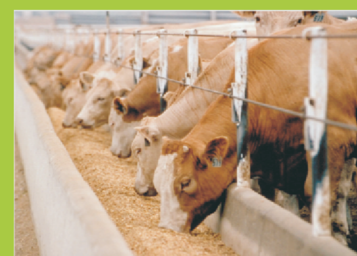
Annual Report

2010



63rd

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 and improved coverage by virtue of sound professionalism and risk management expertise, to provide better coverage and satisfaction of their customers.

Our Mission

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

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

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

Our Objectives

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

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

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

Risk Management

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

Ch. Manzoor Ahmed
Chairman

بسم الله الرحمن الرحيم

CONTENTS

COMPANY PROFILE	07
MANAGEMENT INFORMATION	10
BOARD COMMITTEES	14
KEY FINANCIAL DATA	17
SHAREHOLDERS' INFORMATION	21
DIRECTORS' REPORT TO THE SHAREHOLDERS	27
STATEMENT OF COMPLIANCE WITH BEST PRACTICES AND CORPORATE GOVERNANCE	34
REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES AND CORPORATE GOVERNANCE	36
AUDITORS' REPORT TO THE MEMBERS	37
BALANCE SHEET	38
PROFIT AND LOSS ACCOUNT / STATEMENT OF COMPREHENSIVE INCOME	40
STATEMENT OF CHANGES IN EQUITY	41
STATEMENT OF CASH FLOWS	42
STATEMENT OF PREMIUMS	44
STATEMENT OF CLAIMS	45
STATEMENT OF EXPENSES	46
STATEMENT OF INVESTMENT INCOME	47
NOTES TO THE FINANCIAL STATEMENTS	48
NOTICE OF ANNUAL GENERAL MEETING	76
PROXY FORM	

Company Profile

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

Chief Executive Officer
Ch. Zahoor Ahmed

Chief Risk Officer
Aftab Ahmed Phambra

Chief Financial Officer
Azhar Hafeez Ch.

Company Secretary
Ch. Muhammad Saleem

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

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

Claims Committee
Ch. Ghulam Mustafa (Chairman)
Fazal Dad Malik
Muhammad Kashif (Secretary)

Underwriting Committee
Muhammad Kashif (Chairman)
Zahid Iqbal Zia
Muhammad Yousuf (Secretary)

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

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

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

Share Registrar
Corplink (Private) Limited

Tax Consultants
Kamran & Co.
Chartered Accountants

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

Registered & Head Office
Cooperative Bank House, 5 Bank Square
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 590 million rupees, PGI is one of the emerging quoted insurance companies in Pakistan and has been listed on the Karachi, Lahore and Islamabad Stock Exchanges since July 1995. The organization is also on the approved list of most scheduled banks operating in the country since its inception.

PGI Philosophy

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

Presence around the country

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

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

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

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

Company Profile

Products and Services

i) Fire & Allied Perils Insurance

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

ii) Marine Insurance

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

iii) Motor Cover

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

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

iv) Miscellaneous Insurance

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

Reinsurance Arrangements:

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

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

Management Information

Management

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

Department and Regional Heads

Head of Human Resource Department	Usman Ali
Head of Internal Audit Department	Abdul Rasheed
Head of Underwriting and Claims	Zahid Iqbal Zia
Head of Underwriting Fire	Muhammad Kashif
Head of Underwriting Marine and Miscellaneous	Muhammad Iqbal
Head of Underwriting – Motor	Muhammad Yousuf
Senior Executive Vice President (Accounts and Finance)	Javed Iqbal Khan
Senior Vice President Re-Insurance and Claims	Muhammad Maqsood Peracha
Senior 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 (Lahore Zone IV)	Muhammad Saeed Khokhar
General Manager (North)	Malik Fazal Dad
General Manager (Multan Zone)	Syed Fahim Waris
Senior Vice President (Bahawalpur Zone)	Syed Waqar Rizvi
Executive Vice President (Karachi)	Haroon Ghani Memon
Senior Vice President (Hyderabad Region)	Muhammad Shafi Chundrigar
Vice President (Islamabad Capital Territory)	Raja Basit
Vice President (Quetta)	M.S Sabir

Management Information

PGI Branch Offices Network

Lahore

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

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

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

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

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

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

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

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

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

Karachi

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

Islamabad

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

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

Management Information

PGI Branch Offices Network

Multan

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

Faisalabad

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

Rahim Yar Khan

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

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

Bahawalpur

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

Quetta

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

Muzaffarabad (Azad Kashmir)

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

Hyderabad

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

Gujranwalla

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

Sahiwal

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

Sukkur

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

Management Information

PGI Branch Offices Network

Peshawar

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

Abbotabad

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

Sargodha

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

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

Sialkot

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

Mianwali

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

DG Khan

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

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

Vehari

- Syed Waqar Ali
  Senior Vice President
  47 B, Grain Market
  Vehari
  Tel (067) 336-5228; 336-5828
  Fax (067) 336-1046

Jhang

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

Kot Addu

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

Chishtian

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

Chakwal

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

Board Committees

Audit Committee

In line with the best practices, the Board of Directors has established the audit committee. The Terms of Reference of the committee have been developed on the lines as laid down in the Code of Corporate Governance and approved by the Board.

These include:

i) To recommend to the Board of Directors the appointment of external auditors by the Company's shareholders and consider any questions of resignation or removal of external auditors, audit fees and provision by external auditors of any service to the Company in addition to audit of its financial statements;

ii) To review the quarterly, half-yearly and annual financial statements of the Company, prior to their approval by the Board of Directors;

iii) To facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight;

iv) To review the management letter issued by external auditors and management's response thereto;

v) To ensure coordination between the internal and external auditors of the Company;

vi) To review the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Company;

vii) To consider the major findings of internal investigations and management's response thereto;

viii) To ascertain that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

ix) To determine compliance with relevant statutory requirements; and

x) To monitor compliance with the best practices of corporate governance and identification of significant violations thereof.

The audit committee comprises of the following members:

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

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*

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*
Muhammad Yousuf	*Head Underwriting (Motor) & Secretary to the Committee*

Board Committees

Claim Settlement Committee

The underwriting committee formulates the underwriting policy of the Company. This committee devises and reviews the claims settling policy of the Company;

It oversees the claims position of the Company and ensures that adequate claims reserves are made;

It determines the circumstances under which the claims disputes shall be brought to its attention and decides how to deal with such claims disputes; and

It also oversees the implementation of the measures for combating fraudulent claims cases.

The claims settlement committee comprises of the following members:

Ch. Ghulam Mustafa	*Executive Director (Chairman)*
Fazal Dad Malik	*General Manager North (Member)*
Muhammad Kashif	*Head Underwriting - Fire (Member & Secretary to the Committee)*

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 and Claims) (Chairman)*
Muhammad Usman	*Member*
Sajid Hussain	*Member & Secretary to the Committee*

Investment Committee:

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

		2010	re-stated 2009	2008	2007	2006	2005
		rupees in '000					
Financial results							
Equity							
Paid-up capital		250,000	200,000	200,000	200,000	120,000	80,000
General reserves		55,000	55,000	65,000	25,000	6,000	1,000
Capital reserves		50,000	100,000	-	-	-	-
Retained earnings		1,272	6,076	10,041	18,894	14,097	8,245
		356,272	361,076	275,041	243,894	140,097	89,245
Underwriting provisions		184,333	123,540	134,535	124,258	84,534	39,780
Investments (at realizable value)		24,261	25,600	19,303	15,862	7,376	10,376
Tangible fixed assets (at book value)		88,761	95,230	136,935	151,124	159,378	105,427
Cash and cash equivalents		90,857	138,214	47,979	106,034	58,166	32,353
Short term prepayments and receivables		743	1,405	5,550	3,871	473	19,765
Total assets (book value)		594,186	543,777	508,998	438,364	237,259	179,161
Operating results							
Gross premium		312,207	205,678	196,084	167,330	100,493	62,962
Net premium		110,546	109,891	91,864	76,222	41,300	24,906
Net claims paid		68,863	29,170	20,574	17,093	9,368	4,894
Underwriting profit		21,239	54,970	51,080	50,446	22,732	8,260
Investment income / (loss)		9,263	8,362	(1,347)	2,606	800	144
(Loss) / Profit before tax		(1,658)	104,459	25,405	25,694	9,887	2,380
Income taxes		6,484	20,789	3,135	1,151	368	1,125
Profit after tax		4,826	83,670	22,270	24,543	9,519	1,225
Management expenses		35,089	31,156	26,832	18,677	12,937	17,889
Employees remuneration		30,152	25,088	19,394	14,870	11,186	9,737
Financial ratios / trend analysis							
Profit after tax to gross premium	% age	1.55%	40.68%	11.36%	14.67%	9.47%	1.95%
Profit after tax to net premium	% age	4.37%	76.14%	24.24%	32.20%	23.05%	4.92%
Management expenses to gross premium	% age	11.24%	15.15%	13.68%	11.16%	12.87%	28.41%
Management expenses to net premium	% age	31.74%	28.35%	29.21%	24.50%	31.32%	71.83%
Employee cost to management expenses	% age	85.93%	80.52%	72.28%	79.62%	86.47%	54.43%
Underwriting profit to net premium	% age	19.21%	50.02%	55.60%	66.18%	55.04%	33.16%
Net claims to net premium	% age	62.29%	26.54%	22.40%	22.42%	22.68%	19.65%
Return on assets	% age	0.81%	15.39%	4.38%	5.60%	4.01%	0.68%
Liquidity and leverage ratios							
Current ratio	Time	2.32	2.94	1.79	5.36	2.57	2.82
Total assets turnover	Time	0.19	0.20	0.18	0.17	0.17	0.14
Fixed assets turnover	Time	1.25	1.15	0.67	0.50	0.26	0.24
Total liabilities to equity	Time	1.67	1.51	1.85	1.80	1.69	2.01
Return on capital employed	% age	0.85%	16.29%	4.62%	5.70%	4.23%	0.75%
Return on equity - after taxes paid	% age	1.35%	23.17%	8.10%	10.06%	6.79%	1.37%
Paid-up capital to total assets	% age	42.07%	36.78%	39.29%	45.62%	50.58%	44.65%
Equity to total assets	% age	59.96%	66.40%	54.04%	55.64%	59.05%	49.81%
Investment yield	% age	38.18%	32.66%	-6.98%	16.43%	10.85%	1.39%
Liquid assets to total assets	% age	85.06%	82.49%	73.10%	40.63%	26.64%	44.62%
Liquid assets to fixed assets	% age	569.42%	471.01%	271.71%	190.07%	48.87%	69.94%

Key Financial Data

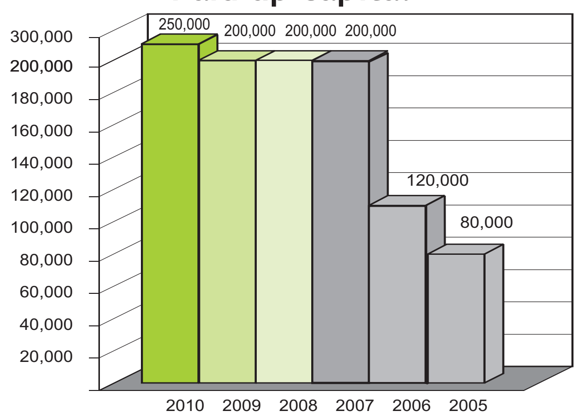
For the Year

	2010	re-stated 2009
	(Rupees in thousands)	
PROFIT AND LOSS ACCOUNT		
Gross written premium	312,207	205,678
Net written premium	110,546	109,891
Net earned premium	261,643	219,395
Claims incurred	183,691	121,156
Net claims expenses	68,863	29,170
Commission income	51,282	36,275
Commission expense	36,637	30,869
Underwriting profit	21,239	54,970
Direct expenses	35,089	31,156
Investment income	9,263	7,372
Profit after tax	4,826	83,670
TECHNICAL RESERVE COVER		
Fire and property damage	81,714	50,308
Marine, aviation and transport	31,746	22,075
Motor act	4,570	4,855
Miscellaneous	28,430	18,658
Total	146,460	95,896
CORPROATE ASSETS		
Investment in fixed assets	88,761	95,230
Investments in:		
- equity instruments	8,888	9,282
- properties	228,318	148,742
- deposits	83,508	76,508
- other	15,373	16,318
Total investments	336,087	250,850
Total investments at realizable value	338,043	251,840

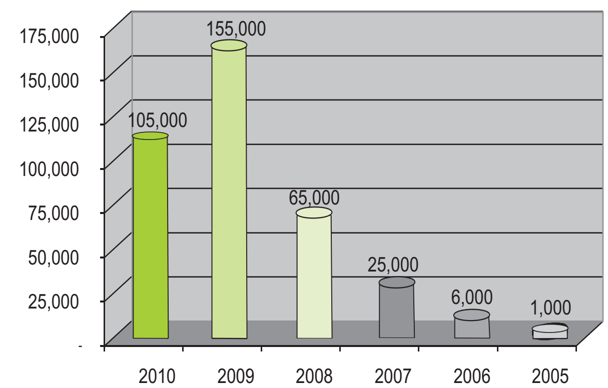
Key Financial Data

Rupees in `000

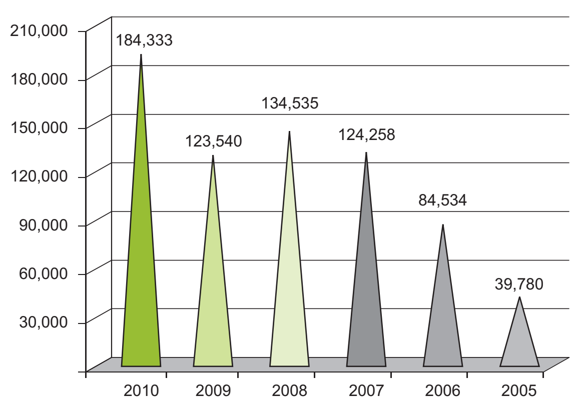
Paid up capital



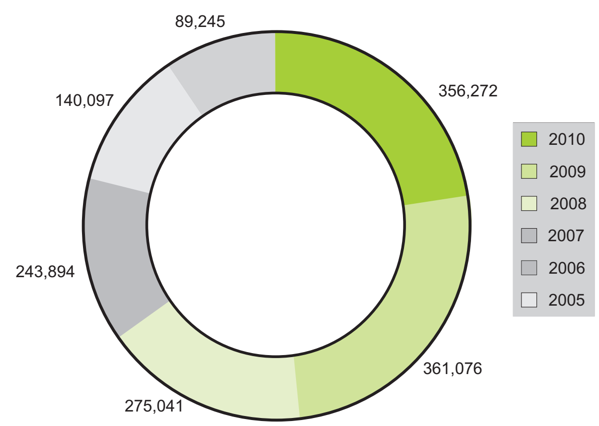
General & Capital Reserve



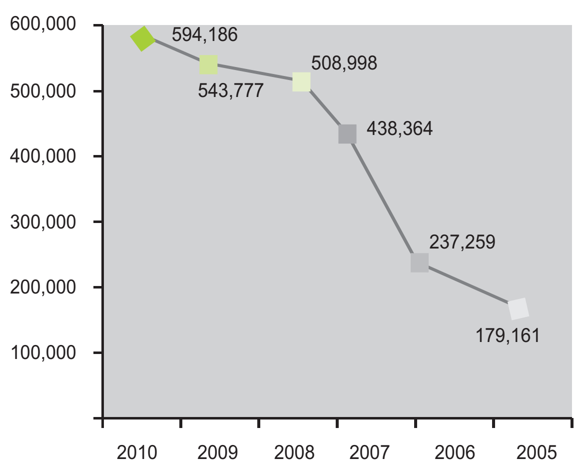
Underwriting Provisions



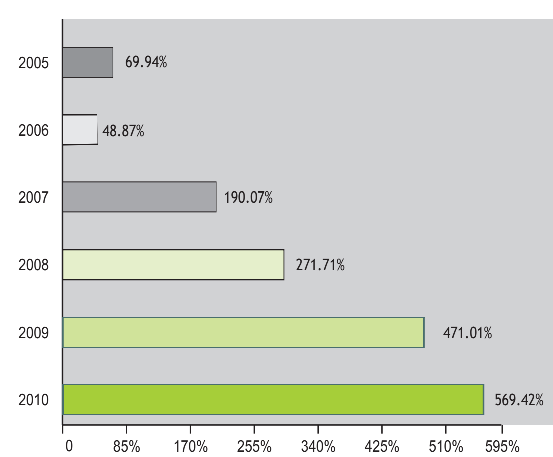
Equity



Total Assets (at book value)



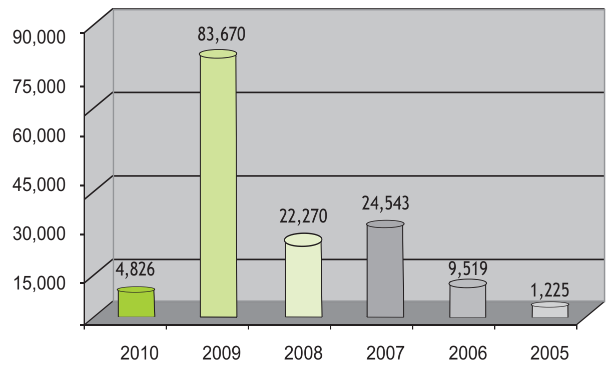
Liquid assets to fixed assets



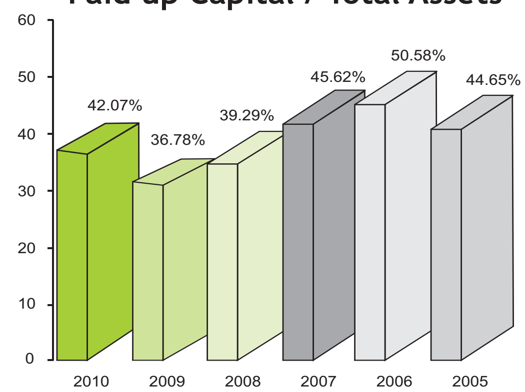
Key Financial Data

Rupees in `000

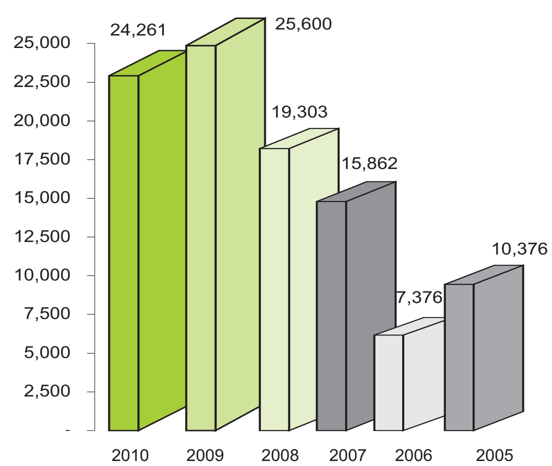
Profit after tax



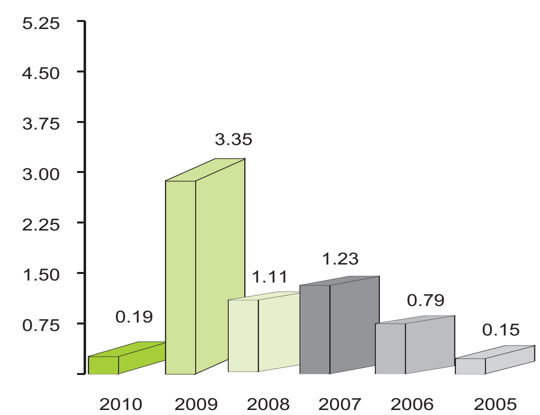
Paid up Capital / Total Assets



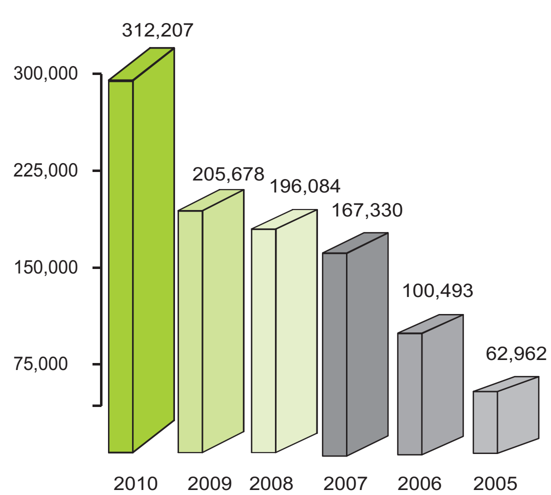
Investments (at fair value)



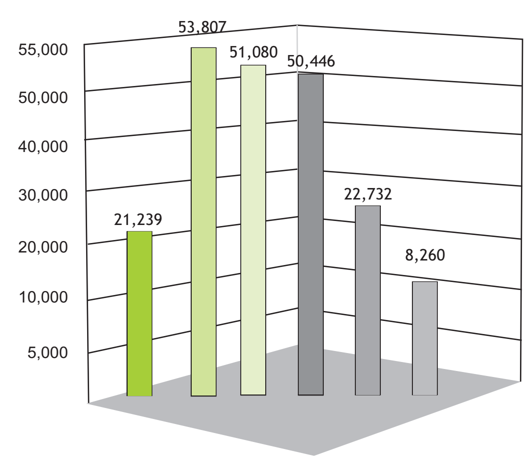
Earnings Per Share



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 2010 – 2011 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 except as mentioned in the auditors' report, filed all returns / forms and furnished all the relevant information as required under the Companies Ordinance, 1984 and allied laws and rules, the Securities and Exchange Commission of Pakistan ("SECP") regulations and the listing regulations.

Shareholders' Information

Dividend Announcements
The Board of Directors of the Company has proposed the bonus shares in proportion 1 share to 10 shares, for the year ended December 31, 2010 subject to approval by the shareholders of the Company at the Annual General Meeting.

Book Closure Date
The register of members and share transfer books of the Company will remain close from April 24, 2011 to April 30, 2011 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 favour of the particular resolution, it is taken as past, unless a poll is demanded. Since, the fundamental voting principal in a Company is “one share one vote”, voting takes place by a poll, if demanded. On a poll being taken the decision arrived by a poll is final, overruling any decision taken on a show of hands.

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

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

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

Shareholders' Information

Shareholding Pattern

The shareholding pattern of the equity share capital of the company as on December 31, 2010 was as follows.

Shareholders' Category	Share Holding	Percentage
Directors, Chief Executive and Family	9,577,281	38.31
Executives	-	-
Associated Companies, Undertakings and Related Parties	-	-
Public Sector Companies and Corporations	1,250	0.01
Banks, DFIs and NBFIs	-	-
Insurance Companies	-	-
Modarabas and Mutual Funds	-	-
Other Companies	16,643	0.06
Non Resident	-	-
General Public	15,404,826	61.62
	25,000,000	100.00

Information as required under Code of Corporate Governance
Categories of Shareholders as at December 31, 2010

Category	Share Holding	Percentage
Associated Companies, Undertakings and Related Parties		
Associated Companies and Related Parties	-	-
NIT and ICP		
Investment Corporation of Pakistan Limited	1,000	0.004
IDBP (ICP Unit) CDC	250	0.001
Directors, Chief Executive Officer their Spouses and Minor Children		
Ch. Manzoor Ahmed	631,250	2.525
Mr. Usman Ali	625,625	2.503
Mr. Mazhar Zahoor	760,625	3.043
Ch. Ather Zahoor	1,159,035	4.636
Ch. Zahoor Ahmed	1,122,665	4.491
Ch. Zahoor Ahmed (CDC)	215,000	0.860
Ch. Ghulam Mustafa (CDC)	289,375	1.158
Ch. Muhammad Saleem	676,241	2.705
Mr. Mahmood-ul-Haq	674,375	2.698
Mr. Rehan Beg	106,250	0.425
Mrs. Qaiser Sultana W/O Ch. Manzoor Ahmed	137,500	0.550
Mrs. Rubina Mazhar W/O Mr. Mazhar Zahoor	644,687	2.579
Mrs. Parveen Akhtar W/O Ch. Zahoor Ahmed	1,099,966	4.400
Mrs. Khalida Parveen W/O Ch. Muhammad Saleem	406,250	1.625
Mrs. Umal Usman W/O Mr. Usman Ali	250,000	1.000
Mrs. Asma Akhtar W/O Ch. Ather Zahoor	778,437	3.114
Public Sector Companies and Corporations		
Capital Vision Securities (Private) Limited - (CDC)	625	0.003
Darson Securities (Private) Limited - (CDC)	619	0.002
Excel Securities (Private) Limited - (CDC)	2,398	0.010
Fair Edge Securities (Private) Limited - (CDC)	2,500	0.010
First National Equities Limited - (CDC)	1	0.000
Imperial Investment (Private) Limited - (CDC)	250	0.001
Mohd Munir Mohd Ahmed Khanani Securities Limited - (CDC)	6,250	0.025
Money Line Securities (Private) Limited - (CDC)	875	0.004
Predential Securities Limited - (CDC)	1,250	0.005
Sarfraz Mahmood (Private) Limited - (CDC)	625	0.003
Time Securities (Private) Limited - (CDC)	1,250	0.005
Bank, Development Finance Institutions, Non Banking Finance Institutions Banks, DFIs and NBFIs	-	-
Leasing Companies		
Leasing Companies	-	-
Modarabas and Mutual Funds		
Modarabas and Mutual Funds	-	-
Insurance Companies		
Insurance Companies	-	-
Non Residents / Foreign Companies		
Non Residents / Foreign Companies	-	-
Shareholders holding more than 10% of capital		
Shareholders holding more than 10% of capital	-	-
General Public		
General Public	15,404,826	61.619
	25,000,000	100.000

Shareholders' Information

Pattern of Shareholding as at December 31, 2010

Number of shareholders	Shareholding From	Shareholding To	Total Shares Held
213	1	100	2,721
106	101	500	26,404
433	501	1,000	273,639
141	1,001	5,000	278,271
23	5,001	10,000	164,120
14	10,001	15,000	171,881
3	15,001	20,000	56,250
12	20,001	25,000	293,125
3	25,001	30,000	81,500
2	30,001	35,000	62,500
1	35,001	40,000	37,500
1	45,001	50,000	50,000
10	60,001	65,000	628,095
1	65,001	70,000	68,750
2	70,001	75,000	150,000
1	85,001	90,000	87,500
1	90,001	95,000	93,750
1	95,001	100,000	100,000
3	105,001	110,000	321,875
4	120,001	125,000	500,000
3	135,001	140,000	412,500
1	140,001	145,000	143,750
2	145,001	150,000	299,375
1	155,001	160,000	159,375
2	160,001	165,000	325,000
1	165,001	170,000	168,125
1	195,001	200,000	200,000
1	215,001	220,000	218,750
1	220,001	225,000	225,000
1	245,001	250,000	250,000
2	255,001	260,000	512,003
1	260,001	265,000	262,500
1	275,001	280,000	280,000
1	280,001	285,000	280,625
5	295,001	300,000	1,490,975
1	310,001	315,000	313,750
1	330,001	335,000	333,075
1	335,001	340,000	337,500
1	355,001	360,000	359,375
1	360,001	365,000	363,650
1	370,001	375,000	373,125
1	385,001	390,000	387,500
1	395,001	400,000	400,000
1	405,001	410,000	406,250
1	465,001	470,000	466,250
1	480,001	485,000	480,385
2	585,001	590,000	1,175,000
1	625,001	630,000	625,625
1	630,001	635,000	631,250
1	640,001	645,000	644,687
1	645,001	650,000	646,250
1	670,001	675,000	674,375
1	675,001	680,000	676,241
1	760,001	765,000	760,625
1	775,001	780,000	778,437
1	830,001	835,000	830,625
1	1,095,001	1,100,000	1,099,966
1	1,120,001	1,125,000	1,122,665
1	1,155,001	1,160,000	1,159,035
1	1,275,001	1,280,000	1,278,500
1,025			**25,000,000**

Shareholders' Information

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	-	1,165,665
2	Ch. Manzoor Ahmed	-	126,250
3	Mr. Usman Ali	-	125,125
4	Ch. Muhammad Saleem	-	135,248
5	Mr. Mazhar Zahoor	-	152,125
6	Ch. Ather Zahoor	-	231,807
7	Mr. Rehan Beg	-	21,250
8	Mr. Mehmood Ul Haq	-	134,875
9	Ch. Ghulam Mustafa	-	57,875
10	Ms. Qaiser Sultana W/O Ch. Manzoor Ahmed	-	27,500
11	Ms. Rubina Mazhar W/O Mr. Mazhar Zahoor	-	128,937
12	Ms. Perveen Akhtar W/O Ch. Zahoor Ahmed	-	219,993
13	Ms. Khalida Perveen W/O Ch. Muhammad Saleem	-	81,250
14	Ms. Asma Ather W/O Ch. Ather Zahoor	-	155,687
15	Ms. Umal Usman W/O Mr. Usman Ali	200,000	50,000

Directors' Report To The Shareholders

Dear Fellow Shareholders!

The Directors of The Pakistan General Insurance Company Limited take pleasure in presenting the 63rd annual report of your Company, together with the audited financial statements for the year ended December 31, 2010.

Economic Overview

The year 2010 was another challenging year characterized by difficult economic conditions and acts of terrorism in the country with negative effects on the level of business activities in the country especially the financial sector. 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. Despite various economic and social challenges, it can be said that the country's economy has improved this year. The average annual inflation for 2010 was closed to near 12 percent; significantly lower than 20.8 percent for the previous year.

The current account deficit has also fallen sharply with foreign exchange reserves improvement. Despite the deceleration in inflation it remains high, and there has been resurgence in inflation. Increases in international commodity prices (particularly oil) threaten to accelerate this rising trend. Following the progress in the economic stability Moody's maintained Pakistan's B3 rating outlook to 'Stable' and Standard and Poor's 'B-minus' during year 2010.

Analysis of the yearly performance of the Karachi Stock Exchange (“KSE”), the market showed impressive performance during 2010 as the benchmark index gained 2,635.54 points 28% percent and closed at 12022 levels on December 31, 2010 compared to closing at 9,386.92 points at the end of 2009. Foreign investors made a strong comeback this year and invested USD 520 million during 2010 mainly due to the fact that Pakistan's equity market is trading at a discount of nearly 42 percent as compared to regional markets.

During the 2010, KSE witnessed five Initial Public Offerings (“IPOs”) worth Rs. 3.54 billion as compared to three offerings worth Rs. 1.2 billion last year, showing 195 percent increment in cumulative value of the offered IPOs.

Company Performance Review 2010

Dear shareholders, after a good start the year 2010 finished with a moderate closure both in terms of our results and share price performance, the results of the Company were severely affected by the devastating floods in the second half of the year, thus resulting the overall performance of the Company inevitably. Your Company managed to maintain a growth rate which was on the higher side comparatively. Gross Written Premium (GWP) in this year increased by 52%, from Rs. 206 million in 2009 to Rs. 312 million in 2010. All segments except for motor contributed towards premium growth.
The business mix with share of fire, marine, motor and miscellaneous was 54%, 24%, 3% and 18% respectively.

The Company's net premium stands at 35% of GWP, down by 34% in 2010, this decrease come from all classes. Floods in the Punjab, Khyber Pakhtoonkhaw and Sindh region directly impact on our underwriting results. In 2010 our net claims increased by 136%, from Rs. 29 million in 2009 to Rs. 69 million in 2010, there is an increase of 200% in fire loses as compared to 2009. Marine loses also increased by 48% as compared to last year. The underwriting profit decreased by 61%, from Rs. 55 million in 2009 to Rs. 21 million in 2010 making underwriting profit margin (as a percentage of earned premiums) 8% in 2010 as compared to 25% in 2009.

General and administrative expenses were increased by 9%, from Rs. 35 million in 2009 to Rs. 38 million in 2010. Income from investment increased by 29% to Rs. 9 million against Rs. 7 million in 2009. In the previous year the Company had generated gain from de-recognition of investment property amounting Rs. 73 million whereas no such gain was recognized in the current fiscal year. Consequently the Company posted Rs. 19 million profit after tax in 2010 against Rs. 84 million in 2009. Earnings per share of the Company calculate to Rs. 0.19 in 2010 against Rs. 3.35 in 2009.

Directors' Report To The Shareholders

Segments at a Glance

Fire and property damage

Gross premium grew by 62% from Rs. 105 million in 2009 to Rs. 170 million in 2010 and net premium earned increased by 18% from Rs. 47 million to Rs. 55 million. Fire losses significantly increased by 200% from Rs. 19 million in 2009 to Rs. 57 million in 2010, underwriting profit decreased by 150% from Rs. 18 million in 2009 to underwriting loss of Rs. 9 million in 2010. The graphical analysis is:

	2010	*2009*	*Change*	
	------------- rupees in '000		*--------------*	*% age*
Gross premium	169,818	104,808	65,010	62%
Net premium	55,025	46,619	8,406	18%
Net claims	56,589	18,858	37,731	200%
Net expenses	19,086	15,876	3,210	20%
Net commissions	11,392	5,777	5,615	97%
Underwriting results	(9,258)	17,662	(26,920)	-152%
Claim ratio	103%	40%		
Expense ratio	35%	34%		
Combined ratio	138%	75%		

Marine, Aviation and Transport

Gross premium grew by 59% from Rs. 47 million in 2009 to Rs. 74 million in 2010 and net premium earned increased by 19% from Rs. 25 million to Rs. 30 million. Marine losses increased by 48% from Rs. 6 million in 2009 to Rs. 8 million in 2010, underwriting profit increased by 33% from Rs. 12 million in 2009 to Rs. 16 million in 2010. The graphical analysis is:

	2010	*2009*	*Change*	
	------------- rupees in '000		*--------------*	*% age*
Gross premium	74,449	46,966	27,483	59%
Net premium	29,841	25,088	4,753	19%
Net claims	8,347	5,631	2,716	48%
Net expenses	8,367	7,115	1,252	18%
Net commissions	2,375	(483)	2,858	-592%
Underwriting results	15,502	11,859	3,643	31%
Claim ratio	28%	22%		
Expense ratio	28%	28%		
Combined ratio	56%	51%		

Motor

Motor business decreased by 9% from Rs. 12 million in 2009 to Rs. 11 million in 2010. This is mainly because of selective underwriting in the motor segment during the year. As expected in the motor business, there is an increase in losses by 34% from Rs. 0.9 million to Rs. 1.3 million in year 2010. Consequently, the motor underwriting profitability decreased by 54% from Rs. 13 million in 2009 to Rs. 6 million in 2010. The graphical analysis is:

	2010	*2009*	*Change*	
	------------- rupees in '000		*--------------*	*% age*
Gross premium	10,735	11,825	(1,090)	-9%
Net premium	10,198	17,614	(7,416)	-42%
Net claims	1,318	983	335	34%
Net expenses	1,207	1,791	(584)	-33%
Net commissions	(1,493)	(2,133)	640	-30%
Underwriting results	6,180	12,707	(6,527)	-51%
Claim ratio	13%	6%		
Expense ratio	12%	10%		
Combined ratio	25%	16%		

Others (Miscellaneous)

For miscellaneous lines, the business increased by 36% from Rs. 42 million in 2009 to Rs. 57 million in 2010. There is a decrease in losses by 29% from Rs. 4 million to Rs. 3 million in year 2010. However, earned premium decreased by 25% from Rs. 21 million in 2009 to Rs. 15 million in 2010 therefore, the underwriting profitability decreased by 31% from Rs. 13 million in 2009 to Rs. 9 million in 2010. The graphical analysis is:

	2010	*2009*	*Change*	
	rupees in '000			*% age*
Gross premium	57,205	42,079	15,126	36%
Net premium	15,482	20,570	(5,088)	-25%
Net claims	2,609	3,699	(1,090)	-29%
Net expenses	6,429	6,374	55	1%
Net commissions	2,371	2,245	126	6%
Underwriting results	8,815	12,742	(3,927)	-31%
Claim ratio	17%	18%		
Expense ratio	42%	31%		
Combined ratio	58%	49%		

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 91% of the claims reported in the year 2009 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 52% 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

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

After solid returns last year, Pakistan equities (benchmark KSE-100) had little decline, ended the 2010 chapter of KSE with 28% YoY return during 2010 as compares to 60% last year. 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 2010.

The book value of your Company's investments is Rs. 24 million as at December 31, 2010 against Rs. 26 million as at December 31, 2009. The fair value of investments is Rs. 11 million, higher by 10% from its respective value as at December 31, 2009. The Company will continue to place special emphasis in generating a significant portion of its investment income from sustainable sources such as interest and dividends.

Investment Properties

With the continuous decline and uncertainty in equity market, the Company has increased its emphasis in properties and thereby acquired a property to generate additional rental income for the Company. The Company has generated rental income of Rs. 6.1 million as compared to Rs. 5.6 million in previous year registering a growth of 9%.

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 operating cash inflows of Rs. 34 million against Rs. 16 million in 2009. The total cash and cash equivalents as at the end of 2010 are Rs. 91 million against Rs. 138 million in 2009.

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 2010 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.

Directors' Report To The Shareholders

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

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. The Company is aware of its social responsibility and contributed Rs. 2.5 million towards rehabilitation of the flood effectives in almost all Pakistan during the year and aims to enhance its contribution in the future.

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. 20 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 Positive Outlook, on the basis of financial statements for the year 2009.

Appropriations
The proposed appropriations are as under:

	2010 Rupees	2009 Rupees
Stock dividend for the year (2010: 10% - 2009: 25%)	25,000,000	50,000,000
Final dividend for the year (0.5%)	-	10,000,000
Transferred to reserves	-	90,000,000

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, 2011 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 2011. 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 2011.

As a responsible corporate entity, we will continue to conduct our business in a transparent way subscribing to high ethical standards and strictly complying with all regulatory obligations.

Our aim is to ensure that our performance exceeds expectation of our shareholders, not only during the current year but beyond.

Acknowledgement
We would like to thank our customers 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, 2011

Directors' Report on Corporate Governance

Code of Corporate Governance

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

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

Statement of corporate and financial reporting

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

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

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

4) The International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

5) The system of internal control is sound in design and has been continuously monitored by the internal audits. This is a continuing process and any weaknesses will be removed and its effective implementation shall be ensured.

6) There is no doubt upon the Company's ability to continue as a going concern.

7) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8) Key operating and financial data for the last six years is attached with this report.

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

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

11) The value of investments based on audited financial statements of the Company's Employee Provident Fund as at December 31, 2010 is Rs. 400,000.

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.

Insurance Ordinance, 2000

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

in their opinion and to the best of their belief the annual statutory accounts of the Company set out in the forms attached with this statement have been drawn up in accordance with the Insurance Ordinance and any rules made there under;

the Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to the paid-up capital, solvency and re-insurance arrangements; and

as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and rules framed there under as mentioned above.

Directors' Report on Corporate Governance

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 of Director Number of meetings attended

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

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.

Auditors
The present auditors M/s. Deloitte M. Yousuf Adil Saleem & Co., Chartered Accountants and M/s. Kamran & Co., Chartered Accountants, retire and being eligible, have offered themselves for reappointment. The external auditors hold satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) as required under their Quality Control Review Program. As suggested by the Audit Committee, the Board of Directors has recommended the appointment of M/s. Deloitte M. Yousuf Adil Saleem & Co., Chartered Accountants, as auditors of the Company for the year 2011, 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, 2010.

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

Earnings per Shares
Earnings per share during the year have decreased by 94% from Rs. 3.35 per share in 2009 to Rs. 0.19 in 2010.

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 Officer

Lahore: April 5, 2011

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.

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.

Statement of Compliance with Best Practices and Corporate Governance

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

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

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

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

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

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

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

22. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

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

Lahore: April 05, 2011

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

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

REVIEW REPORT TO THE MEMBERS
ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal controls covers all controls and the effectiveness of such internal controls.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended December 31, 2010.

KAMRAN & CO.
(Chartered Accountants)

Lahore, April 05, 2011

M Yousuf Adil Saleem & Co
M. YOUSUF ADIL SALEEM & CO.
(Chartered Accountants)

Lahore, April 05, 2011

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

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed financial statements comprising of:

(I) Balance sheet;
(ii) Profit and loss account / 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, 2010 together with notes forming part thereof, for the year then ended.

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

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

In our opinion-

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

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

c) the financial statements together with the notes thereon present fairly in all material respects the state of the Company's affairs as at December 31, 2010 and of the profit, its cash flow and statement of changes in equity for the year then ended, in accordance with approved accounting standards as applicable in Pakistan, and, give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and

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

KAMRAN & CO.
(Chartered Accountants)

Kamran Fatah
(Engagement Partner)

Lahore, April 05, 2011

M. Yousuf Adil Saleem & Co

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

Mohammad Saleem
(Engagement Partner)

Lahore, April 05, 2011

Balance Sheet
As At December 31, 2010

EQUITY AND LIABILITIES	Note	2010	restated 2009
		---------- Rupees	---------
Share capital and reserves			
Authorized share capital			
40,000,000 (2009: 30,000,000) ordinary shares of Rs. 10 each		**400,000,000**	300,000,000
Issued, subscribed and paid-up share capital	4	**250,000,000**	200,000,000
Un-appropriated profit		**1,271,653**	6,076,266
Capital reserves		**50,000,000**	100,000,000
General reserves		**55,000,000**	55,000,000
		356,271,653	361,076,266
Surplus on revaluation of fixed assets	5	**6,440,640**	6,810,017
Underwriting provisions			
Provision for outstanding claims (including IBNR)		**8,241,160**	10,353,437
Provision for unearned premium		**146,459,315**	95,896,243
Commission income unearned		**29,632,458**	17,290,629
Total underwriting provisions		**184,332,933**	123,540,309
Deferred liability			
Deferred taxation	6	**23,284,872**	31,445,783
Creditors and accruals			
Amounts due to other insurers /reinsurers		**3,602,435**	5,161,218
Accrued expenses		**845,010**	594,810
Taxation - provision less payments	7	**425,091**	-
Other creditors	8	**18,292,036**	14,189,275
Current portion of liabilities against assets subject to finance lease	9	**157,741**	267,852
		23,322,313	20,213,155
Other liabilities			
Liabilities against assets subject to finance lease	9	**533,992**	691,733
TOTAL LIABILITIES		**231,474,110**	175,890,980
TOTAL EQUITY AND LIABILITIES		**594,186,403**	543,777,263
CONTINGENCIES AND COMMITMENTS	10		

The annexed notes from 1 to 34 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, 2010

ASSETS	Note	2010	restated 2009
		------------ Rupees	---------
Cash and bank deposits			
Cash and other equivalents	11	**89,550**	469,596
Current and other accounts		**7,258,993**	61,236,735
Deposits maturing within 12 months	12	**58,508,000**	58,508,000
Deposits maturing after 12 months	13	**25,000,000**	18,000,000
		90,856,543	138,214,331
Loans - unsecured; considered good			
To employees		**181,136**	106,126
Investments	14	**24,260,748**	25,600,129
Investment properties	15	**228,317,851**	148,742,113
Current assets - others			
Premiums due but unpaid - net - unsecured	16	**40,018,651**	56,739,888
Amounts due from other insurers / reinsurers - unsecured		**7,463,689**	7,086,366
Reinsurance recoveries against outstanding claims		**5,422,484**	7,691,738
Taxation - payments less provision	7	**-**	662,128
Deferred commission expense		**21,053,588**	12,007,143
Prepaid reinsurance premium ceded		**87,107,530**	50,953,826
Sundry receivables	17	**743,112**	743,112
		161,809,054	135,884,201
Fixed assets			
Tangible fixed assets			
Owned			
- land and buildings		**61,779,673**	65,031,235
- furniture, fixtures and office equipment		**4,780,842**	4,975,654
- vehicles		**21,196,876**	21,965,102
		87,757,391	91,971,991
Assets subject to finance lease			
- vehicles		**1,003,680**	3,258,372
	18	**88,761,071**	95,230,363
TOTAL ASSETS		**594,186,403**	543,777,263

The annexed notes from 1 to 34 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, 2010

	Fire and property damage	Marine, aviation and transport	Motor act	Miscellaneous	Note	Aggregate 2010	Aggregate restated 2009
	---------- Rupees	----------	----------	----------		---------- Rupees	----------
Revenue Account							
Net premium revenue	55,025,161	29,841,036	10,197,751	15,482,097		**110,546,045**	109,890,541
Net claims	(56,588,510)	(8,346,994)	(1,318,218)	(2,608,964)		**(68,862,686)**	(29,170,204)
Expenses	(19,085,983)	(8,367,352)	(1,206,534)	(6,429,315)	21	**(35,089,184)**	(32,319,244)
Net commission	11,392,605	2,374,422	(1,493,322)	2,371,064		**14,644,769**	5,406,265
Underwriting result	(9,256,727)	15,501,112	6,179,677	8,814,882		**21,238,944**	53,807,358
Investment income						**9,262,661**	7,372,329
Rental income						**6,118,200**	5,562,000
Other operating income					19	**136,821**	72,735,769
Finance cost					20	**(359,532)**	(1,241,765)
General and administration expenses					22	**(38,054,765)**	(33,777,126)
						(22,896,615)	50,651,207
(Loss) / profit before tax						**(1,657,671)**	104,458,565
Provision for taxation					23	**6,483,681**	(20,788,694)
Profit for the year						**4,826,010**	83,669,871
Other comprehensive income:							
Incremental depreciation on revalued assets						**369,377**	388,819
Revaluation surplus transferred on disposal of non current assets held for sale						**-**	1,976,147
Other comprehensive income for the year, net of tax						**369,377**	2,364,966
Total comprehensive income for the year						**5,195,387**	86,034,837
Profit and loss appropriation account							
Balance at beginning of the year						**6,076,266**	10,041,429
Total comprehensive income for the year						**5,195,387**	86,034,837
Transferred to general reserves						**-**	(90,000,000)
Final dividend 2009: Rs. 0.50 per share (2008: Nil)						**(10,000,000)**	-
Un-appropriated profit						**1,271,653**	6,076,266
Earnings per share - basic and diluted					27	**0.19**	3.35

The annexed notes from 1 to 34 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, 2010

	Share capital	Reserves: Capital	Reserves: General	Un-appropriated profit	Total
	------	------	Rupees	------	------
Balance as at January 1, 2009	**200,000,000**	**-**	**65,000,000**	**10,041,429**	**275,041,429**
Total comprehensive income for the year ended december 31, 2009					
Profit for the year - as restated	-	-	-	83,669,871	83,669,871
Other comprehensive income for the year	-	-	-	2,364,966	2,364,966
	-	-	-	86,034,837	86,034,837
Transactions with owners, recorded directly in equity					
Transferred to general reserves	-	-	90,000,000	(90,000,000)	-
Transferred to reserves for issue of bonus shares	-	100,000,000	(100,000,000)	-	-
	-	100,000,000	(10,000,000)	(90,000,000)	-
Balance as at December 31, 2009 - as restated	**200,000,000**	**100,000,000**	**55,000,000**	**6,076,266**	**361,076,266**
Total comprehensive income for the year ended december 31, 2010					
Profit for the year	-	-	-	4,826,010	4,826,010
Other comprehensive income for the year	-	-	-	369,377	369,377
	-	-	-	5,195,387	5,195,387
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 ended December 31, 2010 - 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	**250,000,000**	**50,000,000**	**55,000,000**	**1,271,653**	**356,271,653**

The annexed notes from 1 to 34 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, 2010

	2010	restated 2009
	------------- Rupees -----------	
Operating cash flows		
a) Underwriting activities		
Premiums received	**327,733,252**	195,761,510
Reinsurance premiums paid	**(187,251,135)**	(110,267,076)
Claims paid	**(183,690,933)**	(121,156,497)
Reinsurance and other recoveries received	**114,985,224**	91,445,931
Commissions paid	**(45,683,703)**	(36,807,590)
Commissions received	**63,623,856**	43,590,678
Net cash inflow from underwriting activities	**89,716,561**	62,566,956
b) Other operating activities		
Income tax paid	**(590,011)**	(764,562)
General and management expenses paid	**(57,450,784)**	(47,898,853)
Loans to employees	**(75,010)**	(7,478)
Other operating payments on operating assets	**(1,936,106)**	(17,444,080)
Other operating receipts in respect of operating assets	**4,097,910**	19,225,225
Net cash out flow from other operating activities	**(55,954,001)**	(46,889,748)
Total cash inflow from all operating activities (a+b)	**33,762,560**	15,677,208
Investing activities		
Profit / return received	**8,618,955**	4,006,207
Dividends received	**505,700**	395,880
Rentals received	**6,118,200**	5,562,000
Miscellaneous income	**273,823**	5,411
Proceeds from disposal of investments	**1,477,387**	696,100
Fixed capital expenditure	**(87,953,880)**	(6,975,106)
Proceeds from disposal of fixed assets	**462,000**	73,595,700
Total cash (outflow) / inflow from investing activities	**(70,497,815)**	77,286,192
Financing activities		
Dividends paid	**(9,995,149)**	-
Financial charges paid	**(359,532)**	(1,241,765)
Repayments of finance lease liabilities	**(267,852)**	(1,486,376)
Total cash out flow from financing activities	**(10,622,533)**	(2,728,141)
Net cash (outflow) / inflow from all activities	**(47,357,788)**	90,235,259
Cash at beginning of the year	**138,214,331**	47,979,072
Cash at end of the year	**90,856,543**	138,214,331

Statement of Cash Flows
For the Year ended December 31, 2010

	2010	restated 2009
	------------ Rupees ---------	
RECONCILIATION TO PROFIT AND LOSS ACCOUNT		
Operating cash flows	**33,762,560**	15,677,208
Depreciation expense	**(14,248,432)**	(14,411,783)
(Impairment) /Reversal in the value of investments - available for sale	**(394,497)**	1,705,604
Provision for doubtful receivables	**(1,194,533)**	(4,195,197)
Finance cost	**(359,532)**	(1,241,765)
Investment income	**9,151,458**	5,265,434
Rental income	**6,118,200**	5,562,000
Dividend income	**505,700**	395,880
Other operating income	**136,821**	72,741,180
(Increase) / Decrease in assets other than cash	**27,194,396**	(5,385,421)
Increase / (Decrease) in liabilities	**(55,846,131)**	7,556,731
Profit after taxation as per profit and loss account	**4,826,010**	83,669,871

DEFINITION OF CASH

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

	2010	2009
Cash and other equivalents	**89,550**	469,596
Current and other accounts	**7,258,993**	61,236,735
Deposits maturing within 12 months	**58,508,000**	58,508,000
Deposits maturing after 12 months	**25,000,000**	18,000,000
	90,856,543	138,214,331

The annexed notes from 1 to 34 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, 2010

Business underwritten inside Pakistan

Class	Premiums				Reinsurance				Net premium revenue	
	Written	Unearned premium reserve		Earned	Reinsurance premium ceded	Prepaid reinsurance premium ceded		Reinsurance expense		
		Opening	Closing			Opening	Closing		2010	2009
	Rupees									
Direct										
Fire and property damage	169,817,822	50,307,898	81,713,503	138,412,217	105,111,931	27,149,069	48,873,944	83,387,056	**55,025,161**	46,618,713
Marine, aviation and transport	74,448,640	22,075,063	31,745,609	64,778,094	41,839,255	11,248,555	18,150,752	34,937,058	**29,841,036**	25,088,278
Motor act	10,735,158	4,854,890	4,570,297	11,019,751	822,000	-	-	822,000	**10,197,751**	17,613,763
Miscellaneous	57,204,928	18,658,392	28,429,906	47,433,414	39,477,949	12,556,202	20,082,834	31,951,317	**15,482,097**	20,569,787
Grand total	312,206,548	95,896,243	146,459,315	261,643,476	187,251,135	50,953,826	87,107,530	151,097,431	**110,546,045**	109,890,541

The annexed notes from 1 to 34 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 Claims
For the Year ended December 31, 2010

Business underwritten inside Pakistan

Class	Claims paid	Outstanding Claims: Outstanding Opening	Outstanding Claims: Outstanding Closing	Claims expense	Reinsurance: Reinsurance and other recoveries received	Reinsurance: Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance: Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance: Reinsurance and other recoveries revenue	Net claims expense 2010	Net claims expense 2009
	Rupees									
Direct										
Fire and property damage	124,925,375	5,773,179	4,215,195	123,367,391	68,595,925	4,126,493	2,309,449	66,778,881	**56,588,510**	18,857,552
Marine, aviation and transport	33,304,842	3,278,986	2,720,353	32,746,209	24,734,395	2,739,465	2,404,285	24,399,215	**8,346,994**	5,630,901
Motor act	1,000,878	143,272	460,612	1,318,218	-	-	-	-	**1,318,218**	982,529
Miscellaneous	24,459,838	1,158,000	845,000	24,146,838	21,654,904	825,780	708,750	21,537,874	**2,608,964**	3,699,222
Grand total	183,690,933	10,353,437	8,241,160	181,578,656	114,985,224	7,691,738	5,422,484	112,715,970	**68,862,686**	29,170,204

The annexed notes from 1 to 34 form an integral part of these financial statements.

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

Statement of Expenses
For the Year ended December 31, 2010

Business underwritten inside Pakistan

Class	Commissions				Other management expense	Underwriting expense	Commission from reinsurers	Net underwriting expense	
	Paid or payable	Deferred		Net expense					
		Opening	Closing					2010	2009
	Rupees								
Direct									
Fire and property damage	24,970,544	5,964,151	11,057,154	19,877,541	19,085,983	38,963,524	31,270,146	**7,693,378**	10,691,941
Marine, aviation and transport	10,896,027	2,806,715	5,146,835	8,555,907	8,367,352	16,923,259	10,930,329	**5,992,930**	7,863,414
Motor act	1,469,910	794,239	770,827	1,493,322	1,206,534	2,699,856	-	**2,699,856**	3,990,985
Miscellaneous	8,347,222	2,442,038	4,078,772	6,710,488	6,429,315	13,139,803	9,081,552	**4,058,251**	4,366,639
Grand total	45,683,703	12,007,143	21,053,588	36,637,258	35,089,184	71,726,442	51,282,027	**20,444,415**	26,912,979

The annexed notes from 1 to 34 form an integral part of these financial statements.

CHAIRMAN
(CH. MANZOOR AHMED)

CHIEF EXECUTIVE / PRINCIPAL OFFICER
(CH. ZAHOOR AHMED)

DIRECTOR
(CH. GHULAM MUSTAFA)

CH. M. Saleem
DIRECTOR
(CH. MUHAMMAD SALEEM)

Statement of Investment Income
For the Year ended December 31, 2010

Income from non - trading investments	Note	2010	restated 2009
		----------- Rupees	---------
Available for sale			
Dividend income		**505,700**	395,880
(Impairment) /Reversal in the value of investments - available for sale	14	**(394,497)**	1,705,604
Investment related expenses		**(64,110)**	(18,536)
Held to maturity			
Return on Defense Saving Certificates		**1,051,688**	1,264,638
Return on Term Deposit Receipts		**8,163,880**	4,024,743
Net investment income		**9,262,661**	7,372,329

The annexed notes from 1 to 34 form an integral part of these financial statements.

CH. M. Saleem

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

Notes To The Financial Statements
For the Year ended December 31, 2010

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

Further, amendments to IFRS 7-Financial Instrument: Disclosure, became effective resulting in increased disclosures.

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

Improvements to IFRSs 2009

- Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- Amendments to IFRS 8 Operating Segments
- Amendments to IAS 1 Presentation of Financial Statements
- Amendments to IAS 7 Statement of Cash Flows
- Amendments to IAS 17 Leases
- Amendments to IAS 36 Impairment of Assets
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement

Improvements to IFRSs 2010

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters
- Amendment to IFRS 2 – Share-based Payment – Group Cash-settled Share-based Payment Transactions
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Improvements to IFRSs 2010 – Amendments to IFRS 3 Business Combinations
- Improvements to IFRSs 2010 – Amendments to IAS 27 Consolidated and Separate Financial Statements
- IAS 24 Related Party Disclosures

2.3 New accounting standards and IFRS interpretations which are not effective

The following International Financial Reporting Standards and Interpretations as notified by the Securities and Exchange Commission of Pakistan are only effective for accounting periods, beginning on or after January 1, 2011:

Amendments to IFRIC 14 and IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 01, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense. This amendment is not likely to have any impact on the Company's financial statements.

Improvements to IFRSs 2010 – In May 2010, the IASB issued improvements to IFRSs 2010,which comprise of 11 amendments to 7 standards. Effective dates, early application and transitional requirements are addressed on a standard by standard basis. The majority of amendments are effective for annual periods beginning on or after January 1, 2011. The amendments include list of events or transactions that require disclosure in the interim financial statements and fair value of award credits under the customer loyalty programmes to take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. Certain of these amendments may result in increased disclosures in the financial statements.

Amendments to IAS 12 – Deferred tax on investment property (effective for annual periods beginning on or after January 1, 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 amendment has no impact on financial statements of the Company.

Amendments to IFRS 7 - Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after July 1, 2011). The amendments introduce new disclosure requirements about transfers of financial assets including disclosures for financial assets that are not derecognised in their entirety; and financial assets that are derecognised in their entirety but for which the entity retains continuing involvement. These amendments will result in increased disclosures in the financial statements.

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

Notes To The Financial Statements
For the Year ended December 31, 2010

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 3.1)
- Provision for taxation and deferred tax (note 3.7)
- Useful lives of investment properties (note 3.11)
- Provision for doubtful receivables (note 3.12)
- Useful lives and residual values of fixed assets (note 3.15)

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

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

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. These are accounted for based on the management's best estimate which takes into account the past trends, expected future patterns of reporting claims actually reported subsequent to the balance sheet date.

3.2 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognized as a liability by the Company. The Company has opted for 1/24th method and maintained its reserves for unexpired risk in accordance with regulation 8(4)(b) of the accounting regulations for non life insurance companies issued by SECP.

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

3.4 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.

3.5 Creditors, accruals and provisions

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

Provisions are recognized in the balance sheet when, the Company has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. However, provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.6 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.

3.7 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.

Notes To The Financial Statements
For the Year ended December 31, 2010

3.8 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.

3.9 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.

3.10 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.

3.11 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.

3.12 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.

3.13 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.

3.14 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.

Notes To The Financial Statements
For the Year ended December 31, 2010

3.15 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 18 to the financial statements. Depreciation on addition to fixed asset is charged from the month in which fixed asset is available for use while no depreciation is charge for the month in which fixed asset is disposed off. The useful lives and depreciation methods are reviewed on periodic intervals to ensure that the methods and period of depreciation charged during the year are consistent with the expected pattern of economic benefits from items of fixed assets.

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

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

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

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

3.16 Assets subject to finance lease

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

3.17 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.

3.18 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.

3.19 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.

3.20 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.

Notes To The Financial Statements
For the Year ended December 31, 2010

3.21 Revenue recognition

Premium income

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

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

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

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

Return on investments

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

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

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

Miscellaneous income

Other revenues are recognized on accrual basis.

3.22 Premium deficiency reserve

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

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

3.23 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.

3.24 Commission

Commission expense

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

Commission income

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

3.25 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.

3.26 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.

3.27 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.

3.28 Dividend

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

4 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

	2010	2009	2010	2009
	---------- Number --------		---------- Rupees --------	
Ordinary shares of Rs. 10 each fully paid in cash	**20,000,000**	20,000,000	**200,000,000**	200,000,000
Ordinary shares of Rs. 10 each fully paid as bonus shares	**5,000,000**	-	**50,000,000**	-
	25,000,000	20,000,000	**250,000,000**	200,000,000

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.

Notes To The Financial Statements
For the Year ended December 31, 2010

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

	2010	2009	2010	2009
	---------- Number --------		---------- Rupees --------	
Balance at beginning of the year	**20,000,000**	20,000,000	**200,000,000**	200,000,000
Add: Bonus shares issued	**5,000,000**	-	**50,000,000**	-
Balance at end of the year	**25,000,000**	20,000,000	**250,000,000**	200,000,000

		Note	2010	2009
			---------- Rupees --------	
5	**SURPLUS ON REVALUATION OF FIXED ASSETS**			
	Balance at beginning of the year		**6,810,017**	9,174,983
	Less: transferred to unappropriated profit on disposal of non current assets held for sale		**-**	(1,976,147)
	Less: transferred to unappropriated profit in respect of incremental depreciation	5.2	**(369,377)**	(388,819)
	Balance at end of the year		**6,440,640**	6,810,017

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

Freehold land The value of free hold land was ascertained according to the local market value.

Building on free hold land Present day construction rates for different types of building structures depreciated to account for the age and condition of the building.

5.2 Incremental depreciation represents the difference between the depreciation on investment properties and fixed assets charged during the year and the equivalent depreciation based on its historical costs. See note 15 and 18 to the financial statements for detail of revaluation.

		Note	2010	2009
6	**DEFERRED TAXATION**		----------- Rupees ---------	
	Deferred tax liability on taxable temporary differences:			
	Tax depreciation allowance		**36,935,848**	32,895,877
	Finance lease		**109,181**	804,575
	Surplus on revaluation of fixed assets		**3,779,016**	3,977,912
	Deferred tax asset on deductible temporary differences			
	Provision for doubtful receivables		**(3,463,088)**	(3,045,002)
	Loss on remeasurement of available for sale investments		**(1,104,294)**	(619,856)
	Available tax losses		**(12,971,791)**	(2,567,723)
			23,284,872	31,445,783

Notes To The Financial Statements
For the Year ended December 31, 2010

			2010	2009
			----------- Rupees ---------	
7	**TAXATION - PROVISION LESS PAYMENTS**			
	Balance at beginning of the year		**(662,128)**	(656,383)
	Add: paid / deducted during the year		**(590,011)**	(555,198)
			(1,252,139)	(1,211,581)
	Less: charge for-			
	- Current year		**1,156,030**	549,453
	- Prior year		**521,200**	-
			1,677,230	549,453
	Balance at end of the year		**425,091**	(662,128)
8	**OTHER CREDITORS**			
	Federal excise duty		**11,691,773**	10,886,294
	Federal insurance fee		**5,828,235**	2,568,881
	Withholding tax payable		**29,024**	19,100
	Employees' contribution to provident fund		**7,153**	-
	Unclaimed dividends		**4,851**	-
	Others		**731,000**	715,000
			18,292,036	14,189,275
9	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**			
	Present value of minimum lease payments		**691,733**	959,585
	Less: current portion		**157,741**	267,852
		9.2	**533,992**	691,733

9.1 The Company has entered into lease agreements with various leasing companies to acquire vehicles. The rentals under these lease arrangements are payable on monthly basis. The present value of minimum lease payments has been discounted at an implicit interest rate of 20.00% (2009: ranging from 15.00% to 20.00%) per annum.

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

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

		2010	2009
9.2	**Minimum lease payments**	----------- Rupees ---------	
	The reconciliation between minimum lease payments and its present value is as under:		
	Not later than one year	**294,636**	438,753
	Later than one year but not later than five years	**687,484**	982,120
		982,120	1,420,873
	Less: finance cost allocated to future periods	**290,387**	461,288
		691,733	959,585
	Less: current portion	**157,741**	267,852
		533,992	691,733
	Present value of minimum lease payments		
	Not later than one year	**157,741**	267,852
	Later than one year but not later than five years	**533,992**	691,733
		691,733	959,585

Notes To The Financial Statements
For the Year ended December 31, 2010

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

	2010	2009
	----------- Rupees ---------	
Maturity		
6 months or less	**74,576**	200,977
6 - 12 months	**83,165**	66,875
1 - 5 years	**533,992**	691,733
	691,733	959,585

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.

10 CONTINGENCIES AND COMMITMENTS

10.1 There are certain cases pending for adjudication before Civil and Session Court amounting to Rs. 3.799 million (2009 : Rs. 2.899 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.

10.2 The Company is defendant in a lawsuit of fire insurance claim amounting to Rs. 59.518 million (2009 : Rs. 59.518). The Company has filed a counter claim of Rs. 500.000 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.

10.3 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.

11 CASH AND OTHER EQUIVALENTS	2010	2009
	----------- Rupees ---------	
Cash with State Bank of Pakistan	-	346,146
Cash in hand	**89,550**	123,450
	89,550	469,596

12 DEPOSITS MATURING WITHIN 12 MONTHS

This includes TDR's (Term Deposit Receipts) with different banks maturing within one year. It carries mark up ranging from 9.60% to 11.00% (2009: 7.00 % to 11.00%) per annum.

13 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 (2009: 7.00%).

14 INVESTMENTS	Note	2010	restated 2009
		----------- Rupees ---------	
Available for sale investments - quoted	14.1	**12,042,797**	12,042,797
Less:provision for impairment - net of reversals		**3,155,126**	2,760,629
		8,887,671	9,282,168
Held to maturity	14.2	**15,373,077**	16,317,961
		24,260,748	25,600,129

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

14.2 Held to maturity

	Note	2010	2009
Defence Saving Certificates	14.3	**15,373,077**	16,317,961
		15,373,077	16,317,961

14.3 These carry mark-up at the rate of 9.46% per annum (2009: ranging from 9.46% to 18.04%) compounding annually. These are maturing on February 15, 2016. In previous year, it includes certificates amounting to Rs. 380,300 which carried mark-up at the rate of 18.04% and matured during the year, which were placed with State Bank of Pakistan as minimum statutory deposit.

Notes To The Financial Statements
For the Year ended December 31, 2010

15 INVESTMENT PROPERTIES

15.1 Reconciliation of carrying values as at December 31, 2010

	COST / FAIR VALUE				ACCUMULATED DEPRECIATION				BOOK VALUE	Annual rate of depreciation
	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	
	Rupees									% age
Own assets										
Freehold land										
- cost	25,196,875	36,720,000	-	61,916,875	-	-	-	-	61,916,875	-
- revaluation	972,875	-	-	972,875	-	-	-	-	972,875	-
	26,169,750	36,720,000	-	62,889,750	-	-	-	-	62,889,750	
Buildings										
- cost	131,869,670	49,396,000	-	181,265,670	10,027,184	-	6,503,768	16,530,952	164,734,718	5
- revaluation	2,571,249	-	-	2,571,249	1,841,372	-	36,494	1,877,866	693,383	5
	134,440,919	49,396,000	-	183,836,919	11,868,556	-	6,540,262	18,408,818	165,428,101	
	160,610,669	**86,116,000**	**-**	**246,726,669**	**11,868,556**	**-**	**6,540,262**	**18,408,818**	**228,317,851**	

15.2 Reconciliation of carrying values as at December 31, 2009

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

Notes To The Financial Statements
For the Year ended December 31, 2010

		Note	2010	2009
16	**PREMIUMS DUE BUT UNPAID - NET - UNSECURED**		----------- Rupees	---------
	- Considered good		**40,018,651**	56,739,888
	- Considered doubtful		**9,894,538**	8,700,005
			49,913,189	65,439,893
	Less: provision for doubtful receivables	16.1	**9,894,538**	8,700,005
			40,018,651	56,739,888

16.1 Provision for doubtful receivables

	2010	2009
Balance at beginning of the year	**8,700,005**	4,504,808
Provision for doubtful receivables made during the year	**1,194,533**	4,195,197
Balance at end of the year	**9,894,538**	8,700,005

17 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.

Notes To The Financial Statements
For the Year ended December 31, 2010

18 FIXED ASSETS

18.1 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										
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 amunition	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)**				

Notes To The Financial Statements
For the Year ended December 31, 2010

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

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

18.3 **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, 2010			December 31, 2009		
	Cost	Accumulated depreciation	Book Value	Cost	Accumulated depreciation	Book Value
	Rupees					
Buildings	64,470,964	12,795,097	51,675,867	64,470,964	10,075,314	54,395,650
	64,470,964	12,795,097	51,675,867	64,470,964	10,075,314	54,395,650

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

	Note	2010	2009
		Rupees	
Tangible fixed assets	18	**7,708,170**	7,960,606
Investment properties	15	**6,540,262**	6,451,177
		14,248,432	14,411,783

18.5 Details of tangible assets disposed off during the year are as follows

Mode of disposal	Original cost	Accumulated depreciation	Book value	Sale proceeds	Sold to
	------------Rupees------------				
Vehicles (Negotiation)	1,350,000	750,998	599,002	462,000	Ch. Naveed Ahmed, Lahore
	1,350,000	**750,998**	**599,002**	**462,000**	

19 OTHER OPERATING INCOME

	Note	2010	2009
		------------ Rupees ---------	
Gain on disposal of non - current asset held for sale	19.1	**-**	72,750,000
Loss on disposal of fixed assets	18.5	**(137,002)**	(19,642)
Others		**273,823**	5,411
		136,821	72,735,769

19.1 Gain on disposal of non - current asset held for sale

This represented gain on disposal of free hold land in the previous year. Free hold land having book value of Rs. 42 million was sold for Rs. 114.750 million to 22 individuals as per terms of agreement for sale.

20 FINANCE COST

		2010	2009
Mark-up on:			
- liabilities against assets subject to finance lease		**170,901**	177,949
- reinsurance reserves		**-**	755,281
		170,901	933,230
Bank charges		**188,631**	308,535
		359,532	1,241,765

21 MANAGEMENT EXPENSES

	Note	2010	2009
Salaries, wages and benefits		**19,960,271**	17,131,599
Entertainment		**2,611,132**	2,001,437
Rent, rates and taxes		**2,416,519**	2,395,878
Electricity, gas and water		**1,716,111**	1,002,470
Traveling and conveyance		**1,232,945**	892,221
Computer expenses		**518,694**	398,669
Communication		**3,819,689**	3,364,654
Service charges		**125,312**	23,743
Registration, subscription and association		**1,493,978**	913,376
Provision for doubtful receivables	16.1	**1,194,533**	4,195,197
		35,089,184	32,319,244

22 GENERAL AND ADMINISTRATION EXPENSES

	Note	2010	2009
Salaries and allowances		**10,191,649**	9,118,834
Motor vehicle expenses		**6,860,787**	6,188,160
Tours and traveling		**645,435**	473,032
Books and periodicals		**26,997**	17,741
Printing and stationery		**814,192**	710,965
Depreciation	18.4	**14,248,432**	14,411,783
Office cleaning and maintenance		**667,300**	425,049
Auditors' remuneration	22.1	**855,831**	764,021
Advertisement		**173,000**	59,900
Legal and professional		**926,539**	1,530,408
Charity and donations		**2,510,080**	16,090
Sundry expenses		**134,523**	61,143
		38,054,765	33,777,126

Notes To The Financial Statements
For the Year ended December 31, 2010

		2010	2009
		----------- Rupees ---------	
22.1	**Auditors' remuneration**		
	Audit fee	**400,000**	360,000
	Taxation advisory services	**100,000**	135,000
	Review of Code of Corporate Governance	**60,000**	60,000
	Fee for interim review	**240,000**	160,000
	Out of pocket expenses	**55,831**	49,021
		855,831	764,021
23	**PROVISION FOR TAXATION**		
	Current year	**(1,156,030)**	(549,453)
	Prior year	**(521,200)**	-
	Deferred	**8,160,911**	(20,239,241)
		6,483,681	(20,788,694)

		2010	restated 2009
		----------- Rupees ---------	
23.1	**Relationship between tax expense and accounting profit**		
	Accounting (loss) / profit for the year	**(1,657,671)**	104,458,565
	Tax at the rate of 35%	**(580,185)**	36,560,498
	Exempt income	**-**	(25,462,500)
	Adjustment in respect of tax at different rates	**10,353,498**	-
	Prior year tax loss: used	**-**	(10,091,201)
	Prior year tax loss: recognized as a deferred tax asset	**10,404,068**	(13,198,327)
	Tax impact of deferred tax charged at reduced effective tax rate	**(2,243,157)**	(7,040,914)
	Tax effect of amounts that are inadmissible for tax purposes	**(9,823,883)**	(1,006,797)
	Tax effect of prior years	**(521,200)**	-
	Minimum tax	**(1,105,460)**	(549,453)
	Tax charge for the year	**6,483,681**	(20,788,694)

23.2 Income tax assessment for the tax year 2009 is deemed to have been finalised under section 120 of the Income Tax Ordinance, 2001. For contingences related to taxation please refer to note 10.

24 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	
	2010	**2009**	**2010**	**2009**
	------------------------------ 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	318,984	379,785	174,810	343,864
	918,984	979,785	1,734,810	1,903,864
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.

Notes To The Financial Statements
For the Year ended December 31, 2010

25.1 Uptill December 31, 2009 the Company had recorded accrued interest on "held-to-maturity investments" in "accrued investment income" instead of recording the same in "held-to-maturity investments". Financial statements for the year ended December 31, 2009 have been restated, to incorporate the impact of accrued interest income in held-to-maturity investments, which has been applied retrospectively and the comparative information has also been restated in accordance with the treatment specified in International Accounting Standard (IAS) 8 “Accounting Policies, Changes in Accounting Estimates and Errors". The effect of restatement is summarized below.

	Rupees
Net impact of prior period restatement	
Year ended December 31, 2009	
Increase in held-to-maturity investments	5,287,661
(Decrease) in accrued investment income	(5,287,661)

Effect on earnings per share

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

25.2 During the financial year ended December 31, 2009 the Company had measured certain equity instruments (as classified in available for sale investments) at market value in excess of their cost. Financial statements for the year ended December 31, 2009 have been restated, to incorporate the impact of reversal of impairment in value of available for sale investments, which has been applied retrospectively and the comparative information has also been restated in accordance with the treatment specified in International Accounting Standard (IAS) 8 “Accounting Policies, Changes in Accounting Estimates and Errors". The effect of restatement is summarized below.

Net impact of prior period restatement	
Year ended December 31, 2009	
Decrease in reversal of impairment in the value of investments - available for sale (net of tax)	989,612
Decrease in un-appropriated profit at December 31, 2009 (net of tax)	989,612

Effect on earnings per share

This effect on earnings per share due to above is as under:

Earnings per share (as previously reported)	4.23
Effect on earnings per share due to:	
- restatement of error	(0.40)
- bonus shares issued during the year	(0.48)
	3.35

26 **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 24.

	2010	2009
	------- Rupees ------	
Remuneration paid to directors and chief executive of the Company	**2,653,794**	2,883,649
Contribution paid to provident fund	**79,532**	126,828

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

27 **EARNINGS PER SHARE - BASIC AND DILUTED**

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

	2010	restated 2009
	------- Rupees ------	
Earnings		
Profit after taxation attributable to ordinary shares	**4,826,010**	83,669,871
		restated
	Number of shares	
Weighted average number of ordinary shares outstanding	**25,000,000**	25,000,000
Earnings per share (Rupees)	**0.19**	3.35

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

27.2 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, 2010

28 SEGMENT REPORTING

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

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

	Fire and property damage		Marine, aviation and transport		Motor act		Investment Property		Miscellaneous		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	Rupees											
Revenue from external customers	**138,412,217**	106,990,136	**64,778,094**	48,940,663	**11,019,751**	18,543,913	**6,118,200**	5,562,000	**47,433,414**	44,920,659	**267,761,676**	224,957,371
Depreciation	**4,077,706**	3,882,061	**1,908,401**	1,775,777	**324,648**	672,853	**6,540,262**	6,451,177	**1,397,416**	1,629,914	**14,248,432**	14,411,783
Segment profit	**(9,256,727)**	17,069,220	**15,501,112**	11,593,963	**6,179,677**	12,640,249	**6,118,200**	5,562,000	**8,814,882**	12,503,926	**27,357,144**	59,369,358
Capital expenditure	**972,258**	3,503,572	**455,025**	1,602,644	**77,407**	607,252	**86,116,000**	-	**333,190**	1,471,002	**87,953,880**	7,184,470
Segment assets	**132,161,182**	112,019,828	**61,852,556**	51,241,403	**10,522,072**	19,415,677	**228,317,851**	148,742,113	**45,291,204**	47,032,415	**478,144,864**	378,451,437
Segment liabilities	**108,679,643**	69,316,198	**50,862,997**	31,707,416	**8,652,579**	12,014,131	**731,000**	731,000	**37,244,158**	29,102,957	**206,170,376**	142,871,702

28.1 Reconciliations of reportable segments are as follows:

	2010	restated 2009
	Rupees	
Revenue		
Total revenue for reportable segments	**27,357,144**	59,369,358
Other revenue / (loss)	**9,262,661**	7,372,329
Entity's revenue	**36,619,805**	66,741,687
Profit for the year		
Total profit for reportable segments	**36,619,805**	66,741,687
Unallocated corporate income / (expenses)		
Other operating income	**136,821**	72,735,769
General and administration expenses	**(38,054,765)**	(33,777,126)
Finance cost	**(359,532)**	(1,241,765)
	(38,277,476)	37,716,878
Profit before income tax expense	**(1,657,671)**	104,458,565
Assets		
Total assets for reportable segments	**478,144,864**	378,451,437
Other unallocated corporate assets	**116,041,539**	165,325,826
Entity's assets	**594,186,403**	543,777,263
Liabilities		
Total liabilities for reportable segments	**206,170,376**	142,871,702
Other unallocated corporate liabilities	**388,016,027**	400,905,561
Entity's liabilities	**594,186,403**	543,777,263

The Company has no reportable geographical segment.

Notes To The Financial Statements
For the Year ended December 31, 2010

29 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.

29.1 Credit risk and concentration of credit risk

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

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

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

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

	2010	restated 2009
	---------- Rupees ----------	
Bank deposits	**90,766,993**	137,744,735
Investments	**24,260,748**	25,600,129
Premiums due but unpaid	**40,018,651**	56,739,888
Amount due from other insurers / reinsurers	**7,463,689**	7,086,366
Reinsurance recoveries against outstanding claims	**5,422,484**	7,691,738
Sundry receivables	**743,112**	743,112
	168,675,677	235,605,968

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.

	2010	2009
	---------- Rupees ----------	
The age analysis of receivables is as follows:		
Upto 1 year	**39,320,344**	51,080,678
1-2 years	**698,307**	5,659,210
	40,018,651	56,739,888

Notes To The Financial Statements
For the Year ended December 31, 2010

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

	Rating	Rating Agency	2010	2009
			---------- Rupees ----------	
National Bank of Pakistan Limited	AAA	JCR-VIS	**64,254**	31,623
Habib Bank Limited	AA+	JCR-VIS	**1,956,957**	11,508,844
KASB Bank Limited	A-	PACRA	**172,412**	22,033
Allied Bank Limited	AA	PACRA	**351,452**	12,429,055
MCB Bank Limited	AA+	PACRA	**4,302,487**	11,087,455
Bank of Punjab Limited	AA-	PACRA	**123,410**	123,077
United Bank Limited	AA+	JCR-VIS	**38,697**	25,680,029
Soneri Bank Limited	AA-	PACRA	**27,260**	171,109
NIB Bank Limited	AA-	PACRA	**4,648**	6,571
Bank of Khyber Limited	A-	JCR-VIS/PACRA	**121,612**	58,037
Al Baraka Bank Limited	A	PACRA	**42,835**	41,254
Faysal Bank Limited	AA	JCR-VIS/PACRA	**18,531**	18,778
First Women Bank Limited	BBB+	PACRA	**26,647**	9,234
Industrial Development Bank Limited	A-3	PACRA	**1,244**	39,801
SILK Bank Limited	A-	JCR-VIS	**6,547**	9,835
			7,258,993	61,236,735

29.1.3 Sector wise analysis of premiums due but unpaid

	2010	2009
Cables and rubber	**17,953,371**	12,487,438
Engineering	**1,844,645**	4,626,686
Construction	**7,340,360**	4,981,260
Services	**191,182**	2,989,024
Textile and composites	**3,408,571**	2,263,968
Agriculture	**4,079,958**	4,278,796
Other manufacturing	**1,703,852**	20,701,078
Miscellaneous	**3,496,712**	4,411,638
	40,018,651	56,739,888

29.1.4 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	2010	2009
	---------------------------------- Rupees ----------------------------------				
A or above (including PRCL)	7,113,689	5,422,484	87,107,530	**99,643,703**	62,601,789
BBB	350,000	-	-	**350,000**	1,352,622
Others	-	-	-	**-**	1,777,519
Total	7,463,689	5,422,484	87,107,530	**99,993,703**	65,731,930

29.2 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. 90.857 million (2009: Rs.138.214 million).

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

	2010			
Financial liabilities	**Carrying amount**	**Contractual cash flows**	**Upto one year**	**More than one year**
	------------------- Rupees ------------------			
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	**533,992**	**982,120**	**294,636**	**687,484**
Other creditors	**18,292,036**	**18,292,036**	**18,292,036**	**-**
	31,514,633	**31,962,761**	**31,275,277**	**687,484**

	2009			
Financial liabilities	Carrying amount	Contractual cash flows	Upto one year	More than one year
	------------------- Rupees ------------------			
Provision for outstanding claims	10,353,437	10,353,437	10,353,437	-
Amounts due to other insurers /reinsurers	5,161,218	5,161,218	5,161,218	-
Accrued expenses	594,810	594,810	594,810	-
Liabilities against assets subject to finance lease	691,733	1,420,873	438,753	982,120
Other creditors	14,189,275	14,189,275	14,189,275	-
	30,990,473	31,719,613	30,737,493	982,120

29.3 Market risk

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

a) Interest/mark up rate risk

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

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

				restated
	2010	**2009**	**2010**	**2009**
	Effective interest rate (in % age)		**Carrying amounts**	
Financial assets			**--------- Rupees ------**	
Bank deposits	**9.60% to 11.00%**	7.00% to 11.00%	**83,508,000**	76,508,000
Investments	**9.46%**	9.46% to 18.04%	**15,373,077**	16,317,961
Financial liabilities				
Liabilities against assets subject to finance lease	**20.00%**	15.00 to 20%	**691,733**	959,585

Sensitivity analysis

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

b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 10.671 million (2009: Rs. 10.272 million) at the balance sheet date.

Notes To The Financial Statements
For the Year ended December 31, 2010

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, 2010 and 2009 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, 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)**
December 31, 2009 - as restated	9,282,168	10% increase	10,210,385	928,217	928,217
		10% decrease	8,353,951	(928,217)	(928,217)

29.4 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.

29.5 Insurance risk

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

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

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

Geographical concentration of insurance risk

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial industrial/residential occupation of the insureds. Details regarding the fire separation/segregation with respect to the manufacturing processes, storage, utilities, etc are extracted from the layout plan of the insured facility. Such details are formed part of the reports which are made available to the underwriters/reinsurance personnel for their evaluation. Reference is made to the standard construction specifications as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within a insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

Notes To The Financial Statements
For the Year ended December 31, 2010

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

Reinsurance arrangements

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

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

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

	Gross sum insured		Reinsurance		Net	
	2010	2009	2010	2009	2010	2009
	---------- Rupees ----------					
Fire	**69,209,868,615**	41,878,422,206	**42,838,748,305**	23,822,290,188	**26,371,120,310**	18,056,132,018
Marine	**6,338,179,645**	4,111,182,301	**3,561,981,984**	2,020,714,599	**2,776,197,661**	2,090,467,702
Motor	**368,322,714**	366,326,516	**28,202,777**	28,815,606	**340,119,937**	337,510,910
Miscellaneous	**895,462,242**	1,957,653,124	**617,971,457**	1,239,056,522	**277,490,785**	718,596,602
	76,811,833,216	48,313,584,147	**47,046,904,523**	27,110,876,915	**29,764,928,693**	21,202,707,232

Sensitivity analysis

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

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

	Impact on pre tax profit		Shareholders' equity	
	2010	2009	2010	2009
10% increase in loss	---------- Rupees ----------			
Net				
Fire and property damage	**(5,658,851)**	(1,885,755)	**(3,678,253)**	(1,225,741)
Marine, aviation and transport	**(834,699)**	(563,090)	**(542,554)**	(366,009)
Motor act	**(131,822)**	(98,253)	**(85,684)**	(63,864)
Miscellaneous	**(260,896)**	(369,922)	**(169,582)**	(240,449)
	(6,886,268)	(2,917,020)	**(4,476,073)**	(1,896,063)
10% decrease in loss				
Net				
Fire and property damage	**5,658,851**	1,885,755	**3,678,253**	1,225,741
Marine, aviation and transport	**834,699**	563,090	**542,554**	366,009
Motor act	**131,822**	98,253	**85,684**	63,864
Miscellaneous	**260,896**	369,922	**169,582**	240,449
	6,886,268	2,917,020	**4,476,073**	1,896,063

Notes To The Financial Statements
For the Year ended December 31, 2010

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 2010.

Analysis on gross basis

Accident year

	2008	2009	2010	Total
		Rupees		
Estimate of ultimate claims cost:				
At end of accident year	41,453,140	73,869,025	123,367,391	**238,689,556**
One year later	37,684,635	-	5,773,179	**43,457,814**
Cumulative payments to date	(35,769,591)	(73,031,005)	(124,925,375)	**(233,725,971)**
Liability recognised in the balance sheet	43,368,184	838,020	4,215,195	**48,421,399**

NON-CASH TRANSACTIONS

Addition to motor vehicles during the year amounting to Rs. 3.090 million (2009: 1.312 million) were financed through finance lease arrangements.

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.

DIVIDEND

In respect of current year, the Board of Directors proposed fully paid bonus shares @ 10% of paid-up capital of the Company. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as liability in these financial statements.

DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of the Company and authorised for issue on April 5, 2011.

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
Office cleaning and maintenance	Salaries, wages and benefits	Better presentation	1,162,789
Sundry expenses	Charity and donations	Better presentation	16,090

CH. Md Saleem

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

Notes To The Financial Statements
For the Year ended December 31, 2010

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

Available for sale investments - quoted

Particulars	No. of Shares / Certificate		Cost		Market value		Lower of cost or market value	
	2010	2009	2010	2009	2010	2009	2010	restated 2009
	------ Number---------		---------------------------------- Rupees ----------------------------------					
Automobile and Parts								
Indus Motor company Limited	**6,000**	6,000	**1,088,500**	1,088,500	**1,514,820**	1,179,120	**1,088,500**	1,088,500
Banks								
Bank Al-Falah Limited	**6,500**	6,500	**232,600**	232,600	**72,865**	89,505	**72,865**	89,505
Bank of Khyber Limited	**10,000**	10,000	**135,080**	135,080	**43,000**	49,100	**43,000**	49,100
The Bank of Punjab Limited	**4,000**	4,000	**166,340**	166,340	**39,240**	78,000	**39,240**	78,000
KASB Bank Limited	**10,000**	10,000	**198,000**	198,000	**25,100**	73,900	**25,100**	73,900
NIB Bank Limited	**32,800**	32,800	**516,624**	516,624	**96,760**	157,440	**96,760**	157,440
Silk Bank Limited	**5,000**	5,000	**128,500**	128,500	**13,100**	23,700	**13,100**	23,700
Allied Bank Limited	**5,000**	5,000	**289,400**	289,400	**350,750**	293,650	**289,400**	289,400
Askari Commercial Bank Limited	**6,000**	6,000	**167,880**	167,880	**106,140**	163,800	**106,140**	163,800
Habib Bank Limited	**8,000**	8,000	**1,107,600**	1,107,600	**975,520**	987,520	**975,520**	987,520
MCB Bank Limited	**5,000**	5,000	**1,178,750**	1,178,750	**1,142,700**	1,098,400	**1,142,700**	1,098,400
Chemicals								
Fauji Fertilizer Company Limited	**1,200**	1,200	**139,200**	139,200	**151,032**	123,516	**139,200**	123,516
Dewan Salman Fiber Limited	**1,300**	1,300	**13,585**	13,585	**3,887**	1,924	**3,887**	1,924
Biafo Industries Limited	**1,000**	1,000	**48,100**	48,100	**56,990**	38,790	**48,100**	38,790
Construction and Materials								
DG Khan Cement Limited	**2,200**	2,200	**203,500**	203,500	**66,374**	71,632	**66,374**	71,632
Fauji Cement Limited	**14,000**	14,000	**130,400**	130,400	**70,280**	86,240	**70,280**	86,240
Lucky Cement Limited	**2,000**	2,000	**237,100**	237,100	**151,580**	132,480	**151,580**	132,480
Dadabhoy Cement Industries Limited	**1,500**	1,500	**16,650**	16,650	**2,565**	2,415	**2,565**	2,415
Shabbir Tiles & Ceramics Limited	**4,150**	4,150	**170,150**	170,150	**35,192**	45,650	**35,192**	45,650
Electricity								
Hub Power Co. Limited	**6,000**	6,000	**151,735**	151,735	**224,460**	186,480	**151,735**	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	**52,850**	56,350	**52,850**	56,350
Financial Services								
Standard Chartered Leasing	**500**	500	**5,925**	5,925	**1,420**	1,285	**1,420**	1,285
Fixed Line Telecommunication								
Pakistan Telecommunication Limited	**10,000**	10,000	**377,000**	377,000	**194,200**	176,500	**194,200**	176,500
Food Producers								
Noon Sugar Mills Limited	**7,000**	7,000	**180,150**	180,150	**83,860**	192,150	**83,860**	180,150
Unilever Pakistan Limited	**100**	100	**211,185**	211,185	**436,017**	230,000	**211,185**	211,185
Gas, Water and Multiutilities								
SNGPL Limited	**5,150**	5,150	**334,493**	334,493	**137,711**	127,720	**137,711**	127,720
Industrial Engineering								
Al Gazi Tractors Limited	**3,800**	3,800	**865,100**	865,100	**862,600**	904,552	**862,600**	865,100
Millat Tractors Limited	**2,000**	2,000	**267,100**	267,100	**999,560**	759,600	**267,100**	267,100
Industrial Transportation								
Tri-star Shipping Lines Limited	**7,400**	7,400	**74,000**	74,000	**6,660**	-	**6,660**	-
Oil and Gas Producers								
Shell Pakistan Limited	**4,000**	4,000	**1,295,085**	1,295,085	**832,880**	1,001,440	**832,880**	1,001,440
Pakistan State Oil Company Limited	**2,000**	2,000	**534,000**	534,000	**590,360**	594,880	**534,000**	534,000
Pakistan Oil Fields Limited	**2,000**	2,000	**487,000**	487,000	**591,920**	461,540	**487,000**	461,540
Personal Goods								
Nishat Mills Limited	**770**	770	**99,330**	99,330	**49,411**	53,823	**49,411**	53,823
Ibrahim Fibres Limited	**3,900**	3,900	**198,510**	198,510	**164,346**	142,818	**164,346**	142,818
Qayyum Spinning Mills Limited	**10,000**	10,000	**100,000**	100,000	**4,000**	3,000	**4,000**	3,000
Fatima Enterprises Limited	**5,000**	5,000	**50,000**	50,000	**66,500**	72,700	**50,000**	50,000
Pharma and Bio Tech								
Highnoon (Laboratories) Limited	**2,500**	2,500	**204,375**	204,375	**72,350**	81,650	**72,350**	81,650
Tobbaco								
Pakistan Tobacco Company Limited	**5,000**	5,000	**311,350**	311,350	**551,150**	525,000	**311,350**	311,350
			12,042,797	12,042,797	**10,843,660**	10,271,780	**8,887,671**	9,282,168

Notice Of Annual General Meeting

Notice is hereby given that 63rd 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, 30th April 2011 at 10:00 AM to transact the following business:

Ordinary business:

1. To confirm the minutes of the last annual general meeting held on 30th April 2010;
2. To receive, consider and adopt the audited annual financial statements of the Company for the year ended 31st December 2010 together with the Directors' Report and Auditors' Report thereon;
3. To appoint auditors of the Company and to fix their remuneration for the year 2011. The board of directors has recommended the appointment of M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants. The retiring auditors M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants, offer themselves for re-appointment;

Special business:

4. To approve as recommended by the board of directors, issue of bonus shares in ratio of 1 ordinary share for every 10 ordinary shares held by the members (ie. 10%)

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. M Saleem

Ch. Muhammad Saleem
Company Secretary
Lahore: 5th April 2011

NOTES

1) The share transfer books of the Company will remain closed from 24th April 2011 to 30th April 2011 (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) Pursuant to rule 6 (iii) of the Companies (Issue of Capital) Rules, 1996, the auditors' have certified that the free reserves and surpluses retained after the issue of bonus shares will not be less than 25% of the increased capital.
5) 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.
6) Members who have not yet submitted photocopy of their **CNIC** to the Company, are requested to send the same at the earliest.

Notice Of Annual General Meeting

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

Item No. 4 of the Notice

The Board at their meeting on 5th April 2011 considered and resolved unanimously to approve and place before the shareholders for approval by ordinary resolution to consider and, if thought fit, to pass with or without modification the following ordinary resolutions:

a) "**Resolved** that a sum of Rs. 25,000,000 out of the free reserves of the Company be capitalized and applied to the issue of 2,500,000 ordinary shares of Rs 10 each and allotted as fully paid up bonus shares to the members of the Company who are registered in the books of the Company on 23rd April 2011, in the proportion of 10 such new shares for every 100 existing ordinary shares held and that such new shares shall rank pari passu with the existing ordinary shares of the Company."

b) "**Resolved** that the sale proceeds of members' entitlement to fractions of shares shall be paid to a charitable institution approved under section 61 (1) of the Income Tax Ordinance, 2001 for which purpose the fractional shares shall be consolidated into whole shares and issued to the Company Secretary upon trust to sell these shares on the Stock Exchange, through a member of the Exchange, and pay the net proceeds of sale when realized to the prescribed institution."

c) "**Resolved** that for the purpose of giving effect to the foregoing the Directors be and are hereby authorized to give such directions as may be necessary and as they deem fit to settle any questions or difficulties that may arise in the distribution of the said new shares or in the payment of the sale proceeds of the fractional shares".

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

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 63rd Annual General Meeting of the Company to be held on Saturday, April 30th 2011 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