64th

Annual Report 2011

Moving towards a better tomorrow

PGI

The Pakistan General Insurance Company Limited

Our Vision

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

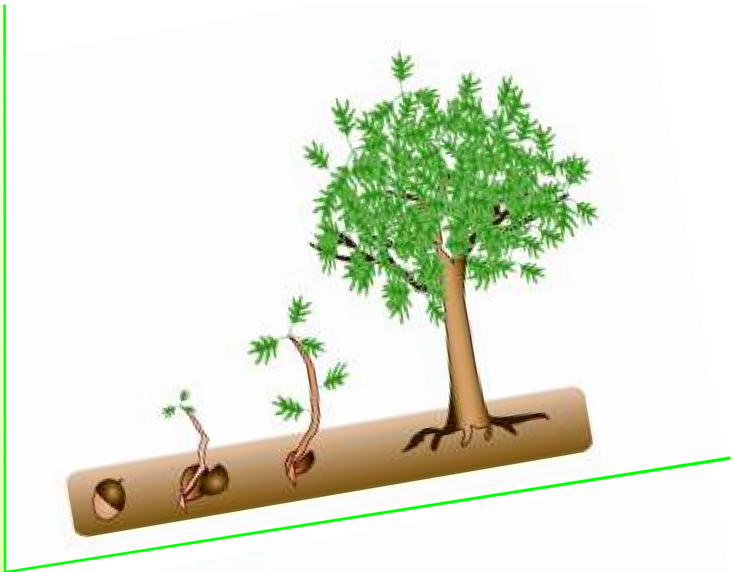
Our Mission

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 customers 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.



بسم الله الرحمن الرحيم

CONTENTS

Company Profile

Board of Directors
Ch. Manzoor Ahmed (Chairman)
MA, LLB, DTL, DLL PSP
Inspector General of Police (Retd.)
DG Intelligence Bureau (Retd.)
Ch. Zahoor Ahmed (Chief Executive Officer)
Usman Ali
Ch. Ghulam Mustafa (BA, LLB)
Ch. Muhammad Saleem
Ch. Mazhar Zahoor
Mehmood ul Haq
Ch. Athar Zahoor
Rehan Beg

Chief Executive Officer
Ch. Zahoor Ahmed

Chief Financial Officer
Azhar Hafeez Ch.

Chief Risk Officer
Aftab Ahmed Phambra

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)
Ch. Athar Zahoor
Muhammad Kashif (Secretary)

Underwriting Committee
Muhammad Kashif (Chairman)
Zahid Iqbal Zia
Zaheer Ahmed Khan

Re-Insurance & Co-Insurance Committee
Muhammad Maqsood Peracha (Chairman)
Muhammad Yousaf Zahid
Sajid Hussain (Secretary)

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

Legal Advisers
M. Javed Iqbal (Advocate Supreme Court)
Ch. M. Maqsood (Advocate Supreme Court)

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
Bank of Khyber Limited
KASB Bank Limited
Faysal Bank Limited
Askari Bank Limited

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

Contact
Tel.: +92(042) 3732-4404; 3722-3224
3735-2182; 3732-3569
Fax: +92(042) 3723-0895; 3723-0634
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 705 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) 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 Malaysia 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:

- Pakistan reinsurance
- Labuan reinsurance
- Best reinsurance
- Trust International
- Al-Fajar reinsurance

Management Information

Management

Chief Executive Officer	Ch. Zahoor Ahmed
Executive Director	Ch. Ghulam Mustafa
Chief Financial Officer	Azhar Hafeez Ch.
Chief Risk Officer	Aftab Ahmed Phambra
Company Secretary	Ch. Muhammad Saleem

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 – Fire	Muhammad Yousuf Zahid
Head of Underwriting – Marine and Miscellaneous	Muhammad Iqbal
Head of Underwriting – Motor	Zaheer A. Khan
Head of Administration Department	Waseem A. Khan Lodhi
Head of Claims Department	Kashif Ali
Senior Executive Vice President (Accounts and Finance)	Javed Iqbal Khan
Senior Vice President Re-Insurance	Muhammad Maqsood Peracha
Vice President Marketing and Public Relations	Ch. Siddiq Sabir
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 (North)	Malik Fazal Dad
General Manager (Multan Zone)	Syed Fahim Waris
General Manager (Sindh & Baluchistan)	Muhammad Shafi Chundrigar
Senior Vice President (Bahawalpur Zone)	Syed Waqar Rizvi
Executive Vice President (Karachi)	Haroon Ghani Memon
Vice President (Capital City Islamabad)	Raja Basit
Vice President (Quetta)	M.S Sabir

Management Information

PGI 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; 3731-0655
  (042) 3731-0590; 3723-0892

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

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

- *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

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

- *Lahore (Zone IV)*
  Nawab Qureshi (Assistant Vice President)
  226 Mozang Market, Ewing Road,
  Nila Gumbad, Lahore
  Tel (042) 3735-6202; 3724-0965

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

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

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

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

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

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

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

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

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

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

Management Information

PGI Offices Network

Quetta
Muhammad Siddique (Assistant Vice President)
Room 1, 2nd Floor, Siraj Complex, Circular Road, Quetta
Tel (081) 282-1126

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, RY Khan
  Tel (068) 587-7883

Bahawalpur
Syed Waqar Ali Rizvi (Senior Vice President)
1st Floor, Al-Karim Plaza, Circular Road, Bahawalpur
Tel (062) 287-6535; 273-2335

Chishtian
Ch. Muhamamd Amin Javed (Vice President)
Gala Mandi, Chishtian
Tel (063) 250-3042

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

Faisalabad
M. Waseem Saleem Ch. (Vice President)
Opposite Iqbal Park, Jhang Road, Faisalabad
Tel 261-5774 Fax 262-2874

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

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

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

Sialkot
Naveed Bhatti (Branch Manager)
Aurangzeb Market, Karimpura Road, Sailkot
Tel (052) 458-6406; 460-1358

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

Mirpur (Azad Kashmir)
Ashfaq Amer Qureshi (Assistant Vice President)
H No. 94, Sector C/4, Mirpur
Tel (05827) 432-838
Fax (05827) 432-838

Muzaffarabad (Azad Kashmir)
Tahir Masud Minhas
91 Light Road, Muzaffarabad, Azad Kashmir
Tel (058810) 43830

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

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

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*

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:

Muhammad Kashif	*Head Underwriting - Fire (Chairman)*
Zahid Iqbal Zia	*SVP Underwriting and Claims*
Zaheer Ahmed Khan	*Head Underwriting (Motor) & Secretary to the Committee*

Board Committees

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.

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*

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)*
Ch. Ather zahoor	*General Manager North (Member)*
Muhammad Kashif	*Head Underwriting - Fire (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:

Maqsood Peracha	*SVP (Re-insurance) (Chairman)*
Muhammad Yousaf Zahid	*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 approach.

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

		re-stated					
		2011	2010	2009	2008	2007	2006
		...............................rupees in '000...............................					
Financial results							
Equity							
Paid-up capital		300,000	250,000	200,000	200,000	200,000	120,000
General reserves		100,000	55,000	55,000	65,000	25,000	6,000
Capital reserves		-	50,000	100,000	-	-	-
Retained earnings		4,367	(3,360)	6,076	10,041	18,894	14,097
		404,367	351,640	361,076	275,041	243,894	140,097
Underwriting provisions		264,310	184,333	123,540	134,535	124,258	84,534
Investments (at realizable value)		45,021	24,261	25,600	19,303	15,862	7,376
Tangible fixed assets (at book value)		82,246	88,761	95,230	136,935	151,124	159,378
Cash and cash equivalents		118,604	90,857	138,214	47,979	106,034	58,166
Short term prepayments and receivables		449	743	1,405	5,550	3,871	473
Total assets (book value)		705,978	594,186	543,777	508,998	438,364	237,259
Operating results							
Gross premium		423,522	312,207	205,678	196,084	167,330	100,493
Net premium		142,680	110,546	109,891	91,864	76,222	41,300
Net claims paid		65,955	68,863	29,170	20,574	17,093	9,368
Underwriting profit		48,400	21,239	54,970	51,080	50,446	22,732
Investment income / (loss)		8,319	9,263	8,362	(1,347)	2,606	800
Profit / (Loss) before tax		33,123	(1,658)	104,459	25,405	25,694	9,887
Income taxes		(19,275)	(6,484)	20,789	3,135	1,151	368
Profit after tax		52,398	4,826	83,670	22,270	24,543	9,519
Management expenses		31,540	35,089	31,156	26,832	18,677	12,937
Employees remuneration		26,330	30,152	25,088	19,394	14,870	11,186
Financial ratios / trend analysis							
Profit after tax to gross premium	% age	12.37%	1.55%	40.68%	11.36%	14.67%	9.47%
Profit after tax to net premium	% age	36.72%	4.37%	76.14%	24.24%	32.20%	23.05%
Management expenses to gross premium	% age	7.45%	11.24%	15.15%	13.68%	11.16%	12.87%
Management expenses to net premium	% age	22.11%	31.74%	28.35%	29.21%	24.50%	31.32%
Employee cost to management expenses	% age	83.48%	85.93%	80.52%	72.28%	79.62%	86.47%
Underwriting profit to net premium	% age	33.92%	19.21%	50.02%	55.60%	66.18%	55.04%
Net claims to net premium	% age	46.23%	62.29%	26.54%	22.40%	22.42%	22.68%
Return on assets	% age	7.42%	0.81%	15.39%	4.38%	5.60%	4.01%
Liquidity and leverage ratios							
Current ratio	Time	2.01	2.32	2.94	1.79	5.36	2.57
Total assets turnover	Time	0.20	0.19	0.20	0.18	0.17	0.17
Fixed assets turnover	Time	1.73	1.25	1.15	0.67	0.50	0.26
Total liabilities to equity	Time	1.75	1.69	1.51	1.85	1.80	1.69
Return on capital employed	% age	7.68%	0.85%	16.29%	4.62%	5.70%	4.23%
Return on equity - after taxes paid	% age	12.96%	1.37%	23.17%	8.10%	10.06%	6.79%
Paid-up capital to total assets	% age	42.49%	42.07%	36.78%	39.29%	45.62%	50.58%
Equity to total assets	% age	57.28%	59.18%	66.40%	54.04%	55.64%	59.05%
Investment yield	% age	18.48%	38.18%	32.66%	-6.98%	16.43%	10.85%
Liquid assets to total assets	% age	88.35%	85.06%	82.49%	73.10%	40.63%	26.64%
Liquid assets to fixed assets	% age	758.37%	569.42%	471.01%	271.71%	190.07%	48.87%

Key Financial Data

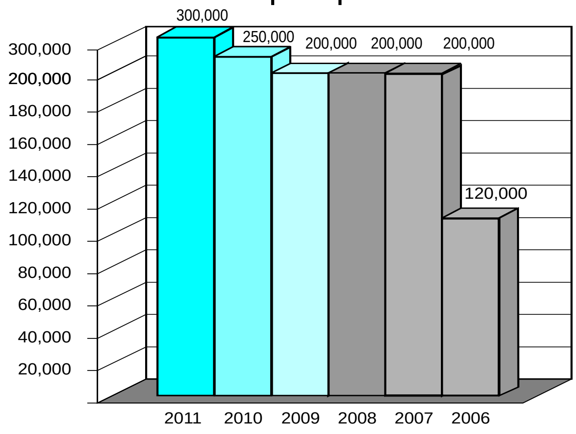
For the Year

	2011	re-stated 2010
	(Rupees in thousands)	
PROFIT AND LOSS ACCOUNT		
Gross written premium	423,522	312,207
Net written premium	142,680	110,546
Net earned premium	345,416	261,643
Claims paid	218,743	183,691
Net claims expenses	65,955	68,863
Commission income	61,562	51,282
Commission expense	58,348	36,637
Underwriting profit	48,400	21,239
Direct expenses	31,540	35,089
Investment income	8,319	9,263
Profit after tax	52,398	4,826
TECHNICAL RESERVE COVER		
Fire and property damage	126,708	81,714
Marine, aviation and transport	51,666	31,746
Motor act	5,824	4,570
Miscellaneous	40,367	28,430
Total	224,565	146,460
CORPROATE ASSETS		
Investment in fixed assets	82,246	88,761
Investments in:		
- equity instruments and other government securities	45,021	24,261
- properties	136,791	228,318
- deposits	83,508	83,508
Total investments	265,320	336,087
Total investments at realizable value	280,619	346,644

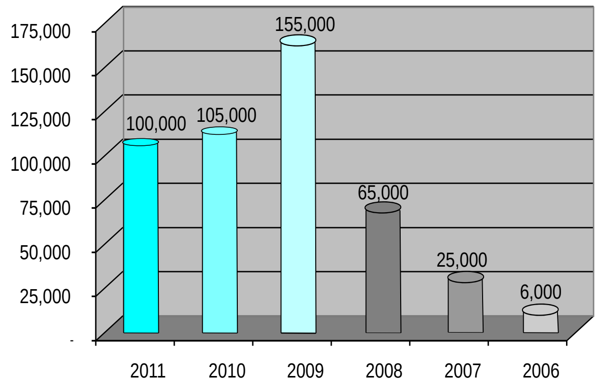
Key Financial Data

Rupees in `000

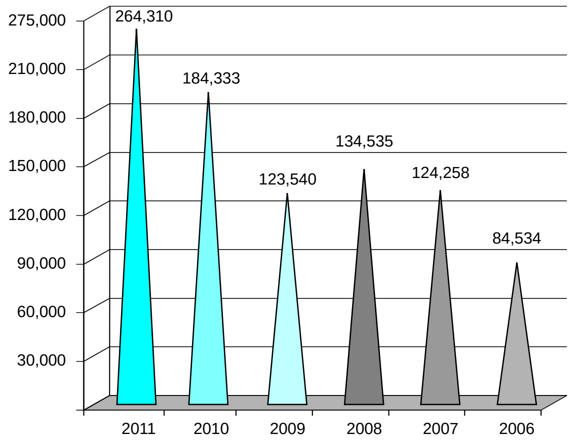
Paid up capital



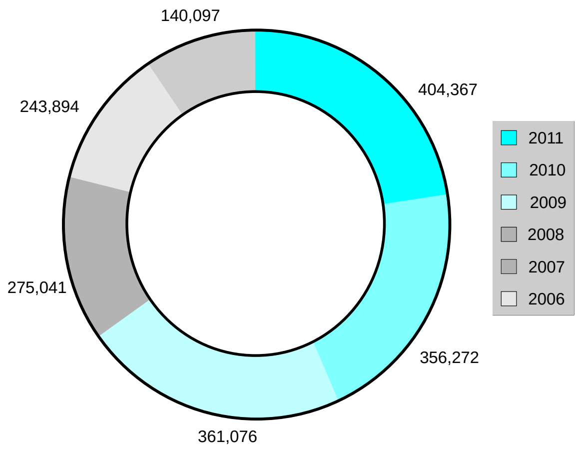
General & Capital Reserve



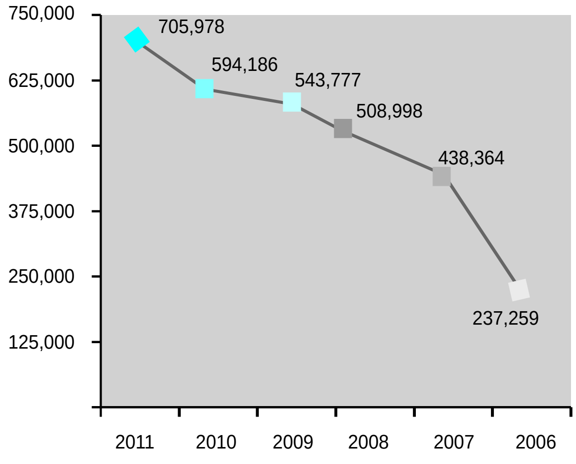
Underwriting Provisions



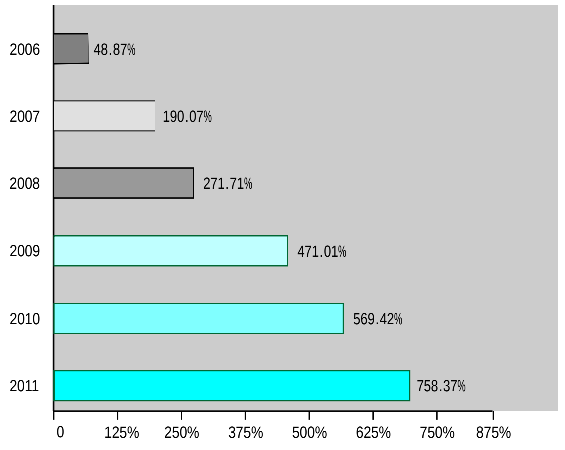
Equity



Total Assets (at book value)



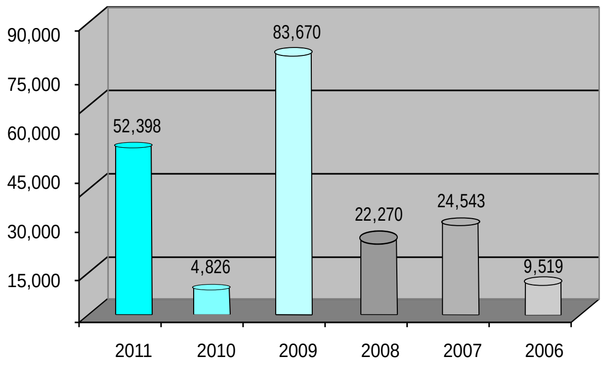
Liquid assets to fixed assets



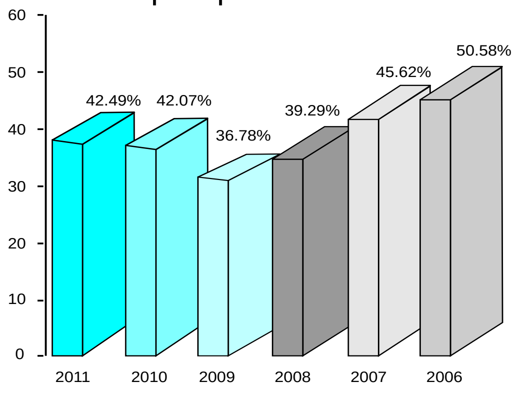
Key Financial Data

Rupees in `000

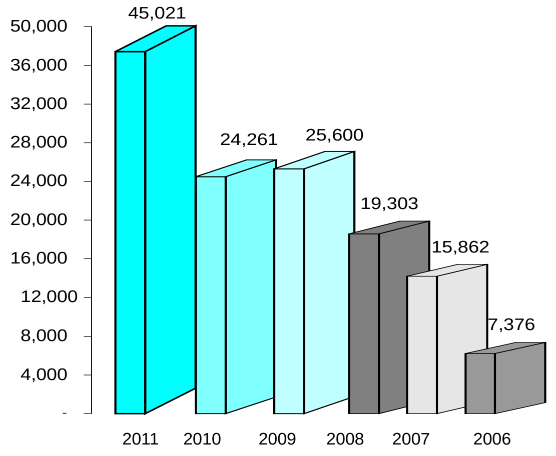
Profit after tax



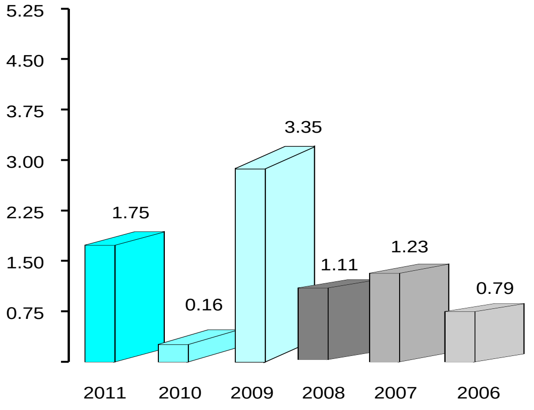
Paid up Capital / Total Assets



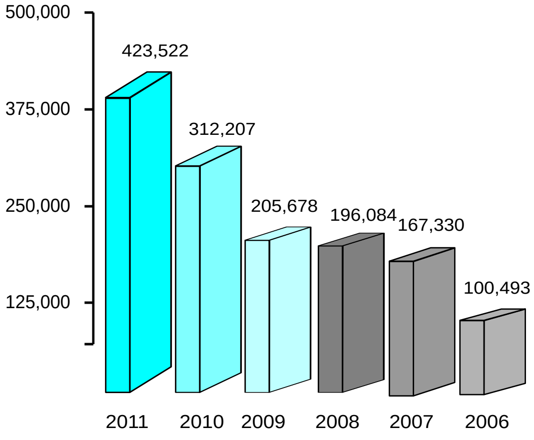
Investments (at fair value)



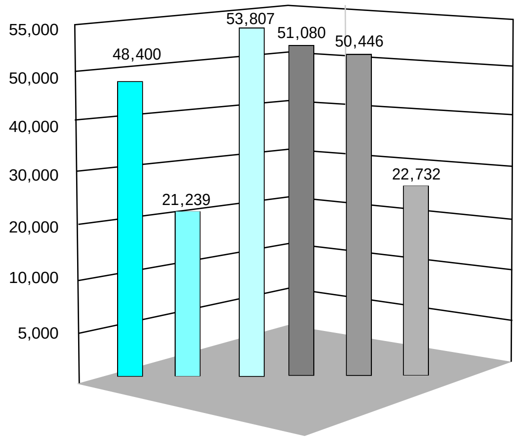
Earnings Per Share



Gross Premium



Underwriting Profit



Shareholders' Information

Registered Office
Cooperative 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 2011 – 2012 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.

Statutory compliance
During the year, the Company has complied with all applicable provisions, 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.

Shareholders' Information

Dividend Announcements

The Board of Directors of the Company has proposed the final dividend for the year ended December 31, 2011 at the rate of Rs. 0.50 per share 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 28, 2012 to May 04, 2012 both days inclusive.

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.

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 at least 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 at least 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 favor of the particular resolution, it is taken as passed, 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, 2011 was as follows.

Shareholders' Category	Share Holding	Percentage
Directors, Chief Executive and Family	12,556,871	41.8562%
Executives	-	0.0000%
Associated Companies, Undertakings and Related Parties	-	0.0000%
Public Sector Companies and Corporations	1,499	0.0050%
Banks, DFIs and NBFIs	-	0.0000%
Insurance Companies	-	0.0000%
Modarabas and Mutual Funds	-	0.0000%
Other Companies	15,881	0.0529%
Non Resident	-	0.0000%
General Public	17,425,749	58.0858%
	30,000,000	100.0000%

During the financial year the trading in shares of the Company by the directors, chief executive officer, chief financial officer, company secretary and their spouses and minor children is as follows:

Sr. No.	*Name*	*Purchase*	*Bonus*
1	Ch. Zahoor Ahmed	-	224,532
	Ch. Zahoor Ahmed (CDC)	-	43,000
2	Ch. Manzoor Ahmed	-	126,250
3	Mr. Usman Ali	-	125,124
4	Ch. Muhammad Saleem	-	135,248
5	Mr. Mazhar Zahoor	-	152,124
6	Ch. Ather Zahoor	-	231,806
7	Mr. Rehan Beg	-	21,250
8	Mr. Mehmood Ul Haq	-	134,874
9	Ch. Ghulam Mustafa (CDC)	9,375	59,750
10	Mrs. Qaiser Sultana W/O Ch. Manzoor Ahmed	-	27,500
11	Mrs. Rubina Mazhar W/O Mr. Mazhar Zahoor	-	128,936
12	Mrs. Perveen Akhtar W/O Ch. Zahoor Ahmed	-	219,992
13	Mrs. Khalida Perveen W/O Ch. Muhammad Saleem	-	81,250
14	Mrs. Umal Usman W/O Mr. Usman Ali	-	50,000
15	Mrs. Asma Akhter W/O Mr. Ather Zahoor	335,000	186,141

Shareholders' Information

Information as required under Code of Corporate Governance

Categories of Shareholders as at December 31, 2011

Category	Share Holding	Percentage
Associated Companies, Undertakings and Related Parties	-	0.0000%
NIT and ICP		
Investment Corporation of Pakistan Limited	1,090	0.0036%
IDBP (ICP Unit) CDC	409	0.0014%
Directors, Chief Executive Officer their Spouses and Minor Children		
Ch. Manzoor Ahmed	757,500	2.5250%
Mr. Usman Ali	750,749	2.5025%
Mr. Mazhar Zahoor	912,749	3.0425%
Ch. Ather Zahoor	1,390,841	4.6361%
Ch. Zahoor Ahmed	1,347,197	4.4907%
Ch. Zahoor Ahmed (CDC)	258,000	0.8600%
Ch. Ghulam Mustafa (CDC)	358,500	1.1950%
Ch. Muhammad Saleem	811,489	2.7050%
Mr. Mahmood-ul-Haq	809,249	2.6975%
Mr. Rehan Beg	127,500	0.4250%
Mrs. Qaiser Sultana W/O Ch. Manzoor Ahmed	165,000	0.5500%
Mrs. Rubina Mazhar W/O Mr. Mazhar Zahoor	773,623	2.5787%
Mrs. Parveen Akhtar W/O Ch. Zahoor Ahmed	1,319,958	4.3999%
Mrs. Parveen Akhtar W/O Ch. Zahoor Ahmed (CDC)	687,438	2.2915%
Mrs. Khalida Parveen W/O Ch. Muhammad Saleem	487,500	1.6250%
Mrs. Asma Athar W/O Mr. Ather Zahoor	1,299,578	4.3319%
Mrs. Umal Usman W/O Mr. Usman Ali	300,000	1.0000%
Public Sector Companies and Corporations		
Capital Vision Securities (Private) Limited - (CDC)	749	0.0025%
Excel Securities (Private) Limited - (CDC)	2,875	0.0096%
First National Equities Limited - (CDC)	1	0.0000%
Imperial Investment (Private) Limited - (CDC)	300	0.0010%
Mohd Munir Mohd Ahmed Khanani Securities Limited - (CDC)	7,500	0.0250%
Pearl Capital Management (Private) Limited- (CDC)	2,207	0.0074%
Prudential Securities Limited - (CDC)	1,500	0.0050%
Sarfraz Mahmood (Private) Limited - (CDC)	749	0.0025%
Bank, Development Finance Institutions and NBFC's	-	0.0000%
Leasing Companies	-	0.0000%
Modarabas and Mutual Funds	-	0.0000%
Insurance Companies	-	0.0000%
Non Residents / Foreign Companies	-	0.0000%
Shareholders Holding more than 10% of Capital	-	0.0000%
General Public	17,425,749	58.0858%
	30,000,000	100.0000%

Shareholders' Information

Pattern of Shareholding as at December 31, 2011

Number of shareholders	Shareholding From	Shareholding To	Total Shares Held
225	1	100	2,899
107	101	500	26,330
429	501	1,000	320,123
114	1,001	5,000	236,470
18	5,001	10,000	125,545
19	10,001	15,000	259,928
5	20,001	25,000	114,749
11	25,001	30,000	327,000
3	30,001	35,000	97,800
2	35,001	40,000	75,000
2	40,001	45,000	85,909
2	55,001	60,000	117,954
8	70,001	75,000	599,064
2	75,001	80,000	154,649
2	85,001	90,000	180,000
1	100,001	105,000	105,000
1	110,001	115,000	112,500
1	115,001	120,000	120,000
2	125,001	130,000	255,000
1	130,001	135,000	131,249
2	135,001	140,000	278,862
3	145,001	150,000	450,000
4	160,001	165,000	655,909
1	165,001	170,000	168,000
3	175,001	180,000	539,180
2	190,001	195,000	390,000
1	235,001	240,000	240,000
1	260,001	265,000	262,500
1	295,001	300,000	300,000
2	305,001	310,000	614,401
1	310,001	315,000	315,000
1	335,001	340,000	336,749
5	355,001	360,000	1,789,618
1	375,001	380,000	376,500
1	400,001	405,000	405,000
1	415,001	420,000	417,436
1	435,001	440,000	436,380
1	460,001	465,000	465,000
1	475,001	480,000	480,000
1	485,001	490,000	487,500
1	555,001	560,000	559,500
1	685,001	690,000	687,438
1	700,001	705,000	703,500
1	705,001	710,000	706,500
1	750,001	755,000	750,749
1	755,001	760,000	757,500
1	770,001	775,000	773,623
1	775,001	780,000	775,500
1	805,001	810,000	809,249
1	810,001	815,000	811,489
1	910,001	915,000	912,749
1	995,001	1,000,000	996,749
1	1,005,001	1,010,000	1,008,476
1	1,295,001	1,300,000	1,299,578
1	1,315,001	1,320,000	1,319,958
1	1,345,001	1,350,000	1,347,197
1	1,390,001	1,395,000	1,390,841
1	1,530,001	1,535,000	1,534,200
1,007			30,000,000

Directors' Report To The Shareholders

Dear Fellow Shareholders!

The Directors of “The Pakistan General Insurance Company Limited” take pleasure in presenting the 64th annual report of your Company, together with the audited financial statements for the year ended December 31, 2011.

Economic Overview

The year 2011 was another challenging year characterized by difficult economic conditions and poor law and order situation in the country have had negative impact on the level of business activities in the country and especially the financial sector, which has further deteriorated since the floods of summer 2011 in Sindh. The Government is not expected to achieve the planned GDP growth of 4.2% and this is now forecasted to be as low as 3.5% which coupled with inflation of over 12% presents a very challenging industrial environment. The insurance industry continued to operate in an environment in Pakistan marked by heavy competition among the major players in the market and provided an unprecedented challenge for your Company. The non-life insurance trade grew by 9.50% in 2010 to Rs. 38 billion compared to 2.34% in 2009. In current year, the growth in premium is expected to be around 10%, which means negative growth net of inflation for the fourth year in progress.

Company Performance Review 2011

Dear shareholders, the directors are pleased to report that despite the difficult economic and business conditions, the Company has achieved a healthy growth both in terms of our results and share price performance as compared to the moderate results of 2010 which were severely affected by the devastating floods in the second half of the previous year, thus resulting the overall performance of the Company inevitably. Gross Written Premium (GWP) in this year increased by 35.65%, from Rs. 312.206 million in 2010 to Rs. 423.522 million in 2011. All segments contributed towards premium growth. The business mix with share of fire, marine, motor and miscellaneous was 56%, 23%, 3% and 18% respectively.

Previous year, floods in the Punjab, Khyber Pakhtoonkhaw and Sindh region directly impacted our underwriting results, during the current year by the grace of Allah Almighty there had been no such natural devastation, the results are comparably very lucrative. The Company's net premium stands at 34% of GWP in 2011 as compared to 35.40% in 2010. In 2011 our net claims decreased by 4.22%, from Rs. 68.863 million in 2010 to Rs. 65.955 million in 2011. The underwriting profit increased by 127.88%, from Rs. 21.239 million in 2010 to Rs. 48.400 million in 2011 making underwriting profit margin (as a percentage of earned premiums) 14.01% in 2011 as compared to 8.12% in 2010.

General and administrative expenses were decreased by 7.33%, from Rs. 38.055 million in 2010 to Rs. 35.263 million in 2011. Income from investment decreased by 10.19% to Rs. 8.319 million against Rs. 9.263 million in 2010. During the year, the Company had generated gain from de-recognition of investment property amounting Rs. 5.316 million whereas no such gain was recognized in the previous fiscal year. Consequently the Company posted Rs. 52.398 million profit after tax in 2011 against Rs. 4.826 million in 2010. Earnings per share of the Company calculate to Rs. 1.75 in 2011 against Rs. 0.16 in 2010.

Directors' Report To The Shareholders

Segments at a Glance

Fire and property damage

Gross premium grew by 41% from Rs. 170 million in 2010 to Rs. 240 million in 2011 and net premium earned increased by 55% from Rs. 55 million to Rs. 85 million. Fire losses decreased by 25% from Rs. 57 million in 2010 to Rs. 43 million in 2011, underwriting profit increased by 401% from underwriting loss of Rs. 9 million in 2010 to underwriting profit of Rs. 28 million in 2011. The graphical analysis is:

	2011	*2010*	*Change*	
	-------------- rupees in '000		*--------------*	*% age*
Gross premium	239,771	169,818	69,953	41%
Net premium	85,418	55,025	30,393	55%
Net claims	42,580	56,589	(14,009)	-25%
Net expenses	17,856	19,086	(1,230)	-6%
Net commissions	2,850	11,392	(8,542)	-75%
Underwriting results	27,832	(9,258)	37,090	-401%
Claim ratio	50%	103%		
Expense ratio	21%	35%		
Combined ratio	71%	138%		

Marine, Aviation and Transport

Gross premium grew by 30% from Rs. 74 million in 2010 to Rs. 96 million in 2011 and net premium earned increased by 6% from Rs. 30 million to Rs. 32 million. Marine losses increased by 80% from Rs. 8 million in 2010 to Rs. 15 million in 2011, underwriting profit decreased by 42% from Rs. 16 million in 2010 to Rs. 9 million in 2011. The graphical analysis is:

	2011	*2010*	*Change*	
	-------------- rupees in '000		*--------------*	*% age*
Gross premium	96,437	74,449	21,988	30%
Net premium	31,593	29,841	1,752	6%
Net claims	15,015	8,347	6,668	80%
Net expenses	7,182	8,367	(1,185)	-14%
Net commissions	(482)	2,375	(2,857)	-120%
Underwriting results	8,914	15,502	(6,588)	-42%
Claim ratio	48%	28%		
Expense ratio	23%	28%		
Combined ratio	70%	56%		

Motor

Motor business increased by 20% from Rs. 11 million in 2010 to Rs. 13 million in 2011. There is a decrease in losses by 52% from Rs. 1.3 million to Rs. 0.6 million in year 2011, this is mainly because of selective underwriting in the motor segment during the year. Consequently, the motor underwriting profitability increased by 20% from Rs. 6 million in 2010 to Rs. 7 million in 2011. The graphical analysis is:

	2011	*2010*	*Change*	
	-------------- rupees in '000		*--------------*	*% age*
Gross premium	12,896	10,735	2,161	20%
Net premium	10,787	10,198	589	6%
Net claims	639	1,318	(679)	-52%
Net expenses	960	1,207	(247)	-20%
Net commissions	(1,781)	(1,493)	(288)	19%
Underwriting results	7,407	6,180	1,227	20%
Claim ratio	6%	13%		
Expense ratio	9%	12%		
Combined ratio	15%	25%		

Others (Miscellaneous)

For miscellaneous lines, the business increased by 30% from Rs. 57 million in 2010 to Rs. 74 million in 2011. There is an increase in losses by 196% from Rs. 3 million to Rs. 8 million in year 2011. Earned premium decreased by 4% from Rs. 15 million in 2010 to Rs. 14 million in 2011 therefore, the underwriting profitability decreased by 52% from Rs. 9 million in 2010 to Rs. 4 million in 2011. The graphical analysis is:

	2011	2010	Change	
	---- rupees in '000 ----			% age
Gross premium	74,418	57,205	17,213	30%
Net premium	14,882	15,482	(600)	-4%
Net claims	7,721	2,609	5,112	196%
Net expenses	5,542	6,429	(887)	-14%
Net commissions	2,628	2,371	257	11%
Underwriting results	4,247	8,815	(4,568)	-52%
Claim ratio	52%	17%		
Expense ratio	37%	42%		
Combined ratio	89%	58%		

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 98% of the claims reported in the year 2010 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 high quality program of re-insurance with “A” rated and well reputed re-insurers lead by our leader “Labuan Reinsurance, Berhad”. The focus of reinsurance treaty program has been designated to protect the value of risk by insuring timely and quality protection for individual risks and in catastrophic events. Your Company follows a high quality, low risk reinsurance strategy. Your Company's conventional reinsurance policy reduces the potential volatility of the earnings stream.

Reinsurance arrangements in place include quota share, surplus, excess of loss and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer total net insurance losses beyond the Company's risk appetite in any one year.

In this challenging period of economic slowdown, declining prices and softening of local insurance markets, your Company's strategy of increasing its risk retention has not only helped in achieving a robust gross premium growth of 35.65% but also contributed to the overall profitability.

Risk Management

Insurance being the business of transfer of risks from client to insurer is viable only if the 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's strive to develop expertise in areas like risk pricing, business continuity planning and consequence analysis helps in offering value added services to the clients which not only develops the confidence level of the client for remaining profitable by virtue of its core operations but also improves the quality of risk the Company is exposed to.

Investments

Equity and Other Investments

During the current year, the Company had invested Rs. 21.761 million in equity instruments of listed companies. Our investment objective is to achieve a optimum 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. 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.

Directors' Report To The Shareholders

Issues like delay in the IMF loan and political turmoil somehow hurt the market sentiments but its impact was not that big. Market capitalization was also reduced slightly in 2011.

The book value of your Company's investments is Rs. 29.205 million as at December 31, 2011 against Rs. 8.888 million as at December 31, 2010. The fair value of investments is Rs. 30.493 million, higher by 4% from its respective book value as at December 31, 2011. 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

During the year, the directors of your Company had decided to invest more in more liquid instruments and also decided to divest certain part of its investment in properties, therefore according to divestment plan certain investments in properties are sold to make investments in marketable securities. The Company has generated rental income of Rs. 6.7 million as compared to Rs. 6.1 million in previous year registering a growth of 9.8% and a capital gain on sale of properties amounting to Rs. 5.316 million.

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 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 total cash inflows of Rs. 27.747 million against cash outflows of Rs. 47.358 million in 2010. The total cash and cash equivalents as at the end of 2011 are Rs. 118.604 million against Rs. 90.857 million in 2010.

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".

Human Resource

At PGI Human Resources, in its business partner role, enacts strategies to raise the performance of each team member to its maximum potential. The primary reason for our success is that our organization is built around people. Team efforts played a key role in achieving the stretched business goals for 2011 and surpassing them in some areas. However, this was also possible through continuous review of the organizational structure, which ensured the business' stability. Claims and Underwriting were centralized to improve customer focus and optimize performance. Synergies were created among support functions to enhance efficiency and optimize costs. Management trainees were inducted in all core functions to enhance manpower skill base and encourage new approach to our business processes. Employees are rewarded based on performance, resulting in enhanced retention and motivation at all levels. Talent mapping and development plans are underway to ensure that employees are engaged at all levels. All our operational activities are carried out in a transparent manner following our code of ethics, on which there can be no compromise.

Our continuous improvement philosophy and benchmarking with the best in class will ensure in making PGI a high performance organization.

Directors' Report To The Shareholders

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. 65 million approximately 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 2010 and nine months period ended financial statements September 2011.

Appropriations

The proposed appropriations are as under:

	2011 Rupees	2010 Rupees
Stock dividend	50,000,000	50,000,000
Final dividend for the year (0.5%)	15,000,000	-
Transferred to reserves	45,000,000	-

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, 2012 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 2012. 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 2012.

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.

Acknowledgment

We would like to thank our customers and business partners whose loyalty and 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 reinsurers including Pakistan Reinsurance Company Limited, bankers and our shareholders for their continued support and confidence put in 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 Officer

Lahore: April 5, 2012

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:

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, 2011 is Rs. 750,000.
12) The trade carried out during the year by the Directors, CEO, CFO, Company Secretary, Executives and their spouses and minor children has been disclosed in this report under the head “shareholders' information”.
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.

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.

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;
- 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, 2010 for a period of three years. During the year, five (5) meetings of the Board of Directors were held and attendance by each Director is given below:

Name	*Designation*	*Meetings attended*
Ch. Manzoor Ahmed	Non Executive Director and Chairman	5
Ch. Zahoor Ahmed	Executive Director and Chief Executive	5
Ch. Ghulam Mustafa	Executive Director	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.

Auditors

The present auditors M/s. M. Yousuf Adil Saleem & 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 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. and M/s. Kamran & Co. Chartered Accountants as joint auditors of the Company for the year 2012, 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, 2011.

Pattern of Shareholding

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

Earnings per Share

Earnings per share during the year have increased from Rs. 0.16 per share in 2010 to Rs. 1.75 in 2011.

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 5, 2012

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 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. No casual vacancy occurred in the Board of directors of the Company during the year.

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 complied with all 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 arms 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 5, 2012

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
66-E-FCC, Syed Maratab Ali Road,
Gulberg IV
Lahore
Pakistan

Tel: +92-42-3575 7188
+92-42-3587 0793
Fax: +92-42-3576 3091
Web: www.deloitte.com

Review Report To The Members On Statement Of Compliance With The Best Practices Of The Code Of Corporate Governance

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) for the year ended December 31, 2011 prepared by the Board of Directors of THE PAKISTAN GENERAL INSURANCE COMPANY LIMITED ("the Company") to comply with the 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 of Corporate Governance.

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 a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited requires the Company to place before the Board of Directors for their consideration and approval of 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, 2011.

M. Yousuf Adil Saleem & Co
(Chartered Accountants)
Lahore: April 5, 2012

Member of
Deloitte Touche Tohmatsu Limited

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
66-E-FCC, Syed Maratab Ali Road.
Gulberg IV
Lahore
Pakistan

Tel: +92-42-3575 7188
+92-42-3587 0793
Fax: +92-42-3576 3091
Web: www.deloitte.com

Auditors' Report To The Members

We have audited the annexed financial statements comprising of:

(i) Balance sheet;
(ii) Profit and loss account / Statement of comprehensive income;
(iii) Statement of changes in equity;
(iv) Statement of cash flows;
(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, 2011 together with the 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 approved 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 used 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, 2011, and of the profit, its cash flows 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).

M.Yousuf Adil Saleem & Co

(Chartered Accountants)
Engagement Partner: Mohammad Saleem

Lahore
April 5, 2012

Member of
Deloitte Touche Tohmatsu Limited

Balance Sheet
As At December 31, 2011

	Note	2011	restated 2010
		---------- Rupees ---------	
Share capital and reserves			
Authorized share capital			
40,000,000 (2010: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid-up share capital	4	300,000,000	250,000,000
Un-appropriated profit / (loss)		4,366,722	(3,359,542)
Reserves	5	100,000,000	105,000,000
Total equity		404,366,722	351,640,458
Surplus on revaluation of fixed assets	6	10,743,461	11,071,835
Underwriting provisions			
Provision for outstanding claims (including IBNR)		7,008,449	8,241,160
Provision for unearned premium		224,565,407	146,459,315
Commission income unearned		32,735,958	29,632,458
Total underwriting provisions		264,309,814	184,332,933
Deferred liability			
Deferred taxation	7	1,709,751	23,284,872
Creditors and accruals			
Amounts due to other insurers /reinsurers		8,029,610	3,602,435
Accrued expenses		886,510	845,010
Taxation - provision less payments	8	1,188,218	425,091
Other creditors	9	14,205,090	18,287,185
Current portion of liabilities against assets subject to finance lease	10	196,168	157,741
		24,505,596	23,317,462
Other liabilities			
Liabilities against assets subject to finance lease	10	337,824	533,992
Unclaimed dividends		4,851	4,851
		342,675	538,843
TOTAL LIABILITIES		290,867,836	231,474,110
TOTAL EQUITY AND LIABILITIES		705,978,019	594,186,403
CONTINGENCIES AND COMMITMENTS	11		

The annexed notes from 1 to 36 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, 2011

	Note	2011	2010
		------------ Rupees ---------	
Cash and bank deposits			
Cash and other equivalents	12	165,375	89,550
Current and other accounts		34,930,475	7,258,993
Deposits maturing within 12 months	13	53,508,000	58,508,000
Deposits maturing after 12 months	14	30,000,000	25,000,000
		118,603,850	90,856,543
Loans - unsecured; considered good			
To employees		193,236	181,136
Investments	15	45,020,624	24,260,748
Investment properties	16	136,791,307	228,317,851
Current assets - others			
Premiums due but unpaid - net - unsecured	17	176,329,285	40,018,651
Amounts due from other insurers / reinsurers - unsecured		9,405,574	7,463,689
Reinsurance recoveries against outstanding claims		5,378,433	5,422,484
Deferred commission expense		13,612,099	21,053,588
Prepaid reinsurance premium ceded		117,948,484	87,107,530
Sundry receivables	18	449,612	743,112
		323,123,487	161,809,054
Fixed assets			
Tangible			
Owned			
- land and buildings		58,690,690	61,779,673
- furniture, fixtures and office equipment		4,682,006	4,780,842
- vehicles		18,019,691	21,196,876
		81,392,387	87,757,391
Assets subject to finance lease			
- vehicles		853,128	1,003,680
	19	82,245,515	88,761,071
TOTAL ASSETS		705,978,019	594,186,403

The annexed notes from 1 to 36 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 / Statement of Comprehensive Income
For the Year ended December 31, 2011

	Fire and property damage	Marine, aviation and transport	Motor act	Miscellaneous	Note	Aggregate 2011	restated 2010
	---- Rupees ----					---- Rupees ----	
Revenue account							
Net premium revenue	85,418,777	31,592,597	10,786,780	14,882,224	20	142,680,378	110,546,045
Net claims	(42,580,526)	(15,014,514)	(639,059)	(7,720,630)		(65,954,729)	(68,862,686)
Expenses	(17,855,879)	(7,181,682)	(960,379)	(5,541,969)	21	(31,539,909)	(35,089,184)
Net commission	2,850,030	(482,225)	(1,780,906)	2,627,547		3,214,446	14,644,769
Underwriting result	27,832,402	8,914,176	7,406,436	4,247,172		48,400,186	21,238,944
Investment income						8,318,874	9,262,661
Rental income						6,730,020	6,118,200
Other operating income					22	5,323,268	136,821
Finance cost					23	(385,424)	(359,532)
General and administration expenses					24	(35,263,930)	(38,054,765)
						(15,277,192)	(22,896,615)
Profit before tax						33,122,994	(1,657,671)
Provision for taxation					25	19,274,896	6,483,681
Profit for the year						52,397,890	4,826,010
Other comprehensive income:							
Incremental depreciation on revalued assets						328,374	393,098
Other comprehensive income for the year, net of tax						328,374	393,098
Total comprehensive income for the year						52,726,264	5,219,108
Profit and loss appropriation account							
Balance at beginning of the year						(3,359,542)	1,421,350
Total comprehensive income for the year						52,726,264	5,219,108
Final dividend 2009: Rs. 0.50 per share						-	(10,000,000)
Transferred to general reserves						(45,000,000)	-
Un-appropriated profit						4,366,722	(3,359,542)
Earnings per share - basic and diluted					29	1.75	0.16

The annexed notes from 1 to 36 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, 2011

	Share capital	Capital reserves: Reserve for issue of bonus shares	Revenue reserves: General reserve	Revenue reserves: un-appropriated profit	Total
	---------- Rupees ----------				
Balance as at January 1, 2010 - as previously reported	200,000,000	100,000,000	55,000,000	6,076,266	361,076,266
Cumulative effect of prior period error note - 27	-	-	-	(4,654,916)	(4,654,916)
Balance as at January 1, 2010 - as restated	200,000,000	100,000,000	55,000,000	1,421,350	356,421,350
Total comprehensive income for the year					
Profit for the year	-	-	-	4,826,010	4,826,010
Other comprehensive income for the year - as restated	-	-	-	393,098	393,098
	-	-	-	5,219,108	5,219,108
Transactions with owners, recorded directly in equity					
Distribution to owners					
Final dividend 2009: Rs. 0.50 per share	-	-	-	(10,000,000)	(10,000,000)
Bonus shares issued during the year - Rs. 2.50 per share	50,000,000	(50,000,000)	-	-	-
	50,000,000	(50,000,000)	-	(10,000,000)	(10,000,000)
Balance as at December 31, 2010 - as restated	250,000,000	50,000,000	55,000,000	(3,359,542)	351,640,458
Total comprehensive income for the year					
Profit for the year	-	-	-	52,397,890	52,397,890
Other comprehensive income for the year	-	-	-	328,374	328,374
	-	-	-	52,726,264	52,726,264
Transactions with owners, recorded directly in equity					
Transfers to general reserves	-	-	45,000,000	(45,000,000)	-
Distribution to owners					
Bonus shares issued during the year as approved last year @ 10% of paid up capital	25,000,000	(25,000,000)	-	-	-
Bonus shares issued during the year as approved in half year @ 9.090% of paid up capital	25,000,000	(25,000,000)	-	-	-
	50,000,000	(50,000,000)	45,000,000	(45,000,000)	-
Balance as at December 31, 2011	300,000,000	-	100,000,000	4,366,722	404,366,722

The annexed notes from 1 to 36 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 Cash Flows
For the Year ended December 31, 2011

		2011	2010
		------------- Rupees -----------	
Operating cash flows			
a)	Underwriting activities		
	Premiums received	286,442,655	327,733,252
	Reinsurance premiums paid	(231,091,414)	(187,251,135)
	Claims paid	(218,742,931)	(183,690,933)
	Reinsurance and other recoveries received	151,599,542	114,985,224
	Commissions paid	(50,906,333)	(45,683,703)
	Commissions received	64,665,768	63,623,856
	Net cash inflow from underwriting activities	1,967,287	89,716,561
b)	Other operating activities		
	Income tax paid	(1,537,098)	(590,011)
	General and management expenses paid	(51,547,853)	(57,450,784)
	Loans to employees	(12,100)	(75,010)
	Other operating payments on operating assets	(4,802,664)	(1,936,106)
	Other operating receipts in respect of operating assets	333,600	4,097,910
	Net cash out flow from other operating activities	(57,566,115)	(55,954,001)
Total cash (outflow) / inflow from all operating activities (a+b)		(55,598,828)	33,762,560
Investing activities			
Profit / return received		8,735,931	8,618,955
Dividends received		584,541	505,700
Rentals received		6,730,020	6,118,200
Miscellaneous income		7,118	273,823
Payments for investments		(21,761,474)	-
Proceeds from disposal of investments		-	1,477,387
Fixed capital expenditure		(406,836)	(87,953,880)
Proceeds from disposal of investment properties		90,000,000	-
Proceeds from disposal of fixed assets		-	462,000
Total cash inflow / (outflow) from investing activities		83,889,300	(70,497,815)
Financing activities			
Dividends paid		-	(9,995,149)
Financial charges paid		(385,424)	(359,532)
Repayments of finance lease liabilities		(157,741)	(267,852)
Total cash out flow from financing activities		(543,165)	(10,622,533)
Net cash inflow / (outflow) from all activities		27,747,307	(47,357,788)
Cash at beginning of the year		90,856,543	138,214,331
Cash at end of the year		118,603,850	90,856,543

Statement of Cash Flows
For the Year ended December 31, 2011

	2011	2010
	------------ Rupees ---------	
Reconciliation to profit and loss account		
Operating cash flows	(55,598,828)	33,762,560
Depreciation expense	(13,765,086)	(14,248,432)
Provision for impairment - available for sale	(1,443,771)	(394,497)
Provision for doubtful receivables	(768,931)	(1,194,533)
Workers' welfare fund	(680,469)	-
Finance cost	(385,424)	(359,532)
Investment income	9,178,104	9,151,458
Rental income	6,730,020	6,118,200
Dividend income	584,541	505,700
Other operating income	5,323,268	136,821
Decrease in assets other than cash	162,095,464	27,194,396
Decrease in liabilities	(58,870,998)	(55,846,131)
Profit after taxation as per profit and loss account	52,397,890	4,826,010

	2011	2010
Definition of cash		
Cash for the purposes of the statement of cash flows consists of:		
Cash and other equivalents	165,375	89,550
Current and other accounts	34,930,475	7,258,993
Deposits maturing within 12 months	53,508,000	58,508,000
Deposits maturing after 12 months	30,000,000	25,000,000
	118,603,850	90,856,543

The annexed notes from 1 to 36 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, 2011

Business underwritten inside Pakistan

Class of business	Premiums Written	Unearned premium reserve Opening	Unearned premium reserve Closing	Premiums Earned	Reinsurance ceded	Prepaid reinsurance premium ceded Opening	Prepaid reinsurance premium ceded Closing	Reinsurance expense	Net premium revenue 2011	Net premium revenue 2010
	Rupees									
Direct and facultative										
Fire and property damage	239,771,195	81,713,503	126,708,118	194,776,580	123,390,791	48,873,944	62,906,932	109,357,803	85,418,777	55,025,161
Marine, aviation and transport	96,436,612	31,745,609	51,666,088	76,516,133	53,362,424	18,150,752	26,589,640	44,923,536	31,592,597	29,841,036
Motor act	12,896,103	4,570,297	5,824,120	11,642,280	855,500	-	-	855,500	10,786,780	10,197,751
Miscellaneous	74,418,310	28,429,906	40,367,081	62,481,135	55,967,989	20,082,834	28,451,912	47,598,911	14,882,224	15,482,097
Grand total	423,522,220	146,459,315	224,565,407	345,416,128	233,576,704	87,107,530	117,948,484	202,735,750	142,680,378	110,546,045

The annexed notes from 1 to 36 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, 2011

Business underwritten inside Pakistan

Class of business	Claims paid	Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
		Opening	Closing			Opening	Closing		2011	2010
	---- Rupees ----									
Direct and facultative										
Fire and property damage	125,801,844	4,215,195	2,858,018	124,444,667	81,695,572	2,309,449	2,478,018	81,864,141	42,580,526	56,588,510
Marine, aviation and transport	49,613,014	2,720,353	3,216,483	50,109,144	34,598,500	2,404,285	2,900,415	35,094,630	15,014,514	8,346,994
Motor act	593,073	460,612	506,598	639,059	-	-	-	-	639,059	1,318,218
Miscellaneous	42,735,000	845,000	427,350	42,317,350	35,305,470	708,750	-	34,596,720	7,720,630	2,608,964
Grand total	218,742,931	8,241,160	7,008,449	217,510,220	151,599,542	5,422,484	5,378,433	151,555,491	65,954,729	68,862,686

The annexed notes from 1 to 36 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 Expenses
For the Year ended December 31, 2011

Business underwritten inside Pakistan

Class of business	Commissions paid or payable	Deferred commission		Net Commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	
		Opening	Closing					2011	2010
	----------	----------	----------	----------	Rupees	----------	----------	----------	----------
Direct and facultative									
Fire and property damage	30,315,819	11,057,154	8,555,273	32,817,700	17,855,879	50,673,579	35,667,730	15,005,849	7,693,378
Marine, aviation and transport	11,205,405	5,146,835	2,466,762	13,885,478	7,181,682	21,067,160	13,403,253	7,663,907	5,992,930
Motor act	1,404,074	770,827	393,995	1,780,906	960,379	2,741,285	-	2,741,285	2,699,856
Miscellaneous	7,981,035	4,078,772	2,196,069	9,863,738	5,541,969	15,405,707	12,491,285	2,914,422	4,058,251
Grand total	50,906,333	21,053,588	13,612,099	58,347,822	31,539,909	89,887,731	61,562,268	28,325,463	20,444,415

The annexed notes from 1 to 36 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, 2011

	Note	2011	2010
		----------- Rupees ---------	
Income from non - trading investments			
Available for sale			
Dividend income		584,541	505,700
Held to maturity			
Return on Defense Saving Certificates		503,531	1,051,688
Profit on bank deposits		8,765,880	8,163,880
Provision for impairment - available for sale	15	(1,443,771)	(394,497)
Investment related expenses		(91,307)	(64,110)
Net investment income		8,318,874	9,262,661

The annexed notes from 1 to 36 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)

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.

2 BASIS OF PREPARATION

2.1 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.

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

Following standards, amendments to standards and interpretations including amendments to interpretations became effective during the year. However, the applications of these amendments and interpretations did not have any material effective on the Company's financial statements.

Standards / Amendments / Interpretations

Amendment to IAS 1 - Presentation of Financial Statements
IAS 24 - Related Party Disclosures
Amendment to IAS 27 - Consolidated and Separate Financial Statements
Amendments to IAS 32 - Financial Instruments – Presentation
Amendment to IAS 34 - Interim Financial Reporting
Amendments to IFRS 3 (2008) - Business Combinations
Amendments to IFRS 7 - Financial Instruments – Disclosures
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments
Amendment to IFRIC 13 - Customer Loyalty Programs
Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement

2.3 Standards, interpretations and amendments to the published approved accounting standards not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2012:

- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
(effective for annual periods beginning on or after 1 July 2012).

The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments have no impact on financial statements of the Company.

- Amendments to IAS 12 - deferred tax on investment property

(effective for annual periods beginning on or after 1 January 2012).

The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Company.

- IAS 19 Employee Benefits (amended 2011)

(effective for annual periods beginning on or after 1 January 2013).

The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the liability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The Company does not plan to adopt this change early and the extent of the impact has not been determined.

- Disclosures - Transfers of Financial Assets (Amendments to IFRS 7)

(effective for annual periods beginning on or after 1 July 2011).

The amendments introduce new disclosure requirements about transfers of financial assets, including disclosures for financial assets that are not derecognized in their entirety; and financial assets that are derecognized in their entirety but for which the entity retains continuing involvement. The amendments have no impact on financial statements of the Company.

- IFRIC 20 - Stripping cost in the production phase of a surface mining

(effective for annual periods beginning on or after 1 January 2013).

The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Company.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been considered by the Company as the standards and their relevant amendments have not been adopted locally by the Securities and Exchange Commission of Pakistan:

IFRS 1 – First Time Adoption of International Financial Reporting Standards
IFRS 9 – Financial Instruments
IFRS 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IFRS 13 – Fair Value Measurement
IAS 27 (Revised 2011) – Separate Financial Statements due to not adoption of IFRS 10 and IFRS 11
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures due to non-adoption of IFRS 10 and IFRS 11

2.4 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

2.5 Significant estimates

The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

In particular, the matters involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are:

- Provision for outstanding claims including IBNR (note 3.2)
- Provision for taxation and deferred tax (note 3.8)
- Useful lives of investment properties (note 3.12)
- Provision for doubtful receivables (note 3.13)
- Useful lives and residual values of fixed assets (note 3.16)

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Insurance contracts

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policyholders.

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

The Company underwrites non-life insurance contracts that can be categorized into Fire and Property Damage, Marine, Aviation and Transport, Motor, Miscellaneous and Treaty contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) of a facultative nature are included within the individual category of insurance contracts, other than those which fall under Treaty. The insurance risk involved in these contracts is similar to the contracts undertaken by the Company as insurer.

Fire and Property insurance contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Marine, Aviation and Transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships and liabilities to third parties and passengers arising from their use.

Motor insurance covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

All other insurances like cash in hand, cash in transit, general accident, crop, livestock, professional indemnity, bonds, workers compensation etc. are included under Miscellaneous.

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

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

3.3 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 provisions of S.R.O # 938 of SEC (insurance) Rules, 2002.

3.4 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 for unearned commission income.

3.5 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 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.

3.7 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.

3.8 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 as per section 113 of Income Tax Ordinance 2001. 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.

3.9 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.

3.10 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 and deposits with banks.

3.11 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

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.

3.12 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 15 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.

3.13 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.

3.14 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.

3.15 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.

3.16 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 up to the month preceding the disposal respectively.

3.17 Assets subject to finance lease

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

3.18 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.

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

3.19 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.

3.20 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.

3.21 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.

3.22 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 the 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.

3.23 Premium deficiency reserve

The Company maintains a provision in respect of premium deficiency for class of business where the unearned premium liability is not adequate to meet expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after balance sheet date in respect of unexpired policies in that class of business at balance sheet date. Movement in premium deficiency reserve is recorded as an expense/income in profit and loss account for the year.

The management considers that unearned premium reserve for all classes of business as at 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 same has been made in these financial statements.

3.24 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.

3.25 Commission

Commission expense

Commission due on direct, facultative 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.

3.26 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.

3.27 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.

3.28 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.

3.29 Dividend

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

Notes To The Financial Statements
For the Year ended December 31, 2011

4 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

	2011	2010	2011	2010
	---------- Number --------		---------- Rupees --------	
Ordinary shares of Rs. 10 each				
- fully paid in cash	20,000,000	20,000,000	200,000,000	200,000,000
- fully paid as bonus shares	10,000,000	5,000,000	100,000,000	50,000,000
	30,000,000	25,000,000	300,000,000	250,000,000

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

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

4.3 Reconciliation of number of shares at beginning and at end of the year is as under:

	---------- Number --------		---------- Rupees --------	
Balance at beginning of the year	25,000,000	20,000,000	250,000,000	200,000,000
Add: Bonus shares issued	5,000,000	5,000,000	50,000,000	50,000,000
Balance at end of the year	30,000,000	25,000,000	300,000,000	250,000,000

	Note	2011	2010
		---------- Rupees --------	
5 RESERVES			
Capital reserves (reserve for issue of bonus shares)		-	50,000,000
Revenue reserves (general reserves)	5.1	100,000,000	55,000,000
		100,000,000	105,000,000
5.1 GENERAL RESERVES			
Balance at beginning of the year		55,000,000	55,000,000
Transfer from retained earnings		45,000,000	-
Balance at end of the year		100,000,000	55,000,000

	2011	restated 2010
	---------- Rupees --------	
6 SURPLUS ON REVALUATION OF FIXED ASSETS		
Balance at beginning of the year	11,071,835	11,464,933
Less: Transferred to unappropriated profit in respect of incremental depreciation	328,374	393,098
Balance at end of the year	10,743,461	11,071,835

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

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

	2011	2010
	----------- Rupees ---------	
7 DEFERRED TAXATION		
Deferred tax liability on taxable temporary differences:		
Tax depreciation allowance	6,122,359	36,935,848
Finance lease	111,698	109,181
Surplus on revaluation of fixed assets	3,359,516	3,779,016
Deferred tax asset on deductible temporary differences:		
Provision for doubtful receivables	(3,732,214)	(3,463,088)
Loss on remeasurement of available for sale investments	(1,609,614)	(1,104,294)
Available tax losses	(2,541,994)	(12,971,791)
	1,709,751	23,284,872

		2011	2010
		----------- Rupees ---------	
8	TAXATION - PROVISION LESS PAYMENTS		
	Balance at beginning of the year	425,091	(662,128)
	Paid / deducted during the year	(1,537,098)	(590,011)
		(1,112,007)	(1,252,139)
	Charge for - Current year	2,123,260	1,156,030
	- Prior years	176,965	521,200
		2,300,225	1,677,230
	Balance at end of the year	1,188,218	425,091
9	OTHER CREDITORS		
	Federal excise duty	9,867,234	11,691,773
	Federal insurance fee	2,892,134	5,828,235
	Worker's welfare fund	680,469	-
	Withholding tax payable	3,000	29,024
	Payable to staff provident fund	47,253	7,153
	Others	715,000	731,000
		14,205,090	18,287,185
10	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
	Present value of minimum lease payments	533,992	691,733
	Less: current portion	196,168	157,741
		337,824	533,992

10.1 The Company has entered into a lease agreement with Askari Leasing Limited to acquire vehicles. The rentals under this lease arrangement are payable on monthly basis. The present value of minimum lease payments has been discounted at an implicit interest rate of 20.00% (2010: 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.

10.2 Minimum lease payments

The reconciliation between minimum lease payments and its present value is as under:

	2011	2010
Not later than one year	294,636	294,636
Later than one year but not later than five years	392,848	687,484
	687,484	982,120
Less: finance cost allocated to future periods	153,492	290,387
	533,992	691,733
Less: current portion	196,168	157,741
	337,824	533,992
Present value of minimum lease payments		
Not later than one year	196,168	157,741
Later than one year but not later than five years	337,824	533,992
	533,992	691,733

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

	2011	2010
	----------- Rupees ---------	
Maturity		
6 months or less	92,744	74,576
6 - 12 months	103,424	83,165
1 - 5 years	337,824	533,992
	533,992	691,733

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.

11 CONTINGENCIES AND COMMITMENTS

11.1 There are certain cases pending for adjudication before Civil and Session Court amounting to Rs. 3.910 million (2010 : Rs. 3.799 million). No provision has been made in these financial statements in respect of the aforementioned matter as the management is confident that the ultimate outcome of this case will be in favour of the Company.

11.2 The Company is defendant in a lawsuit of fire insurance claim amounting to Rs. 59.518 million (2010 : Rs. 59.518 million). The Company has filed a counter claim of Rs. 1,000 million against Maqbool Textile Mills Limited. No provision has been made in these financial statements in respect of the aforementioned matter as the management is confident that the ultimate outcome of this case will be in favour of the Company.

11.3 While finalizing the assessments for the assessment years 2000 - 2001 and 2002 - 2003, the Commissioner Inland Revenue (Appeals) has made certain disallowances of expenses amounting to Rs. 1.152 million and Rs. 0.622 million respectively with regard to the company (Pak Equity Insurance Company Limited) acquired in 2007. The Honorable Income Tax Appellate Tribunal has set-aside the orders under section 62 of the repealed Ordinance, 1979, for the assessment year 2001 - 2002 and 2002 -2003.

		Note	2011	2010
			----------- Rupees ---------	
12	CASH AND OTHER EQUIVALENTS			
	Cash with State Bank of Pakistan		61,358	-
	Cash in hand		104,017	89,550
			165,375	89,550

13 DEPOSITS MATURING WITHIN 12 MONTHS

This includes Term Deposit Receipts (TDR's) with different banks maturing within one year. It carries mark up rate of 11.00% (2010: 9.60 % to 11.00%) per annum.

14 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 9.60% per annum (2010: 9.60%).

		Note	2011	2010
15	INVESTMENTS			
	Available for sale investments - quoted	15.1	33,804,271	12,042,797
	Less: provision for impairment		4,598,897	3,155,126
			29,205,374	8,887,671
	Held to maturity	15.2	15,815,250	15,373,077
			45,020,624	24,260,748

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

		Note	2011	2010
15.2	Held to maturity			
	Defence Saving Certificates	15.3	15,815,250	15,373,077

15.3 These carry mark-up at the rate of 9.46% per annum (2010: 9.46%) compounding annually. These are maturing on February 15, 2016.

Notes To The Financial Statements
For the Year ended December 31, 2011

Annexure 1 as referred to in note 15 to the financial statements.

Available for sale investments - quoted

Particulars	No. of Shares / Certificate		Cost		Market value		Lower of cost or market value	
	2011	2010	2011	2010	2011	2010	2011	2010
	------ Number---------		----------------------------------- Rupees ----------------------------------					
Automobile and Parts								
Indus Motor company Limited	6,000	6,000	1,088,500	1,088,500	1,230,180	1,514,820	1,088,500	1,088,500
Banks								
Bank Al-Falah Limited	10,000	6,500	274,845	232,600	112,500	72,865	112,500	72,865
Bank of Khyber Limited	80,000	10,000	446,580	135,080	432,000	43,000	432,000	43,000
The Bank of Punjab Limited	75,000	4,000	570,330	166,340	405,750	39,240	405,750	39,240
KASB Bank Limited	50,000	10,000	249,200	198,000	55,000	25,100	55,000	25,100
NIB Bank Limited	75,000	32,800	573,172	516,624	129,750	96,760	129,750	96,760
Silk Bank Limited	60,000	5,000	145,000	128,500	106,200	13,100	106,200	13,100
Allied Bank Limited	10,000	5,000	600,550	289,400	538,700	350,750	538,700	289,400
Askari Commercial Bank Limited	26,000	6,000	386,880	167,880	260,780	106,140	260,780	106,140
Habib Bank Limited	10,000	8,000	1,337,440	1,107,600	1,060,800	975,520	1,060,800	975,520
MCB Bank Limited	10,000	5,000	1,980,250	1,178,750	1,346,000	1,142,700	1,346,000	1,142,700
Soneri Bank Limited	10,000	-	44,500	-	39,000	-	39,000	-
JS Bank Limited	10,000	-	17,000	-	16,500	-	16,500	-
Standard Chartered	10,000	-	84,800	-	79,900	-	79,900	-
Chemicals								
Fauji Fertilizer Company Limited	2,000	1,200	277,400	139,200	299,080	151,032	277,400	139,200
Dewan Salman Fiber Limited	17,000	1,300	37,920	13,585	20,570	3,887	20,570	3,887
Biafo Industries Limited	1,500	1,000	82,795	48,100	92,670	56,990	82,795	48,100
Construction and Materials								
DG Khan Cement Limited	6,600	2,200	296,120	203,500	125,598	66,374	125,598	66,374
Fauji Cement Limited	24,000	14,000	169,200	130,400	79,200	70,280	79,200	70,280
Lucky Cement Limited	5,000	2,000	484,450	237,100	375,200	151,580	375,200	151,580
Dadabhoy Cement Industries Limited	1,500	1,500	16,650	16,650	2,115	2,565	2,115	2,565
Shabbir Tiles & Ceramics Limited	6,000	4,150	186,282	170,150	48,300	35,192	48,300	35,192
Electricity								
Hub Power Co. Limited	10,000	6,000	300,175	151,735	342,000	224,460	300,175	151,735
Equity Investment Instruments								
Schon Modaraba Limited	5,850	5,850	58,500	58,500	3,510	3,510	3,510	3,510
Modaraba Al-Mali	35,000	35,000	70,000	70,000	27,300	52,850	27,300	52,850
Financial Services								
Standard Chartered Leasing	500	500	5,925	5,925	1,500	1,420	1,500	1,420
Fixed Line Telecommunication								
Pakistan Telecommunication Limited	15,000	10,000	431,000	377,000	155,850	194,200	155,850	194,200
Food Producers								
Noon Sugar Mills Limited	7,000	7,000	180,150	180,150	93,310	83,860	93,310	83,860
Unilever Pakistan Limited	3,000	100	16,103,069	211,185	16,697,400	436,017	16,103,069	211,185
Gas, Water and Multiutilities								
SNGPL Limited	5,150	5,150	334,493	334,493	80,907	137,711	80,907	137,711
Industrial Engineering								
Al Gazi Tractors Limited	5,000	3,800	1,068,932	865,100	964,200	862,600	964,200	862,600
Millat Tractors Limited	7,500	2,000	2,488,033	267,100	2,739,075	999,560	2,488,033	267,100
Industrial Transportation								
Tri-star Shipping Lines Limited	7,400	7,400	74,000	74,000	6,660	6,660	6,660	6,660
Oil and Gas Producers								
Shell Pakistan Limited	4,000	4,000	1,295,085	1,295,085	761,120	832,880	761,120	832,880
Pakistan State Oil Company Limited	2,000	2,000	534,000	534,000	454,420	590,360	454,420	534,000
Pakistan Oil Fields Limited	2,000	2,000	487,000	487,000	692,900	591,920	487,000	487,000
Personal Goods								
Nishat Mills Limited	770	770	99,330	99,330	31,147	49,411	31,147	49,411
Ibrahim Fibres Limited	6,000	3,900	258,990	198,510	162,240	164,346	162,240	164,346
Qayyum Spinning Mills Limited	10,000	10,000	100,000	100,000	4,000	4,000	4,000	4,000
Fatima Enterprises Limited	5,000	5,000	50,000	50,000	71,500	66,500	50,000	50,000
Pharma and Bio Tech								
Highnoon (Laboratories) Limited	2,500	2,500	204,375	204,375	70,875	72,350	70,875	72,350
Tobacco								
Pakistan Tobacco Company Limited	5,000	5,000	311,350	311,350	277,500	551,150	277,500	311,350
			33,804,271	12,042,797	30,493,207	10,843,660	29,205,374	8,887,671

Notes To The Financial Statements
For the Year ended December 31, 2011

16 INVESTMENT PROPERTIES

16.1 Reconciliation of carrying values as at December 31, 2011

	COST			ACCUMULATED DEPRECIATION				BOOK VALUE	Annual rate of depreciation
	As at January 1, 2011	Additions / (disposals) / (impairment)	As at December 31, 2011	As at January 1, 2011	Depreciation on disposal	Charge for the year	As at December 31, 2011	As at December 31, 2011	
	Rupees								% age
Own assets									
Freehold land	62,889,750	(36,720,000)	26,169,750	-	-	-	-	26,169,750	-
Buildings	183,836,919	(49,396,000)	134,440,919	18,408,818	(1,432,150)	6,842,694	23,819,362	110,621,557	5
	246,726,669	(86,116,000)	160,610,669	18,408,818	(1,432,150)	6,842,694	23,819,362	136,791,307	

16.2 Reconciliation of carrying values as at December 31, 2010

	COST			ACCUMULATED DEPRECIATION				BOOK VALUE	Annual rate of depreciation
	As at January 1, 2010	Additions / (disposals) / (impairment)	As at December 31, 2010	As at January 1, 2010	Depreciation on disposal	Charge for the year	As at December 31, 2010	As at December 31, 2010	
	Rupees								% age
Own assets									
Freehold land	26,169,750	36,720,000	62,889,750	-	-	-	-	62,889,750	-
Buildings	134,440,919	49,396,000	183,836,919	11,868,556	-	6,540,262	18,408,818	165,428,101	5
	160,610,669	86,116,000	246,726,669	11,868,556	-	6,540,262	18,408,818	228,317,851	

16.3 Details of investment properties disposed off during the year are as follows

Mode of disposal	*Cost*	*Accumulated depreciation*	*Sale proceeds*	*Book Value*	*Gain*	*Sold to*
	Rupees					
Negotiation	86,116,000	1,432,150	90,000,000	84,683,850	5,316,150	Mr. Muhammad Qammar Mushtaq, Faisalabad

16.4 The market value of freehold land and buildings is estimated at Rs. 150.803 million as per the latest revaluation carried out by independent valuer. In 2010, the management estimated the market value of freehold land and buildings at Rs. 236.919 million.

Notes To The Financial Statements
For the Year ended December 31, 2011

		Note	2011	2010
			---------- Rupees ---------	
17	PREMIUMS DUE BUT UNPAID - NET - UNSECURED			
	Considered good		176,329,285	40,018,651
	Considered doubtful		10,663,469	9,894,538
			186,992,754	49,913,189
	Less: provision for doubtful receivables	17.1	10,663,469	9,894,538
			176,329,285	40,018,651
17.1	Provision for doubtful receivables			
	Balance at beginning of the year		9,894,538	8,700,005
	Provision for doubtful receivables made during the year		768,931	1,194,533
	Balance at end of the year		10,663,469	9,894,538

18 SUNDRY RECEIVABLES

These represents security deposits which have been deposited with various utility companies and regulatory authorities. These are classified as 'loans and receivables' under IAS 39 'Financial Instruments - Recognition and Measurement' which are required to be carried at amortized cost. However, these, being held for an indefinite period with no fixed maturity date, are carried at cost as due to the nature of transaction it is impracticable to determine amortized cost.

19 FIXED ASSETS

19.1 Tangible fixed assets - reconciliation of carrying values as at December 31, 2011

		COST / FAIR VALUE				ACCUMULATED DEPRECIATION				BOOK VALUE	
		As at January 1, 2011	Additions / (disposals) / (impairment)	Transfers in / (out)	As at December 31, 2011	As at January 1, 2011	Adjustments for the year	Charge for the year	As at December 31, 2011	As at December 31, 2011	Annual rate of depreciation
		Rupees									% age
	Own assets										
Land and Buildings	Buildings										
	- cost	64,470,964	-	-	64,470,964	12,795,097	-	2,583,793	15,378,890	49,092,074	5
	- revaluation	21,467,148	-	-	21,467,148	11,363,342	-	505,190	11,868,532	9,598,616	5
		85,938,112	-	-	85,938,112	24,158,439	-	3,088,983	27,247,422	58,690,690	
Furniture, fixtures and office equipment	Furniture and fixtures	11,677,184	-	-	11,677,184	8,768,837	-	290,835	9,059,672	2,617,512	10
	Office equipment	5,023,016	406,836	-	5,429,852	3,156,697	-	214,219	3,370,916	2,058,936	10
	Arms and ammunition	28,229	-	-	28,229	22,053	-	618	22,671	5,558	10
Vehicles	Motor vehicles	68,521,416	-	-	68,521,416	47,371,470	-	3,172,492	50,543,962	17,977,454	15
	Bicycles	145,176	-	-	145,176	98,246	-	4,693	102,939	42,237	10
	Total own assets	171,333,133	406,836	-	171,739,969	83,575,742	-	6,771,840	90,347,582	81,392,387	
	Assets subject to finance lease										
	Motor vehicles	1,312,000	-	-	1,312,000	308,320	-	150,552	458,872	853,128	15
	Total leased assets	1,312,000	-	-	1,312,000	308,320	-	150,552	458,872	853,128	
	GRAND TOTAL	172,645,133	406,836	-	173,051,969	83,884,062	-	6,922,392	90,806,454	82,245,515	

Notes To The Financial Statements
For the Year ended December 31, 2011

19.2 Tangible fixed assets - reconciliation of carrying values as at December 31, 2010

		COST / FAIR VALUE				ACCUMULATED DEPRECIATION				BOOK VALUE	
		As at January 1, 2010	Additions / (disposals) / (impairment)	Transfers in / (out)	As at December 31, 2010	As at January 1, 2010	Adjustments for the year	Charge for the year	As at December 31, 2010	As at December 31, 2010	Annual rate of depreciation
		---- Rupees ----									% age
	Own assets										
Land and buildings	Buildings										
	- cost	64,470,964	-	-	64,470,964	10,075,314	-	2,719,783	12,795,097	51,675,867	5
	- revaluation	21,467,148	-	-	21,467,148	10,831,563	-	531,779	11,363,342	10,103,806	5
		85,938,112	-	-	85,938,112	20,906,877	-	3,251,562	24,158,439	61,779,673	
Furniture, fixtures and office equipment	Furniture and fixtures	11,677,184	-	-	11,677,184	8,445,687	-	323,150	8,768,837	2,908,347	10
	Office equipment	4,701,136	321,880	-	5,023,016	2,963,841	-	192,856	3,156,697	1,866,319	10
	Arms and ammunition	28,229	-	-	28,229	21,367	-	686	22,053	6,176	10
Vehicles	Motor vehicles	65,265,101	1,516,000	3,090,315	68,521,416	43,352,143	1,064,367	3,705,958	47,371,470	21,149,946	15
			(1,350,000)				(750,998)				
	Bicycles	145,176	-	-	145,176	93,032	-	5,214	98,246	46,930	10
	Total own assets	167,754,938	1,837,880	3,090,315	171,333,133	75,782,947	1,064,367	7,479,426	83,575,742	87,757,391	
			(1,350,000)	-			(750,998)				
	Assets subject to finance lease										
	Motor vehicles	4,402,315	-	(3,090,315)	1,312,000	1,143,943	(1,064,367)	228,744	308,320	1,003,680	15
	Total leased assets	4,402,315	-	(3,090,315)	1,312,000	1,143,943	(1,064,367)	228,744	308,320	1,003,680	
	GRAND TOTAL	172,157,253	1,837,880	3,090,315	172,645,133	76,926,890	1,064,367	7,708,170	83,884,062	88,761,071	
			(1,350,000)	(3,090,315)			(1,815,365)				

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:

Description	December 31, 2011			December 31, 2010		
	Cost	Accumulated depreciation	Book Value	Cost	Accumulated depreciation	Book Value
	---- Rupees ----					
Buildings	64,470,964	15,378,890	49,092,074	64,470,964	12,795,097	51,675,867

20 NET PREMIUM REVENUE

	Note	2011	2010
		---- Rupees ----	
Premium revenue (net of reinsurance)		138,937,280	107,607,244
Administrative surcharge	20.1	3,743,098	2,938,801
		142,680,378	110,546,045

		Note	2011	2010
			------------ Rupees ---------	
20.1	Net premium revenue includes administrative surcharge as under:			
	Fire and property damage		2,072,073	1,449,690
	Marine, aviation and transport		872,689	814,275
	Motor act		130,426	232,304
	Miscellaneous		667,910	442,532
			3,743,098	2,938,801
21	MANAGEMENT EXPENSES			
	Salaries, wages and benefits	21.1	16,824,243	19,960,271
	Entertainment		2,412,586	2,611,132
	Rent, rates and taxes		2,774,582	2,416,519
	Electricity, gas and water		1,451,646	1,716,111
	Traveling and conveyance		1,260,996	1,232,945
	Computer expenses		521,600	518,694
	Communication		3,585,500	3,819,689
	Service charges		135,500	125,312
	Registration, subscription and association		1,804,325	1,493,978
	Provision for doubtful receivables	17.1	768,931	1,194,533
			31,539,909	35,089,184

21.1 These include contribution to provident fund amounting to Rs. 54,684 (2010: Rs. 53,931).

		Note	2011	2010
22	OTHER OPERATING INCOME			
	Loss on disposal of fixed assets		-	(137,002)
	Gain on disposal of investment properties	16.3	5,316,150	-
	Others		7,118	273,823
			5,323,268	136,821
23	FINANCE COST			
	Mark-up on liabilities against assets subject to finance lease		136,924	170,901
	Bank charges		248,500	188,631
			385,424	359,532
24	GENERAL AND ADMINISTRATION EXPENSES			
	Salaries and allowances	24.1	9,506,179	10,191,649
	Motor vehicle expenses		6,599,599	6,860,787
	Tours and traveling		789,065	645,435
	Books and periodicals		3,672	26,997
	Printing and stationery		672,654	814,192
	Depreciation	24.2	13,765,086	14,248,432
	Office cleaning and maintenance		1,058,966	667,300
	Auditors' remuneration	24.3	731,549	855,831
	Advertisement		131,000	173,000
	Legal and professional		1,179,018	926,539
	Charity and donations		14,750	2,510,080
	Workers' welfare fund		680,469	-
	Sundry expenses		131,923	134,523
			35,263,930	38,054,765

24.1 These include contribution to provident fund amounting to Rs. 28,332 (2010: Rs. 25,601).

		Note	2011	2010
			------------ Rupees ---------	
24.2	Depreciation is allocated to general and administration expenses composed of:			
	Tangible fixed assets	19	6,922,392	7,708,170
	Investment properties	16	6,842,694	6,540,262
			13,765,086	14,248,432
24.3	Auditors' remuneration			
	Audit fee		400,000	400,000
	Taxation advisory services		-	100,000
	Review of Code of Corporate Governance		60,000	60,000
	Fee for interim review		160,000	160,000
	Certification charges		55,000	80,000
	Out of pocket expenses		56,549	55,831
			731,549	855,831
25	PROVISION FOR TAXATION			
	Current year		2,123,260	1,156,030
	Prior year		176,965	521,200
	Deferred		(21,575,121)	(8,160,911)
			(19,274,896)	(6,483,681)
25.1	Relationship between tax expense and accounting profit			
	Accounting profit / (loss) for the year		33,122,994	(1,657,671)
	Tax at the rate of 35%		11,593,048	580,185
	Exempt income		(1,860,653)	-
	Adjustment in respect of tax at different rates		(10,914,695)	(10,353,498)
	Prior year tax loss: recognized as a deferred tax asset		(1,472,770)	(10,404,068)
	Tax impact of deferred tax charged at reduced effective tax rate		(20,411,870)	2,243,157
	Tax effect of amounts that are inadmissible for tax purposes		2,188,275	9,823,883
	Tax effect of prior years		176,965	521,200
	Minimum tax		1,426,804	1,105,460
	Tax charge for the year		(19,274,896)	(6,483,681)

25.2 Income tax assessment for the tax year 2011 is deemed to have been finalized under section 120 of the Income Tax Ordinance, 2001. For contingencies related to taxation please refer to note 11.

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	
	2011	2010	2011	2010
	------------------------------ 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	341,473	318,984	490,186	174,810
	941,473	918,984	2,050,186	1,734,810
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

The Company transferred some of its properties from fixed assets to investment properties in financial year 2008 and recognized under cost model. Up till December 31, 2010 the Company had charged incremental depreciation of investment properties to surplus on revaluation of fixed assets. Incremental depreciation on investment property at cost model should not be charged to surplus on revaluation of fixed assets. Furthermore, impairment loss on investment properties in financial year 2008 had been charged to surplus on revaluation of fixed assets instead of profit and loss. Financial statements for the year ended December 31, 2010 have been restated, to incorporate the impact of these errors, which have 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.

	Rupees
Net impact of prior period restatement	
Prior to year ended December 31, 2010	
Increase in surplus on revaluation of fixed assets	4,654,916
Decrease in unappropriated profits	4,654,916
Year ended December 31, 2010	
Increase in surplus on revaluation of fixed assets	23,721
Decrease in unappropriated profits	23,721

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.

	2011	2010
	------- Rupees ------	
Remuneration paid to directors and chief executive of the Company	2,991,659	2,653,794
Contribution paid to provident fund	83,016	79,532

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 :

	2011	2010
	------- Rupees ------	
Earnings		
Profit after taxation attributable to ordinary shares	52,397,890	4,826,010
	Number of shares	
Weighted average number of ordinary shares outstanding	30,000,000	30,000,000
Earnings per share (Rupees)	1.75	0.16

29.1 The corresponding figure of weighted average number of shares outstanding and earnings per shares have been restated to include the effect of bonus shares issued by the Company during the year.

29.2 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.

Notes To The Financial Statements
For the Year ended December 31, 2011

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 Properties		Miscellaneous		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	------ Rupees ------											
Revenue from external customers	194,776,580	138,412,217	76,516,133	64,778,094	11,642,280	11,019,751	6,730,020	6,118,200	62,481,135	47,433,414	352,146,148	267,761,676
Depreciation	3,903,466	4,077,706	1,533,439	1,908,401	233,320	324,648	6,842,694	6,540,262	1,252,168	1,397,416	13,765,086	14,248,432
Segment profit	27,832,402	(9,256,727)	8,914,176	15,501,112	7,406,436	6,179,677	6,730,020	6,118,200	4,247,172	8,814,882	55,130,206	27,357,144
Capital expenditure	229,411	972,258	90,122	455,025	13,712	77,407	(86,116,000)	86,116,000	73,591	333,190	(85,709,164)	87,953,880
Segment assets	228,329,855	132,161,182	89,697,218	61,852,556	13,647,843	10,522,072	136,791,307	228,317,851	73,244,475	45,291,204	541,710,697	478,144,864
Segment liabilities	160,773,281	108,679,643	63,158,259	50,862,997	9,609,818	8,652,579	715,000	731,000	51,573,434	37,244,158	285,829,792	206,170,376

30.1 Reconciliations of reportable segments are as follows:

	2011	2010
	---------- Rupees ----------	
Revenue		
Total revenue for reportable segments	55,130,206	27,357,144
Other revenue / (loss)	8,318,874	9,262,661
Entity's revenue	63,449,080	36,619,805
Profit for the year		
Total profit for reportable segments	63,449,080	36,619,805
Unallocated corporate income / (expenses)		
Other operating income	5,323,268	136,821
General and administration expenses	(35,263,930)	(38,054,765)
Finance cost	(385,424)	(359,532)
	(30,326,086)	(38,277,476)
Profit before income tax expense	33,122,994	(1,657,671)
Assets		
Total assets for reportable segments	541,710,697	478,144,864
Other unallocated corporate assets	164,267,322	116,041,539
Entity's assets	705,978,019	594,186,403
Liabilities		
Total liabilities for reportable segments	285,829,792	206,170,376
Other unallocated corporate liabilities	420,148,227	388,016,027
Entity's liabilities	705,978,019	594,186,403

The Company has no reportable geographical segment.

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, reinsurance recoveries and other financial assets.

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

	2011	2010
	---------- Rupees ----------	
Bank deposits	118,438,475	90,766,993
Investments	45,020,624	24,260,748
Premiums due but unpaid	176,329,285	40,018,651
Amount due from other insurers / reinsurers	9,405,574	7,463,689
Reinsurance recoveries against outstanding claims	5,378,433	5,422,484
Sundry receivables	449,612	743,112
	355,022,003	168,675,677

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 16 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.

	2011	2010
	---------- Rupees ----------	
The age analysis of receivables is as follows:		
Up to 1 year	170,490,168	39,320,344
1-2 years	5,839,117	698,307
	176,329,285	40,018,651

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*	2011	2010
National Bank of Pakistan	A-1+	JCR-VIS	29,022	64,254
Habib Bank Limited	A-1+	JCR-VIS	14,630,680	1,956,957
KASB Bank Limited	A2	PACRA	132,536	172,412
Allied Bank Limited	A1+	PACRA	10,496,989	351,452
MCB Bank Limited	A1+	PACRA	2,590,489	4,302,487
Bank of Punjab Limited	A1+	PACRA	4,765,973	123,410
United Bank Limited	A-1+	JCR-VIS	2,192,188	38,697
Soneri Bank Limited	A1+	PACRA	46	27,260
NIB Bank Limited	A1+	PACRA	3,767	4,648
Bank of Khyber Limited	A-2/A2	JCR-VIS/PACRA	13,568	121,612
Al Baraka Bank Limited	A2	PACRA	-	42,835
Faysal Bank Limited	A-1/A1+	JCR-VIS/PACRA	17,447	18,531
First Women Bank Limited	A2	PACRA	3,405	26,647
Industrial Development Bank	A-3	PACRA	7,650	1,244
SILK Bank Limited	A-2	JCR-VIS	6,183	6,547
Bank Alfalah	A1+	PACRA	29,751	-
City Bank	A-1	Standard & poor's	15,846	-
			34,935,540	7,258,993

31.1.3 Sector wise analysis of premiums due but unpaid

	2011	2010
Cables and rubber	21,545,404	17,953,371
Engineering	26,485,798	1,844,645
Construction	38,630,477	7,340,360
Services	24,621,565	191,182
Textile and composites	32,569,534	3,408,571
Agriculture	23,547,348	4,079,958
Other manufacturing	2,844,867	1,703,852
Miscellaneous	6,084,292	3,496,712
	176,329,285	40,018,651

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*	2011	2010
	---------- Rupees ----------				
A or above (including PRCL)	7,112,924	5,378,433	117,948,484	130,439,841	99,643,703
BBB	1,500,000	-	-	1,500,000	350,000
Others	792,650	-	-	792,650	-
Total	9,405,574	5,378,433	117,948,484	132,732,491	99,993,703

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. The Company is financing its operations mainly through equity, working capital and lease finance to minimize risk.

On the balance sheet date, the Company has cash and other equivalent of Rs. 118.548 million (2010: Rs.90.857 million).

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

	2011			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	-------------------- Rupees -------------------			
Financial liabilities				
Provision for outstanding claims	7,008,449	7,008,449	7,008,449	-
Amounts due to other insurers / reinsurers	8,029,610	8,029,610	8,029,610	-
Accrued expenses	886,510	886,510	886,510	-
Liabilities against assets subject to finance lease	533,992	687,484	294,636	392,848
Other creditors	14,205,090	14,205,090	14,205,090	-
	30,663,651	30,817,143	30,424,295	392,848

	2010			
	Carrying amount	Contractual cash flows	Up to one year	More than one year
	-------------------- Rupees -------------------			
Financial liabilities				
Provision for outstanding claims	8,241,160	8,241,160	8,241,160	-
Amounts due to other insurers / reinsurers	3,602,435	3,602,435	3,602,435	-
Accrued expenses	845,010	845,010	845,010	-
Liabilities against assets subject to finance lease	691,733	982,120	294,636	687,484
Other creditors	18,292,036	18,292,036	18,292,036	-
	31,672,374	31,962,761	31,275,277	687,484

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 optimizing the return. The market risks associated with the Company's business activities are interest / mark up rate risk and price risk. The Company is not exposed to material currency risk.

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:

	2011	2010	2011	2010
	Effective interest rate (in % age)		Carrying amounts	
			--------- Rupees ------	
Financial assets				
Bank deposits	9.60% to 11.00%	9.60% to 11.00%	83,508,000	83,508,000
Investments	9.46%	9.46%	15,815,250	15,373,077
Financial liabilities				
Liabilities against assets subject to finance lease	20.00%	20.00%	533,992	691,733

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. 30.493 million (2010: Rs. 10.844 million) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. 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, 2011 and 2010 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, 2011	30,493,207	10% increase	33,542,528	3,049,321	3,049,321
		10% decrease	27,443,886	(3,049,321)	(3,049,321)
December 31, 2010	10,843,660	10% increase	11,928,026	1,084,366	1,084,366
		10% decrease	9,759,294	(1,084,366)	(1,084,366)

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 organizations 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.

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 summarized below by reference to liabilities.

	Gross sum insured		Reinsurance		Net	
	2011	2010	2011	2010	2011	2010
	---------- Rupees ----------					
Fire	86,760,391,673	69,209,868,615	44,648,538,187	42,838,748,305	42,111,853,486	26,371,120,310
Marine	6,587,212,967	6,338,179,645	3,644,981,341	3,561,981,984	2,942,231,626	2,776,197,661
Motor	386,145,963	368,322,714	25,616,101	28,202,777	360,529,862	340,119,937
Others	1,271,863,169	895,462,242	956,533,733	617,971,457	315,329,436	277,490,785
	95,005,613,772	76,811,833,216	49,275,669,362	47,046,904,523	45,729,944,410	29,764,928,693

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 recognized 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.

	Impact on pre tax profit		Shareholders' equity	
	2011	2010	2011	2010
	---------- Rupees ----------			
10% increase in loss				
Net				
Fire and property damage	(4,258,053)	(5,658,851)	(2,767,734)	(3,678,253)
transport	(1,501,451)	(834,699)	(975,943)	(542,554)
Motor act	(63,906)	(131,822)	(41,539)	(85,684)
Miscellaneous	(772,063)	(260,896)	(501,841)	(169,582)
	(6,595,473)	(6,886,268)	(4,287,057)	(4,476,073)
10% decrease in loss				
Net				
Fire and property damage	4,258,053	5,658,851	2,767,734	3,678,253
transport	1,501,451	834,699	975,943	542,554
Motor act	63,906	131,822	41,539	85,684
Miscellaneous	772,063	260,896	501,841	169,582
	6,595,473	6,886,268	4,287,057	4,476,073

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 2011.

		Accident year		
Analysis on gross basis	2009	2010	2011	Total
	---------- Rupees ----------			
Estimate of ultimate claims cost:				
At end of accident year	73,869,025	123,367,391	124,444,667	321,681,083
One year later	-	5,773,179	4,215,195	9,988,374
Cumulative payments to date	(73,031,005)	(124,925,375)	(125,801,844)	(323,758,224)
Liability recognized in the balance sheet	838,020	4,215,195	2,858,018	7,911,233

Notes To The Financial Statements
For the Year ended December 31, 2011

32 NON-CASH TRANSACTIONS

Addition to motor vehicles during the year amounting to Rs. Nil (2010: 3.090 million) were financed through finance lease arrangements.

33 CAPITAL MANAGEMENT

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.

34 DIVIDEND

In respect of current year, the Board of Directors proposed to pay cash dividend of Rs. 15,000,000 @ Rs. 0.50 per ordinary share of Rs. 10 each. 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.

35 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorized for issue on April 5, 2012.

36 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
Other creditors	Unclaimed dividends	Better presentation	4,851
Auditors remuneration	Auditors remuneration		
Fee for interim review	Certification charges	Better presentation	80,000

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

Notice Of Annual General Meeting

Notice is hereby given that 64^{th} 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 Saturday, 30^{th} April 2012 at 10:00 AM to transact the following business:

Ordinary business:

1. To confirm the minutes of the last annual general meeting held on 30^{th} April 2011;
2. To receive, consider and adopt the audited annual financial statements of the Company for the year ended 31^{st} December 2011 together with the Directors' Report and Auditors' Report thereon;
3. To appoint auditors of the Company and to fix their remuneration for the year 2012. The retiring auditors M/s. Yousuf Adil Saleem & Co. Chartered Accountants who being eligible, offer themselves for re-appointment;
4. To consider and approve the payment of final cash dividend of 5% (Rs. 0.50 per ordinary share of Rs. 10 each) for the year ended December 31, 2011 as recommended by the Directors of the Company.

Any other business

5. 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: 5^{th} April 2012

NOTES

1) The share transfer books of the Company will remain closed from 28^{th} April 2012 to 4^{th} May 2012 (both days inclusive)
2) 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.
3) 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.
4) 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.
5) Members who have not yet submitted photocopy of their CNIC to the Company, are requested to send the same at the earliest.

None of the directors of the company are interested in any business except to the extent of the dividend which they will be entitled to receive on their share holding in the Company.

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 64th Annual General Meeting of the Company to be held on Monday, April 30th 2012 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

AFIX
CORRECT
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

PGI

The Pakistan General Insurance Company Limited
(Incorporated in 1947)

Co-operative Bank House, 5-Bank Square Shahrah-e-Quaid-e-Azam, GPO Box No. 1364, Lahore.
Tel: +92-42-37324404, 37223224, 37352182 Fax: +92-42-37230895, 37230634
E-mail: info@pgi.com.pk
Web: www.pgi.com.pk