unappropriated profit in respect of incremental depreciation	5.2	**(388,819)**	(782,290)
	Balance at end of the year		**6,810,017**	9,174,983

5.1 The latest revaluation of freehold land, building on freehold land and investment properties was carried out by M/s. Muhammad Siddique Associates (Surveyors, Loss Adjusters and Valuation Consultants) on December 31, 2008. The basis used for revaluation was as follows:

Freehold land	The value of free hold land was ascertained according to the local market value.
Building on free hold land	Present day construction rates for different types of building structures depreciated to account for the age and condition of the building.

Notes To The Financial Statements
For the Year Ended December 31, 2009

5.2 Incremental depreciation represents the difference between the depreciation on investment properties and fixed assets charged during the year and the equivalent depreciation based on its historical costs. See note 14 and 19 to the financial statements for detail of revaluation.

		Note	2009	2008
6	**DEFERRED TAXATION**		---------- Rupees --------	
	Deferred tax liability on taxable temporary differences:			
	Tax depreciation allowance		**32,895,877**	24,688,800
	Finance lease		**804,575**	1,246,043
	Surplus on revaluation of fixed assets		**3,977,912**	4,643,853
	Deferred tax asset on deductible temporary differences			
	Provision for doubtful receivables		**(3,045,002)**	(2,042,922)
	Loss on remeasurement of available for sale investments		**(619,856)**	(1,563,182)
	Available tax losses		**(2,567,723)**	(15,766,050)
			31,445,783	11,206,542
7	**OTHER CREDITORS**			
	Federal excise duty		**10,886,294**	9,605,943
	Federal insurance fee		**2,568,881**	3,917,603
	Withholding tax payable		**19,100**	22,700
	Employees' contribution to provident fund		**-**	356,648
	Others		**715,000**	715,000
			14,189,275	14,617,894
8	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**			
	Present value of minimum lease payments		**959,585**	1,133,961
	Less: current portion		**267,852**	992,952
		8.2	**691,733**	141,009

8.1 The Company has entered into lease agreements with various leasing companies to acquire vehicles. The rentals under these lease arrangements are payable on monthly basis. The present value of minimum lease payments has been discounted at an implicit interest rate ranging from 15.00% to 20.00% (2008: 15.00% to 20.00%) per annum.

The Company has an option to purchase the assets after expiry of the lease term and has the intention to exercise the option. Taxes, repairs, replacements and insurance costs are borne by the Company. There are no financial restrictions in lease agreements.

The liability is secured by demand promissory note, post dated cheques and personal guarantees of the directors of the Company.

		2009	2008
8.2	**Minimum lease payments**	---------- Rupees --------	
	The reconciliation between minimum lease payments and its present value is as under:		
	Not later than one year	**438,753**	1,061,212
	Later than one year but not later than five years	**982,120**	144,117
		1,420,873	1,205,329
	Less: finance cost allocated to future periods	**461,288**	71,368
		959,585	1,133,961
	Less: current portion	**267,852**	992,952
		691,733	141,009

Notes To The Financial Statements
For the Year Ended December 31, 2009

Present value of minimum lease payments	2009	2008
	---------- Rupees --------	
Not later than one year	**267,852**	992,952
Later than one year but not later than five years	**691,733**	141,009
	959,585	1,133,961

The exposure of the Company's borrowings to interest rate changes and the contractual reprising dates at the balance sheet date are as follows:

Maturity		
6 months or less	**200,977**	606,299
6 - 12 months	**66,875**	386,653
1 - 5 years	**691,733**	141,009
	959,585	1,133,961

The carrying amounts of assets held under finance lease approximate their fair values, as the rate used for discounting is the rate implicit in the lease.

9 CONTINGENCIES AND COMMITMENTS

9.1 There are certain cases pending for adjudication before Civil and Session Court amounting to Rs. 2.899 million (2008 : Rs. 5.737 million). These cases are alleged to be not of substance and are likely to be decided in favor of the Company, hence the management has not provided any contingent liability in respect thereof.

9.2 The Company is defendant in a lawsuit of fire insurance claim amounting to Rs. 59.518 million (2008 : Rs. 59.518). The Company has filed a counter claim of Rs. 500.000 million against Maqbool Textile Mills Limited. The management of the Company and the legal counsel believe that the Company has a good chance of prevailing. No adjustment has been made in respect of contingent asset.

9.3 While finalizing the assessments for the assessment years 2000 - 2001 and 2002 - 2003 with regard to Pak Equity Insurance Company Limited the Commissioner Income Tax (Appeals) has made certain disallowances of expenses amounting to Rs. 1.152 million and Rs. 0.622 million respectively in respect of appeals filed. The Honorable Income Tax Appellate Tribunal set aside orders for the assessment year 2001 - 2002 and 2002 -2003.

10 CASH AND OTHER EQUIVALENTS	2009	2008
	---------- Rupees --------	
Cash with State Bank of Pakistan	**346,146**	80,635
Cash in hand	**123,450**	-
	469,596	80,635

11 DEPOSITS MATURING WITHIN 12 MONTHS

This includes TDR's (Term Deposit Receipts) with different banks maturing within one year. It carries mark up ranging from 7.00 % to 11.00% (2008: 7.00 % to 11.00%) per annum.

12 DEPOSITS MATURING AFTER 12 MONTHS

These are statutory deposits with State Bank of Pakistan in accordance with the requirements of clause (a) of sub - section 2 of section 29 of Insurance Ordinance, 2000. It carries mark-up of 7.00 % per annum (2008: 7.00%).

Notes To The Financial Statements
For the Year Ended December 31, 2009

		Note	2009	2008
13	**INVESTMENTS**	**Note**	---------- Rupees --------	
	Available for sale investments - quoted	13.1	**12,042,797**	12,042,797
	Less: provision for diminution in the value of investments		**1,771,017**	4,466,233
			10,271,780	7,576,564
	Held to maturity	13.2	**11,030,300**	11,726,400
			21,302,080	19,302,964

13.1 Detail of available for sale investment is given in "Annexure 1" which is an integral part of these financial statements.

		Note	2009	2008
13.2	**Held to maturity**			
	Government Compensation Bonds		**-**	516,400
	Defence Saving Certificates	13.3	**11,030,300**	11,030,300
	Other Government Securities		**-**	179,700
			11,030,300	11,726,400

13.3 Defence saving certificates include Rs.380,300 (2008 :Rs. 383,000) as statutory deposits with State Bank of Pakistan in accordance with the requirements of clause (a) of sub - section 2 of section 29 of Insurance Ordinance, 2000. It carries mark-up ranging from 10.03 % to 18.04 % (2008: 10.03 % to 18.04 %) compounding annually. These are maturing on February 15, 2016.

Notes To The Financial Statements
For the Year Ended December 31, 2009

14 INVESTMENT PROPERTIES

14.1 Reconciliation of carrying values as at December 31, 2009

	COST / FAIR VALUE				ACCUMULATED DEPRECIATION				BOOK VALUE	
	As at January 1, 2009	Additions / (disposals) / (impairment)	Transfers in / (out)	As at December 31, 2009	As at January 1, 2009	Adjustments for the year	Charge for the year	As at December 31, 2009	As at December 31, 2009	Annual rate of depreciation
	Rupees									% age
Own assets										
Freehold land										
- cost	25,196,875	-	-	25,196,875	-	-	-	-	25,196,875	-
- revaluation	972,875	-	-	972,875	-	-	-	-	972,875	-
	26,169,750	-	-	26,169,750	-	-	-	-	26,169,750	
Buildings										
- cost	131,869,670	-	-	131,869,670	3,614,422	-	6,412,762	10,027,184	121,842,486	5
- revaluation	2,571,249	-	-	2,571,249	1,802,957	-	38,415	1,841,372	729,877	5
	134,440,919	-	-	134,440,919	5,417,379	-	6,451,177	11,868,556	122,572,363	
	160,610,669	**-**	**-**	**160,610,669**	**5,417,379**	**-**	**6,451,177**	**11,868,556**	**148,742,113**	

14.2 Reconciliation of carrying values as at December 31, 2008

	COST / FAIR VALUE				ACCUMULATED DEPRECIATION				BOOK VALUE	
	As at January 1, 2008	Additions / (disposals) / (impairment)	Transfers in / (out)	As at December 31, 2008	As at January 1, 2008	Adjustments for the year	Charge for the year	As at December 31, 2008	As at December 31, 2008	Annual rate of depreciation
	Rupees									% age
Own assets										
Freehold land										
- cost	25,196,875	-	-	25,196,875	-	-	-	-	25,196,875	-
- revaluation	5,555,347	(4,582,472)	-	972,875	-	-	-	-	972,875	-
	30,752,222	- (4,582,472)	-	26,169,750	-	-	-	-	26,169,750	
Buildings										
- cost	15,053,670	116,816,000	-	131,869,670	1,987,654	-	1,626,768	3,614,422	128,255,248	5
- revaluation	4,946,330	(2,375,081)	-	2,571,249	1,637,516	-	165,441	1,802,957	768,292	5
	20,000,000	116,816,000 (2,375,081)	-	134,440,919	3,625,170	-	1,792,209	5,417,379	129,023,540	
	50,752,222	**116,816,000 (6,957,553)**	**-**	**160,610,669**	**3,625,170**	**-**	**1,792,209**	**5,417,379**	**155,193,290**	

Notes To The Financial Statements
For the Year Ended December 31, 2009

		Note	2009	2008
			---------- Rupees --------	
15	**PREMIUMS DUE BUT UNPAID - NET - UNSECURED**			
	- Considered good		**56,739,888**	51,019,037
	- Considered doubtful		**8,700,005**	4,504,808
			65,439,893	55,523,845
	Less: provision for doubtful receivables	15.1	**8,700,005**	4,504,808
			56,739,888	51,019,037
15.1	**Provision for doubtful receivables**			
	Balance at beginning of the year		**4,504,808**	-
	Provision for doubtful receivables made during the year		**4,195,197**	4,504,808
	Balance at end of the year		**8,700,005**	4,504,808
16	**TAXATION - PAYMENTS LESS PROVISION**			
	Balance at beginning of the year		**656,383**	985,686
	Add: paid / deducted / adjusted during the year		**555,198**	130,016
			1,211,581	1,115,702
	Less: charge for the year		**549,453**	459,319
	Balance at end of the year		**662,128**	656,383
17	**SUNDRY RECEIVABLES**			
	Advances to agents and employees			
	- considered good		**-**	4,151,176
	- considered doubtful		**-**	1,332,112
			-	5,483,288
	Less: provision for doubtful receivables	17.1	**-**	1,332,112
			-	4,151,176
	Security deposits		**743,112**	743,112
			743,112	4,894,288
17.1	**Provision for doubtful receivables**			
	Balance at beginning of the year		**1,332,112**	900,650
	Add: provision made during the year		**-**	1,332,112
			1,332,112	2,232,762
	Less: balances written off during the year		**1,332,112**	900,650
	Balance at end of the year		**-**	1,332,112

18 NON CURRENT ASSETS HELD FOR SALE

The land measuring 25 kanals and 10 marlas located at Allama Iqbal Town, Lahore having net book value and fair value amounting to Rs. 42 million and Rs.142.800 million respectively was classified as 'held for sale'. In accordance with the terms of 'agreement to sell' the total consideration to be received amounted to Rs. 114.750 million against which an amount of Rs. 41.375 million was received as advance during the year ended December 31, 2008, the balance amount of Rs. 73.375 million has been received completing the transaction successfully during the current year.

18.1 Disposal of non-current assets held for sale.

Description	Book value	Sale proceeds	Gain	Mode of Disposal	Particulars of buyers
Free hold land	42,000,000	114,750,000	72,750,000	Negotiation	22 individuals as per terms of sale agreement

Notes To The Financial Statements
For the Year Ended December 31, 2009

19 FIXED ASSETS

19.1 Tangible fixed assets - reconciliation of carrying values as at December 31, 2009

		COST / FAIR VALUE				ACCUMULATED DEPRECIATION				BOOK VALUE	
		As at January 1, 2009	Additions / (disposals) / (impairment)	Transfers in / (out)	As at December 31, 2009	As at January 1, 2009	Adjustments for the year	Charge for the year	As at December 31, 2009	As at December 31, 2009	Annual rate of depreciation
		Rupees									% age
	Own assets										
Buildings	Buildings										
	- cost	64,470,964	-	-	64,470,964	7,212,385	-	2,862,929	10,075,314	54,395,650	5
	- revaluation	21,467,148	-	-	21,467,148	10,271,795	-	559,768	10,831,563	10,635,585	5
		85,938,112	-	-	85,938,112	17,484,180	-	3,422,697	20,906,877	65,031,235	
			-								
Furniture, fixtures and office equipment	Furniture and fixtures	11,677,184	-	-	11,677,184	8,086,632	-	359,055	8,445,687	3,231,497	10
	Office equipment	4,656,786	44,350	-	4,701,136	2,772,742	-	191,099	2,963,841	1,737,295	10
	Arms and amunition	28,229	-	-	28,229	20,604	-	763	21,367	6,862	10
Vehicles	Motor vehicles	54,799,841	7,134,500	3,780,760	65,265,101	38,548,171	2,054,391	2,960,230	43,352,143	21,912,958	15
			(450,000)				(210,649)				
	Bicycles	142,056	5,620	-	145,176	89,123	(1,509)	5,418	93,032	52,144	10
			(2,500)								
	Total own assets	**157,242,208**	**7,184,470**	**3,780,760**	**167,754,938**	**67,001,452**	**2,054,391**	**6,939,262**	**75,782,947**	**91,971,991**	
			(452,500)				**(212,158)**				
	ASSETS SUBJECT TO FINANCE LEASE										
	Motor vehicles	6,871,075	1,312,000	(3,780,760)	4,402,315	2,176,990	(2,054,391)	1,021,344	1,143,943	3,258,372	15
	Total leased assets	**6,871,075**	**1,312,000**	**(3,780,760)**	**4,402,315**	**2,176,990**	**(2,054,391)**	**1,021,344**	**1,143,943**	**3,258,372**	
	GRAND TOTAL	**164,113,283**	**8,496,470**	**3,780,760**	**172,157,253**	**69,178,442**	**2,054,391**	**7,960,606**	**76,926,890**	**95,230,363**	
			(452,500)	**(3,780,760)**			**(2,266,549)**				

Notes To The Financial Statements

For the Year Ended December 31, 2009

19.2 Tangible fixed assets - reconciliation of carrying values as at December 31, 2008

		COST / FAIR VALUE				ACCUMULATED DEPRECIATION				BOOK VALUE	
		As at January 1, 2008	Additions / (disposals) / (impairment)	Transfers in / (out)	As at December 31, 2008	As at January 1, 2008	Adjustments for the year	Charge for the year	As at December 31, 2008	As at December 31, 2008	Annual rate of depreciation
		Rupees									% age
	Own assets										
Land and buildings	Freehold land										
	- cost	40,023,853	-	(40,023,853)	-	-	-	-	-	-	-
	- revaluation	1,976,147	-	(1,976,147)	-	-	-	-	-	-	-
		42,000,000	-	(42,000,000)	-	-	-	-	-	-	
	Buildings										
	- cost	64,470,964	-	-	64,470,964	4,198,776	-	3,013,609	7,212,385	57,258,579	5
	- revaluation	29,995,905	(8,528,757)	-	21,467,148	9,233,684	-	1,038,111	10,271,795	11,195,353	5
		94,466,869	-	-	85,938,112	13,432,460	-	4,051,720	17,484,180	68,453,932	
			(8,528,757)								
Furniture, fixtures and office equipment	Furniture and fixtures	11,441,860	235,324	-	11,677,184	7,421,266	-	665,366	8,086,632	3,590,552	10
	Office equipment	4,446,252	210,534	-	4,656,786	2,574,936	-	197,806	2,772,742	1,884,044	10
	Arms and amunition	28,229	-	-	28,229	19,756	-	848	20,604	7,625	10
Vehicles	Motor vehicles	49,163,901	1,938,000	4,490,000	54,799,841	33,777,459	2,777,820	2,551,243	38,548,171	16,251,670	15
			(792,060)				(558,351)				
	Bicycles	142,056	-	-	142,056	83,241	-	5,882	89,123	52,933	10
	Total own assets	**201,689,167**	**2,383,858**	**4,490,000**	**157,242,208**	**57,309,118**	**2,777,820**	**7,472,865**	**67,001,452**	**90,240,756**	
			(9,320,817)	**(42,000,000)**			**(558,351)**				
	ASSETS SUBJECT TO FINANCE LEASE										
	Motor vehicles	11,361,075	-	(4,490,000)	6,871,075	4,616,646	(2,777,820)	338,164	2,176,990	4,694,085	15
	Total leased assets	**11,361,075**	**-**	**(4,490,000)**	**6,871,075**	**4,616,646**	**(2,777,820)**	**338,164**	**2,176,990**	**4,694,085**	
	GRAND TOTAL	**213,050,242**	**2,383,858**	**4,490,000**	**164,113,283**	**61,925,764**	**2,777,820**	**7,811,029**	**69,178,442**	**94,934,841**	
			(9,320,817)	**(46,490,000)**			**(3,336,171)**				

19.3 **Had there been no revaluation, the cost, accumulated depreciation, and book value of revalued fixed assets as at year end would have been as follows:**

	December 31, 2009			December 31, 2008		
Description	Cost	Accumulated depreciation	Book Value	Cost	Accumulated depreciation	Book Value
	Rupees					
Buildings	64,470,964	10,831,563	53,639,401	64,470,964	7,212,385	57,258,579
	64,470,964	**10,831,563**	**53,639,401**	**64,470,964**	**7,212,385**	**57,258,579**

19.4 **Detail of fixed assets disposed off during the year are as follows:**

Description	Original cost	Accumulated depreciation	Book value	Sale proceeds	Loss	Mode of disposal	Particulars of buyers
	Rupees						
Motor Vehicles	450,000	210,649	239,351	220,000	(19,351)	Negotiation	Mr. Nauman Ali, Lahore
Bicycle	2,500	1,509	991	700	(291)	Negotiation	Mr. Karamat Ali, Lahore
	452,500	**212,158**	**240,342**	**220,700**	**(19,642)**		

19.5 **Depreciation is allocated to general and administration expenses composed of:**

	Note	2009	2008
		Rupees	
Tangible fixed assets	19	7,960,606	7,811,029
Investment properties	14	6,451,177	1,792,209
		14,411,783	**9,603,238**

Notes To The Financial Statements
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		Note	2009	2008
			----------- Rupees --------	
20	**OTHER INCOME**			
	Gain on disposal of non - current asset held for sale	18.1	**72,750,000**	-
	(Loss) / gian on disposal of fixed assets	19.4	**(19,642)**	6,291
	Others		**5,411**	4,968
			72,735,769	11,259
21	**FINANCE COST**			
	Mark-up on:			
	- liabilities against assets subject to finance lease		**177,949**	221,268
	- reinsurance reserves		**755,281**	849,273
			933,230	1,070,541
	Bank charges		**308,535**	142,876
			1,241,765	1,213,417
22	**MANAGEMENT EXPENSES**			
	Salaries, wages and benefits		**15,968,810**	12,476,011
	Entertainment		**2,001,437**	1,377,934
	Rent, rates and taxes		**2,395,878**	2,071,389
	Electricity, gas and water		**1,002,470**	777,106
	Traveling and conveyance		**892,221**	921,883
	Computer expenses		**398,669**	340,569
	Communication		**3,364,654**	2,766,849
	Service charges		**23,743**	4,383
	Registration, subscription and association		**913,376**	258,896
	Provision for doubtful receivables	15.1	**4,195,197**	5,836,920
			31,156,455	26,831,940
23	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries and allowances		**9,118,834**	6,917,630
	Motor vehicle expenses		**6,188,160**	5,979,635
	Tours and traveling		**473,032**	434,783
	Books and periodicals		**17,741**	15,819
	Printing and stationery		**710,965**	489,262
	Depreciation	19.5	**14,411,783**	9,603,238
	Office cleaning and maintenance		**1,587,838**	1,379,463
	Auditors' remuneration	23.1	**764,021**	492,777
	Advertisement		**59,900**	55,000
	Legal and professional		**1,530,408**	1,071,101
	Sundry expenses		**77,233**	107,412
			34,939,915	26,546,120
23.1	**Auditors' remuneration**			
	Audit fee		**360,000**	200,000
	Taxation		**135,000**	30,000
	Review of Code of Corporate Governance		**60,000**	50,000
	Fee for interim review		**160,000**	160,000
	Out of pocket expenses		**49,021**	52,777
			764,021	492,777
24	**PROVISION FOR TAXATION**			
	Income tax		**(549,453)**	(459,319)
	Deferred		**(20,239,241)**	(2,675,666)
			(20,788,694)	(3,134,985)

Notes To The Financial Statements
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24.1 Income tax assessment for the tax year 2008 is deemed to have been finalised under section 120 of the Income Tax Ordinance 2001. for contingences related to taxation please refer to note 9.

24.2 No numeric tax rate reconciliation for the current period has been presented as the tax charge for the current period is determined under section 113 of the Income Tax Ordinance, 2001.

25 CAPITAL DISCLOSURE

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

The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to reserves or/and issue new shares.

26 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

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		Directors	
	2009	2008	2009	2008
	Rupees			
Managerial remuneration	400,000	400,000	1,040,000	1,040,000
House rent	160,000	160,000	416,000	416,000
Utilities	40,000	40,000	104,000	104,000
Others	379,785	326,960	343,864	427,636
	979,785	926,960	1,903,864	1,987,636
Number of persons	1	1	4	4

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

No employee falls under the definition of "Executive" as per the Fourth Schedule to the Companies Ordinance, 1984.

27 PRIOR PERIOD ERROR

During the financial year ended December 31, 2007 the Company sold free hold land having carrying value amounting Rs. 24.25 million (cost amounting Rs.16.576 million and revaluation surplus amounting Rs. 7.674 million) against proceeds amounting Rs. 25.00 million and recognised profit on disposal of Land amounting to Rs. 0.750 million.This transaction was correctely recongised in the financial statments for the year ended December 31, 2007 except for the revaluation surplus amounting Rs. 7.67 million to be transferred from surplus on revaluation of fixed assets to un-appropriated profit in respect of disposal of revalued land. Financial statements for the year ended December 31, 2008 have been restated, to incorporate the impact of surplus realized on disposal of revalued land, which has been applied retrospectively and the comparative information has also been restated in accordance with the treatment specified in International Accounting Standard (IAS) 8 “Accounting Policies, Changes in Accounting Estimates and Errors". The effect of restatement is summarized below.

27.1

Net impact of prior period restatement	Rupees
Year ended December 31, 2008	
Decrease in surplus on revaluation of fixed assets	7,674,000
Increase in un-appropriated profit at January 01, 2008	7,674,000

Notes To The Financial Statements
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27.2 Effect on earnings per share

This prior period restatement has no impact on earnings per share as previously reported.

28 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise holding company, subsidiaries and associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The remuneration of directors is disclosed in note 26.

	2009	2008
	------- Rupees ------	
Remuneration paid to directors and chief executive of the Company	**2,883,649**	2,914,596
Building purchased	**-**	116,816,000
Contribution paid to provident fund	**126,828**	46,262

All transactions with related parties have been carried out on commercial terms and conditions.

29 EARNINGS PER SHARE - BASIC AND DILUTED

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

Earnings

Profit after taxation attributable to ordinary shares	**84,659,483**	22,269,909

	2009	2008
	Number of shares	
Weighted average number of ordinary shares outstanding	**20,000,000**	20,000,000
Earnings per share (Rupees)	**4.23**	1.11

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

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30 SEGMENT REPORTING

The Company has five primary business segments for reporting purposes namely fire and property damage, marine, aviation and transport, motor act, investment properties and miscellaneous.

Assets and liabilities, wherever possible, have been assigned to the following segments based on specific identification or allocated on the basis of gross premium earned by the segments.

	Fire and property damage		Marine, aviation and transport		Motor act		Investment Property		Miscellaneous		Total	restated
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
	Rupees											
Revenue from external customers	**106,990,136**	91,341,754	**48,940,663**	43,355,366	**18,543,913**	17,849,707	**5,562,000**	3,420,000	**44,920,659**	35,039,538	**224,957,371**	191,006,365
Depreciation	**3,882,062**	3,803,438	**1,775,777**	1,805,302	**672,853**	743,255	**6,451,177**	1,792,209	**1,629,914**	1,459,034	**14,411,783**	9,603,238
Segment profit	**17,661,745**	21,446,943	**11,859,482**	11,226,417	**12,707,100**	8,073,300	**5,562,000**	3,420,000	**12,741,820**	10,333,354	**60,532,147**	54,500,014
Capital expenditure	**3,503,572**	1,160,776	**1,602,644**	550,962	**607,252**	226,835	**-**	116,816,000	**1,471,002**	445,284	**7,184,470**	119,199,858
Segment assets	**112,019,829**	134,807,402	**51,241,403**	63,986,337	**19,415,677**	26,343,622	**148,742,113**	155,193,290	**47,032,415**	51,713,361	**378,451,437**	432,044,012
Segment liabilities	**69,324,001**	82,275,810	**31,710,985**	39,052,216	**12,015,484**	16,078,070	**715,000**	715,000	**29,106,233**	31,561,758	**142,871,702**	169,682,854

30.1 Reconciliations of reportable segments are as follows:

	2009	restated 2008
	Rupees	
Revenue		
Total revenue for reportable segments	**60,532,147**	54,500,014
Other revenue / (loss)	**8,361,941**	(1,346,842)
Entity's revenue	**68,894,088**	53,153,172
Profit for the year		
Total profit for reportable segments	**68,894,088**	53,153,172
Unallocated corporate income / (expenses)		
Other operating income	**72,735,769**	11,259
General and administration expenses	**(34,939,915)**	(26,546,120)
Finance cost	**(1,241,765)**	(1,213,417)
	36,554,089	(27,748,278)
Profit before income tax expense	**105,448,177**	25,404,894
Assets		
Total assets for reportable segments	**378,451,437**	432,044,012
Other unallocated corporate assets	**166,315,438**	76,954,378
Entity's assets	**544,766,875**	508,998,390
Liabilities		
Total liabilities for reportable segments	**142,871,702**	169,682,854
Other unallocated corporate liabilities	**401,895,173**	339,315,536
Entity's liabilities	**544,766,875**	508,998,390

The Company has no reportable geographical segment.

Notes To The Financial Statements
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31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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 ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

31.1 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 Company is exposed to credit risk from its operating activities primarily for premiums due but unpaid , accrued investment income, reinsurance recoveries, sundry receivables and other financial assets.

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

	2009	2008
	-------- Rupees --------	
Bank deposits	**137,744,735**	47,898,437
Investments	**21,302,080**	19,302,964
Premiums due but unpaid	**56,739,888**	51,019,037
Amount due from other insurers / reinsurers	**7,086,366**	5,818,755
Accrued investment income	**5,287,661**	4,023,023
Reinsurance recoveries against outstanding claims	**7,691,738**	5,383,256
Sundry receivables	**743,112**	4,894,288
	236,595,580	138,339,760

Geographically there is no concentration of credit risk.

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 premium due but unpaid against doubtful receivable as disclosed in note 15 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.

Notes To The Financial Statements
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	2009	2008
	---------- Rupees ----------	
The age analysis of receivables is as follows:		
Upto 1 year	**51,080,678**	25,580,447
1-2 years	**5,659,210**	25,438,590
	56,739,888	51,019,037

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

	Rating	Rating Agency	2009	2008
National Bank of Pakistan Limited	AAA	JCR-VIS	**31,623**	101,096
Habib Bank Limited	AA+	JCR-VIS	**11,508,844**	82,040
KASB Bank Limited	A1	PACRA	**22,033**	103,405
Allied Bank Limited	AA	PACRA	**12,429,055**	675,046
MCB Bank Limited	AA+	PACRA	**11,087,455**	58,886
Bank of Punjab Limited	AA-	PACRA	**123,077**	47,645
United Bank Limited	AA+	PACRA	**25,680,029**	31,569
Soneri Bank Limited	AA-	PACRA	**171,109**	253
NIB Bank Limited	AA-	PACRA	**6,571**	5,845
Bank of Khyber Limited	BBB+	JCR-VIS	**58,037**	220,089
City Bank Limited	A+	PACRA	**41,254**	15,492
Faysal Bank Limited	A-1+	PACRA	**18,778**	17,422
First Women Bank Limited	BBB+	PACRA	**9,234**	26,346
Industrial Development Bank Limited	A-3	PACRA	**39,801**	2,646
Saudi Pak Commercial Bank Limited	A-1+	PACRA	**633**	2,657
SILK Bank Limited	A-3	PACRA	**9,202**	-
			61,236,735	1,390,437

31.1.3 Sector wise analysis of premiums due but unpaid

	2009	2008
	---------- Rupees ----------	
Cables and rubber	12,487,438	8,779,327
Engineering	4,626,686	9,630,199
Construction	4,981,260	9,916,390
Services	2,989,024	1,112,600
Textile & composites	2,263,968	1,600,242
Agriculture	4,278,796	10,486,402
Other manufacturing	20,701,078	3,937,055
Miscellaneous	4,411,638	5,556,822
	56,739,888	51,019,037

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2009	2008
	---------- Rupees ----------				
A or above (including PRCL)	3,956,225	7,691,738	50,953,826	**62,601,789**	55,652,612
BBB	1,352,622	-	-	**1,352,622**	-
Others	1,777,519	-	-	**1,777,519**	5,740,979
Total	7,086,366	7,691,738	50,953,826	**65,731,930**	61,393,591

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31.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Company is financing its operations mainly through equity and retained earnings and lease finance to minimize risk.

On the balance sheet date, Company has cash and other equivalent of Rs. 138.214 million (2008: Rs. 47.979 million).

31.2.1 The following are the contractual maturities of financial liabilities, including estimated interest payments on an undiscounted cash flow basis:

	2009 Carrying amount	2008 Carrying amount
Financial liabilities	-------- Rupees --------	
Provision for outstanding claims	**10,353,437**	8,585,317
Amount due to other insurers / reinsurers	**5,161,218**	20,909,068
Accrued expenses	**594,810**	1,004,273
Liabilities against assets subject to finance lease	**691,733**	141,009
Sundry creditors	**14,189,275**	14,617,894
	30,990,473	45,257,561

Carrying amount and contractual cash flows of trade and other financial liabilities are approximately same.

31.3 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 optimising 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.

a) Interest / mark up rate risk

Interest/mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature in a given period.

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

	2009	2008	2009	2008
	Effective interest rate (in % age)		Carrying amounts	
Financial assets			-------- Rupees -----	
Bank deposits	**11.00%**	7.00%	**76,508,000**	46,508,000
Investments	**10.03% to 18.04%**	10.03% to 18.04%	**11,030,300**	11,726,400
Financial liabilities				
Liabilities against assets subject to finance lease	**15.00 to 20%**	15.00 to 20%	**691,733**	141,009

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rate will not effect fair value of any financial instrument. The Company is not exposed to significant interest / mark-up rate risk as the Company has not entered into any significant variable rate instruments.

b) 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 amounting to Rs. 10.272 million (2008: Rs. 7.577 million) at the balance sheet date.

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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. The Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are based on quoted market prices as of the balance sheet date.

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. However, the Company has no significant concentration of price risk.

Sensitivity analysis

The table below summarizes Company's equity price risk as on December 31, 2009 and 2008 and shows the effects of a hypothetical 10% increase and a 10% 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:

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase (decrease) in profit / (loss) before tax
December 31, 2009	**10,271,780**	**10% increase**	**11,301,168**	**1,027,379**	**1,027,379**
		10% decrease	**9,246,410**	**(1,027,379)**	**(1,027,379)**
December 31, 2008	7,576,565	10% increase	8,336,430	757,857	757,857
		10% decrease	6,820,716	(757,857)	(757,857)

31.4 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 held whose fair values have been disclosed in their respective notes to these financial statements.

31.5 Insurance risk

The Company accepts the insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the Company from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

Geographical concentration of insurance risk

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial industrial/residential occupation of the insureds. Details regarding the fire separation/segregation with respect to the manufacturing processes, storage, utilities, etc are extracted from the 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 specifications 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 buildings within a 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.

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The ability to manage catastrophic risk is tied to managing the density of risk within a particular area. For catastrophic aggregates, the IT system also assigns precise geographic CRESTA (Catastrophe Risk Evaluating and Standardizing Target Accumulations) codes with reference to the accumulation of sums insured in force at any particular location against natural perils. A risk management solution is implemented to help assess and plan for risk in catastrophic scenarios. It provides a way to better visualize the risk exposures so the Company determines the appropriate amount of reinsurance coverage to protect the business portfolio.

Reinsurance arrangements

Keeping in view the maximum exposure in respect of key zone aggregates, a number of proportional and non-proportional reinsurance arrangements are in place to protect the net account in case of a major catastrophe. 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.

In compliance of the regulatory requirement, the reinsurance agreements are duly submitted with Securities and Exchange Commission of Pakistan on an annual basis.

The concentration of risk by type of contracts is summarised below by reference to liabilities.

	Gross sum insured		Reinsurance		Net	
	2009	2008	2009	2008	2009	2008
			------ Rupees ------			
Fire	**41,878,422,206**	30,626,421,498	**23,822,290,188**	17,865,908,308	**18,056,132,018**	12,760,513,190
Marine	**4,111,182,301**	2,748,262,796	**2,020,714,599**	1,397,148,581	**2,090,467,702**	1,351,114,215
Motor	**366,326,516**	510,183,000	**28,815,606**	18,917,062	**337,510,910**	491,265,938
Miscellaneous	**1,957,653,124**	5,658,122,957	**1,239,056,522**	3,123,948,954	**718,596,602**	2,534,174,003
	48,313,584,147	39,542,990,251	**27,110,876,915**	22,405,922,905	**21,202,707,232**	17,137,067,346

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 insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance.

	Pre tax profit		Shareholders' equity	
	2009	2008	2009	2008
10% increase in loss		------ Rupees ------		
Net				
Fire	**(1,885,755)**	(1,020,040)	**(1,225,741)**	(663,026)
Marine	**(563,090)**	(518,342)	**(366,009)**	(336,922)
Motor	**(98,253)**	(286,735)	**(63,864)**	(186,378)
Miscellaneous	**(369,922)**	(229,540)	**(240,449)**	(149,201)
	(2,917,020)	(2,054,657)	**(1,896,063)**	(1,335,527)
10% decrease in loss				
Net				
Fire	**1,885,755**	1,020,040	**1,225,741**	663,026
Marine	**563,090**	518,342	**366,009**	336,922
Motor	**98,253**	286,735	**63,864**	186,378
Miscellaneous	**369,922**	229,540	**240,449**	149,201
	2,917,020	2,054,657	**1,896,063**	1,335,527

Claims development tables

The following table shows the development of fire claims over a period of time. The disclosure goes back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payments. For other classes of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2009.

Notes To The Financial Statements
For the Year Ended December 31, 2009

Analysis on gross basis
Accident year

	2007	2008	2009	Total
		Rupees		
Estimate of ultimate claims cost:				
At end of accident year	33,235,260	41,453,140.00	73,869,025	148,557,425
One year later	30,213,843	37,684,635	-	67,898,478
Two years later	27,467,103	-	-	27,467,103
Cumulative payments to date	(23,788,766)	(35,769,591)	(73,031,005)	(132,589,362)
Liability recognised in the balance sheet	67,127,440	43,368,184	838,020	111,333,644

32 NON-CASH TRANSACTIONS

Addition to motor vehicles during the year amounting to Rs. 1.312 million (2008: Nil) were financed through finance lease arrangements.

33 DIVIDEND

In respect of current year, the Board of Directors proposed to pay cash dividend of Rs.10,000,000 @ Rs. 0.50 per ordinary share of Rs. 10 each (2008 : Nil) and fully paid bonus shares @ 25% of paid-up capital of the Company. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as liability in these financial statements. This will be accounted for in the year of approval.

34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on April 07, 2010.

35 RE - CLASSIFICATION AND RE - ARRANGEMENTS

Corresponding figures have been re-classified and re-arranged, wherever necessary , to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant re-classification and re-arrangements are as follows:

From	To	Reason	Rupees
Deposits maturing within 12 months	Deposits maturing after 12 months	Better presentation	3,000,000

CHAIRMAN	CHIEF EXECUTIVE / PRINCIPAL OFFICER	DIRECTOR	DIRECTOR
(CH. MANZOOR AHMED)	(CH. ZAHOOR AHMED)	(CH. GHULAM MUSTAFA)	(CH. MUHAMMAD SALEEM)

Notes To The Financial Statements
For the Year Ended December 31, 2009

Annexure 1 as referred to in note 13 to the financial statements.

Available for sale investments - quoted

Particulars	No. of Shares / Certificate		Average cost		Fair market value	
	2009	2008	2009	2008	2009	2008
	--- Number ---		--- Rupees ---			
Commercial banks						
Bank Al-Falah Limited	**6,500**	6,500	**232,600**	232,600	**89,505**	108,745
Bank of Khyber Limited	**10,000**	10,000	**135,080**	135,080	**49,100**	64,100
Bank of Punjab Limited	**4,000**	4,000	**166,340**	166,340	**78,000**	52,800
KASB Bank Limited	**10,000**	10,000	**198,000**	198,000	**73,900**	185,600
NIB Bank Limited	**32,800**	32,800	**516,624**	516,624	**157,440**	153,176
Saudi Pak Commercial Bank Limited	**5,000**	5,000	**128,500**	128,500	**23,700**	25,050
Allied Bank Limited	**5,000**	5,000	**289,400**	289,400	**293,650**	156,600
Askari Commercial Bank Limited	**6,000**	6,000	**167,880**	167,880	**163,800**	87,420
Habib Bank Limited	**8,000**	8,000	**1,107,600**	1,107,600	**987,520**	598,880
MCB Bank Limited	**5,000**	5,000	**1,178,750**	1,178,750	**1,098,400**	629,050
Cement						
DG Khan Cement Limited	**2,200**	2,200	**203,500**	203,500	**71,632**	46,794
Fauji Cement Limited	**14,000**	14,000	**130,400**	130,400	**86,240**	65,800
Lucky Cement Limited	**2,000**	2,000	**237,100**	237,100	**132,480**	62,540
Dadabhoy Cement Limited	**1,500**	1,500	**16,650**	16,650	**2,415**	3,000
Petroleum and power						
Shell Pakistan Limited	**4,000**	4,000	**1,295,085**	1,295,085	**1,001,440**	1,241,240
PSO Limited	**2,000**	2,000	**534,000**	534,000	**594,880**	289,160
Pakistan Oil Fields Limited	**2,000**	2,000	**487,000**	487,000	**461,540**	204,980
Hub Power Co. Limited	**6,000**	6,000	**151,735**	151,735	**186,480**	84,540
SNGPL Limited	**5,150**	5,150	**334,493**	334,493	**127,720**	110,519
Motors and tractors						
Al Gazi Tractors Limited	**3,800**	3,800	**865,100**	865,100	**904,552**	830,300
Millat Tractors Limited	**2,000**	2,000	**267,100**	267,100	**759,600**	267,820
Indus Motors Limited	**6,000**	6,000	**1,088,500**	1,088,500	**1,179,120**	737,280
Communications						
PTCL	**10,000**	10,000	**377,000**	377,000	**176,500**	168,900
Tobbaco						
PTC Limited	**5,000**	5,000	**311,350**	311,350	**525,000**	531,500
Fertilizers and sugar						
Fauji Fertilizers Limited	**1,200**	1,200	**139,200**	139,200	**123,516**	70,476
Highnoon Laboratories Limited	**2,500**	2,500	**204,375**	204,375	**81,650**	74,900
Noon Sugar Limited	**7,000**	7,000	**180,150**	180,150	**192,150**	90,300
Textiles						
Nishat Mills Limited	**770**	770	**99,330**	99,330	**53,823**	17,402
Dewan Salman Limited	**1,300**	1,300	**13,585**	13,585	**1,924**	1,833
Qaum Spinning Mills Limited	**10,000**	10,000	**100,000**	100,000	**3,000**	7,000
Fatima Enterprises Textile Limited	**5,000**	5,000	**50,000**	50,000	**72,700**	80,000
Ibrahim Fibres Limited	**3,900**	3,900	**198,510**	198,510	**142,818**	142,272
Modaraba and leasing						
Schon Modaraba Limited	**5,850**	5,850	**58,500**	58,500	**3,510**	-
Modaraba Al-Mali	**35,000**	35,000	**70,000**	70,000	**56,350**	50,400
Standard Chartered Leasing	**500**	500	**5,925**	5,925	**1,285**	875
Miscellaneous						
Unilever (Pakistan) Limited	**100**	100	**211,185**	211,185	**230,000**	180,771
Shabir Tiles Limited	**4,150**	4,150	**170,150**	170,150	**45,650**	124,542
Biafo Industries Limited	**1,000**	1,000	**48,100**	48,100	**38,790**	30,000
Tri-star Shipping Lines	**7,400**	7,400	**74,000**	74,000	**-**	-
			12,042,797	12,042,797	**10,271,780**	7,576,565

Notice of Annual General Meeting

Notice is hereby given that 62nd Annual General Meeting of "The Pakistan General Insurance Company Limited" ("the Company") will be held at Registered Office of the Company at Cooperative Bank House, 5 Bank Square, Shahrah-e-Quaid-e-Azam, Lahore on Friday, 30th April 2010 at 11:00 AM to transact the following business:

Ordinary business:

1. To confirm the minutes of the last annual general meeting held on 30th April 2009;
2. To receive, consider and adopt the audited annual financial statements of the Company for the year ended 31st December 2009 together with the Directors' Report and Auditors' Report thereon;
3. To approve as recommended by the board of directors , payment of final dividend of five percent (5%) per share for the year ended 31 December 2009;
4. To appoint auditors of the Company and to fix their remuneration for the year 2010. The board of directors has recommended the joint appointment of present auditors. The retiring auditors M/s. Yousuf Adil Saleem & Co. and M/s. Kamran & Co. Chartered Accountants who being eligible, offer themselves for re-appointment;
5. To elect nine directors as fixed by the board under section 178 (1) of the Companies Ordinance, 1984 in accordance with the provisions of the said ordinance for a period of three years commencing 2nd May 2010. The names of the retiring directors are:

Ch. Manzoor Ahmed
Ch. Zahoor Ahmed
Ch. Ghulam Mustafa
Dr. Mehmood ul Haq
Ch. Ather Zahoor
Mr. Usman Ali
Ch. Mazhar Zahoor
Mr. Rehan Beg
Ch. Muhammad Saleem

Special business:

6. To approve as recommended by the board of directors, issue of bonus shares in ratio of 1 ordinary share for every 4 ordinary shares held by the members (ie. 25%)
7. To consider, and if thought fit, to approve the remuneration payable to the executive and non-executive directors of the Company including the chief executive.

Any other business

8. To transact any other business of the Company with the permission of the Chair.

Attached to this notice is a statement of material facts covering the above mentioned special business which will be considered for adoption at the meeting, as required under section 160 (1)(b) of the Companies Ordinance, 1984.

By the order of the board
Ch. Muhammad Saleem
Company Secretary
Lahore: 7th April 2010

NOTES

1) Any person who seeks to contest the election of directors shall file with the Company at its registered office not later than 14 days before the day of the above said meeting his / her intention to offer himself / herself for the election of directors in terms of section 178 (3) of the Companies Ordinance, 1984 together with:
   a) Consent in Form 28;
   b) A declaration with consent to act as director in the prescribed form under clause (ii) of the Code of Corporate Governance to the effect that he / she is aware of duties and powers of directors under the Companies Ordinance, 1984, the memorandum and articles of association of the Company and the listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges and has read the relevant provisions contained therein;
   c) A declaration in terms of clause (iii) and (iv) of the Code of Corporate Governance to the effect that he/she is not serving as a director of more than 10 listed companies, that his / her name is borne on the register of national tax payer, that he / she has not been convicted by a court of competent jurisdiction has defaulter in payment of any loan to a banking company, a development financial institution or a non-banking financial institution.

Notice of Annual General Meeting

2) The share transfer books of the Company will remain closed from 24th April 2010 to 30th April 2010 (both days inclusive)
3) A member entitled to attend and vote at the meeting may appoint member as his/her proxy to attend and vote. Votes may be given personally or by proxy or by attorney or in case of corporation by representative. The instrument of proxy duly executed should lodged at the Registered Office of the Company not later than 48 hours before the meeting.
4) A member, who has deposited his/her shares into Central Depository Company of Pakistan Limited must bring his/her participant's ID number and account /sub-account number along-with original computerized national identity card ("CNIC") or original passport at the time of attending the meeting.
5) Pursuant to rule 6 (iii) of the Companies (Issue of Capital) Rules, 1996, the auditors' have certified that the free reserves and surpluses retained after the issue of bonus shares will not be less than 25% of the increased capital.
6) The shareholders are requested to notify M/s. Corplink (Private) Limited, Wing Arcade, 1K Commercial Area, Model Town, Lahore, the share registrar of the Company of the change in their address, if any.
7) Members who have not yet submitted photocopy of their CNIC to the Company, are requested to send the same at the earliest.

STATEMENT OF MATERIAL FACTS UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984 REGARDING THE SPECIAL BUSINESS

Item No. 6 of the Notice
The Board at their meeting on 7th April 2010 considered and resolved unanimously to approve and place before the shareholders for approval by ordinary resolution to consider and, if thought fit, to pass with or without modification the following ordinary resolutions:

a) "Resolved that a sum of Rs. 50,000,000 out of the free reserves of the Company be capitalized and applied to the issue of 5,000,000 ordinary shares of Rs 10 each and allotted as fully paid up bonus shares to the members of the Company who are registered in the books of the Company on 23rd April 2010, in the proportion of 25 such new shares for every 100 existing ordinary shares held and that such new shares shall rank pari passu with the existing ordinary shares of the Company."
b) "Resolved that the sale proceeds of members' entitlement to fractions of shares shall be paid to a charitable institution approved under section 61 (1) of the Income Tax Ordinance, 2001 for which purpose the fractional shares shall be consolidated into whole shares and issued to the Company Secretary upon trust to sell these shares on the Stock Exchange, through a member of the Exchange, and pay the net proceeds of sale when realized to the prescribed institution."
c) "Resolved that for the purpose of giving effect to the foregoing the Directors be and are hereby authorized to give such directions as may be necessary and as they deem fit to settle any questions or difficulties that may arise in the distribution of the said new shares or in the payment of the sale proceeds of the fractional shares".

None of the directors of the company are interested in this special business and / or ordinary resolution except to the extent of the bonus shares which they will be entitled to receive on their share holding in the company.

Item No. 7 of the Notice
In terms of Financial Division – Government of Pakistan Notification SRO 572 – (I)/82 dated 16th June 1982, the Shareholders' approval will be sought for payment of remuneration and the provision of certain facilities to the chief executive and executive directors in accordance with their terms and conditions of service with the Company. Further approval will also be sought for payment of professional fee to a non-executive director. For this purpose, the following ordinary resolution is proposed to be moved at the meeting:

"Resolved that consent be and is herby given for the payment as remuneration to Ch. Zahoor Ahmed, Chief Executive, of the sums not exceeding Rs. 2 million per year effective January 2010 and for the provision to him of housing, transport, medical and leave fare facilities and other benefits incidental or relating to his office in accordance with Company's rules from time to time in force."

"Further resolved that consent be and is hereby given for the payment as remuneration to the executive directors of the sums not exceeding Rs. 0.5 million each per year effective January 2010."

Ch. Zahoor Ahmed and executive directors are interested in this business to the extent of their respective remunerations.

Proxy Form

____

Member of The Pakistan General Insurance Company Limited hereby appoint __________

____

or failing him ____

as my proxy to vote for me and on my behalf at the 62nd Annual General Meeting of the Company to be held on Friday, April 30th 2010 and at any adjournment thereof.

Signature

Five Rupee Revenue Stamp

NOTES:

No person shall be appointed a proxy who is not a member of the Company and qualified to vote save that in case of a Corporate body being a Member of the Company may appoint as its representative any person whether a member of the Company or note. An Attorney of a member need not himself be a member.

No person shall act as a proxy unless the instrument appoint a proxy and every power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company, not less than 48 hours before the time for holding the meeting at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid

The signature on the instrument of proxy must conform to the specimen signature recorded with the Company

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POSTAGE

The Company Secretary

The Pakistan General Insurance Co. Ltd.

Co-operative Bank House, 5-Bank Square Shahrah-e-Quaid-e-Azam,

Post Office Box 1364, Lahore.

Phones: 37324404, 37352182, 37325382