



# The Pakistan General Insurance Company Limited

(Incorporated in 1947)

April 12, 2022  
Our ref.: PSX/2022/78692

Mr. Hafiz Maqsood Munshi  
Senior Manager  
Companies and Securities Compliance – RAD  
Pakistan Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road  
Karachi.

**Subject: Independent Auditors' Report for the Year Ended December 31, 2021**

Dear Sir,

Please refer to your letter no. PSX/GEN-716 dated April 08, 2022.

Below is the point wise explanation of non-compliances being mentioned by the auditors in their report;

S. No.	Observations	Explanation
1	As disclosed in note 2.3 to the financial statements, Securities and Exchange Commission of Pakistan (SECP) vide its order dated June 07, 2017 under section 11(1)(f) and section 12(1) and (4) read with section 63(1) and section 156 of the Insurance Ordinance, 2000, restricted the Company from entering into new contracts of insurance after July 07, 2017. Further, the Company has incurred a profit of Rs.13.09 million arising Rs. 24.01 million on account of change in accounting policy to comply with IAS 40 and Rs. 33.03 million on account of written back its financial liabilities that are no longer payable during the year ended December 31, 2021, therefore its accumulated loss stands Rs. 68.28 million (2020: Rs 82.42 million). These conditions, along with the inability of the Company to meet the minimum paid up capital requirements and restrictions imposed by the SECP, indicate the material	<p>The auditors' had highlighted the order passed by SECP in which it had issued a direction under section 63 of the Insurance Ordinance, 2000 according to which the Company shall not enter into new contracts of insurance against which the Company had filed an appeal with Honourable Lahore High Court, Lahore which is pending adjudication and the legal counsel of the Company is of the view that there is every likelihood that the matter will be decided in favour of the Company.</p> <p>Moreover, the paid-up capital requirement of the Company as at December 31, 2021 is short by Rs. 36 million as per the statutory requirements of the Insurance Ordinance, 2000. As the Company is under direction for not entering into new contracts of insurance and with such restriction the members could not be induced to further invest into the Company but, however, as and when the direction is removed, the Company will issue right shares of Rs. 36 million which will meet the capital requirement.</p>

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**President Office:** Gardee Trust Building, Thoronton Road, Lahore.  
Tel: +92-42-37223224, 37230892-94. Fax: +92-42-37230895  
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	<p>uncertainties that may cast significant doubt of the company's ability to continue as going concern and therefore the company may not be able to realize its assets and discharge its liabilities in the normal course of business. The company has prepared these financial statements on going concern basis of accounting. The basis used by the management are not acceptable by the auditors, therefore the same has been qualified as per relevant provisions of ISA 570.</p>	
2	<p>SECP through its letter no. ID/OSM/PGI/2020/1062, dated October 21, 2020, has confirmed that the conditions imposed by NAB, order no. ACR NO. 95/PB/2017 relating to recovery of claim amounting to Rs. 86.2 million from Ex- CEO Ch. Zahoor Ahmad has been duly waived off. The previous disqualification of Ch. Zahoor Ahmad remains unchanged, the company is also required to meet condition no. 2 and 3 of SECP letter no. ID/OSM/PGI/2020/1062, dated October 21, 2020.</p>	<p>The auditors' had also highlighted that SECP through its letter no. ID/OSM/PGI/2020/1062, dated October 21, 2020, has confirmed that the conditions imposed by NAB, order no. ACR NO. 95/PB/2017 relating to recovery of claim amounting to Rs. 86.2 million from Ex- CEO Ch. Zahoor Ahmad has been duly waived off. As far as the remaining two conditions are concerned we are contesting the same in court and we are quite hopeful that the case will be decided in our favour.</p>
3	<p>The amount due from insurance contract holders as disclosed in note 11 to the financial statements, amounting to Rs 71.03 million (2020: Rs 100.40 million) remains unconfirmed. Management has written off bad debts amounting Rs. 24.78 million in respect of these balances (2020: Nil). The Company has claimed recovery of Rs 4.59 million (2020: Rs 14.16 million) during the year and paid recovery / commission of Rs 2.08 million (2020: Rs 2.87 million) against these recoveries as disclosed in note 26 to the financial statements also remains unverified. Due to pending confirmations and underlying record, resultant adjustments and consequential impacts thereof, if any, on the financial statements remain unascertained.</p>	<p>We have provided necessary details (receipts and bank statements) as regard to amount due from insurance contract holders to the auditors, however, as the customers are majority being individuals and there is general tendency in our economic culture that enquires as to balance confirmations remains unattended which is beyond our control.</p>

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4	The insurers / reinsurers payables to Pakistan Reinsurance Company Limited (PRCL) amounting to Rs 29.25 million (2020: Rs 29.25 million) as disclosed in note 19 to the financial statements remain unconfirmed, due to unavailability of confirmation certificates relating to above balance, the financial effects of the same remain unascertained.	The amount is payable to PRCL, we had contacted PRCL to confirm the balance directly to the auditors, whereas the same remained un-responded from their end which is beyond our control.
5	The company has not complied with the requirements of section 244 of the Companies Act, 2017.	The Company shall meet the requirements of section 244 of the Companies Act, 2017 within 3 to 6 months.

## Progress report as required under PSX Regulation 5.11.2.(b)

In this regard we would like to submit that our case No. 14190/2020 is pending before division bench (Justice Muhammad Sajid Mehmood Sethi) of Lahore High Court.

We would like to ensure you that as and when there will be any progress in our case we shall communicate the same with your good office immediately.

Sincerely,

Company Secretary

c.c. The Director (CSD) SECP 1906

c.c. The Additional Director (AD-SMD) SECP 1907

c.c. The chief Regulatory officer PSX 1908