

# 67<sup>th</sup>

SUSTAINABLE GROWTH

# 2014

Annual  
Report



**PGI**

The Pakistan General  
Insurance Company Limited



## Building Sustainable Performance

**This has been a year of progress towards our strategic targets. We introduced new customer initiatives, enhanced our technical pricing capability; continued the transformation of our claims capability; and increased our operating efficiency. Our strong customer focus remains integral: we aspire to provide our customers with products that best suit their evolving needs and encourage them to expect a high quality of service throughout their relationship with us.**

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### **Annual General Meeting**

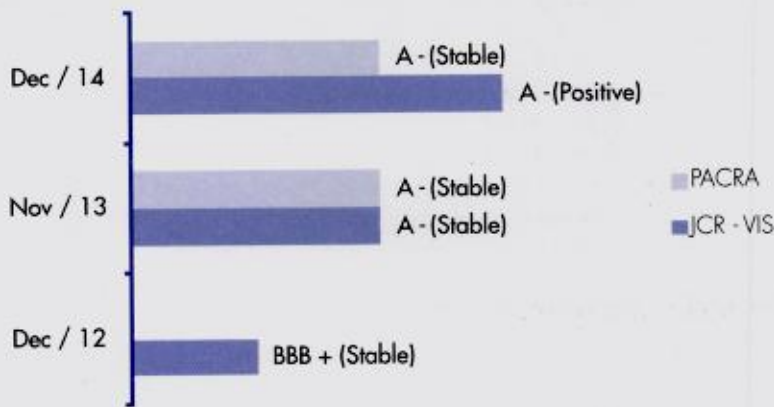
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## Insurers' Financial Strength (IFS) Rating

### Rating Agencies

PACRA		JCR - VIS	
Rating	A -	Rating	A -
Outlook	Stable	Outlook	Positive
Denotes	Strong capacity to meet policyholder and contract obligations. Risk factors are moderate, and the impact of any adverse business and economic factors is expected to be small. Per rating scale, companies falling under A-, A and A+ have above characteristics.	Denotes	High capacity to meet policyholder and contract obligations; Risk factors may vary over time due to business /economic conditions. Per rating scale, companies falling under A-, A and A+ have above characteristics.



- This has been a year of progress towards our strategic targets, our customer focus remains integral.
- PGI posted gross premium of over Rs. 400 million in a challenging environment.
- Aims to maintain rating in the 'A' range from our rating agencies.
- The Board considers that PGI is currently strongly capitalized with a risk-based capital coverage ratio at the upper end of its risk-based capital coverage target range and an 'A' rating with stable outlook from its credit rating agencies.

## **Vision**

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

## **Mission**

Our aim is to provide cost effective insurance covered to our customers.

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

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

## **Strategic Objectives**

To create a niche market within the Insurance Industry, wherein customers are provided unrivaled services – permeated by best practices – that will assist them in minimizing their risk via dedicated and tailored advice.



## Core Values

### Professionalism

We define professionalism as a mind-set towards perfection. Our business model works on the philosophy of passion and customer delight. We serve all our stakeholders with dedication, discipline, decisiveness and distinction.

### Commitment to Growth

Through our expertise, analysis and focus, we assure growth for all our stakeholders.

### Whistle Blowing Policy

In compliance with the code of corporate governance the Company has adopted whistle blowing policy.

The Company has an established code of ethics which sets out the standards of conduct expected in the management of its business.

All employees are expected to carry out their duties in the manner that is consistent with the code.

If employees become aware of the circumstances, which are not in compliance with the code, they may communicate their concerns to the Chief Executive Officer of the Company.

### Integrity

In conducting business we are inspired by and comply with the principles of fairness, transparency, completeness and efficiency. Our relationships with employees and other stakeholders are characterized by honesty, co-operation and mutual respect.

### Commitment to Excellence

Performing consistently at higher levels, striving continuously for innovation, agility, optimization and responding vigorously to change is our mark of excellence.

### Employee Diversification and Centricity

The Company values the diversity of its employees and is committed to creating a working environment that is inclusive of all. The Company embraces people's differences in order to attract and retain talent and seeks to enable employees to reach their potential; these differences include but are not limited to age, belief, disability, ethnicity, gender and religion orientation.

These commitments extend to recruitment and selection, training, career development, flexible working arrangements, promotion and performance appraisal.

As an organization we are committed to ensuring that diversity is promoted across all areas of our business. At recruitment we make adjustments to facilitate applications and the selection process and provide guidance and where necessary additional training for interviewers.



## Company Information

### Board of Directors;

Ch. Manzoor Ahmed PSP Retd. (Chairman)  
Ch. Zahoor Ahmed  
Nasir Ali (ACII)  
Ghulam Mustafa  
Raees-ud-Din  
Dr. Mehmood ul Haq  
Mazhar Zahoor  
Ather Zahoor  
Muazzam Gul (FCA - Eng. & Wales)

### Chief Executive Officer

Ch. Zahoor Ahmed

### Executive Director

Ghulam Mustafa

### Chief Financial Officer

Azhar Hafeez Ch.

### Company Secretary

Mazhar Zahoor

### Audit Committee

Muazzam Gul - FCA (Chairman)  
Raees-ud-Din  
Nasir Ali (ACII) (Secretary)

### Investment Committee

Ch. Zahoor Ahmed (Chairman)  
Dr. Mehmood ul Haq  
Muazzam Gul (FCA) (Secretary)

### Human Resources and Compensation Committee

Raees ud Din (Chairman)  
Nasir Ali (ACII)  
Ather Zahoor (Secretary)

### Underwriting Committee

Ch. Zahoor Ahmed (Chairman)  
Zahid Iqbal Zia  
Zaheer Ahmed Khan (Secretary)

### Claims Settlement Committee

Ghulam Mustafa (Chairman)  
Kashif Ali  
Mian Muhammad Iqbal (Secretary)

### Reinsurance and Coinsurance Committee

Nasir Ali (ACII)  
Muhammad Maqsood Peracha  
Sajid Hussain (Secretary)

### Legal Advisors

M. Javed Iqbal (Advocate Supreme Court)  
Ch. M. Maqsood Ahmed (Advocate Supreme Court)

### Auditors

Rahman Sarfraz Rahim Iqbal Rafiq  
Chartered Accountants  
(member firm of Russell Bedford)

### IFS Rating Agencies

JCR - VIS  
PACRA

### Tax Consultants

Kamran & Co.  
Chartered Accountants  
(member firm of INPACT Asia Pacific)

### Share Registrars

Corplink (Private) Limited  
Wing Arcade, 1-K Commercial Area, Model Town  
Lahore

### Bankers

Habib Bank Limited  
Bank of Punjab  
Allied Bank Limited  
National Bank of Pakistan  
United Bank Limited  
MCB Bank Limited  
Faysal Bank Limited  
Punjab Provincial Cooperative Bank Limited  
Zarai Taraqyati Bank Limited  
Soneri Bank Limited  
Dubai Islamic Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
Meezan Islamic Bank Limited  
First Women Bank Limited

### Registered and Head Office

Cooperative Bank House  
5 Bank Square, Shahrah e Quaid e Azam  
Lahore

### Contacts

Tel.: +92 (42) 3732-4404; 3722-3224  
Fax: +92 (42) 3723-0895; 3723-0634

### E-Contacts

info@pgi.com.pk  
www.pgi.com.pk



## Company Profile

### Early days to-date

The Pakistan General Insurance Company Limited ('PGI' or 'the Company') came into existence in the year 1947 with the incorporation No. 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 around 900 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, which include customer intermediaries, employees, shareholders and business partners.

In every action PGI seek to make a positive contribution toward 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 and others.

### 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 biggest network of branches) of its offices across the country.

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

PGI has been awarded Insurer Financial Strength (IFS) Rating of 'A-' by both the credit rating companies, JCR-VIS (with a positive outlook) and PACRA (with a stable outlook), denoting an adequate capacity to meet policy holder and contract obligations.

### Our focused processes

#### Product distribution

We aim to make our products easy to access and to give our customers what they are looking for, to ensure they are appropriately covered when unexpected events happen. We apply a multi-brand, multi-product and multi-distribution channel business model to sell to retail customers and businesses. Each brand provides products targeted at one or more insurance segment. By tailoring the mix of distribution channel for each product, we can offer our customers a combination of brands, products and services that best suits their needs.

#### Pricing and underwriting

The scale of our business, which has been operating for almost 70 years, gives us deep insight into the risks we underwrite, which enables us to improve pricing accuracy. It also allows us to invest more heavily in data and achieve efficiencies, which means we can more accurately set the appropriate price for the risks we underwrite.

#### Settling claims

If the time comes to make a claim, it is at that point that customers see the value of their policy. Through active engagement with our customers, we aim to settle their claim as quickly and as easily as possible. Doing this the right way helps us to demonstrate the value of the products and services we provide and manage our claims costs.

### Our disciplined approach

#### Managing finances

We seek to ensure that our business is well governed and controlled. We aim to manage our finances carefully by spending money on items that add the most value to our customers, balancing this with the need to generate a suitable and sustainable return to our shareholders. We hold assets in excess of our expected liabilities in the form of capital, which is designed to absorb unexpected losses that might occur, as well as to meet regulatory capital requirements.

#### Managing risks

We ensure that our products meet regulatory standards and that customers understand what they are purchasing from us. We also aim to make sure we price our policies prudently and we invest our assets appropriately to minimise any potential losses. We mitigate risks by adopting policies and minimum standards that are regularly reviewed and updated to ensure that we are in line with the risk appetite set by the Board. Regular reviews by external experts supplement this internal control framework.

## Protecting Customers & Product Portfolio

### Our business divisions

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We tailor our products to target specific market segments.

#### Fire and property damage

Our portfolio comprises of a broad spread of quality business ranging from simple residential property to very large sophisticated industrial risks. These would include activities involving complex risks relating to various major industrials. The fire portfolio in the main comprises of operational risks. The insurance covers include both material damage as well as loss of revenue due to business interruption following the material damage.

#### Marine, aviation and transport

##### **Marine cargo**

Insurance coverage is provided for goods in transit from all over the world to Pakistan and vice versa by all means of conveyance i.e. sea, air and land. Special insurance products are also offered for large project cargoes and this class also includes for such projects, loss of revenue insurance.

##### **Marine Hull and aviation**

Coverage is provided for the insurance of ships, other vessels and aircraft ranging from small single general aviation to airlines. This insurance includes both physical damage as well as liabilities to third parties and passengers.

#### Miscellaneous

##### **Engineering**

The engineering part of the portfolio would include in the main construction risks be it simple civil work or major infrastructure projects like dams, highways etc.

Other engineering risks would include coverage for breakdown of plant / machinery.

##### **Others**

All other insurance products of various types to suit individual client requirements are also available like engineering, personal accident and other like insurances. Also specialized insurance covers are offered to crops covering loss due to natural calamities and health attacks.

In addition, our qualified engineers provide recommendations and guidance to our Property Insurance clients on various aspects of industrial safety including protection measures as well as sharing of information on latest techniques as per international standards.

We have multiple brands, products and distribution channels that enable customers to choose the right level of cover to protect

#### Motor

PGI provides a full range of products for all kinds of vehicles being either private or commercial and the coverage includes physical damage including theft and liabilities as required under law.

Ancillary products are also offered for personal accident to drivers, passengers and the like.



## Board of Directors and Management

Name	Status	Board Committee
Ch. Manzoor Ahmed	Non-Executive Director	Chairman of the Board
Ch. Zahoor Ahmed	Chief Executive / Executive Director	Investment and Underwriting Committee
Nasir Ali	Non-Executive Director	Audit, HR Compensation and Reinsurance Committee
Ghulam Mustafa	Executive Director	Claims Settlement Committee
Raees ud Din	Independent / Non-Executive Director	Audit and HR Compensation Committee
Dr. Mehmood ul Haq	Independent / Non-Executive Director	Investment Committee
Mazhar Zahoor	Executive Director	Company Secretary
Ather Zahoor	Non-Executive Director	Human Resources Compensation Committee
Muazzam Gul	Independent / Non-Executive Director	Audit and Investment Committee

The independent directors meet the criteria of independence as set in the Code of Corporate Governance adopted by the Karachi Stock Exchange at the time of their appointment on the Board.

## Management

### Functional and Department Heads

Chief Executive Officer	Ch. Zahoor Ahmed
Chief Financial Officer	Azhar Hafeez Ch.
Company Secretary	Mazhar Zahoor
Head Human Resources	Usman Ali
Head Internal Audit	Abdul Rasheed
Head Underwritings	Zahid Iqbal Zia
- Fire and Property Damage	Muhammad Yusuf Zahid
- Marine, Aviation and Transport	Mian Muhammad Iqbal
- Motor	Zaheer Ahmed Khan
Head Legal Affairs and Compliance Officer	Ghulam Mustafa
Head Corporate Taxation	Javed Iqbal Khan
Head Reinsurance	Muhammad Maqsood Peracha
Head Claims	Kashif Ali
Head Administration	Waseem Ahmed Khan Lodhi
Head Marketing & Public Relations	Siddiq A. Sabir
Head of MIS and Information Technology	Aziz ud Din Gillani

### Regional Heads

Lahore – Zone I	Sh. Azmat Ali
Lahore – Zone II	Ch. Habib Ullah
Lahore – Zone III	Sh. Muhammad Anwar
Lahore – Zone IV	Mehmood ul Hassan Ch.
North Zone	Ahsan Rasheed Mirza
Multan	Syed Fahim Waris
Bhawalpur and Vehari	Syed Waqar Rizvi
Sindh and Balochistan	Muhammad Shafi Chundrigar
Karachi – Zone I	Salma Majid
Karachi – Zone II	Haroon Ghani Memon
South Zone	Raja Gul Saeed Ahmed Khan



## Presence across the Country

### Lahore

#### Head office

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

(042) 3732-3569; 3732-5382  
3732-4404; 3735-2182

Fax (042) 3723-0634

Email info@pgi.com.pk

#### President and CEO Office

Gardee Trust Building  
Thornton Road, Lahore

(042) 3722-3224; 3731-0655  
3731-0590; 3731-0675  
3731-0685; 3735-5598

Fax 3723-0895

Email info@pgi.com.pk

#### Zone - I

Azmat Ali Sh. (GM)

M. Dilawar (SM)

1<sup>st</sup> Floor Gulberg Center  
Main Boulevard, Lahore.

(042) 3576-3146

#### Zone - II

Ch. Habib Ullah (GM)

89 A, Temple Road, Lahore

(042) 3636-6997; 3637-2891

#### Zone - III

M. Anwar Sh. (GM)

488 Tufail Road,

Lahore Cantt

(042) 3666-79261

#### Zone - IV

M. Nawab Qureshi (SVP)

226 Manzoor Market

Ewing Road, Lahore

(042) 3735-6202; 3724-0965

Mehmood Hassan (SVP)

PGI House, 5A Bank Square

Shahrah-e-Quaid-e-Azam, Lahore

(042) 3711-3551; 3711-3552

Fax 3731-2997; 3711-3527

Ch. Gulzar Ahmed (VP)

212/213 Abid Market, Lahore

(042) 3636-0959; 3630-1187

### Karachi

#### Zone - I (Corporate Office)

Mrs. Salma Majid (SEVP)

Suite No. 604, Business Plaza

Mumtaz Hassan Road, Karachi

(021) 3246-1523 ; 3246-1525

Fax 3246-1526

Email sevp.pgi@gmail.com

#### Zone - II

Haroon Ghani Memon (GM)

10/24, Arkay Square, New Chali

Shahrah-e-Liaqat, Karachi

(021) 3241-6648

Fax 3241-5097

### Hyderabad

Muhammad Shafi Chndrigar (GM)

Room 1 & 2, AlFalsh Chambers

Tilac Incline, Hyderabad

(022) 263-5128; 263-0545

Fax 261-0140

### Quetta

Muhammad Sidique (VP)

Room 1, 2<sup>nd</sup> Floor, Siraj Complex

Circular Road, Quetta

(081) 282-1126

### Sukhur

Raja Gul Saeed Ahmed Khan (JP)

16 Mehran Markaz, Sukhur

(071) 561-3508; 563-0919

### Kot Addu

Muhammad Nadeem Khan (BM)

Flat 4, Abbass Plaza, Kot Addu

(066) 224-2847

### Dera Ghazi Khan

Mian Javed (BM)

Quaide-Azam Road, DG Khan

(064) 246-1253

### Rahim Yar Khan

Khadim Hussain Bhatti (BM)

80/B Umer Block, Abbasia Town, RY

Khan

Tel. (068) 587-7883

### Bahawalpur

Syed Waqar Ali Rizvi (GM)

1<sup>st</sup> Floor, AlKarim Plaza

Circular Road, Bahawalpur

(062) 287-6535; 273-2335

### Multan

Syed Fahim Waris (GM)

Shopping Center # 3,

Shahrah-e-Quaide-Azam, Multan

(061) 454-3130; 458-1227

Fax 450-4140

Rana Sana Ullah Khan (BM)

Room No. 24, 3<sup>rd</sup> Floor, Trust Plaza,

Dera Adda Road, Multan

(061) 454-8913

### Vehari

Imran Sattar (BM)

14 B, Grain Market, Vehari

(067) 336-1046

### Chishtian

Ch. Muhammad Amin Javed (VP)

Gala Mandi, Chishtian

(063) 250-3042

### Sahiwal

Ch. Iqbal Hussain (EVP)

147 Railway Road, Sahiwal

(040) 422-0825

### Faisalabad

M. Waseem Saleem Ch. (VP)

Opposite Iqbal Park, Jhang Road,

Faisalabad

(041) 261-5774

Fax 262-2874

### Sargodha

Ch. Zaffar Niaz (RM)

Shaheen Plaza, Railway Road,

Sargodha

(048) 372-2435

M. Taufeeq Piracha (BM)

Fatima Jinnah Road, Sargodha

(048) 372-1418



## Presence across the Country

### Mianwali

Muhammad Khan Baloch (AVP)  
Bank Street, Mianwali  
(0459)233-130

### Jhang

Mian Zulfiqar Ali (VP)  
Opposite Bank of Punjab,  
Yousaf Shah Road, Sadar, Jhang  
(047) 762-1943

### Gujranwalla

Mrs. Ashi Malik (BM)  
Mr. Javed Malik (M)  
58 B, Trust Plaza, GT Road,  
Gujranwalla  
(055) 325-2113; 322-1117  
Fax 384-2988

### Sialkot

Muhammad Arif Khokhar (BM)  
Aurangzeb Market,  
Karimpura Road, Sialkot  
(052) 458-6406; 460-1358

### Chakwal

Raja Munir Akhtar (BM)  
Near Dr. Mushtaq Awan Clinic  
Bowan Road, Chakwal  
(0543) 551-150

### Mirpur

Ashfaq Amer Qureshi (VP)  
House No. 94, Sector C/4, Mirpur,  
Azad Kashmir  
(05827) 432-838  
Fax 432-838

### Muzaffarabad

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

### Islamabad

Ahsan Rasheed Mirza (GM)  
Room 13, 2<sup>nd</sup> Floor Hill View Plaza  
Blue Area, Islamabad  
(051) 287-6274

### Gilgit

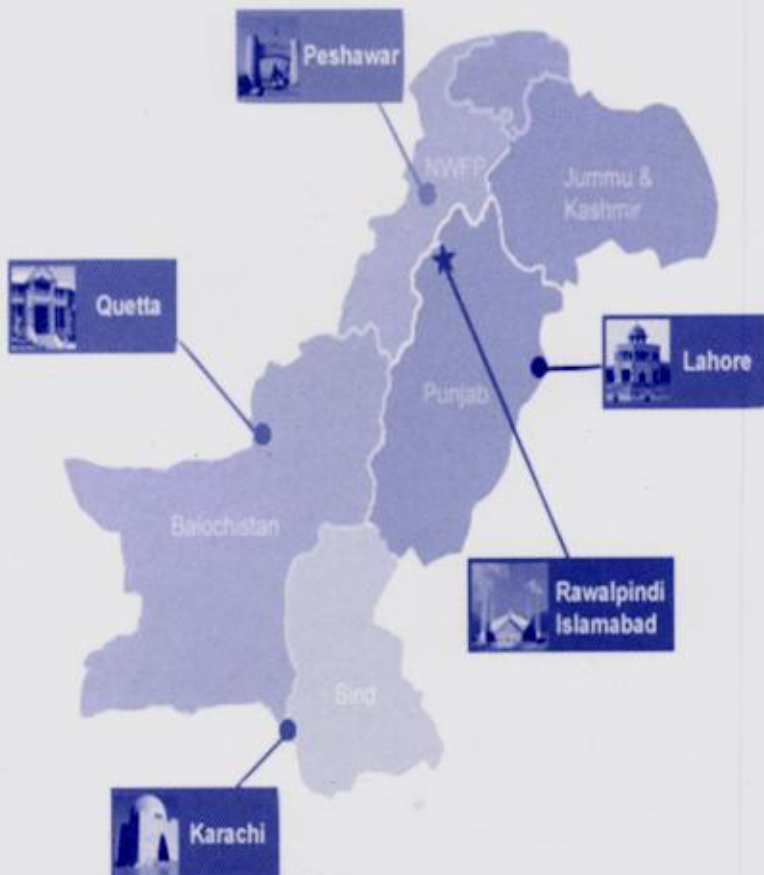
Syed M. Shaukat (BM)  
Alfalah Market, Zulfikarabad, Gilgit  
Tel. (0355) 419-8555

### Abbotabad

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

### Peshawar

Ahsan Rasheed Mirza (GM)  
S/3 & S/4, Belore Palace  
Peshawar  
(091) 527-5184; 527-5405  
Fax 527-1077



### Glossary of Designations

SEVP	Senior Executive Vice President
SVP	Senior Vice President
EVP	Executive Vice President
JP	Joint President
VP	Vice President
RM	Regional Manager
GM	General Manager
BM	Branch Manager
M	Manager

## Organogram





## Business Model

We use a multiproduct and multi-distribution channel business model, aiming for each of our brands to offer a specific proposition to a distinct customer segment. We believe that this approach, when combined effectively with our significant scale, should help us achieve high performance in distribution, pricing, claims and cost. In turn, this enables us to aim to generate value for customers and sustainable returns for our shareholders.

## Generating value for our customers through our people

### Our customers

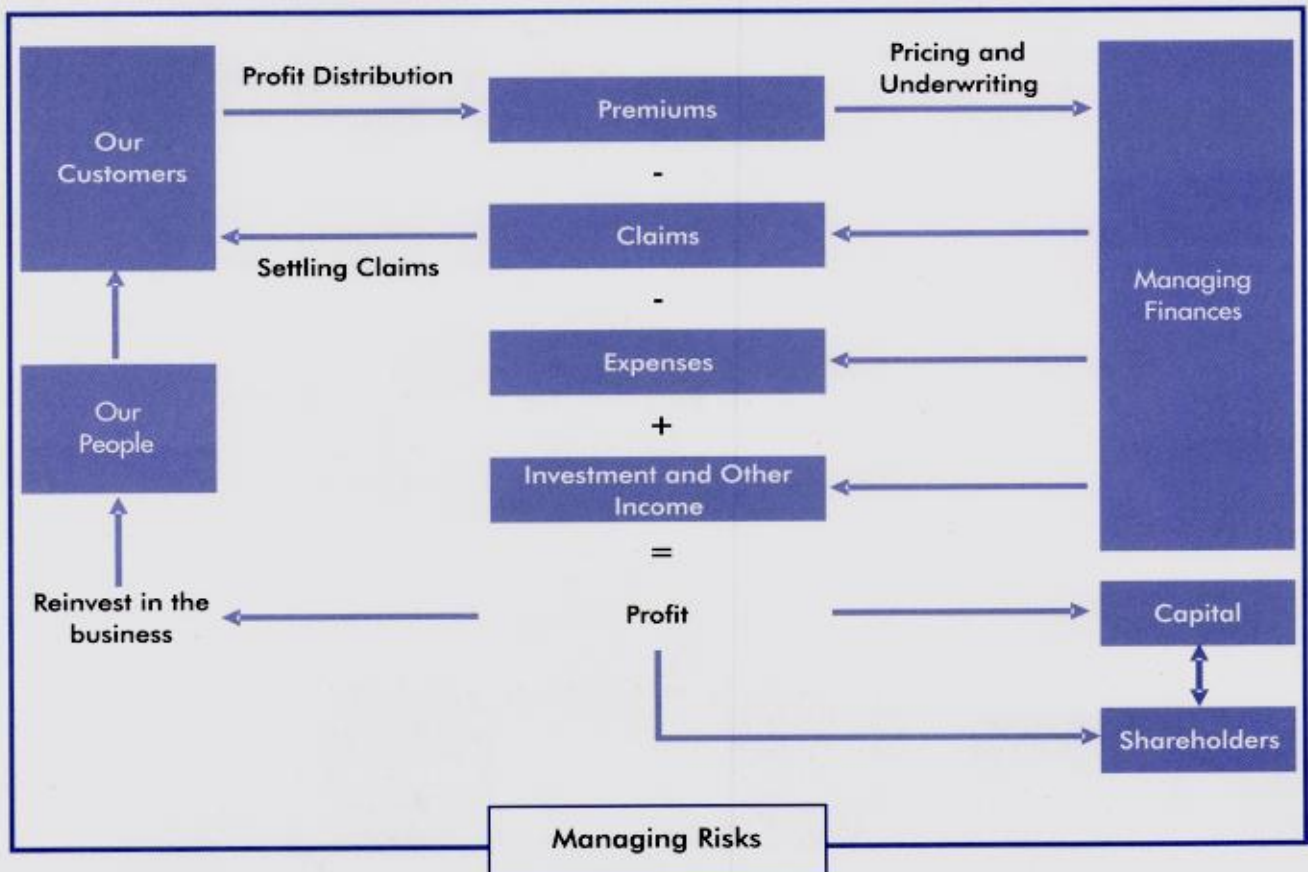
Our business model starts with our customers, whom we aim to keep at the core of what we do. We aspire to give them the products that best suit their needs and encourage them to expect a high quality of service throughout their relationship with us. We also strive to be a business that can adapt to their changing needs. We treat each phase of the customer journey as an opportunity to provide an excellent service and outcome from the moment customers select our products, through to the time they make a claim or need to resolve an unexpected event.

### Our people

Everyone - from front-line staff, who interact directly with our customers, to our people in support and central functions, who run the processes that support our products and services - plays a part in ensuring we are meeting customers' needs. Without our people, we could not generate value for our customers and sustainable returns for our shareholders.

### Our shareholders

Our shareholders form a crucial part of our business model by investing in us, in the expectation of achieving a return. We aim to deliver value for our shareholders by sustaining the generation of business profit, which is reinvested in the business or distributed to shareholders in the form of dividends.





## Code of Conduct

Salient features of the code of conduct are-

**The "Values" and "Principles" that the organization has developed over the years are adhered to by all employees within the organization.**

**PGI's operations and activities will be carried out in compliance with the law, regulations and ethical integrity. Employees are committed to fulfill their duties with utmost sincerity and fairness**

PGI's operations and activities will be carried out in compliance with the law, regulations and ethical integrity. Employees are committed to fulfill their duties with utmost sincerity and fairness. In conducting its business PGI is inspired by and acts in accordance with the principles of loyalty and efficiency.

Employees of PGI avoid conflict of interest while conducting business and ensure that their judgment is not influenced whenever there is a prospect of direct or indirect personal gain. Employees should not take advantage of the PGI's information or property for personal gains. Any member of PGI shall not disclose or reveal any information which is confidential in nature or any such information which may benefit the employee directly or indirectly.

The members of PGI are forbidden to pass on inside information at any time to any other person, inside or outside the company. Inside information refers to information that is generally not known to the public, but if known would affect the price of a PGI's share or influence a person's investment decisions.

Employees shall not use company resources for the benefit of political parties or any association directly or indirectly connected to a political party. It is the responsibility of all PGI members while dealing with government agencies, external agencies, suppliers, consultants and individuals to exercise good judgment, so as to act in a manner that will not damage the integrity and reputation of the organization.

Every employee of PGI has the right to work in an environment that is free from harassment. PGI is an equal opportunity employer. All phases of the employment relationship including promotion, benefits, recruitment, compensation, transfers, layoffs and leaves are carried out by all managers without any regard. All employees are responsible for the security of authorized access to and proper use of PGI physical and intangible assets and any third party assets in custody with an employee.



## Board and Management Committees

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

### Board Committees

Audit Committee
Investment Committee
Human Resources and Compensation Committee

### Management Committees

Underwriting and Risk Management Committee
Claims Settlement Committee
Reinsurance and Coinsurance Committee

### Audit Committee

#### Role and Focus

The Board is responsible for effective implementation of a sound internal control system including compliance with control procedures.

In line with the best practices, the Board has established the audit committee. The audit committee is assisted by the internal auditor in reviewing the adequacy of operational controls and in monitoring and managing risks so as to provide reasonable assurance that such system continuous to operate satisfactorily and effectively in the Company and to add value and improve the Company's operations by providing independent and objective assurance.

The principal responsibility of the internal auditors is to conduct periodic audits to ensure adequacy in operational controls, consistency in application of policies and procedures, compliance with laws and regulations.

#### Composition and Attendance

The composition of committee along with the meetings attended by the members is as under-

Name of the member	Meetings
1. Muazzam Gul (Chairman) Independent & Non-Executive Director	4 / 4
2. Raees ud Din Independent & Non-Executive Director	4 / 4
3. Nasir Ali (Secretary to the Committee) Non-Executive Director	4 / 4

#### Terms of Reference

The Terms of Reference of the committee have been developed on the lines as laid down in the Code of Corporate Governance and approved by the Board.

These include:

- To recommend the appointment, consider resignation, removal, audit fees, provision or any service to the Company by external auditors;
- To review quarterly, half-yearly and annual financial statements, prior to their approval by the Board;
- To facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that auditors may highlight;

- To review the management letter issued by external auditors and management's response thereto;
- To ensure coordination between the internal and external auditors;
- To review the scope and extent of internal audit and ensuring internal audit function has adequate resources and appropriately placed;
- To consider major findings of internal investigations and management's response thereto;
- To ascertain that internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- To determine compliance with relevant statutory requirements; and
- To monitor compliance with the best practices of corporate governance and identification of violations.

### Investment Committee

#### Role and Focus

The committee is responsible for developing the investment policy for the Company.

#### Composition and Attendance

The composition of committee along with the meetings attended by the members is as under-

Name of the member	Meetings
1. Ch. Zahoor Ahmed (Chairman) Chief Executive Officer & Executive Director	4 / 4
2. Dr. Mehmood ul Haq Independent & Non-Executive Director	4 / 4
3. Muazzam Gul (Secretary to the Committee) Independent & Non-Executive Director	4 / 4

#### Terms of Reference

- To review performance of all asset classes and total portfolio relative to the appropriate benchmark;
- To review management's proposed annual rate of return to be included in the Company's budget;
- To review the risk assumptions and asset return assumptions embedded in the current investment policy statement and if changes have occurred then review the policy asset mix and weighted benchmark standard of performance.
- To approve investments beyond delegated limit; and
- To ensure compliance with applicable legislation.

## Board and Management Committees

### Human Resource and Remuneration Committee

#### Role and Focus

Committee is responsible to the Board for recommending, human resource management (HRM) policies (selection, evaluation, training and compensation of key officers) of the Company.

#### Composition and Attendance

The composition of committee along with the meetings attended by the members is as under-

Name of the member	Meetings
1. Raees ud Din (Chairman) Independent & Non-Executive Director	4 / 4
2. Nasir Ali Non-Executive Director	4 / 4
3. Ather Zahoor (Secretary to the Committee) Non-Executive Director	4 / 4

#### Terms of Reference

- To review and recommend the compensation / benefits philosophy and strategy within the Company;
- To review the Company's strategy for succession planning across all management levels and to ensure that comprehensive succession plans are in place for senior executive positions.
- To recommend in consultation with CEO, appointment / compensation of all employees including benefits, incentives and retirement plans;
- To review the amount of incentive bonus based on corporate and individual performance for purpose of incentive calculations; and
- To review and recommend the CEO's compensation including incentive, benefits and retirement plans to the Board for approval.

### Underwriting Committee

#### Composition and Attendance

The composition of committee along with the meetings attended by the members is as under-

Name of the member	Meetings
1. Ch. Zahoor Ahmed (Chairman)	4 / 4
2. Zahid Iqbal Zia	4 / 4
3. Zaheer Ahmed Khan (Secretary)	4 / 4

#### Terms of Reference

- The underwriting committee formulates the underwriting policy of the Company;
- It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers; and

- It regularly reviews the underwriting and premium policies of the Company with due regard to relevant factors such as its business portfolio and the market development.

### Claims Settlement Committee

#### Composition and Attendance

The composition of committee along with the meetings attended by the members is as under-

Name of the member	Meetings
1. Ch Ghulam Mustafa (Chairman)	4 / 4
2. Kashif Ali	4 / 4
3. Mian Muhammad Iqbal (Secretary)	4 / 4

#### Terms of Reference

- The claim settlement committee devices and review the claim settling policy of the Company;
- It determines the circumstances under which the claims disputes shall be brought to its attention and decides how to deal with such claims disputes; and
- It oversees the implementation of the measures for combating fraudulent claims cases.

### Re-insurance and Co-insurance Committee

#### Composition and Attendance

The composition of committee along with the meetings attended by the members is as under-

Name of the member	Meetings
1. Nasir Ali (Chairman)	4 / 4
2. Muhammad Maqsood Peracha	4 / 4
3. Sajid Hussain (Secretary)	4 / 4

#### Terms of Reference

- This committee ensures that adequate reinsurance arrangement are made for the Company's businesses;
- It peruses the proposed re-insurance arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating reinsurers, 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.

## Chief Executive Officer Review



**Ch. Zahoor Ahmed**  
Chief Executive Officer

### “Investing in Our Future”

**“Our strategic progress and successful delivery of our targets is a direct result of the hard work demonstrated throughout the business. This has enabled us to deliver benefits to our customers and returns to our shareholders.”**

#### Overview of financial performance

I am pleased that in 2014 we continued to make good progress with our strategic priorities and financial targets, while maintaining our disciplined approach to underwriting in a highly competitive and deflationary marketplace in Pakistan.

We took positive steps towards reducing costs across the business and improving our operating efficiency. Within other areas of our strategy, such as pricing and claims, we continued to deliver sustainable benefits for our customers and shareholders.

#### Delivering value for our customers

Our focus on improving our pricing capability and claims infrastructure has particularly helped us to reduce prices for our customers. In addition, we have been exploring new ways in which we can innovate to achieve better outcomes for customers. PGI's heritage is rooted in the revolution it unleashed by using the telephone to bypass the traditional high street insurance broker model and provide customers with more competitive products. We are on the cusp of a new era, when growing customer use of new technologies prompts them to seek a different experience from their insurer, and where nimble providers can harness technology to offer both competitive products and more personalized solutions. The strength of our data and brands, together with the operational and financial transformation of our platform, leaves us well placed to help draw the road map for this new age.

We have also been working hard to reduce customer complaints. This is a key area of focus for us. To ensure we are tracking how well we are responding to our customers' needs, we have introduced a new key performance indicator to measure the volume of customer complaints.

We recognize that, while we have made improvements in how we interact with our customers, we have not met all of our aspirations to develop and differentiate our customer propositions and brands. We have much to do to meet the evolving needs of our customers, but we are rising to the challenge with determination and energy.

#### Delivering for our people

Our people continue to be the main driver behind delivering better outcomes for our customers, to ensure our organization can operate in the most cost-efficient manner, our consistent aim has been to treat colleagues with the utmost fairness and respect throughout redeployment or redundancy processes. As we continue to drive an agenda of operational and cultural change through the organization, we remain committed to investing in our people, which in turn will help us to deliver the products and services that our customers value.

#### Strategic priorities for 2015

During 2015 we aim to progress further towards delivering the remainder of the strategic financial targets we have set ourselves. We will also continue to enhance our products and update our infrastructure to ensure we sharpen our customer experience, delivering what the customer has grown to expect, and doing so sustainably for all of our stakeholders, be they our customers, our people or our shareholders.

I would like to thank our people for the continuous hard work and dedication that they have demonstrated throughout the year. This has enabled us to continue to deliver benefits to our customers, shareholders, and wider stakeholders.



**Ch. Zahoor Ahmed**  
Chief Executive Officer  
Lahore, March 31, 2015

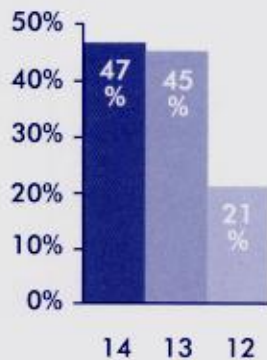
## Key Performance Indicators

### Measuring Our Performance

We have defined following key performance indicators that allow us to monitor our performance against our strategic priorities. In turn, these are supported by further performance indicators monitored by management.

#### Combined Operating Ratio

47%



#### Definition

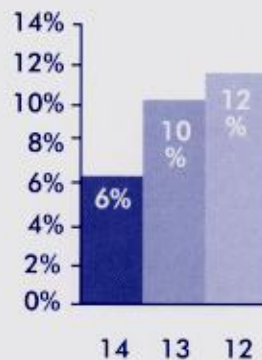
A measure of financial year underwriting profitability calculated by the sum of claims, commissions and expenses divided by net earned premium for ongoing operations. A COR of less than 100% indicates profitable underwriting.

#### Aim

We aim to make an underwriting profit, and in 2014 set and achieved a target of a 47% COR. For 2015, we are providing guidance of a COR in the range of 40% to 50%. This assumes a normal level of claims from different segments.

#### Investment Income Yield

6%



#### Definition

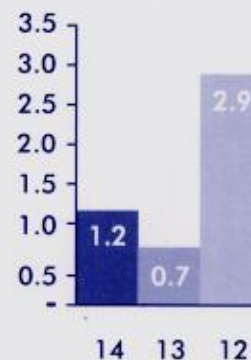
The return generated by investing the assets we hold. These investments are held to pay out future claims and to support our capital base. It is calculated by dividing investment income by investment assets held by the Company.

#### Aim

We aim to maximize investment income subject to the risk appetite set by the Board. The investment portfolio assets are currently invested in credit and sovereign debt securities, cash and property.

#### Earnings per share

Rs. 1.20



#### Definition

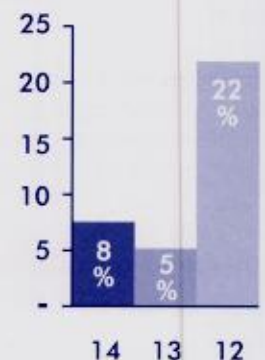
The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares.

#### Aim

We have not set a target for earnings per share given the cyclical nature of the insurance industry. Growing earnings per share is considered one indicator of a healthy business.

#### Return on Equity

8%



#### Definition

The return generated on the capital shareholders have in the business. This is calculated by dividing adjusted earnings by average tangible equity.

#### Aim

We have set a target to achieve a 30% return on equity for the next fiscal year.



## Financial Data

### Financial Data for the last six Years

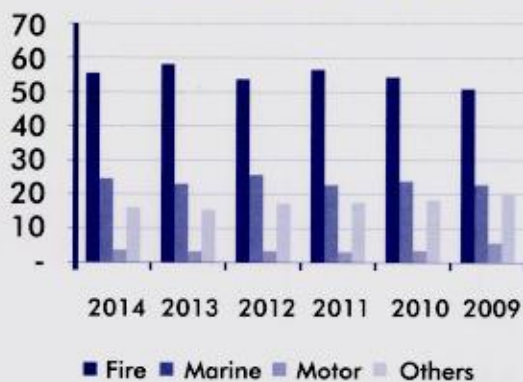
	December 31,					
	2014	2013	2012	2011	2010	2009
	Rupees in thousands					
<b>Underwriting results</b>						
Gross premium written	412,925	330,443	383,764	423,522	312,207	205,678
Earned premium	375,749	329,485	443,961	345,416	261,643	219,395
Net premium revenue	224,004	176,568	228,961	142,680	110,546	109,891
Claims paid	226,261	177,141	185,210	218,743	183,691	121,157
Underwriting results	58,653	16,650	135,026	48,400	21,239	54,970
Underwriting provisions	270,825	240,639	188,777	264,309	184,332	123,540
<b>Investment income</b>						
Return on fixed deposits	18,510	9,088	8,264	8,766	8,164	4,025
Return on other securities	2,959	1,959	1,371	504	1,052	1,265
Return on equity instruments	1,389	22,009	2,797	(951)	47	3,072
Income from real estate	8,304	5,731	19,245	12,046	6,118	78,312
<b>Investments and assets</b>						
Shares and securities (at book value)	27,002	18,407	55,463	29,205	8,887	10,271
Shares and securities (at market value)	40,515	22,762	76,173	30,493	10,843	12,042
Bank deposits	317,500	91,500	83,508	83,508	83,508	76,508
Properties	105,093	110,624	116,447	136,791	228,318	148,742
Fixed assets	97,387	73,765	77,538	82,246	88,761	95,120
Cash and bank balances	11,761	18,122	113,671	35,096	7,349	61,707
<b>Equity</b>						
Paid-up capital	375,000	375,000	300,000	300,000	250,000	200,000
Reserves	140,000	115,000	19,000	100,000	55,000	55,000
Shareholders' equity	571,861	526,737	499,153	404,367	351,640	361,076
<b>Dividends and earnings</b>						
Profit after tax	44,842	27,287	109,474	52,397	4,826	84,659
Earnings per share	1.20	0.75	3.66	1.75	0.19	3.35
Cash dividend	-	-	-	5%	-	5%
Stock dividend	6.67%	-	25%	-	10%	25%
<b>Cash flows</b>						
Operating	97,064	(21,228)	76,848	(55,599)	33,763	15,677
Investing	123,134	(65,652)	17,082	83,889	(70,498)	77,286
Financing	(559)	(677)	(15,355)	(543)	(10,623)	(2,728)
Cash and cash equivalents	329,262	109,622	197,179	118,604	90,857	138,214
<b>Technical reserves</b>						
Fire and property damage	107,665	96,228	85,624	126,708	81,714	50,308
Marine, aviation and transport	51,625	37,627	42,975	51,666	31,746	22,075
Motor	7,660	5,250	6,050	5,824	4,570	4,855
Miscellaneous	35,552	26,220	29,718	40,367	28,430	18,658
Total	202,502	165,325	164,367	224,565	146,460	95,896

## Financial Data

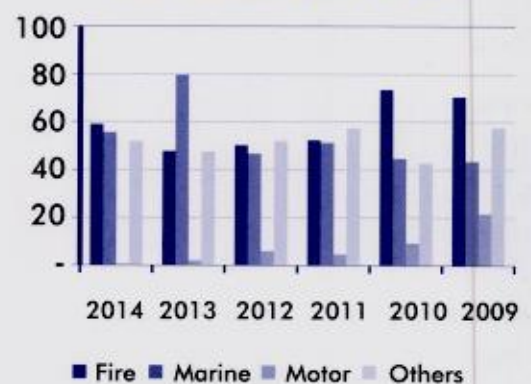
### Financial Data for the last six Years

	December 31,					
	2014	2013	2012	2011	2010	2009
<b>Profitability ratios</b>						
Profit after tax to gross premium	13.57	8.26	28.53	12.37	1.55	41.16
Profit after tax to net premium	20.02	15.45	47.81	36.72	4.37	70.04
Underwriting results to gross premium	17.75	5.04	35.18	11.43	6.80	26.73
Underwriting results to net premium	26.18	9.43	58.97	33.92	19.21	50.02
Profit after tax to total income	19.01	13.36	39.67	31.51	3.43	41.92
Profit before tax to gross premium	15.05	5.76	34.13	7.82	(0.53)	51.27
Profit before tax to net premium	22.20	10.78	57.21	23.21	(1.50)	95.96
Management expenses to net premium	10.82	46.43	15.00	22.11	31.74	28.35
Net claims to net premium	54.68	36.81	32.71	46.23	62.29	26.54
Net commission to net premium	(8.32)	(7.33)	6.69	2.25	13.25	4.92
General expenses to net premium	17.39	21.42	15.39	24.72	34.42	31.80
Combined ratio	91.20	111.99	56.42	90.79	115.21	18.77
<b>Return to shareholders'</b>						
Return on assets	5.02	3.38	14.90	7.42	0.81	15.54
Return on equity	7.84	5.18	21.93	12.96	1.37	23.38
Earnings per share	1.20	0.73	3.66	1.75	0.19	3.35
Earnings growth	64.38	(80.05)	109.14	821.05	(94.33)	201.80
Par value per share	10	10	10	10	10	10
Dividend payout	6.67	-	25.00	5.00	10.00	30.00
<b>Performance / Liquidity</b>						
Current ratio	1.05	1.70	1.74	1.24	0.81	1.41
Cash to current liabilities	0.31	0.79	3.55	1.43	0.32	3.05
Total assets turnover	3.99	4.57	3.21	4.95	5.38	4.96
Total liabilities / equity	0.43	0.51	0.45	0.72	0.66	0.49
Paid-up capital to assets	41.97	46.44	40.82	42.49	50.49	55.07
Equity / total assets	64.00	65.23	67.92	57.28	59.18	66.46

**Business Mix (% age)**



**Claims Analysis (% age)**

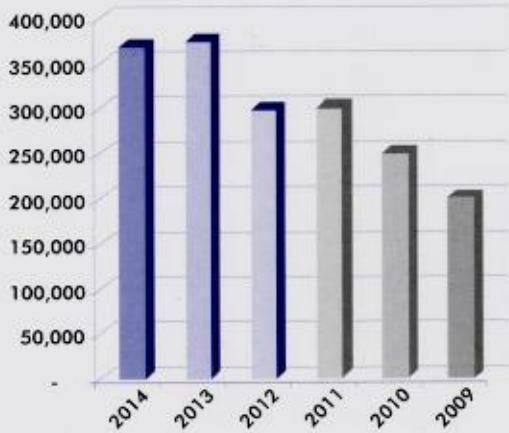


## Financial Data

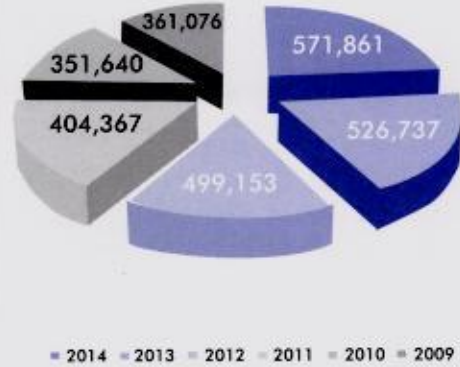
### Graphical Financial Analysis

(Rupees in '000)

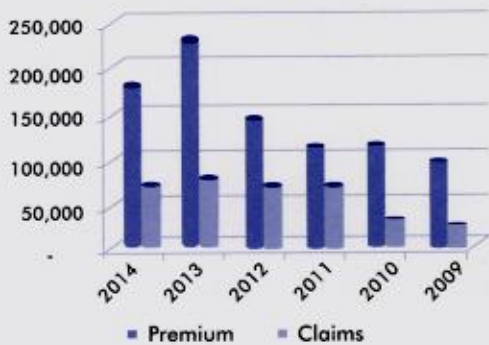
#### Share Capital



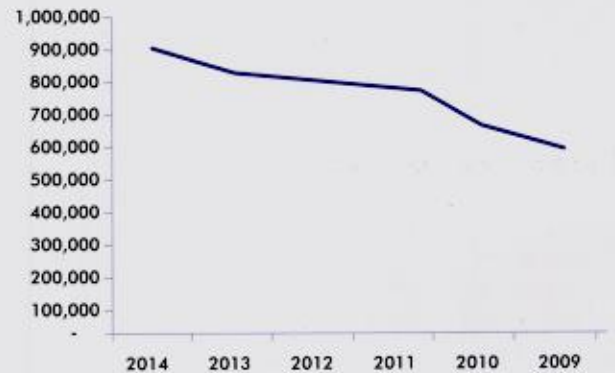
#### Shareholders' equity



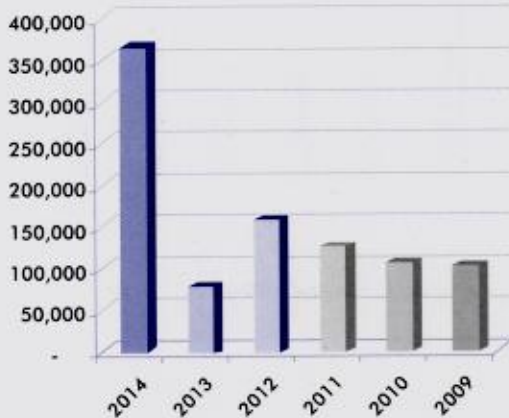
#### Net Premium to Net Claims



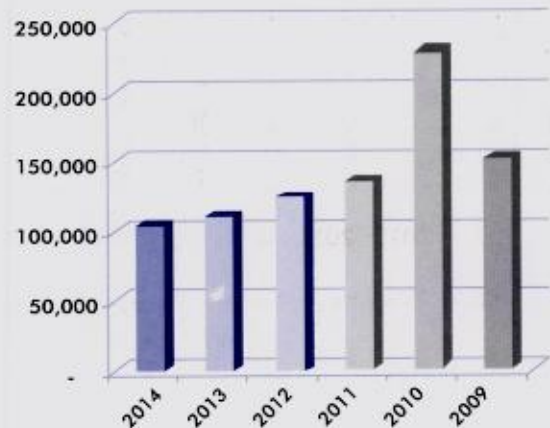
#### Total Assets



#### Investment



#### Investment Properties

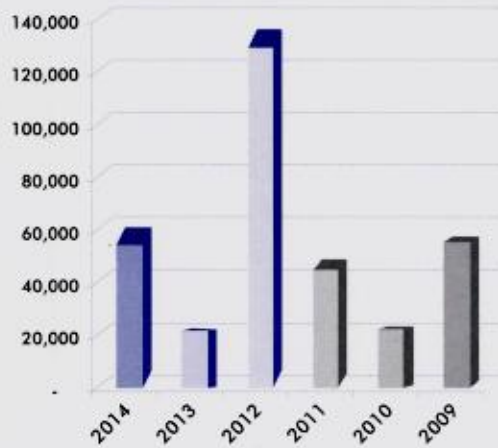


## Financial Data

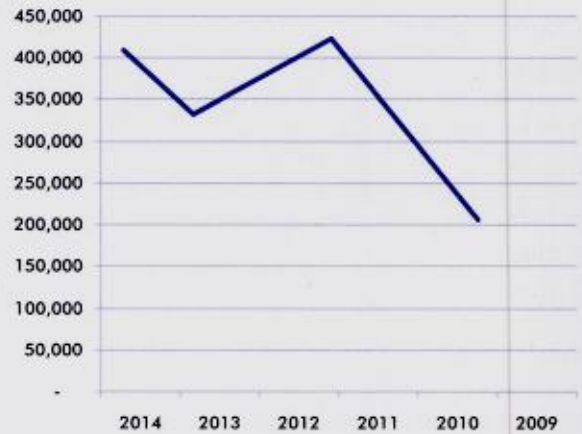
### Graphical Financial Analysis

(Rupees in '000)

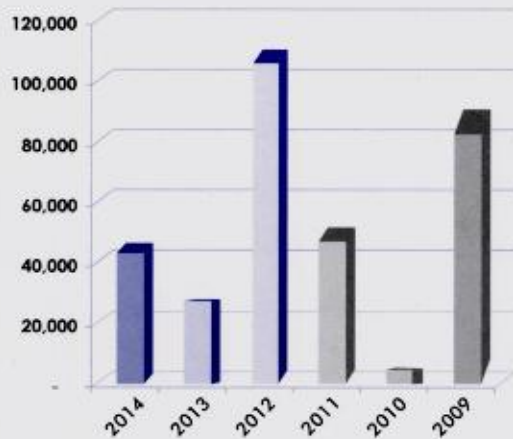
Underwriting results



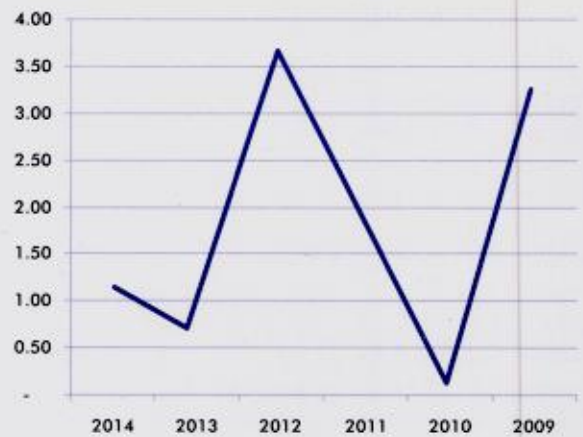
Gross Written premium



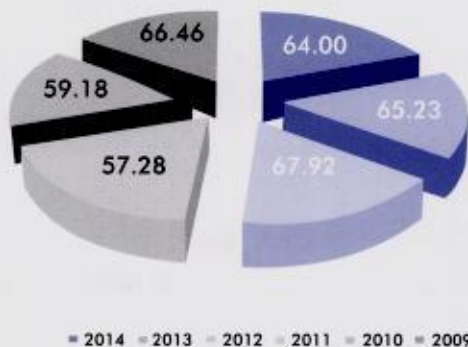
Profit after tax



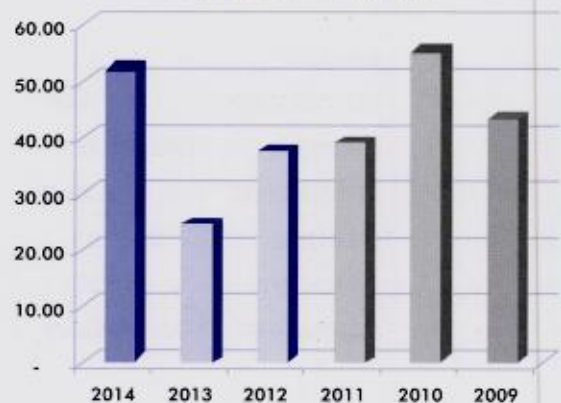
Earnings per share



Shareholders' Equity to Total Assets (% age)



Investments (inclusive of properties) to total assets % age

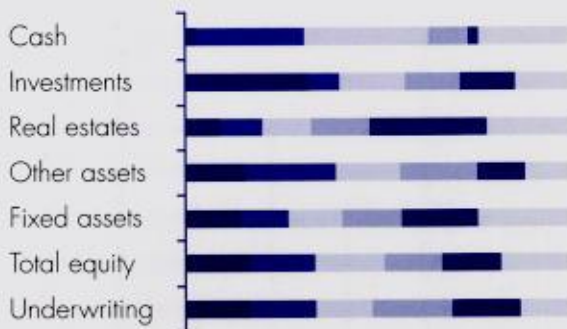




## Financial Data

### Vertical Analysis of Financial Statements

	December 31,					
	2014	2013	2012	2011	2010	2009
	----- % age -----					
<b>Balance Sheet</b>						
<b>Assets</b>						
Cash and bank balances	1.32	2.24	15.47	4.97	1.24	11.33
Loans to employees	0.03	0.03	0.03	0.03	0.03	0.02
Investments	41.03	21.55	21.25	18.21	18.14	17.95
Investment properties	11.76	13.70	15.84	19.34	38.43	27.30
Other assets	34.96	53.34	36.86	45.77	27.23	25.91
Fixed assets	10.90	9.13	10.55	11.65	14.94	17.48
<b>Total assets</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Equity and liabilities</b>						
Total equity	64.00	65.23	67.92	57.28	59.18	66.46
Underwriting provisions	30.31	29.80	25.69	37.44	31.02	22.68
Surplus on revaluation of assets	1.10	1.26	1.42	1.52	1.86	1.25
Deferred liabilities	0.33	0.83	0.57	0.24	3.92	3.71
Creditors and accruals	4.23	2.85	4.36	3.47	3.92	3.71
Other liabilities	0.03	0.03	0.04	0.05	0.09	0.13
<b>Total equity and liabilities</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Profit and loss</b>						
<b>Net premium revenue</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Net claims	(54.68)	(36.81)	(32.71)	(46.23)	(62.29)	(26.54)
Management expenses	(10.82)	(46.43)	(15.00)	(22.11)	(31.74)	(28.35)
Net commission	(8.32)	(7.33)	6.69	2.25	13.25	4.92
Investment income / (loss)	9.89	18.72	5.43	5.83	8.38	7.61
Rental income	2.81	3.25	3.23	4.72	5.53	5.06
Other income	0.91	1.05	5.17	3.73	0.12	66.19
Finance cost	(0.21)	(0.25)	(0.21)	(0.27)	(0.33)	(1.13)
General and administrative expenses	(17.39)	(21.42)	(15.39)	(24.72)	(34.42)	(31.80)
Profit / (Loss) before tax	22.20	10.78	57.21	23.21	(1.50)	95.96
Taxation	(2.19)	4.68	(9.39)	13.51	5.87	(18.92)
<b>Profit after tax</b>	<b>20.02</b>	<b>15.45</b>	<b>47.81</b>	<b>36.72</b>	<b>4.37</b>	<b>77.04</b>

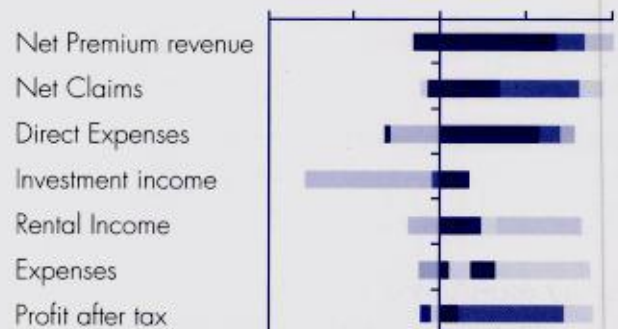
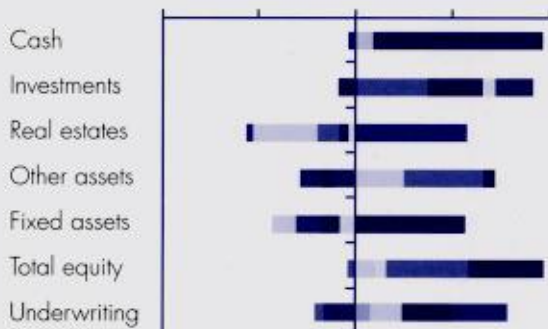




## Financial Data

### Horizontal Analysis of Financial Statements

	December 31,					
	2014	2013	2012	2011	2010	2009
	----- % age -----					
<b>Balance Sheet</b>						
<b>Assets</b>						
Cash and bank balances	(35.10)	(39.92)	(14.06)	377.59	(88.09)	4,094.65
Loans to employees	9.85	(7.47)	14.00	6.68	70.68	7.58
Investments	110.63	(27.38)	86.47	19.26	10.18	48.62
Investment properties	(5.00)	(5.00)	(14.87)	(40.09)	53.50	(4.16)
Other assets	(27.45)	59.02	(16.17)	99.69	14.62	(26.28)
Fixed assets	32.02	(4.87)	(5.72)	(7.34)	(6.79)	0.31
<b>Total assets</b>	<b>10.65</b>	<b>9.88</b>	<b>4.10</b>	<b>18.81</b>	<b>9.07</b>	<b>7.03</b>
<b>Equity and liabilities</b>						
Total equity	8.57	5.53	23.44	14.99	(2.88)	35.42
Underwriting provisions	12.54	27.47	(28.58)	43.39	49.21	(8.17)
Surplus on revaluation of assets	(2.78)	(2.84)	(2.90)	(2.97)	62.58	(59.58)
Deferred liabilities	(55.80)	59.81	145.59	(92.66)	(25.95)	180.60
Creditors and accruals	63.89	(28.01)	30.67	5.10	15.36	(46.13)
Other liabilities	-	(28.46)	(3.76)	(36.41)	(22.10)	(98.33)
<b>Total equity and liabilities</b>	<b>10.65</b>	<b>9.88</b>	<b>4.10</b>	<b>18.81</b>	<b>9.07</b>	<b>7.03</b>
<b>Profit and loss</b>						
<b>Net premium revenue</b>	<b>26.87</b>	<b>(22.88)</b>	<b>60.47</b>	<b>29.07</b>	<b>0.60</b>	<b>19.62</b>
Net claims	88.43	(13.22)	13.57	(4.22)	136.07	41.78
Management expenses	(70.44)	138.62	8.93	(10.12)	12.62	16.12
Net commission	44.07	(184.45)	376.66	(78.05)	170.89	(18.37)
Investment income	(32.97)	165.89	49.45	(10.19)	10.77	(720.86)
Rental income	10.01	(22.62)	10.04	10.00	10.00	62.63
Other income	10.17	(84.38)	122.41	3,790.68	(99.81)	645,923
Finance cost	7.33	(11.93)	27.56	7.20	(71.05)	2.34
General and administrative expenses	2.98	7.34	(0.08)	(7.33)	8.91	31.62
Profit / (loss) before tax	161.37	(85.47)	295.43	(2,098)	(101.57)	315.07
Taxation	(159.31)	(138.40)	(211.56)	197.28	(131.19)	563.12
<b>Profit after tax</b>	<b>64.33</b>	<b>(75.07)</b>	<b>108.93</b>	<b>985.74</b>	<b>(94.30)</b>	<b>280.15</b>





## Shareholders' Information

### Registered Office

Cooperative House, 5 Bank Square, Shahrah-e-Qaid-e-Azam (The Mall) Lahore

### Share Registrar

Corplink (Pvt.) Ltd. Wing Arcade, 1-K, Commercial Area Model Town, Lahore

### Listing on stock exchanges

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

### Listing fees

The annual listing fee for the financial year 2014 – 2015 has been paid to all 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

PGI's share department is operated by Corplink (Private) Limited. 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 Saleem Iqbal Khawaja at Registrar Office and Mazhar Zahoor at PGI Registered Office.

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.

	Requests received thru posts	Over the counter
Transfer of shares	45 days	45 days
Duplicate shares	45 days	45 days
Duplicate / Revalid dividend warrant	5 days	5 days
Address change	2 days	15 mins.

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

### Statutory compliance

During the year, the Company has complied with all applicable provisions, filed all returns / forms and furnished all the relevant information as required under the

Companies Ordinance, 1984 and allied laws and rules, the Securities and Exchange Commission of Pakistan ("SECP") regulations and the listing regulations.

### Book closure date

The register of members and share transfer books of the Company will remain close from April 23, 2015 to April 30, 2015 both days inclusive.

### Investors' grievances

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

### Legal proceedings

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

### Shareholders' information, general meetings and voting rights

Pursuant to section 158 of the Companies Ordinance, 1984, PGI holds general meeting of 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 1 English and 1 Urdu newspaper having circulation in Sindh and Punjab. Shareholders having at least ten percent of voting rights may also apply to Board to call for a meeting of shareholders, and if Board does not take action on such application within twenty one days, shareholders may themselves call the meeting. All shares issued by the Company carry equal voting rights. Generally, matters at general meetings are decided by show of hands in first instance. Voting by show of hands operates on the principal of "one member one vote". If majority of shareholders raise their hands in favor of particular resolution, it is taken as past, unless poll is demanded. Since fundamental voting principal is "one share one vote", voting takes place by a poll, if demanded. On 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 who is entitled to attend and vote at a general meeting, can appoint another person as his/her proxy to attend and vote instead of himself/herself. Every notice calling a general meeting contains a statement that shareholder entitled to attend and vote is entitled to appoint a proxy who needs not to be a member. The instrument appointing proxy, duly signed by the shareholder appointing that proxy should be deposited with the Company not less than 48 hours before the meeting.



## Shareholders' Information

### Category-wise Shareholders

Shareholders' category	Number	Shareholding	% age
Directors, chief executive and dependent family	14	15,597,883	41.5944%
NIT and ICP	2	1,873	0.0050%
Joint stock companies	6	8,623	0.0230%
Shares held by general public-local	1,021	21,891,621	58.3777%
Total	1,043	37,500,000	100.0000%

### Categories of shareholders as required under code of corporate governance as at December 31, 2014

Categories of Shareholders	Share held	% age
<b>a) Chief Executive Officer, Directors, Executives their spouse and minor children</b>		
Ch. Manzoor Ahmed	946,875	2.5250%
Ch. Zahoor Ahmed	2,206,496	5.8840%
Dr. Mehmmod-ul-Haq	1,395,111	3.7203%
Raees ud Din	1,260,595	3.3616%
Ghulam Mustafa	448,125	1.1950%
Muazzam Gul	187,500	0.5000%
Ather Zahoor	1,738,551	4.6361%
Nasir Ali	599,450	1.5985%
Mazhar Zahoor	1,140,936	3.0425%
Mrs. Qaiser Sultana w/o Ch. Manzoor Ahmed	206,250	0.5500%
Mrs. Perveen Akhter w/o Ch. Zahoor Ahmed	2,709,244	7.2247%
Mrs. Asma Ather w/o Ather Zahoor	1,624,472	4.3319%
Mrs. Mehwish Nasir w/o Nasir Ali	167,250	0.4460%
Mrs. Rubina Mazhar w/o Mazhar Zahoor	967,028	2.5787%
	<u>15,597,883</u>	<u>41.5944%</u>
<b>b) Shareholders holding 5% or more voting interests</b>		
Ch. Zahoor Ahmed	2,206,496	5.8840%
Mrs. Perveen Akhter w/o Ch. Zahoor Ahmed	2,709,244	7.2247%
	<u>4,915,740</u>	<u>13.1087%</u>

### Trade in shares of the Company by directors, executives and their families

Following transactions in shares of the Company were carried out by directors, chief executive officer, chief financial officer, company secretary, their spouses and minor children during the fiscal year.

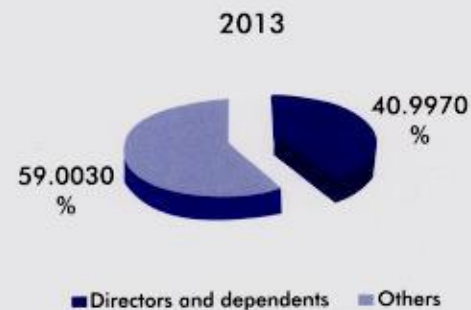
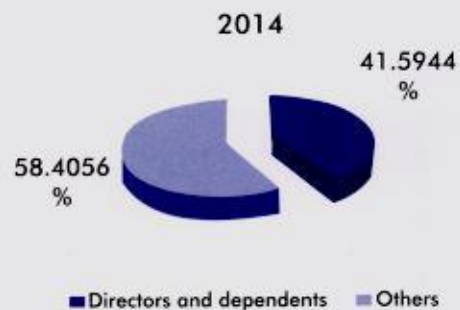
Sr. No.	Name of directors, executives and their families	Sale	Purchase
1.	Ch. Zahoor Ahmed (chief executive officer)	-	200,000
2.	Dr. Mehmood ul Haq (director)	-	383,550
3.	Mrs. Perveen Akhter w/o Ch. Zahoor Ahmed	-	200,000



## Shareholders' Information

### Pattern of Shareholding as at December 31, 2014

No. of Share-holders	Share Holding		Total No. of Shares Held	No. of Share-holders	Share Holding		Total No. of Shares Held
	From	To			From	To	
250	1	100	3,359				
129	101	500	41,052	2	580,001	585,000	1,161,950
411	501	1,000	378,055	2	605,001	610,000	1,216,500
113	1,001	5,000	299,010	1	620,001	625,000	624,600
17	5,001	10,000	125,669	1	695,001	700,000	699,375
7	10,001	15,000	90,750	1	855,001	860,000	859,297
13	15,001	20,000	229,451	1	880,001	885,000	883,125
3	20,001	25,000	68,750	1	945,001	950,000	946,875
7	25,001	30,000	197,000	2	965,001	970,000	1,936,403
3	30,001	35,000	99,311	1	1,010,001	1,015,000	1,014,361
9	35,001	40,000	336,875	1	1,140,001	1,145,000	1,140,936
1	40,001	45,000	41,250	1	1,240,001	1,245,000	1,241,286
1	45,001	50,000	46,875	1	1,245,001	1,250,000	1,245,936
1	50,001	55,000	51,136	1	1,260,001	1,265,000	1,260,595
1	55,001	60,000	56,250	1	1,395,001	1,400,000	1,395,111
1	60,001	65,000	63,000	1	1,620,001	1,625,000	1,624,472
2	70,001	75,000	147,442	1	1,645,001	1,650,000	1,649,947
1	75,001	80,000	80,000	1	1,735,001	1,740,000	1,738,551
8	90,001	95,000	748,830	1	1,880,001	1,885,000	1,883,996
2	95,001	100,000	197,500				
2	110,001	115,000	225,000				
1	130,001	135,000	131,250				
1	140,001	145,000	140,625				
1	145,001	150,000	150,000				
2	155,001	160,000	318,750				
1	160,001	165,000	164,061				
1	165,001	170,000	167,250				
2	170,001	175,000	348,576				
3	185,001	190,000	562,500				
1	195,001	200,000	200,000				
1	200,001	205,000	201,136				
4	205,001	210,000	828,750				
3	220,001	225,000	673,974				
2	240,001	245,000	487,500				
1	265,001	270,000	265,611				
1	295,001	300,000	300,000				
1	325,001	330,000	328,125				
1	370,001	375,000	375,000				
1	380,001	385,000	382,690				
1	385,001	390,000	385,311				
1	390,001	395,000	393,750				
1	420,001	425,000	420,936				
5	445,001	450,000	2,237,022				
1	460,001	465,000	464,952				
1	470,001	475,000	470,625				
1	505,001	510,000	506,250				
1	545,001	550,000	545,475				
				<u>1,043</u>			<u>37,500,000</u>





## Corporate Calendar

### Financial Calendar

#### Results

First quarter ended March 31, 2014	Announcement date	April 29, 2014
Half year ended June 30, 2014	Announcement date	August 28, 2014
Third quarter ended September 30, 2014	Announcement date	October 27, 2014
Year ended December 31, 2014	Announcement date	March 31, 2015

#### Dividends

Bonus (FY 2014)	Announcement date	March 31, 2015
	Entitlement date	May 9, 2015
	Statutory limit upto which payable	May 29, 2015
	Expected disbursement date	May 25, 2015

Date of issuance of annual report 2014

April 7, 2015

Date of annual general meeting

April 30, 2015

### Access to Reports and Enquiries

#### Quarterly and annual reports

The Company publishes interim reports, at end of first, second and third quarters of the financial year. These interim reports along with annual report of the Company can be downloaded / accessed from the Company's website [www.pgi.com.pk](http://www.pgi.com.pk) or printed copies obtained by writing to Company Secretary.

#### Shareholders' enquiries

Shareholders' enquiries about their holding, dividends or share certificates can be directed to Share Registrar at the following address-

Corplink (Private) Limited  
Wing Arcade, 1-K, Commercial Area  
Model Town, Lahore

#### Stock exchange listing

The shares of the Company are listed on Karachi, Lahore and Islamabad stocks exchanges. The symbol code is PKGI.

#### Web Presence

Updated information regarding the Company can be accessed at PGI web site, [www.pgi.com.pk](http://www.pgi.com.pk).

### Share Price Sensitivity Analysis

Specific factors that can affect share prices are-

#### Earnings

News releases on earnings and profits and future estimated earnings develop investor interest in the stocks of the Company.

#### Announcement of dividends

Expected distribution from earnings could increase the share prices in expectation of realization of profit on investments.

#### Introduction of new insurance products

This could lead to positive earnings growth which in return affects share prices.

#### Industry performance

Government policies, specific to industry like "Takaful" business could result in movement of stock price.

#### Investor sentiment / confidence

Positive economic reforms can attract investors.

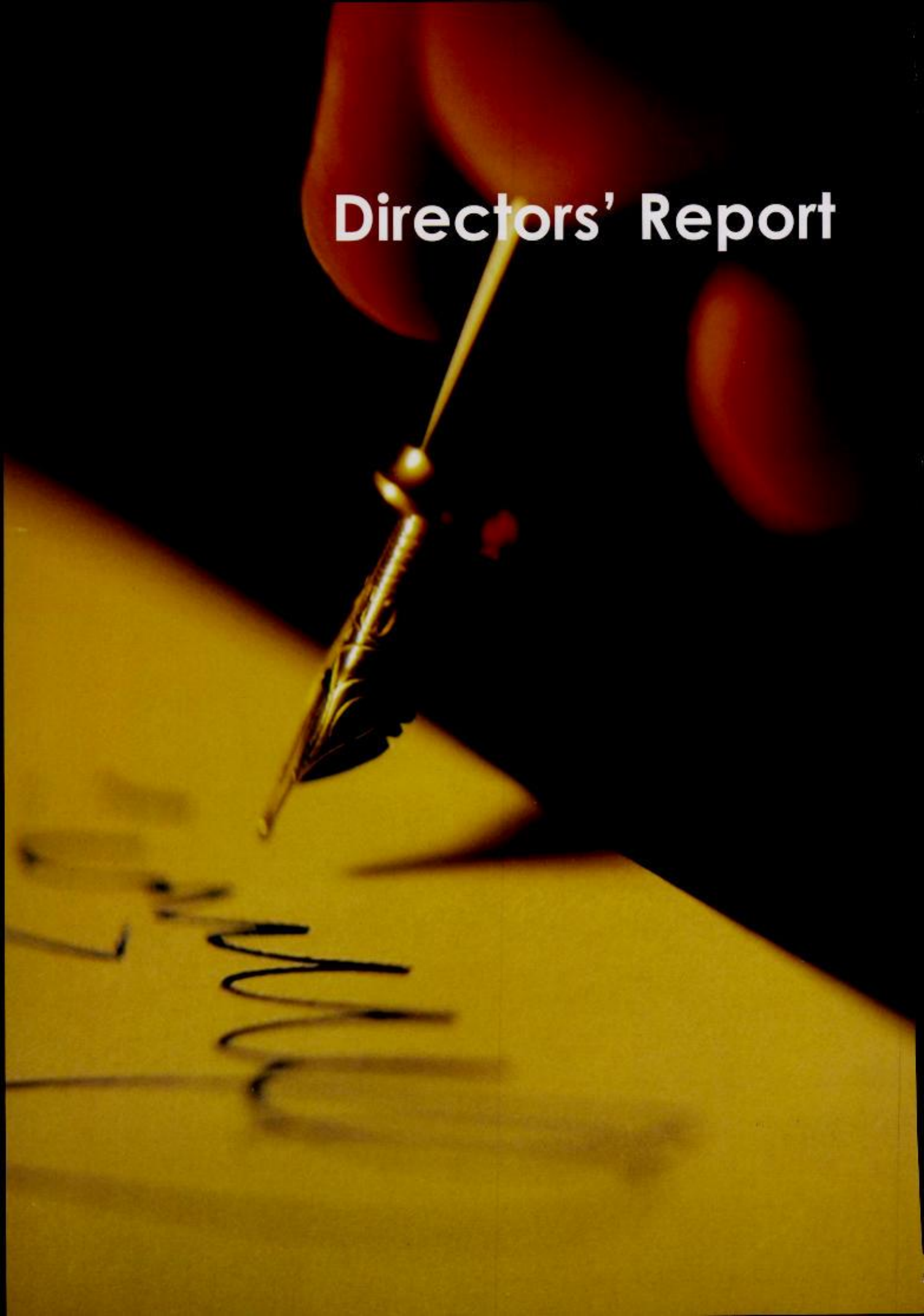
#### Economic and other shocks

An economic outlook could include expectations for inflation productivity, growth, unemployment and balance of trade. Changes around the world can affect both the economy and stock prices.

#### Government policies

Government policies could be perceived as +ve or -ve for businesses, which in turn may affect stock prices.

# Directors' Report



## Director's Report to the Shareholders'

### Dear Fellow Shareholder!

Directors of "The Pakistan General Insurance Company Limited" take pleasure in presenting the 67<sup>th</sup> annual report of your Company, together with the audited financial statements for the year ended December 31, 2014.

### Economic overview

#### Country review

According to the Ministry of Finance, the gross domestic product ('GDP') growth rate for the current fiscal year 2013-2014 will be in the range of 4% to 5% due to the precarious security situation and low fixed investment. For the fiscal year 2015, the headline inflation is continuing on its downward trajectory mainly due to slump in oil and food prices. Average inflation for the year 2015 is likely to range between 4.5% to 5.5% compared to budgeted 8%. State Bank of Pakistan in response had reduced the interest rate to eight year low of 8.5% which in turn has the potential of boosting the investment climate. On the macroeconomic front, the government was able to improve foreign exchange reserves to above USD 15 billion equivalent to three months imports thereby, strengthening Pak Rupee against USD. Nevertheless, energy shortages and low investment are expected to limit GDP growth to 4.1% against budgeted growth of 5.1%.

#### Insurance sector review

Gross premium of the non-life insurance market grew by 10% in 2013 to Rs. 49 billion. Premium growth in 2014 is expected to be between 11% to 12%, which means that the industry is showing signs of growth in real terms for the first time in 7 years. All three major portfolios (i.e. fire, marine and motor) are contributing to this improved growth despite the fact that competition is intense and premium rates are under pressure, resulting in major reduction in marine cargo and motor rates. The market was tested by two major events in 2014, however, industry did well to absorb the losses and expects to show improved profitability in 2014 as against 2013.

#### Takaful

After the stay order obtained by the Takaful companies was vacated by the Sindh High Court, conventional insurers have started to setup Window Takaful Operations under the Takaful Rules, 2012. Applications for seeking permission to commence Takaful business as Window Takaful Operator are now being accepted by the Securities and Exchange Commission of Pakistan (SECP). PGI has also applied for authorization as General Window Takaful Operators. We believe that permission to write Takaful business will create new opportunities subject to SECP permission.

### Company performance review 2014

The country's economy showed a modest improvement but performed below its potential due to energy shortages and poor law and order situation. The conditions in the insurance industry continued to be challenging and characterized by intense competition and pressure with premium rates. Despite difficult business environment, the Company has maintained a moderate position in the industry by offering the best professional services to its clients.

We do not see any improvement (atleast in the near future) in level of economic and business activities in the country and our strategy will therefore continue to emphasize on –

- Customer-driven business focus;
- Financial and investment strategy based on further strengthening its asset base;
- Conservative and sound risk management; and
- Operational agility by maintaining quality leadership.

Despite, difficult economic scenario, your Company has posted after tax profit of Rs. 44.842 million. Following is tabular analysis of the Company's results at a glance.

	(rupees in '000)	
	Dec 2014	Dec. 2013
Gross written premium	412,925	330,443
Net premium	224,004	176,568
Underwriting results	58,653	16,650
Return on investments	30,463	38,787
Profit after tax	44,842	27,288
Earnings per share	1.20	0.73

### Segments at a glance

#### Fire and property damage

The written premium is increased by 19% to Rs. 229 million as compared to Rs. 193 million in 2013. The net premium is decreased by 26% due to variation in provisioning of unearned premiums dependent on the business written in different periods of the year. The tabular analysis is as under –

	2014	2013	---Variation---	
	-----rupees in millions-----		% age	
Gross premium	229	193	37	19%
Net premium	127	101	26	26%
Net claims	(74)	(24)	(50)	208%
Expenses	(19)	(42)	(23)	(54%)
Net commission	(12)	(6)	(6)	100%
Underwriting results	22	29	(7)	(24%)
Net claims ratio (%)	58%	24%		
Expense ratio (%)	15%	41%		
Combined ratio (%)	73%	65%		

## Director's Report to the Shareholders'

### Marine aviation and transport

Written premium is increased by 34% to Rs. 102 million as compared to Rs. 76 million in 2013. The underwriting results were increased primarily due to the reversal of 'premium deficiency reserve' of Rs. 10 million. The tabular analysis is as under –

	2014	2013	---Variation---	
	-----rupees in millions-----		% age	
Gross premium	102	76	26	34%
Net premium	53	45	8	18%
Net claims	(30)	(30)	-	0%
Expenses	(8)	(17)	9	(49%)
Net commission	(4)	(5)	1	(23%)
Underwriting results	20	(17)	37	(218%)
Net claims ratio (%)	57%	67%		
Expense ratio (%)	16%	37%		
Combined ratio (%)	73%	104%		

### Motor

The written premium is increased by 39% to Rs. 15 million as compared to Rs. 11 million in 2013. The tabular analysis is as under –

	2014	2013	---Variation---	
	-----rupees in millions-----		% age	
Gross premium	15	11	4	39%
Net premium	12	11	1	9%
Net claims	1	(1)	2	(147%)
Expenses	(1)	(2)	1	(47%)
Net commission	(1)	(1)	-	0%
Underwriting results	10	6	4	67%
Net claims ratio (%)	(5%)	11%		
Expense ratio (%)	11%	22%		
Combined ratio (%)	6%	33%		

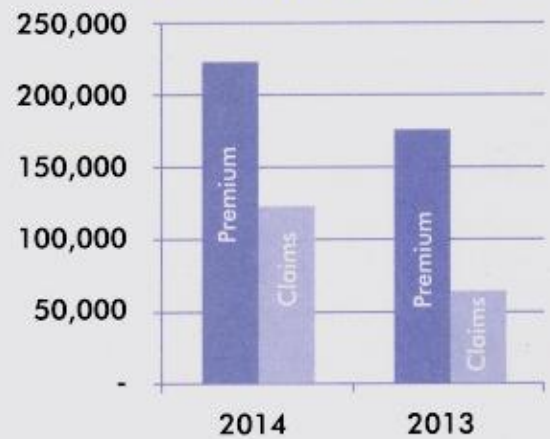
### Miscellaneous

The written premium is increased by 30% to Rs. 67 million as compared to Rs. 51 million in 2013. The tabular analysis is as under –

	2014	2013	---Variation---	
	-----rupees in millions-----		% age	
Gross premium	67	51	16	30%
Net premium	32	20	12	63%
Net claims	(19)	(10)	(9)	99%
Expenses	(6)	(11)	5	(50%)
Net commission	(1)	-	(1)	100%
Underwriting results	7	(1)	8	(673%)
Net claims ratio (%)	59%	49%		
Expense ratio (%)	17%	56%		
Combined ratio (%)	76%	105%		

In the year 2013, the underwriting results were badly deteriorated due to huge write offs of recoverable party balances amounting to Rs. 41.650 million as compared to Rs. 1.455 million in 2014.

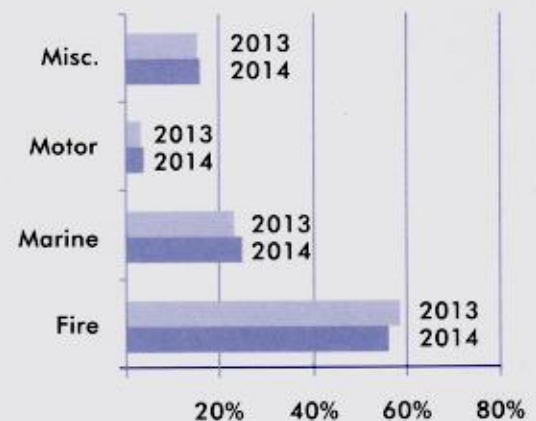
### Net Premiums to Net Claims



### Wealth Generated and Distribution



### Business Mix



## Director's Report to the Shareholders'

### Investments and related income

#### Equity and other investments

During the current year, in line with its diversification policy, the Company had divested from school business and had invested the funds so generated in short-term bank placements. Our investment objective is to achieve 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. The book value of your Company's investments is Rs. 366.606 million as at December 31, 2014 against Rs. 174.053 million as at December 31, 2013. 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. The Company has generated net income from investments to the tune of Rs. 22.159 million as compared to Rs. 33.056 million registering a decline of 33% over 2013, which is due to less trading in investments in share.

#### Investment Properties

During the year, the directors of your Company had decided to divest the two of its properties which resulted in generating gain of Rs. 2 million. The amount so received was invested in short-term bank placements. The Company has generated rental income of Rs. 6.304 million as compared to Rs. 5.731 million in previous year.

#### Insurer Financial Strength (IFS) rating

Both the credit rating companies operating in Pakistan, JCR VIS Credit Rating Agency and PACRA has assigned your Company, an "Insurer Financial Strength" (IFS) Rating of "A-" with Positive and Stable Outlooks respectively, on the basis of financial statements for the year 2013 and financial statements for the half year period ended June 2014.

#### Product development

To meet the emerging changes in the business environment and to reach a wider segment of customers, the Company has developed new products to enter into retail segments. The Company continues to invest in knowledge based products and in training of its manpower to keep itself competitive and responsive to fast changing environment.

### 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. The Company has improved internal processes, for further reduction of average claims settlement time and claims outstanding.

#### Loss prevention initiatives

Risk mitigation is built into our planning process; the concept of loss prevention is now part of our business philosophy. The Company has developed guidelines for defining risk tolerance levels. Through our loss prevention program we protect our clients' business continuity. We also consider it as our responsibility to educate the clients on the scope of the coverage of the insurance policies. The efforts of our risk engineering team have helped our clients significantly.

For a successful insurance carrier, pervasive spirit of partnership is required with the insured. Focused risk engineering services help clients understand the hazards that threaten their businesses and determine cost-effective loss prevention solutions.

We are committed to developing strong relationships with our clients through:

- Underwriting knowledge, expertise and products;
- Customized property and marine loss prevention engineering programs; and
- Sharing the lessons learnt from major industrial losses

#### Reinsurance

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 arrangement is that the Company should not suffer total net insurance losses beyond the Company's risk appetite in any one year.



## Director's Report to the Shareholders'

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 contributed to the overall profitability.

### 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. The Company has achieved its major branches interconnected thru real time online system during the current year, the new system will provide more efficient support to the management and clients amongst other things by providing real time information to the users for timely decision making.

#### PGI website

Website of your Company is [www.pgi.com.pk](http://www.pgi.com.pk) which allows the user to obtain the Company related information. PGI is the first and pioneer in offering innovative online "Insurance Quote System".

### 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 meet 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 asset positions against its commitments, together with the diversification and credit quality of its investments against established targets.

The Company's primary source of funds is cash provided by operating activities, including premiums and net investment income.

These funds are used primarily to pay claims, commissions, operating expenses and shareholder dividends. Cash flows generated from operating activities are generally invested to support future payment requirements, including the payment of dividends to shareholders.

The Company's liquidity remained strong with total cash equivalents of Rs. 329.262 million against Rs. 109.622 million in 2013.

The Company prudently manages liquidity to ensure its ability to meet contractual obligations as and when they fall due.

### Earnings per share

Your Company has reported earnings per share of Rs. 10 each at Rs. 1.20 in 2014 as compared Rs. 0.73 in 2013.

### Business risks and 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 approach is proficient in qualitative evaluation of risk, providing safety consultancy for loss reduction and suggesting measures for risk mitigation to the client. PGI 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. The company continuously monitors and controls the risks. Following are the major risks faced:

#### Economic and political risk

Volatile economic, political and financial market conditions coupled with power shortage in the country may cause hurdle in overall business scenario of the country. The insurance sector will also face challenges arising from the economic and political scenario. The company has cautious underwriting approach to deal with such risks and increase market share without compromising profitability.

#### IT risk

To meet the challenges of changing business environment, PGI has taken the initiative to interlink branches in real time.

#### Credit risk

The Company monitors exposure to credit risk through regular review of credit exposure, entering in transactions with large number of counter parties in several industries and by continually assessing credit worthiness of parties.

## Director's Report to the Shareholders'

### Insurance risk

The principal risk faced under insurance contracts is the possibility that the insured event occurs and uncertainty of the amount of the resulting claims. PGI manages these risks through its underwriting strategy, proactive claims handling and adequate reinsurance arrangements. The underwriting strategy aims to minimize insurance risks with a balanced mix and spread of business classes and by observing underwriting guidelines and limits.

### Interest rate risk

The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its financial assets are denominated.

### Liquidity risk

PGI manages its liquidity by ensuring it has sufficient liquidity to meet its claim and other liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation. It includes measuring and monitoring the future cash flows on daily, monthly and quarterly basis, maintaining sufficient cash reserves in bank accounts and a portfolio of highly marketable financial assets that can be easily liquidated in the event of an unforeseen interruption to cash flows.

### Market risk

The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in government securities, equity and term finance certificate markets. In addition, the Company actively monitors the key factors that affect the underlying value of these securities.

### Investment risk

The Company manages its market price risk by maintaining a diversified investment portfolio and monitors developments in equity and term finance certificate and money markets.

### Reinsurance risk

PGI's arrangement of reinsurance is diversified such that it is not dependent on a single reinsurer. The Company obtains reinsurance cover only from companies with sound financial health.

Effect of such reinsurance arrangements is that PGI may not suffer ultimate net insurance losses beyond the Company's risk appetite in any one year.

### Human resources

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. 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.

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

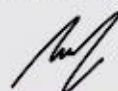
### Appropriations and dividends

The amount available for appropriations is as under:

	Rs. in 000
<b>a) Retained earnings</b>	
At beginning of the year	36,737
Total comprehensive income	45,124
Transferred to general reserves	(25,000)
Amount available	56,861
<b>b) General reserves</b>	
At beginning of the year	115,000
Transferred from retained earnings	25,000
Amount available	140,000
<b>Appropriations</b>	
Amount available for appropriation (a+b)	196,861
Proposed issue of bonus shares	(25,000)
	<u>171,861</u>

For proposed issue of bonus shares, the Company has obtained the certificate from the auditors as to the free reserves available for such appropriation.

For and on behalf of the Board



**Ch. Manzoor Ahmed**  
Chairman

Lahore: March 31, 2015



## Corporate Sustainability at PGI

We at PGI are conscious of 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. PGI focus on energy conservation and all employees adhere to the power conservation measures. PGI takes its contribution for national economy seriously and has always discharged its obligations in accurate, transparent and timely manner. Since Corporate Social Responsibility (CSR) is a continuous process, this year we have strived to ensure sustainability for our stakeholders through numerous initiatives encompassing:

- Corporate Social Responsibility;
- Employee Development;
- Compliance; and
- Optimization of Resources.

### Corporate social responsibility

PGI believes in giving the youth of Pakistan confidence, opportunities for learning and success. We have offered paid internships all around the year to students from diverse colleges and universities to apply their knowledge practically and gain hands on experience which can enable them to secure rewarding opportunities not only at PGI but in the external job market as well.

We take our contribution towards national economy seriously and have always discharged our obligations in a transparent, accurate and timely manner. During the year, Rs. 66.387 million was paid on account of income tax and other levies.

The Company contributed towards various social sector organizations in the education, health and environment areas during the year and aims to enhance its contribution in the future.

We also extend support to the employees for the education of their children.

### Environmental sustainability

Pollution reduction and waste management measures have been defined and are being applied to ensure that it has a minimal impact on our environment. Our waste management process is based on reduce, reuse, recycle and disposal philosophy.

PGI Insurance gives due care to energy conservation. All departments and employees are conscious and implement power conservation measures not only during, but after business hours as well.

### Employee development & engagement

PGI recognizes the value of a balanced work force and is committed to the principles of equal opportunity, equality of treatment and creating a dynamic climate where diversity is valued as a source of enrichment and opportunity.

We have an outstanding concentration of specialist expertise and talent. Providing our people with learning and growth opportunities coupled with a safe and secure workplace is one of our top priorities.

It is encouraging to report that this year:

- Customized training programs were carried out in various disciplines like Finance, Claims, Underwriting and Risk management function.
- Investment on employee training & education was around Rs. 0.5 million.
- Average training hours per employee for the year were 12 hours.
- There have been zero accidents / injury at the workplace.
- Health Awareness Sessions arranged for employees every quarter.

### Business sustainability

The Company has built a reputation for conducting business with integrity, in accordance with high standards of ethical behavior, and in compliance with the laws and regulations that govern our business. PGI carefully checks for compliance with the Code by providing suitable information, prevention and control tools and ensuring transparency in all transactions and behaviors by taking creative measures as required.

To further capitalize on internal & external strengths, adopt best practices and increase operational efficiencies the following committees exist:

- Cross functional team for business process optimization
- Salvage Disposal Committee & Theft Vehicle Recovery Team for maximizing the return for the company while ensuring integrity & transparency

For and on behalf of the Board

**Ch. Manzoor Ahmed**  
Chairman

Lahore: March 31, 2015

## Report of the Board Audit Committee

The role of the Committee in the context of governance frame work is to monitor:

- The integrity of financial statements;
- The appointment, qualification, independence and performance of external auditors;
- The performance of internal audit function; and
- The effectiveness of system of internal controls and risk management; and
- Compliance with legal and regulatory requirements.

The committee concluded its annual review of the conduct and operations of the Company for the year ended December 31, 2014 and reports that:


- Four meetings of the Committee were held during the year and presided by Chairman of the Committee.
- The Committee reviewed the quarterly and annual financial statements of the Company and recommended them for approval of the Board.
- The Company issued a Statement of Compliance with the Code of Corporate Governance which has also been reviewed by the external auditors of the Company.
- The Chief Executive Officer and the Chief Financial Officer have reviewed the financial statements of the Company and Directors report. They acknowledged their responsibility for true and fair presentation of the financial statements, accuracy of reporting, compliance with regulations and applicable financial reporting standards and establishment and maintenance of internal controls and systems of the Company.
- The financial statements have been prepared in accordance with approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified by the Companies Ordinance, 1984 the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002.
- Appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgment. Applicable accounting standards were followed in preparation of the financial statements of the Company on a going concern basis for the financial year ended December 31, 2014 which present fairly the state of affairs, results of operations, profits, cash flows and changes in equity of the Company for the year under review.
- Proper, accurate and adequate accounting records have been maintained by the Company in accordance with the Companies Ordinance, 1984.

## Internal Audit Function

- The internal control framework has been effectively implemented. The Company's system of internal controls is sound in design and has been continuously evaluated for effectiveness and control.
- The Committee has ensured the achievement of operational, compliance and financial reporting objectives, safeguarding of the assets of the Company through effective financial, operational and compliance controls and risk management at all levels within the Company.
- Coordination between the external and internal auditors was facilitated to ensure efficiency and contributions to the Company's objectives, including a reliable financial reporting systems and compliance with laws and regulations.

## External Auditors

- The statutory auditors of the Company, M/s. Rahman Sarfraz Rahim Iqbal Rafiq Chartered Accountants have completed their audit of the Company's financial statements and the Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2014. M/s. Kamran & Co. Chartered Accountants (joint auditors alongwith M/s. Rahman Sarfraz Rahim Iqbal Rafiq Chartered Accountants) have resigned from being auditors of the Company prior to the conclusion of their term in office.
- The management letter is required to be submitted within 45 days of the date of the Auditors' Report on the financial statements under the listing regulations and shall therefore accordingly be discussed in the next committee meeting.
- The audit firms have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP) and the firms are fully compliant with the International Federation of Accountants (IFAC) guidelines on Code of Ethics, as adopted by ICAP. The statutory auditors have indicated their willingness to continue as auditors.
- Under listing regulations, the Board Audit Committee recommends the appointment of M/s. Yousuf Adil Saleem & Co. Chartered Accountants as statutory auditors for the financial year ending December 31, 2015 on terms approved by the Board of Directors.



**Muazzam Gul**  
Chairman, Board Audit Committee  
Lahore: March 31, 2015



## Report on Code of Corporate Governance

### Compliance with the requirements of 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 revised code of corporate governance ('the code') as required by the listing regulations, the Company has implemented all aspects of the code and the management is pleased to state that the fullest efforts have been made to comply with the provisions of the code.

### Corporate and financial reporting framework

The directors confirm compliance with the Corporate and Financial Reporting Framework of the code for following:

- The financial statements are prepared by management of PGI 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.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
- 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.
- There is no doubt upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for the last six years is attached with this report.
- Outstanding taxes and duties are given in the financial statements.
- 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 "shareholders' information".

- The value of investments based on audited financial statements of the Company's Employee Provident Fund as at December 31, 2014 is Rs. 0.900 million.
- 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.

### Related party transactions

The related party transactions are approved or ratified by the audit committee and the Board of Directors in their meetings. All the transactions executed with related parties are on arms' length basis.

### Pattern of shareholding

Statement of pattern of shareholding of the Company as on December 31, 2014 is attached with this report.

### Chief Executive Officer (CEO) performance review

The Board appoints the CEO for the tenure of three years. The HR and remuneration committee of the Board sets the operational, financial and strategic objectives and reviews the CEO's performance on annual basis.

### Material changes

There have been no material changes and commitments affecting financial position of PGI since December 31 2014.

### Board of directors

The directors of your Company were elected at annual general meeting of the Company held on April 30, 2013 for a term of three years expiring on April 30, 2016. The number of meetings attended by each director is given hereunder:

Name of the member	Meetings attended
1. Ch. Manzoor Ahmed (Chairman)	7/7
2. Ch. Zahoor Ahmed (CEO)	7/7
3. Nasir Ali	7/7
4. Ghulam Mustafa	7/7
5. Raees ud Din	7/7
6. Mazhar Zahoor	7/7
7. Muazzam Gul	7/7
8. Mehmood-ul-Haq	7/7
9. Ather Zahoor	7/7

The casual vacancies occurred on the board had been filled in accordance with the provisions of the Companies Ordinance, 1984.



## Report on Code of Corporate Governance

### Board and Management Committees

Members of management committees comprise of executives as well as directors to monitor above core areas of its business. Meetings of the Board of directors, Audit, Underwriting, Reinsurance, Claims, Investment and Human Resources Committees were held according to Schedule. Meetings held and attendance by each director in the meetings of the Board and its sub-committees are as follows:

	BOD	Audit	Under Writing	Re-Insurance	Claims	Invest-ments	Human Resources
<b>No. of meetings held</b>	7	4	4	4	4	4	4
----- ATTENDANCE -----							
<b>Ch. Manzoor Ahmed</b>	7	-	-	-	-	-	-
<b>Ch. Zahoor Ahmed</b>	7	-	4	-	-	4	-
<b>Ghulam Mustafa</b>	7	-	-	-	4	-	-
<b>Mazhar Zahoor</b>	7	-	-	-	-	-	-
<b>Rais Ud Din</b>	7	4	-	-	-	-	4
<b>Nasir Ali</b>	7	4	-	4	-	-	4
<b>Dr. Mehmood Ul Haq</b>	7	-	-	-	-	4	-
<b>Mauzam Gul</b>	7	4	-	-	-	4	-
<b>Ather Zahoor</b>	7	-	-	-	-	-	4

### 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.

### Statement of ethics and business practices

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

### Auditors

The present auditors M/s. Rehman Sarfraz Rahim Iqbal Rafiq, Chartered Accountants had been retired and being eligible for re-appointment have indicated their willingness to continue as auditors. As suggested by the audit committee, the Board of Directors has recommended the appointment of M/s. Yousuf Adil Saleem & Co., Chartered Accountants as auditors of the Company for the year 2015, at a fee to be mutually agreed.

### Future outlook

Our strategy for 2015 is designed to deliver sustainable, growth in a changing and competitive business environment in order to maintain competitive position in the industry. We have applied to SECP for Window Takaful Operations License. Your Company would then be able to market shariah compliant products in addition to conventional product.

The way to success will be the flawless and relentless execution of our strategic plan to build a more competitive, more successful business that will be recognized as the best in the industry.

### Acknowledgments

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. Manzoor Ahmed**  
Chairman

Lahore: March 31, 2015



## Statement of Compliance with Code of Corporate Governance

This statement is being presented to comply with the code of corporate governance contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for purpose of establishing a framework of good governance where by 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. PGI encourages representation of non-executive Directors on its Board. At present the Board includes:

### Non-executive directors

- a) Independent directors
  - Raees Ud Din
  - Mehmood-ul-Haq
  - Muazzam Gul
- b) Other non-executive directors
  - Ch. Manzoor Ahmed (Chairman)
  - Ather Zahoor
  - Nasir Ali

### Executive directors

- Ch. Zahoor Ahmed (Chief Executive)
- Ghulam Mustafa
- Mazhar Zahoor

The independent directors meet the criteria of independence under clause i (b) of Code of Corporate Governance.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Casual vacancies occurred on the Board during the year had been accordingly filled in by the Board of Directors of the Company.
5. The Company has prepared a "Statement of Ethics and Business Practices" as Code of Conduct and has ensured that appropriate steps have been taken to disseminate it along with its supporting policies and procedures and been signed by all directors / employees of Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of

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

7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board including appointment and determination of remuneration, terms and conditions of employment of CEO, executive and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. Minutes of the meetings were appropriately recorded and circulated.
9. As per the Code, Directors of the Company having 15 years of experience on the Board of listed company and 14 years of education are exempted from Directors' training program. Four out of nine Board members of the Company qualify for exemption under the provision (xi) of the Code. One Director has already obtained training certificate as required and remaining Directors will complete their course in subsequent years. Further, the Company will arrange training program for all Directors as provided under the Code.
10. The Board has approved appointment of Company Secretary including his remuneration and terms and conditions of employment. There was no new appointment of Chief Financial Officer and Head of Internal Audit during the year.
11. The Directors' report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. 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.
14. The Company has complied with all corporate and financial reporting requirements of the Code of Corporate Governance.



## Statement of Compliance with Code of Corporate Governance

15. The Board has formed an Audit Committee. It comprises of three members which are non-executive directors and the Chairman of the Committee is an independent director.
16. The meeting of underwriting, claims settlement, re / coinsurance and investment committees were held at least once every quarter.
17. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
18. The Board has formed an HR and Remuneration Committee. It comprises of three members which are non-executive directors and the Chairman of the Committee is an independent director.
19. The Company has an effective team for internal audit. The team is fully conversant with the policies and procedures of the Company and is involved in the internal audit function on full time basis.
20. All related party transactions entered during the year were on arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by the Audit committee and Board of Directors along with pricing method.
21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program 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 Institute of Chartered Accountants of Pakistan.
22. 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.
23. The 'closed period', prior to the announcement of interim / final results and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
24. Material / price sensitive information has been disseminated among all market participants at once through stock exchange(s).
25. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

**Ch. Manzoor Ahmed**  
Chairman  
Lahore: March 31, 2015



**RAHMAN SARFRAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants  
54 P, Gulberg II  
Lahore

## Review Report to the members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors of **The Pakistan General Insurance Company Limited** (the Company) for the year ended **December 31, 2014** to comply with the requirements of Listing Regulation No. 35 of the respective Stock Exchanges 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 and to highlight any non-compliance with the requirements of the Code of Corporate Governance. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code of Corporate Governance.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code of Corporate Governance requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arms' length prices and recording proper justification for using such alternative pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of related party transactions by the Board of Directors upon recommendation of 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, 2014**.

### Other Matters:

The Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2013 was reviewed alongwith another firm of Chartered Accountants as joint auditors and review report dated April 07, 2014 was issued. The aforesaid review report expressed an unqualified opinion with emphasis of matter.

**Rahman Sarfraz Rahim Iqbal Rafiq**  
Chartered Accountants  
Engagement Partner: A. Rahman Mir (FCA)  
Lahore, March 31, 2015



**RAHMAN SARFRAZ RAHIM IQBAL RAFIQ**  
Chartered Accountants  
54 P, Gulberg II  
Lahore

## **Auditors' Report to the members of The Pakistan General Insurance Company Limited**

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** as at **December 31, 2014** together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the Approved Accounting 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 Auditing Standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

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 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, 2014**, and of the profit / comprehensive income, its cash flows and changes in equity for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- d) No Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

### **Other Matters:**

The financial statements for the year ended December 31, 2013 and for the half year ended June 30, 2014 were audited / reviewed alongwith another firm of Chartered Accountants as joint auditors. The auditors' report dated April 07, 2014 and review report dated August 28, 2014 expressed an unqualified opinion and unqualified conclusion respectively.



**Rahman Sarfraz Rahim Iqbal Rafiq**  
Chartered Accountants  
Engagement Partner: A. Rahman Mir (FCA)  
Lahore, March 31, 2015

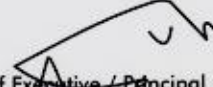


## Balance Sheet As at December 31, 2014

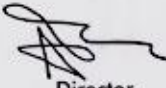
	Note	Dec. 31 / 2014	Dec. 31 / 2013
		----- Rupees -----	
<b>Share capital and reserves</b>			
Authorized share capital 40,000,000 (2013: 40,000,000) ordinary shares of Rs. 10 each		400,000,000	400,000,000
Issued, subscribed and paid-up share capital	5	375,000,000	375,000,000
General reserves	6	140,000,000	115,000,000
Un-appropriated profit		56,860,719	36,737,102
<b>Total equity</b>		<b>571,860,719</b>	<b>526,737,102</b>
<b>Surplus on revaluation of fixed assets</b>	7	9,853,609	10,135,149
<b>Underwriting provisions</b>			
Provision for outstanding claims (including IBNR)		50,156,211	49,670,324
Provision for unearned premium		202,501,375	165,325,294
Provision for premium deficiency		-	10,064,523
Commission income unearned		18,167,223	15,579,024
<b>Total underwriting provisions</b>		<b>270,824,809</b>	<b>240,639,165</b>
<b>Deferred liability</b>			
Deferred taxation	8	2,965,647	6,710,323
<b>Creditors and accruals</b>			
Amounts due to other insurers / reinsurers		15,621,216	5,806,153
Accrued expenses		1,585,090	2,745,510
Taxation - provision less payments	9	10,918,785	5,785,366
Other creditors	10	9,654,379	8,620,946
Current portion of liabilities against assets subject to finance lease	11	-	93,872
		37,779,470	23,051,847
<b>Other liabilities</b>			
Liabilities against assets subject to finance lease	11	-	-
Unpresented dividend warrants		235,913	235,913
		235,913	235,913
<b>Total liabilities</b>		<b>311,805,839</b>	<b>270,637,248</b>
<b>Total equity and liabilities</b>		<b>893,520,167</b>	<b>807,509,499</b>
<b>Contingencies and commitments</b>			
	12		

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
Chairman  
(Ch. Manzoor Ahmed)

  
Chief Executive / Principal Officer  
(Ch. Zahoor Ahmed)

  
Director  
(Ghulam Mustafa)

  
Director  
(Ather Zahoor)




## Balance Sheet As at December 31, 2014

	Note	Dec. 31 / 2014	Dec. 31 / 2013
		----- Rupees -----	
<b>Cash and bank deposits</b>			
Cash and other equivalents	13	181,398	152,218
Current and other accounts		11,580,454	17,969,957
Deposits maturing within 12 months	14	280,000,000	54,000,000
Deposits maturing after 12 months	15	37,500,000	37,500,000
		<u>329,261,852</u>	<u>109,622,175</u>
<b>Loans - unsecured; considered good</b>			
To employees		223,896	203,826
<b>Investments</b>	16	49,105,882	82,552,908
<b>Investment properties</b>	17	105,093,173	110,624,393
<b>Current assets - others</b>			
Premiums due but unpaid (net - unsecured)	18	162,984,180	196,969,965
Amounts due from other insurers / reinsurers (unsecured)		15,877,264	40,562,226
Accrued investment income		3,112,066	427,233
Reinsurance recoveries against outstanding claims		5,375,000	3,717,408
Deferred commission expense		24,832,486	22,937,390
Prepaid reinsurance premium ceded		99,817,801	72,657,225
Advances for purchase of buildings	19	-	92,000,000
Sundry receivables		449,612	1,469,282
		<u>312,448,409</u>	<u>430,740,729</u>
<b>Fixed assets</b>			
Own assets			
- land and buildings		71,468,356	52,968,347
- furniture, fixtures and office equipment		5,361,387	3,934,784
- vehicles		20,557,212	16,245,952
		<u>97,386,955</u>	<u>73,149,083</u>
Assets subject to finance lease			
- vehicles	20	-	616,385
		<u>97,386,955</u>	<u>73,765,468</u>
<b>Total assets</b>		<u>893,520,167</u>	<u>807,509,499</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
Chairman  
(Ch. Manzoor Ahmed)

  
Chief Executive / Principal Officer  
(Ch. Zahoor Ahmed)

  
Director  
(Ghulam Mustafa)

  
Director  
(Ather Zahoor)




PGI

## Profit and Loss Account / Statement of Comprehensive Income For the Year Ended December 31, 2014

	Fire and property damage	Marine, aviation and transport	Motor	Others	Note	Aggregate	
						Dec. 31 / 2014	Dec. 31 / 2013
	Rupees					Rupees	
<b>Revenue account</b>							
Net premium revenue	126,937,366	52,995,671	11,881,003	32,189,956	21	224,003,996	176,568,247
Net claims	(73,668,670)	(30,303,731)	582,661	(19,088,855)		(122,478,595)	(65,000,711)
Premium deficiency	-	10,064,523	-	-		10,064,523	(10,064,523)
Expenses	(19,058,415)	(8,451,314)	(1,258,050)	(5,527,849)	22	(34,295,628)	(71,913,862)
Net commission	(12,175,372)	(4,123,263)	(1,365,424)	(977,675)		(18,641,734)	(12,939,359)
<b>Underwriting result</b>	<b>22,034,909</b>	<b>20,181,886</b>	<b>9,840,190</b>	<b>6,595,577</b>		<b>58,652,562</b>	<b>16,649,792</b>
Investment income						22,158,522	33,056,025
Rental income						6,304,200	5,730,600
Other income					23	2,036,877	1,848,916
Finance cost					24	(464,731)	(433,004)
General and administration expenses					25	(38,947,966)	(37,822,011)
						(8,913,098)	2,380,526
Profit before tax						49,739,464	19,030,318
Taxation					26	(4,897,387)	8,257,569
<b>Profit for the year</b>						<b>44,842,077</b>	<b>27,287,887</b>
<b>Other comprehensive income</b>							
Items that may not be subsequently reclassified to 'profit and loss account'							
Incremental depreciation on revalued assets, net of tax						281,540	296,357
Items that may be subsequently reclassified to 'profit and loss account'						-	-
Other comprehensive income for the year, net of tax						281,540	296,357
<b>Total comprehensive income for the year</b>						<b>45,123,617</b>	<b>27,584,244</b>
<b>Profit and loss appropriation account</b>							
Balance at beginning of the year						36,737,102	9,152,858
Total comprehensive income for the year						45,123,617	27,584,244
Transferred to general reserves						(25,000,000)	-
Balance at end of the year						56,860,719	36,737,102
<b>Earnings per share - basic and diluted</b>					27	<b>1.20</b>	<b>0.73</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
Chairman  
(Ch. Manzoor Ahmed)

  
Chief Executive / Principal Officer  
(Ch. Zahoor Ahmed)

  
Director  
(Ghulam Mustafa)

  
Director  
(Ather Zahoor)

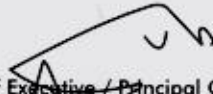


## Statement of Changes in Equity For the Year Ended December 31, 2014

	Share Capital	General Reserves	Un- appropriated Profit	Total Equity
----- Rupees -----				
<b>Balance as at January 1, 2013</b>	<b>300,000,000</b>	<b>190,000,000</b>	<b>9,152,858</b>	<b>499,152,858</b>
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	27,287,887	27,287,887
Other comprehensive income for the year	-	-	296,357	296,357
	-	-	27,584,244	27,584,244
<b>Transactions with owners, recorded directly in equity</b>				
Bonus shares @ 25% issued during the year	75,000,000	(75,000,000)	-	-
<b>Balance as at December 31, 2013</b>	<b>375,000,000</b>	<b>115,000,000</b>	<b>36,737,102</b>	<b>526,737,102</b>
<b>Total comprehensive income for the year</b>				
Profit for the year	-	-	44,842,077	44,842,077
Other comprehensive income for the year	-	-	281,540	281,540
	-	-	45,123,617	45,123,617
<b>Transactions with owners, recorded directly in equity</b>				
Transfers to general reserves	-	25,000,000	(25,000,000)	-
<b>Balance as at December 31, 2014</b>	<b>375,000,000</b>	<b>140,000,000</b>	<b>56,860,719</b>	<b>571,860,719</b>

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
Chairman  
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Chief Executive / Principal Officer  
(Ch. Zahoor Ahmed)

  
Director  
(Ghulam Mustafa)

  
Director  
(Ather Zahoor)



## Statement of Cash Flows For the Year Ended December 31, 2014

	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----	
<b>Operating cash flows</b>		
<b>a) Underwriting activities</b>		
Premiums received	445,455,821	258,802,418
Reinsurance premiums paid	(144,405,652)	(187,315,806)
Claims paid	(226,260,554)	(177,141,328)
Reinsurance and other recoveries received	102,610,254	156,352,013
Commissions paid	(49,678,705)	(50,105,550)
Commissions received	31,730,074	32,989,549
Net cash inflow from underwriting activities	159,451,238	33,581,296
<b>b) Other operating activities</b>		
Income tax paid	(3,508,644)	(2,062,338)
General and management expenses paid	(60,911,514)	(54,877,497)
Loans to employees	(20,070)	16,460
Other receipts / (payments) in respect of operating assets	968,178	(1,067,316)
Other receipts in respect of operating assets	1,084,925	3,181,572
Net cash out flow from other operating activities	(62,387,125)	(54,809,119)
<b>Total cash inflow / (outflow) from all operating activities (a+b)</b>	<b>97,064,113</b>	<b>(21,227,823)</b>
<b>Investing activities</b>		
Profit on Term Deposit Receipts	15,127,030	8,153,628
Dividends received	437,802	1,041,780
Rentals received	6,304,200	5,730,600
Miscellaneous income	36,877	12,054
Payments for investments	(9,578,297)	(62,767,754)
Proceeds from disposal of investments	46,934,180	76,298,446
Fixed capital expenditure	(30,127,625)	(2,120,625)
Proceeds from disposal of investment properties	94,000,000	-
Advance for purchase of buildings	-	(92,000,000)
<b>Total cash inflow / (outflow) from investing activities</b>	<b>123,134,167</b>	<b>(65,651,871)</b>
<b>Financing activities</b>		
Financial charges paid	(464,731)	(433,004)
Payments of finance leases	(93,872)	(243,952)
<b>Total cash out flow from financing activities</b>	<b>(558,603)</b>	<b>(676,956)</b>
<b>Net cash inflow / (outflow) from all activities</b>	<b>219,639,677</b>	<b>(87,556,650)</b>
<b>Cash at beginning of the year</b>	<b>109,622,175</b>	<b>197,178,825</b>
<b>Cash at end of the year</b>	<b>329,261,852</b>	<b>109,622,175</b>



## Statement of Cash Flows For the Year Ended December 31, 2014

	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----	
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	97,064,113	(21,227,823)
Depreciation expense	(12,037,358)	(11,715,801)
Finance cost	(464,731)	(433,004)
Increase / (Decrease) in assets other than cash	(27,501,941)	65,850,566
(Increase) / Decrease in liabilities	(41,262,463)	(47,390,333)
<b>Other adjustments</b>		
Reversal / (provision) for impairment - available for sale	308,516	232,327
Provision for doubtful receivables	(1,455,142)	(41,650,125)
Doubtful debts written off	-	43,218,866
Investment income	21,412,204	31,781,918
Rental income	6,304,200	5,730,600
Dividend income	437,802	1,041,780
Other income	2,036,877	1,848,916
<b>Profit after taxation as per profit and loss account</b>	<u>44,842,077</u>	<u>27,287,887</u>

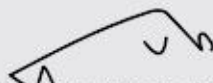
### Definition of cash

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

Cash and other equivalents	181,398	152,218
Current and other accounts	11,580,454	17,969,957
Deposits maturing within 12 months	280,000,000	54,000,000
Deposits maturing after 12 months	37,500,000	37,500,000
	<u>329,261,852</u>	<u>109,622,175</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
Chairman  
(Ch. Manzoor Ahmed)

  
Chief Executive / Principal Officer  
(Ch. Zahoor Ahmed)

  
Director  
(Ghulam Mustafa)

  
Director  
(Ather Zahoor)


## Statement of Premiums For the Year Ended December 31, 2014

Business underwritten inside Pakistan

Class of business	Premiums written		Unearned premium reserve		Premiums earned	Reinsurance ceded		Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
	Opening	Closing	Opening	Closing		Opening	Closing	Opening	Closing		Dec. 31 / 2014	Dec. 31 / 2013
----- Rupees -----												
<b>Direct and facultative</b>												
Fire and property damage	229,466,555	96,228,145	107,665,495	218,029,205	109,740,054	41,997,082	60,645,297	91,091,839	126,937,366	100,949,206		
Marine, aviation and transport	101,755,248	37,626,848	51,624,814	87,757,282	42,069,361	16,176,462	23,484,212	34,761,611	52,995,671	45,041,297		
Motor	15,147,132	5,249,918	7,659,547	12,737,503	856,500	-	-	856,500	11,881,003	10,870,739		
Miscellaneous	66,556,243	26,220,383	35,551,519	57,225,107	26,239,762	14,483,681	15,688,292	25,035,151	32,189,956	19,707,005		
<b>Total</b>	<b>412,925,178</b>	<b>165,325,294</b>	<b>202,501,375</b>	<b>375,749,097</b>	<b>178,905,677</b>	<b>72,657,225</b>	<b>99,817,801</b>	<b>151,745,101</b>	<b>224,003,996</b>	<b>176,568,247</b>		

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
Ch. Manzoor Ahmed  
Chairman

  
Ch. Zaboer Ahmed  
Chief Executive / Principal Officer

  
Ghulam Mustafa  
Director

  
Ather Zahoor  
Director



# Statement of Claims For the Year Ended December 31, 2014


Business underwritten inside Pakistan


Class of business	Claims paid		Outstanding claims		Claims expenses	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	Net claims expense	
	Opening	Closing	Opening	Closing			Opening	Closing		Dec. 31 / 2014	Dec. 31 / 2013
----- Rupees -----											
<b>Direct and facultative</b>											
Fire and property damage	135,218,210	4,683,000	139,901,210	62,887,540	3,345,000	66,232,540	73,668,670	23,952,801			
Marine, aviation and transport	56,442,363	47,691,371	44,140,000	52,890,992	3,342,408	1,680,000	30,303,731	30,228,411			
Motor	63,081	1,453,953	808,211	(582,661)	-	-	(582,661)	1,237,818			
Miscellaneous	34,536,900	525,000	34,536,900	15,473,045	375,000	15,448,045	19,088,855	9,581,681			
<b>Total</b>	<b>226,260,554</b>	<b>49,670,324</b>	<b>50,156,211</b>	<b>226,746,441</b>	<b>3,717,408</b>	<b>5,375,000</b>	<b>122,478,595</b>	<b>65,000,711</b>			

The annexed notes from 1 to 37 form an integral part of these financial statements.



  
Chairman  
(Ch. Manzoor Ahmed)

  
Chief Executive / Principal Officer  
(Ch. Zabeer Ahmed)

  
Director  
(Ghulam Mustafa)

  
Director  
(Ather Zahoor)

## Statement of Expenses For the Year Ended December 31, 2014

Business underwritten inside Pakistan

Class of business	Commissions paid or payable		Deferred commission		Net Commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	
	Opening	Closing	Opening	Closing					Dec. 31 / 2014	Dec. 31 / 2013
----- Rupees -----										
<b>Direct and facultative</b>										
Fire and property damage	29,533,324	13,627,912	14,031,347	29,129,889	19,058,415	48,188,304	16,954,517	31,233,787	47,937,831	
Marine, aviation and transport	11,523,143	5,240,056	5,997,263	10,765,936	8,451,314	19,217,250	6,642,673	12,574,577	21,914,012	
Motor	1,285,296	744,265	664,137	1,365,424	1,258,050	2,623,474	-	2,623,474	3,725,857	
Miscellaneous	7,336,942	3,325,157	4,139,739	6,522,360	5,527,849	12,050,209	5,544,685	6,505,524	11,275,521	
<b>Total</b>	<b>49,678,705</b>	<b>22,937,390</b>	<b>24,832,486</b>	<b>47,783,609</b>	<b>34,295,628</b>	<b>82,079,237</b>	<b>29,141,875</b>	<b>52,937,362</b>	<b>84,853,221</b>	


**Note:** Commission from reinsurers is arrived at taking impact of opening and closing unearned commission.

The annexed notes from 1 to 37 form an integral part of these financial statements.



  
Director  
(Ather Zahoor)

  
Director  
(Ghulam Mustafa)

  
Chief Executive / Principal Officer  
(Ch. Zuboor Ahmed)

  
Chairman  
(Ch. Manzoor Ahmed)




## Statement of Investment Income For the Year Ended December 31, 2014

	Dec. 31 / 2014	Dec. 31 / 2013
Note	----- Rupees -----	
Income from non - trading investments		
<b>Available for sale</b>		
Dividend income	437,802	1,041,780
<b>Held to maturity</b>		
Return on Defense Saving Certificates	2,958,657	1,958,761
Profit on bank deposits	18,510,335	9,088,274
Gain/Loss on sale of non trading investments- available for sale	641,684	21,242,296
Reversal / (provision) for impairment - available for sale	16 308,516	232,327
Investment related expenses	(698,472)	(507,413)
<b>Net investment income</b>	<u>22,158,522</u>	<u>33,056,025</u>

The annexed notes from 1 to 37 form an integral part of these financial statements.

  
Chairman  
(Ch. Manzoor Ahmed)

  
Chief Executive / Principal Officer  
(Ch. Zahoor Ahmed)

  
Director  
(Ghulam Mustafa)

  
Director  
(Ather Zahoor)



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 1 Status and Nature of Business

The Pakistan General Insurance Company Limited ("the Company") was incorporated in Pakistan as a public limited company on July 26, 1947 under the Companies Act, 1913 (repealed by the Companies Ordinance, 1984) and is quoted on Karachi, Lahore and Islamabad Stock Exchanges 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 and Miscellaneous. Registered office of the Company is situated at Cooperative Bank House, 5-Bank Square, Lahore.

### 2 Basis of Preparation

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002, vide SRO 938 dated December 12, 2002.

#### 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"), 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") issued by the International Accounting Standards Board ("IASB") 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.

SECP has allowed insurance companies to defer the application of International Accounting Standards-39 (IAS 39) "Financial Instruments: Recognition and Measurement" in respect of investments available for sale until suitable amendments have been made in the laws. Accordingly, the requirements of IAS 39, to the extent allowed by the SECP, have not been considered in the preparation of these financial statements.

#### 2.2 Basis of measurement

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

- (a) revaluation of certain fixed assets at fair value; and
- (b) financial instruments at fair value

#### 2.3 Significant estimates

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The judgements, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the revision has been made. Estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in ensuing paragraphs.

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

- Provision for outstanding claims (including IBNR) - note 4.2
- Provision for unearned premium - note 4.3
- Provision for doubtful receivables - note 4.5
- Provision for taxation and deferred tax - note 4.8
- Useful lives of investment properties - note 4.12
- Useful lives and residual values of fixed assets - note 4.14
- Provision for premium deficiency reserve - note 4.21



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 2.4 Functional and presentation currency

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

### 3 Initial Application of Standard, Amendment or Interpretation to an Existing Standard and Forthcoming Requirements

#### 3.1 Adoption of International Financial Reporting Standards that are effective and applicable to the Company -

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

IAS 32	Financial Instruments: Presentation (Amended)
IAS 36	Impairment of Assets (Amended)
IAS 39	Financial Instruments: Recognition and Measurement (Amended)
IFRIC 21	Levies

#### 3.2 Standards, interpretations and amendments to the published approved accounting standards not yet effective -

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard	IASB effective date (annual periods beginning on or after)
IFRS 2	Shared Based Payments (Amendments) July 1, 2014
IFRS 3	Business Combinations (Amendments) July 1, 2014
IFRS 5	Non Current Assets Held for Sale and Discontinued Operations (Amendments) January 1, 2016
IFRS 7	Financial Instruments: Disclosures (Amendments) January 1, 2018
IFRS 8	Operating Segments (Amendments) July 1, 2014
IFRS 10	Consolidated Financial Statements (Amendments) January 1, 2016
IFRS 11	Joint Arrangements (Amendments) January 1, 2015
IFRS 12	Disclosures of Interests in Other Entities (Amendments) January 1, 2016
IFRS 13	Fair Value Measurement January 1, 2015
IAS 1	Presentation of financial statements (Amendments) January 1, 2016
IAS 16	Property, Plant and Equipment (Amendments) January 1, 2016
IAS 19	Employee Benefits (Amendments) January 1, 2016
IAS 24	Related Party Disclosures (Amendments) July 1, 2014
IAS 27	Separate financial statements (Amendments) January 1, 2016
IAS 28	Investment in Associates and Joint Ventures (Amendments) January 1, 2016
IAS 38	Intangible Assets (Amendments) January 1, 2016
IAS 40	Investment Property (Amendments) July 1, 2014
IAS 41	Agriculture (Amendments) January 1, 2016

#### 3.3 Annual improvements to International Financial Reporting Standards

In addition to the above amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after January 1, 2014 and July 1, 2014. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

#### 3.4 Standards issued by IASB but not applicable in Pakistan

Following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan. The Company expects that these improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

IFRS 1	FirstTime adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers (New Pronouncement)



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 3.5 Interpretations and amendments that are waived off by SECP.

IFRIC 4 Determining whether an arrangements contains lease

IFRIC 12 Service concession arrangements

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

## 4 Summary of Significant Accounting Policies

### 4.1 Insurance contracts

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

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

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

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

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

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

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

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

The Company recognizes liability in respect of all claims incurred up to balance sheet date which is measured at undiscounted value of expected future payments. Claims are considered to be incurred at the time of 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 in respect of unpaid reported claims is made on basis of individual case estimates. These are accounted for on management's best estimate which takes into account past trends, expected future patterns of reporting claims actually reported subsequent to the balance sheet date. Reinsurance recoveries against outstanding claims are recognized as an asset and measured at the amount expected to be received.

#### Claims reported but not settled

Provision for liability in respect of claims reported but not settled at the balance sheet date is made on the basis of individual case estimates. The case estimates are based on the assessed amounts of individual losses and where loss assessments have not been carried out, the estimates are established in light of currently available information, past experience of similar claims and in some cases in relation to the sums insured. Case estimates are reviewed periodically to ensure that the recognized outstanding claim amounts are adequate to cover expected future payments including expected claims settlement costs and are updated as and when new information becomes available.

#### Claims incurred but not reported (IBNR)

The provision for claims incurred but not reported (IBNR) at balance sheet date is based on an analysis of the past claims reporting pattern experienced by the Company. The provision for IBNR has been accounted for on the basis whereby all claims incurred before preceding year but reported up to current year were aggregated and the ratio of such claims to outstanding claims at preceding year has been applied to outstanding claims except exceptional losses at current year to arrive at liability for IBNR. The analysis was carried out separately for each class of business.



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 4.3 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to unexpired period of coverage including administrative surcharge which relates to the business in force at the balance sheet date and is recognized as a liability by the Company. The Company has opted for 1/24th method and maintained its reserves for unexpired risk in accordance with the SEC (Insurance) Rules, 2002.

### 4.4 Commission Income

Commission from reinsurers is deferred and recognised as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. The commission under the terms of reinsurance arrangements is recognised when the Company's right to receive the same is established.

#### Expenses

Commission expenses incurred in obtaining and recording policies is deferred and recognised as an expense in accordance with pattern of recognition of premium revenue by applying the 1/24th method.

### 4.5 Receivables and payables related to insurance contracts

Receivables and payables related to insurance contracts are recognised when due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is objective evidence that the insurance receivable is impaired, as a result of one or more events that occurred after the initial recognition, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account.

### 4.6 Creditors, accruals and provisions

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

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

### 4.7 Employees' 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.

### 4.8 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the profit and loss account, except to the extent that it relates to items recognised directly in other comprehensive income or in equity, in which case it is recognised in other comprehensive income or in equity.

#### Current

Provision for current taxation is based on taxable income determined in accordance with the prevailing law for taxation of income and is calculated using enacted or substantively enacted rates of taxation after taking into account available tax credits and rebates, if any. The charge for the current taxation also includes adjustments where considered necessary, relating to prior years which arise from assessments framed / finalized during the year or required by any other reason.

#### Deferred

Deferred tax is accounted for using liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in 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 profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 4.9 Leases

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

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liabilities to the lessor are 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.

### 4.10 Investments

#### Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include the transaction cost except for 'held for trading' in which case transaction costs are charged to the profit and loss account. All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are classified into the following categories:

- a) Held to maturity
- b) Available for sale
- c) Investment in Associate

#### Measurement

##### a) 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.

##### b) 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. After initial recognition, the Company has stated these investments, classified as available for sale, at lower of cost or market value; in accordance with the requirements of SEC (Insurance) Rules, 2002.

##### c) Investment in associates

Entities in which the Company has significant influence but not control and which are neither its subsidiary nor joint ventures are associates and are accounted for by using the equity method of accounting. Under equity method of accounting, the investments are initially recognised at cost; thereafter its carrying amount is increased or decreased for the Company's share of post acquisition changes in the net assets of the associate and for dividend distributions.

The company's share of the profit and loss of the associate is accounted for in the Company's profit and loss account, whereas changes in the associate's equity which are not recognised in the associates' profit and loss account are recognised directly in other comprehensive income of the Company.

After application of equity method, the carrying amount of investment in associate is tested for impairment by comparing its recoverable amount (higher of value in use and fair value less cost to sell) with its carrying amount and loss, if any, is recognised in 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.



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 4.11 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.

### 4.12 Investment properties

Investment property, which is property held to earn rentals and / or for capital appreciation, is valued using the cost method i.e. at cost less any accumulated depreciation and any identified impairment loss.

Depreciation on buildings is charged to income on the reducing balance method so as to write off the depreciable amount of building over its estimated useful life at the rates specified in note 17 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.

### 4.13 Re-insurance contracts

Contracts entered into by the Company with reinsurers under which the Company cedes insurance risks assumed during normal course of its business and according to which the Company is compensated for losses on insurance contracts issued by the Company are classified as reinsurance contracts held.

Reinsurance premium is recognised as an expense at the time the reinsurance is ceded. Commission on reinsurance cessions is recognised in accordance with the policy of recognising premium revenue.

Reinsurance assets represent balances due from reinsurance companies and reinsurance recoveries against outstanding claims. Reinsurance recoveries are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Reinsurance liabilities represent balances due to reinsurance companies and are primarily premiums payable for reinsurance contracts and are recognised at the same time when reinsurance premiums are recognised as an expense.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired.

An impairment review of reinsurance assets is performed at each balance sheet date. If there is an objective evidence that the asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

### 4.14 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.

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.

Depreciation is charged to profit and loss account by applying the reducing balance method at the rates specified in note 20 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 account during the period in which they are incurred.

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

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

### 4.15 Assets subject to finance lease

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

Depreciation on assets subject to finance lease is charged from the month of acquisition and up to the month preceding the disposal.



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 4.16 Impairment

A financial asset is assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset.

The carrying amount of non financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognised in the profit and loss account. Provisions for impairment are reviewed at each balance sheet date and are adjusted to reflect the current best estimates. Changes in the provisions are recognised as income or expense.

### 4.17 Financial instruments

Financial instruments include cash and bank balances, loans to employees, investments, premiums due but unpaid, amount due from other insurers / reinsurers, reinsurance recoveries against outstanding claims, security deposits, other receivables, outstanding claim liabilities, amount due to other insurers / reinsurers, accrued expenses, other creditors, deposits and unclaimed dividends.

All the financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and de-recognised when the Company loses control of contractual rights that comprises 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 de-recognition of financial assets and financial liabilities is taken to profit and loss account for the year.

### 4.18 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.

### 4.19 Revenue recognition

#### Premium income

For all the insurance contracts, premiums including administrative surcharge received / receivable under a policy are recognised as written at the time of issuance of policy. Where premiums for a policy are payable in instalments, full premium for the duration of the policy is recognised as written at the inception of the policy and related assets set up for premiums receivable at a later date. Premiums are stated gross of commission payable to intermediaries and exclusive of taxes and duties levied on premiums.

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

#### Return on investments

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

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

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

#### Miscellaneous income

Other revenues are recognized on accrual basis.

### 4.20 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.



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 4.21 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance from claims, and other 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 expense/income in the profit and loss account.

The unearned premium reserve for each class 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 force at balance sheet date hence no provision has been made and deficiency reserve created last year has been reversed through profit and loss account.

### 4.22 Claims

Claims are charged to income as incurred based on estimated liability for compensation owed under the insurance contracts. It includes related internal and external claims handling costs that are directly related to the processing and settlement of claims, as reduced by the value of salvage and other recoveries and any adjustments to claims outstanding from previous years.

### 4.23 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, miscellaneous and investment properties.

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 for cargo, 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.

### 4.24 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on the basis of comparable uncontrolled price method, which sets the price by reference to comparable goods and services sold in an economically comparable market to a buyer unrelated to the seller.

### 4.25 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting profit or loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 4.26 Dividends and bonus shares

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are approved. Similarly, reserve for issue of bonus shares is recognized in the year in which such issue is approved.



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 5 Issued, Subscribed And Paid-Up Share Capital

Dec. 31 / 2014	Dec. 31 / 2013		Dec. 31 / 2014	Dec. 31 / 2013
----- Number of Shares -----			----- Rupees -----	
20,000,000	20,000,000	Ordinary shares of Rs. 10 each	200,000,000	200,000,000
17,500,000	17,500,000	fully paid in cash	175,000,000	175,000,000
<u>37,500,000</u>	<u>37,500,000</u>	fully paid as bonus shares	<u>375,000,000</u>	<u>375,000,000</u>

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.

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

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

Dec. 31 / 2014	Dec. 31 / 2013		Dec. 31 / 2014	Dec. 31 / 2013
----- Number of Shares -----			----- Rupees -----	
37,500,000	30,000,000	At beginning of the year	375,000,000	300,000,000
-	7,500,000	Bonus shares issued during the year	-	75,000,000
<u>37,500,000</u>	<u>37,500,000</u>	At end of the year	<u>375,000,000</u>	<u>375,000,000</u>

Dec. 31 / 2014	Dec. 31 / 2013
----- Rupees -----	

### 6 General Reserves

Balance at beginning of the year	115,000,000	190,000,000
Transfer from retained earnings	25,000,000	-
	<u>140,000,000</u>	<u>190,000,000</u>
Less: Bonus shares issued during the year	-	(75,000,000)
Balance at end of the year	<u>140,000,000</u>	<u>115,000,000</u>

These represent distributable profits transferred and utilizable at the discretion of the board of directors.

### 7 Surplus On Revaluation Of Fixed Assets

Balance at beginning of the year	10,135,149	10,431,506
Less: Transferred to unappropriated profit in respect of incremental depreciation (net of deferred tax)	(281,540)	(296,357)
Balance at end of the year	<u>9,853,609</u>	<u>10,135,149</u>

The latest revaluation of freehold land and building on freehold land was carried out by M/s. Muhammad Siddique Associates on December 31, 2008. The said revaluation has been reassessed by the same independent valuers as on December 31, 2013 according to which there is no significant change in existing valuations. Hence no new adjustments would be required. The basis used for revaluation were as follows:

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



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----	
<b>8 Deferred Taxation</b>		
Deferred tax liability on taxable temporary differences:		
Tax depreciation allowance	5,345,416	8,505,893
Finance lease	-	182,880
Deferred tax asset on deductible temporary differences:		
Provision for doubtful receivables	(2,108,163)	(1,598,863)
Loss on re-measurement of available for sale investments	(271,606)	(379,587)
	<u>2,965,647</u>	<u>6,710,323</u>
Deferred tax is calculated at the rate of 35% as applied in the past as the rate of 33% is applicable only for tax year 2015.		
<b>9 Taxation - Provision Less Payments</b>		
Balance at beginning of the year	5,785,366	18,616,569
Add: Charge for -		
Current year	8,285,063	5,704,560
prior period taxation	357,000	(16,473,425)
Less: Paid during the year	(3,508,644)	(2,062,338)
Balance at end of the year	<u>10,918,785</u>	<u>5,785,366</u>
<b>10 Other Creditors</b>		
Federal excise duty	2,354,263	2,886,345
Federal insurance fee	1,920,102	399,751
Withholding tax payable	4,655,956	4,559,300
Payable to staff provident fund	9,058	60,550
Others	715,000	715,000
	<u>9,654,379</u>	<u>8,620,946</u>
<b>11 Liabilities Against Assets Subject To Finance Lease</b>		
Present value of minimum lease payments	-	93,872
Less: current portion	-	93,872
	<u>-</u>	<u>-</u>

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

	Minimum lease payments ('MLPs')		Present value of MLPs	
	Dec. 31 / 2014	Dec. 31 / 2013	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----		----- Rupees -----	
Not later than one year	-	98,211	-	93,872
Later than one but not later than five years	-	-	-	-
	-	98,211	-	93,872
Less: Unallocated finance cost	-	4,339	-	-
	-	93,872	-	93,872
Less: Current portion	-	93,872	-	93,872
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

The lease agreement had matured during the year and vehicle had been acquired by the Company. The present value of minimum lease payments for prior periods had been discounted at an implicit interest rate of 22.00% per annum.

### 12 Contingencies And Commitments

- There are certain cases pending for adjudication before Civil, Session and High Court amounting to Rs. 8.221 million (2013: Rs. 8.124 million). No provision has been made in these financial statements in respect of the aforementioned matters as the management is confident that the ultimate outcome of cases will be in favour of the Company.
- Penalty of Rs. 457,584 has been levied for late filing of monthly income tax statements for tax year 2011. Appeal has been filed, with the Honourable Appellate Tribunal Inland Revenue against orders.

While finalizing the assessments for the assessment years 2000 - 2001 and 2002 - 2003, certain disallowances were made 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 by Pakistan General Insurance Company Limited. The Honourable Income Tax Appellate Tribunal has set-aside the orders under section 62 of the repealed Ordinance, 1979 for the assessment years 2000 - 2001 and 2002 - 2003. The tax counsel of the Company is of the view that there is every likelihood of the cases to be decided in favour of the Company.

- The Company is defendant in a lawsuit of Marine insurance claim amounting to Rs. 64 million before the Federal Insurance Ombudsman against Shaikh Pipe Mills. However provision in respect of the said liability has been included in these financial statements under provision for outstanding claims amounting to Rs. 41.2 million.

Dec. 31 / 2014      Dec. 31 / 2013  
----- Rupees -----

### 13 Cash And Other Equivalents

Cash with State Bank of Pakistan	- note 13.1	61,358	61,358
Cash in hand		120,040	90,860
		181,398	152,218

#### 13.1 Cash with State Bank of Pakistan

This represents deposit with State Bank of Pakistan pursuant to the requirements of clause (a) of sub-section 2 of section 29 of Insurance Ordinance, 2000.

### 14 Deposits Maturing Within 12 Months

Investment in Call Deposit Receipts ('CDRs')	- note 14.1	280,000,000	54,000,000
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#### 14.1 Investment in Call Deposit Receipts ('CDRs')

This represents Call Deposit Receipts (CDR's) with Bank of Punjab encashable within one year. It carries mark up ranging from 9.00% to 9.40% (2013: 11.50%) per annum.

### 15 Deposits maturing after 12 months

Government securities	- note 15.1	37,500,000	37,500,000
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## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 15.1 Government securities

	Maturity Year	Effective Yield % age per annum	Dec. 31 / 2014	Dec. 31 / 2013
			----- Rupees -----	
Pakistan Investment Bonds	2019	9.60%	5,000,000	5,000,000
Pakistan Investment Bonds	2019	12.00%	7,000,000	7,000,000
Pakistan Investment Bonds	2019	12.00%	7,500,000	7,500,000
Pakistan Investment Bonds	2019	12.00%	5,000,000	5,000,000
Pakistan Investment Bonds	2019	9.60%	13,000,000	13,000,000
			<u>37,500,000</u>	<u>37,500,000</u>

#### 15.1.1 Fair Value of Pakistan Investment Bonds

The fair value of the Pakistan Investment Bonds carried at amortized cost amounts to Rs. 36.70 million (2013: Rs. 36.70 million).

#### 15.1.2 Statutory Deposits

These represent 10 year Pakistan Investment Bonds. These are deposited with State Bank of Pakistan pursuant to the requirements of clause (a) of sub - section 2 of section 29 of Insurance Ordinance, 2000.

### 16 Investments

		Dec. 31 / 2014	Dec. 31 / 2013
		----- Rupees -----	
Held to maturity	- note 16.1	22,103,856	19,145,199
Loans and receivables	- note 16.2	-	45,000,000
Available for sale investments	- note 16.3	27,002,026	18,407,709
		<u>49,105,882</u>	<u>82,552,908</u>

#### 16.1 Held to maturity

These represent investments in Defence Saving Certificates (government securities), which carries mark-up at the rate of 9.46% (2013: 9.46%) per annum compounding annually. These are maturing on February 15, 2016.

The accrued interest on above investments are classified in the 'Held-to-maturity' investments in accordance with the requirements of International Accounting Standard 39 - Financial Instruments: Recognition and Measurement.

#### 16.2 Loans and receivables

The Company entered into loan investment agreement with M/s Bloomfield Hall School Systems on October 29, 2013 for Rs. 45 million for its educational institution in Model Town, Lahore. The Company divested from the venture prior to its maturity in December 2014.

#### 16.3 Available for sale investments

Ordinary equity securities (quoted)		27,778,042	19,492,242
Less: Provision for impairment	- note 16.3.1	(776,016)	(1,084,533)
	- note 16.3.2	<u>27,002,026</u>	<u>18,407,709</u>

#### 16.3.1 Provision for impairment

As per the Company's accounting policy and in accordance with the requirements of SEC (Insurance) Rules 2002 available for sale investments are stated at lower of cost or market value. However, International Accounting Standard 39 - Financial Instruments: Recognition and Measurement, requires that these instruments should be measured at their fair value. Accordingly, had these investments been measured at fair value, their carrying value as on December 31, 2014 would have been higher by Rs. 13,513,431 (2013: higher by Rs. 4,354,825).

## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014



### 16.3.2 Ordinary equity securities (quoted)

Dec. 31 / 2014	Dec. 31 / 2013	Value / Share (Rupees)		Company's Name	Market Value		Lower of Cost or Market Value	
		Number of Shares	Par Value		Dec. 31 / 2014	Dec. 31 / 2013	Dec. 31 / 2014	Dec. 31 / 2013
26,787	31,787	10	34.88	Bank Alfalah Limited	934,331	859,520	659,515	765,723
94,235	89,235	10	9.85	The Bank of Khyber Limited	928,215	669,263	557,071	511,871
298,000	100,000	10	10.95	The Bank of Punjab Limited	3,263,100	1,102,000	2,468,223	782,830
222,000	222,000	10	1.99	KASB Bank Limited	441,780	426,240	441,780	426,240
285,000	285,000	10	2.32	NIB Bank Limited	661,200	666,900	661,200	666,900
177,398	177,398	10	2.22	Silk Bank Limited	393,824	372,536	393,824	372,536
100,360	95,360	10	23.07	Askani Bank Limited	2,315,305	1,335,040	1,401,504	1,194,378
15,000	5,000	10	216.26	Habib Bank Limited	3,243,900	833,150	2,740,600	818,200
145,218	165,218	10	12.33	Sonnet Bank Limited	1,790,338	1,805,833	1,261,604	1,411,734
450	450	10	69.46	National Bank of Pakistan	31,257	26,127	25,898	25,898
7,640	13,640	10	47.00	Meezan Bank Limited	359,080	537,143	307,816	537,143
125,000	125,000	10	7.14	JS Bank Limited	892,500	562,500	521,850	521,850
10,000	10,000	10	23.60	Standard Chartered Bank Limited	236,000	249,000	84,800	84,800
3,000	3,000	10	2.37	IGI Bank Limited	7,110	5,010	4,950	4,950
60,000	50,000	10	18.20	Faysal Bank Limited	1,092,000	569,500	677,000	542,500
209,000	100,000	10	7.00	Samba Bank Limited	1,400,000	472,000	1,348,000	419,000
37,000	28,000	10	37.30	Habib Metropolitan Bank Limited	1,380,100	701,960	946,256	701,960
281,450	266,450	10	4.45	Summit Bank Limited	1,252,453	572,868	656,848	572,868
11,650	11,650	10	48.55	Bank Al Habib Limited	565,608	484,058	491,048	484,058
125,000	150,000	10	9.81	Bank Islami Limited	1,226,250	1,041,000	980,000	1,041,000
10,000	5,000	10	117.11	Fuji Fertilizer Company Limited	1,171,100	559,800	913,580	348,080
1,300	1,300	10	1.91	Dewan Salman Fiber Limited	2,483	3,406	2,483	3,406
1,000	1,000	10	185.38	Biato Industries Limited	95,500	95,500	55,197	55,197
5,000	5,000	10	221.51	Engro Corporation Limited	1,107,550	791,900	533,950	533,950
17,700	10,200	10	110.53	DG Khan Cement Limited	1,956,381	874,446	1,175,071	487,696
50,000	50,000	10	25.84	Fuji Cement Co. Limited	1,292,000	797,500	343,920	343,920
9,200	4,200	10	500.28	Lucky Cement Limited	4,602,576	1,259,454	2,317,923	497,123
18,000	18,000	10	0.44	Zeal Pak Cement Limited	7,920	7,920	7,920	7,920
86,000	86,000	10	17.35	Lafarge Pakistan Cement Limited	1,492,100	718,960	705,200	705,200
1,500	1,500	10	4.06	Dadabhai Cement Limited	6,090	6,690	6,090	6,690
20,000	15,000	10	44.25	Maple Leaf Cement Limited	885,500	411,450	558,500	403,500
3,058	3,058	5	11.32	Shabbir Tiles & Ceramics Limited	34,617	27,216	34,617	27,216
12,000	12,000	10	78.36	The Hub Power Co. Limited	940,320	728,640	399,915	399,915
35,026	35,026	10	2.36	Madaraba AlWali	82,661	54,641	70,044	54,641
500	500	10	8.41	Standard Chartered Leasing	3,505	3,500	4,205	3,500
20,000	20,000	10	23.03	Pakistan Telecommunication	460,600	568,800	460,600	526,200
6,000	6,000	10	31.10	Noon Sugar Mills Limited	186,600	169,860	151,290	151,290
31,172	21,172	10	28.71	SNGL	894,948	450,964	858,145	450,964
90,000	80,000	10	7.45	PIA Corporation	670,500	670,400	670,500	670,400
60,000	60,000	10	9.31	Byco Petroleum Pakistan Limited	558,600	534,600	541,200	534,600
900	900	10	89.99	Ibrahim Fibres Limited	80,991	62,550	40,899	40,899
2,500	2,500	10	14.30	Fatima Enterprises Limited	35,750	35,750	25,000	25,000
4,500	2,500	10	220.46	Highnoon Laboratories Limited	992,070	296,325	514,095	204,375
600	600	10	1,059.74	Pakistan Tobacco Company	635,844	337,614	37,092	37,092
2,710,144	2,370,644				40,515,457	22,762,534	27,002,026	18,407,709



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----	
<b>17 Investment Properties</b>		
Cost	145,940,919	145,940,919
Accumulated depreciation		
At beginning of the year	35,316,526	29,494,190
Depreciation charge for the year	5,531,220	5,822,336
At end of the year	40,847,746	35,316,526
Carrying value at end of the year	<u>105,093,173</u>	<u>110,624,393</u>
Useful life (in terms of years)	20 years	20 years

17.1 This represents various buildings held by the Company for investment purposes.

17.2 Constructed Buildings with land were purchased in the past and value components of building and land are not easily separable hence these are being disclosed together since acquisition.

17.3 The management estimates market value of buildings at Rs. 110.000 million (2013: Rs. 114.100 million). Last revaluation by independent valuer was carried out in the year 2012 who estimated market value of freehold land and buildings thereon at Rs. 128.107 million.

	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----	
<b>18 Premiums Due But Unpaid (Net - Unsecured)</b>		
Considered good	162,984,180	196,969,965
Considered doubtful	6,023,323	4,568,181
	<u>169,007,503</u>	<u>201,538,146</u>
Less: Provision for doubtful receivables	6,023,323	4,568,181
	<u>162,984,180</u>	<u>196,969,965</u>
<b>18.1 Provision for doubtful receivables</b>		
Balance at beginning of the year	4,568,181	6,136,922
Add: Provision for doubtful receivables during the year	1,455,142	41,650,125
Less: Doubtful debts written off during the year	-	(43,218,866)
Balance at end of the year	<u>6,023,323</u>	<u>4,568,181</u>

### 19 Advances For Purchase Of Buildings

Advances for purchases of buildings

-	<u>92,000,000</u>
---	-------------------

Last year, the Company make advance payments for purchase of two properties. Sale deeds of these properties were not executed in favour of the Company, however, the said properties were sold during the year, detailed as under -

Property	Purchase Date	Measurement of Area	Amount
16B Sharif Colony, Samanabad, Lahore	Oct 31, 2013	1 Kanal 16 Marla 160 Square Feet	52,000,000
S-64 / R-155 New Anarkali, Lahore	Jun 15, 2013	6 Marla 84 Square Feet	40,000,000
			<u>92,000,000</u>

## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014



### 20 Fixed Assets

	Cost / Fair Value		Accumulated Depreciation		Book Value At end of the year	Annual rate of dep %
	At beginning of the year	Additions / (disposals)	Transfers in / (out)	At end of the year		

#### 20.1 Reconciliation of carrying values as at December 31, 2014

	At beginning of the year	Additions / (disposals)	Transfers in / (out)	At end of the year	At beginning of the year	Charge for the year	At end of the year	Book Value At end of the year	Annual rate of dep %
<b>Owned assets</b>									
Land and buildings	64,470,964	21,506,875	-	85,977,839	20,165,368	2,573,728	22,739,096	63,238,743	5
- cost	21,467,148	-	-	21,467,148	12,804,397	433,138	13,237,535	8,229,613	5
- revaluation	85,938,112	21,506,875	-	107,444,987	32,969,765	3,006,866	35,976,631	71,468,356	
Furniture, fixtures and office equipment	11,699,609	1,553,700	-	13,253,309	9,557,898	266,146	9,824,044	3,429,265	10
Office equipment	5,565,702	335,850	-	5,901,552	3,777,131	196,351	3,973,482	1,928,070	10
Arms and ammunition	28,229	-	-	28,229	23,727	450	24,177	4,052	10
<b>Vehicles</b>									
Motor vehicles	72,119,504	6,731,200	1,312,000	80,162,704	55,907,764	3,002,085	59,636,283	20,526,421	15
Bicycles	145,176	-	-	145,176	110,964	3,421	114,385	30,791	10
<b>Assets subject to finance lease</b>									
Vehicles	1,312,000	-	(1,312,000)	-	695,615	30,819	-	-	15
<b>Total</b>	176,808,332	30,127,625	1,312,000	206,935,957	103,042,864	726,434	109,549,002	97,386,955	

#### 20.2 Reconciliation of carrying values as at December 31, 2013

	At beginning of the year	Additions / (disposals)	Transfers in / (out)	At end of the year	At beginning of the year	Charge for the year	At end of the year	Book Value At end of the year	Annual rate of dep %
<b>Owned assets</b>									
Land and buildings	64,470,964	-	-	64,470,964	17,833,494	2,331,874	20,165,368	44,305,596	5
- cost	21,467,148	-	-	21,467,148	12,348,463	455,934	12,804,397	8,662,751	5
- revaluation	85,938,112	-	-	85,938,112	30,181,957	2,787,808	32,969,765	52,968,347	
Furniture, fixtures and office equipment	11,677,184	22,425	-	11,699,609	9,321,423	236,475	9,557,898	2,141,711	10
Office equipment	5,519,502	46,200	-	5,565,702	3,580,155	196,976	3,777,131	1,788,571	10
Arms and ammunition	28,229	-	-	28,229	23,227	500	23,727	4,502	10
<b>Vehicles</b>									
Motor vehicles	70,067,504	2,052,000	-	72,119,504	53,348,633	2,559,131	55,907,764	16,211,740	15
Bicycles	145,176	-	-	145,176	107,163	3,801	110,964	34,212	10
<b>Assets subject to finance lease</b>									
Vehicles	1,312,000	-	-	1,312,000	586,841	108,774	695,615	616,385	15
<b>Total</b>	174,687,707	2,120,625	-	176,808,332	97,149,399	5,893,465	103,042,864	73,765,468	



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

20.3 Constructed Buildings with land were purchased in the past and value components of building and land are not easily separable hence these are being disclosed together since acquisition.

### 20.4 Book value without revaluation surplus

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

	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----	
Cost	85,977,839	64,470,964
Accumulated depreciation	22,739,096	20,165,368
Book Value	<u>63,238,743</u>	<u>44,305,596</u>

### 21 Net Premium Revenue

Premium revenue (net of reinsurance)	218,204,771	172,162,815
Administrative surcharge	5,799,225	4,405,432
	<u>224,003,996</u>	<u>176,568,247</u>

- note 21.1

#### 21.1 Net premium revenue includes administrative surcharge as under:

Fire and property damage	2,725,879	2,396,521
Marine, aviation and transport	2,149,766	1,372,759
Motor	314,726	214,065
Miscellaneous	608,854	422,087
	<u>5,799,225</u>	<u>4,405,432</u>

### 22 Management Expenses

Salaries, wages and benefits	16,134,455	15,743,531
Entertainment	3,416,453	2,834,010
Rent, rates and taxes	3,793,966	3,472,900
Electricity, gas and water	2,170,379	1,682,507
Travelling and conveyance	460,634	367,876
Computer expenses	186,190	484,567
Communication	3,936,515	3,748,588
Service charges	85,864	98,643
Registration, subscription and association	2,656,030	1,831,115
Provision for doubtful receivables	1,455,142	41,650,125
	<u>34,295,628</u>	<u>71,913,862</u>

- note 22.1

- note 18.1

#### 22.1 Salaries, wages and benefits

These include contribution to provident fund amounting to Rs. 49,917 (2013: Rs. 40,999).

### 23 Other Income

#### Income from non-financial assets:

Gain on disposal of properties	2,000,000	
Liabilities no longer payable written back	-	1,836,862
Others	36,877	12,054
	<u>2,036,877</u>	<u>1,848,916</u>



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----	
<b>24 Finance Cost</b>		
Mark-up on finance lease liabilities	4,339	50,683
Bank charges	460,392	382,321
	<u>464,731</u>	<u>433,004</u>
<b>25 General And Administration Expenses</b>		
Salaries and allowances	- note 25.1 13,200,918	12,881,070
Motor vehicle expenses	7,215,895	6,769,197
Tours and travelling	1,006,297	827,247
Books and periodicals	22,951	-
Printing and stationery	904,001	664,935
Depreciation	- note 25.2 12,037,358	11,715,801
Office cleaning and maintenance	907,342	644,357
Auditors' remuneration	- note 25.3 1,220,950	1,084,300
Advertisement	76,100	152,500
Legal and professional	1,782,354	2,721,475
Charity and donations	- note 25.4 34,860	11,700
Sundry expenses	538,940	349,429
	<u>38,947,966</u>	<u>37,822,011</u>
<b>25.1 Salaries and allowances</b>		
These include contribution to provident fund amounting to Rs. 40,842 (2013: Rs. 33,545).		
<b>25.2 Depreciation is allocated to general and administration expenses, which is composed of:</b>		
Tangible fixed assets	- note 20 6,506,138	5,893,465
Investment properties	- note 17 5,531,220	5,822,336
	<u>12,037,358</u>	<u>11,715,801</u>
<b>25.3 Auditors' remuneration</b>		
<b>Rahman Sarfaraz Rahim Iqbal Rafiq</b>		
Audit fee	660,000	300,000
Review of Code of Corporate Governance	100,000	50,000
Fee for interim review	80,000	80,000
Out of pocket expenses	23,225	24,650
	<u>863,225</u>	<u>454,650</u>
<b>Kamran &amp; Co.*</b>		
Audit fee	-	300,000
Taxation advisory services	150,000	125,000
Review of Code of Corporate Governance	-	50,000
Fee for interim review	80,000	80,000
Certification charges	104,500	50,000
Out of pocket expenses	23,225	24,650
	<u>357,725</u>	<u>629,650</u>
	<u>1,220,950</u>	<u>1,084,300</u>
* Resigned as auditors.		
<b>25.4 Charity and donations</b>		
None of the directors or their spouses have interest in the donees.		



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----	
<b>26 Taxation</b>		
Current year	8,285,063	5,704,560
Prior year	357,000	(16,473,425)
Deferred	(3,744,676)	2,511,296
	<u>4,897,387</u>	<u>(8,257,569)</u>
<b>26.1 Relationship between tax expense and accounting profit</b>		
Accounting profit for the year	49,739,464	19,030,318
Tax at the rate of 33% (2013: 34%)	16,414,023	6,470,308
Adjustment in respect of tax at different rates	(246,482)	(1,739,362)
Tax effect of inadmissible amounts for tax purposes	(7,882,478)	973,614
Tax impact of deferred tax	(3,744,676)	2,511,296
Tax effect of prior years	357,000	(16,473,425)
Tax charge for the year	<u>4,897,387</u>	<u>(8,257,569)</u>
<b>26.2 Prior periods assessment</b>		
Income tax assessment for the tax year 2014 (financial year ended December 31, 2013) is deemed to have been assessed under section 120 of the Income Tax Ordinance, 2001. For contingences related to taxation please refer to note 12.		

## 27 Earnings Per Share - Basic And Diluted

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

	Dec. 31 / 2014	Dec. 31 / 2013
Profit after taxation attributable to ordinary shares	Rupees 44,842,077	27,287,887
Weighted average number of ordinary shares outstanding	Number 37,500,000	37,500,000
Earning per share	Rupees 1.20	0.73

### 27.1 Diluted earnings per share

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.

## 28 Transactions With Related Parties

The related parties comprise holding company, subsidiaries and associated undertakings, other related group companies, directors of the company, key management personnel and post employment benefit plans. The remuneration of directors is disclosed in note 29.

	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----	
Remuneration paid to directors, chief executive officer and executive of the Company	3,532,831	3,544,361
Contribution paid to provident fund	90,759	74,544

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



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 29 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 Officer	Executive Directors	Management Executives	Aggregate
	----- Rupees -----			
<b>For the year ended December 31, 2014</b>				
Managerial remuneration	400,000	488,000	536,000	1,424,000
House rent	160,000	195,200	214,400	569,600
Utilities	40,000	48,800	53,600	142,400
Others	556,981	839,850	-	1,396,831
	<u>1,156,981</u>	<u>1,571,850</u>	<u>804,000</u>	<u>3,532,831</u>
Number of persons	<u>1</u>	<u>2</u>	<u>1</u>	<u>4</u>
<b>For the year ended December 31, 2013</b>				
Managerial remuneration	400,000	760,000	400,000	1,560,000
House rent	160,000	304,000	160,000	624,000
Utilities	40,000	76,000	40,000	156,000
Others	617,630	586,731	-	1,204,361
	<u>1,217,630</u>	<u>1,726,731</u>	<u>600,000</u>	<u>3,544,361</u>
Number of persons	<u>1</u>	<u>3</u>	<u>1</u>	<u>5</u>

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.

### 30 Number Of Employees

	Dec. 31 / 2014	Dec. 31 / 2013
Number of employees as at the end of year	121	135
Average number of employees during the year	128	122

### 31 Provident Fund Disclosure

The following information is based on the last unaudited financial statements of the fund:

	(Un-audited) Dec. 31 / 2014	(Audited) Dec. 31 / 2013
	----- Rupees -----	
Size of the fund - total assets	1,661,770	1,378,778
Cost of Investments made	1,123,568	691,308
Percentage of investments made	67.61%	50.14%
Fair Value of investments	1,123,568	691,308

The break-up of cost of investments is:

	Dec. 31 / 2014	Dec. 31 / 2013	Dec. 31 / 2014	Dec. 31 / 2013
	----- % age -----		----- Rupees -----	
With bank (saving account)	19.90%	27.67%	223,568	191,308
Fixed Deposit Receipts	80.10%	72.33%	900,000	500,000
	<u>100.00%</u>	<u>100.00%</u>	<u>1,123,568</u>	<u>691,308</u>

Investments out of provident fund by the trust have been made in accordance with section 227 of the Companies Ordinance, 1984, and the rules formulated for this purpose.



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 32 Segment Reporting

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

December 31, 2014						
	Fire and property damage	Marine, aviation and transport	Motor	Investment properties	Miscellaneous	Aggregate
	Rupees					
Revenue	218,029,205	87,757,282	12,737,503	6,304,200	57,225,107	382,053,297
Depreciation	3,775,201	1,519,527	220,551	5,531,220	990,859	12,037,358
Segment profitability	22,034,909	20,181,886	9,840,190	772,980	6,595,577	59,425,542
Capital expenditure	17,481,618	7,036,393	1,021,295	-	4,588,319	30,127,625
Segment assets	235,741,161	94,886,388	13,772,255	105,093,173	61,873,882	511,366,859
Segment liabilities	159,626,875	64,250,204	9,325,575	715,000	41,896,520	275,814,174

December 31, 2013						
	Fire and property damage	Marine, aviation and transport	Motor	Investment properties	Miscellaneous	Aggregate
	Rupees					
Revenue	181,649,640	81,496,826	11,725,611	5,730,600	54,613,068	335,215,745
Depreciation	3,249,148	1,457,725	209,735	5,822,336	976,857	11,715,801
Segment profitability	29,058,574	(17,165,649)	5,907,064	(91,736)	(1,150,197)	16,558,056
Capital expenditure	1,169,129	524,528	75,468	-	351,499	2,120,624
Segment assets	226,374,702	101,562,654	14,612,645	110,624,393	68,059,682	521,234,076
Segment liabilities	137,680,324	61,770,061	8,887,361	715,000	41,393,668	250,446,414

#### 32.1 Reconciliations of reportable segments are as follows:

##### Revenue

Total revenue for reportable segments  
Other revenue / (loss)  
Entity's revenue

##### Profit for the year

Total profit for reportable segments  
Unallocated corporate income / (expenses)  
Profit before income tax expense

##### Assets

Total assets for reportable segments  
Other unallocated corporate assets  
Entity's assets

##### Liabilities

Total liabilities for reportable segments  
Other unallocated corporate liabilities  
Entity's liabilities

##### Geographical segmentation

The Company has no reportable geographical segment.

Dec. 31 / 2014      Dec. 31 / 2013

----- Rupees -----

59,425,542	16,558,056
22,158,522	33,056,025
<u>81,584,064</u>	<u>49,614,081</u>
81,584,064	49,614,081
(31,844,600)	(30,583,763)
<u>49,739,464</u>	<u>19,030,318</u>
511,366,859	521,234,076
382,153,308	286,275,423
<u>893,520,167</u>	<u>807,509,499</u>
275,814,174	250,446,414
35,991,665	20,190,834
<u>311,805,839</u>	<u>270,637,248</u>



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 33 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 adhoc reviews of risk management control and procedures, the results of which are reported to the Audit Committee.

#### 33.1 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, amount due from other insurers/reinsurers, reinsurance recoveries and other financial assets.

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

Accounts Nomenclature	Category of Financial Assets	Dec. 31 / 2014	Dec. 31 / 2013
		----- Rupees -----	
Bank deposits	Loans and receivables	329,080,454	109,469,957
Investments:			
Available for sale	Available for sale	27,002,026	18,407,709
Held to maturity	Held to maturity	22,103,856	19,145,199
Loans and receivable	Loans and receivables	-	45,000,000
Loan to employees	Loans and receivables	223,896	203,826
Premiums due but unpaid	Loans and receivables	162,984,180	196,969,965
Accrued investment income	Loans and receivables	3,112,066	427,233
Due from other insurers	Loans and receivables	15,877,264	40,562,226
Recoverable against claims	Loans and receivables	5,375,000	3,717,408
Sundry receivables	Loans and receivables	449,612	1,469,282
		<u>566,208,354</u>	<u>435,372,805</u>

#### Geographical concentration of credit risk

Geographically there is no concentration of credit risk.



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### Securities and provisions against receivables

The Company does not hold collateral as security. There is no single significant customer in the receivables of the Company. General provision is made for premium due but unpaid against doubtful receivable as disclosed in note 18 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.

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

December 31, 2014				
Carrying Amount	Upto One year	From 1 to 2 years	More than 2 years	
Rupees				
Loan to employees	223,896	223,896	-	-
Premiums due but unpaid (net of provision)	162,984,180	162,984,180	-	-
Amounts due from other insurers / reinsurers	15,877,264	15,442,252	435,012	-
Accrued investment income	3,112,066	3,112,066	-	-
Reinsurance recoveries against outstanding claims	5,375,000	5,375,000	-	-
Sundry receivables	449,612	-	-	449,612
<b>188,022,018</b>	<b>187,137,394</b>	<b>435,012</b>		<b>449,612</b>
December 31, 2013				
Carrying Amount	Upto One year	From 1 to 2 years	More than 2 years	
Rupees				
Loan to employees	203,826	203,826	-	-
Premiums due but unpaid (net of provision)	196,969,965	196,969,965	-	-
Amounts due from other insurers / reinsurers	40,562,226	40,562,226	-	-
Accrued investment income	427,233	427,233	-	-
Reinsurance recoveries against outstanding claims	3,717,408	938,123	375,000	2,404,285
Sundry receivables	1,469,282	1,019,670	-	449,612
<b>243,349,940</b>	<b>240,121,043</b>	<b>375,000</b>		<b>2,853,897</b>

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

Rating	Agency	Dec. 31 / 2014	Dec. 31 / 2013
		Rupees	
National Bank of Pakistan	JCR-VIS	22,799	11,633
Habib Bank Limited	JCR-VIS	265,430	4,518,290
KASB Bank Limited	PACRA	3,628	251,841
Allied Bank Limited	PACRA	2,766,742	11,709,807
MCB Bank Limited	PACRA	4,536,922	120,203
Bank of Punjab Limited	PACRA	1,436,328	16,245
United Bank Limited	JCR-VIS	16,036	1,008,282
Soneri Bank Limited	PACRA	3,548	21,353
NIB Bank Limited	PACRA	1,688	20,593
Bank of Khyber Limited	JCR-VIS	24,568	17,973
Faysal Bank Limited	JCR-VIS	17,522	17,522
First Women Bank Limited	PACRA	2,915	2,259
SILK Bank Limited	JCR-VIS	3,756	3,755
Zarai Tarqiyati Bank Limited	JCR-VIS	2,251,129	-
Punjab Provincial Cooperative Bank Limited	Not Available	218,692	212,105
Bank Alfalah Limited	PACRA	5,991	16,982
Bank al Habib Limited	PACRA	2,760	21,114
		<b>11,580,454</b>	<b>17,969,957</b>



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----	
<b>33.1.3 Sector wise analysis of premiums due but unpaid</b>		
Cables and rubber	5,315,819	22,837,959
Engineering	22,670,710	26,797,069
Construction	7,379,786	38,804,199
Services	24,450,579	32,154,593
Textile and composites	56,237,119	43,187,016
Agriculture	17,563,261	30,934,064
Other manufacturing	5,947,150	2,369,086
Miscellaneous	29,443,079	4,454,160
	<u>169,007,503</u>	<u>201,538,146</u>
Less: Provision for doubtful receivables	<u>(6,023,323)</u>	<u>(4,568,181)</u>
	<u>162,984,180</u>	<u>196,969,965</u>

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

	----- Financial Strength Ratings -----		----- Aggregate -----	
	A or above	B or above	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----			
Amounts due from other insurers / reinsurers	14,689,685	1,187,591	15,877,276	40,562,226
Reinsurance recoveries against outstanding claims	5,375,000	-	5,375,000	3,717,408
Other reinsurance assets	99,817,801	-	99,817,801	72,657,225
	<u>119,882,486</u>	<u>1,187,591</u>	<u>121,070,077</u>	<u>116,936,859</u>

### 33.2 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.

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

	December 31, 2014			
	Carrying amount	Contractual cash flows	Up to one year	Greater than one year
	----- Rupees -----			
Provision for outstanding claims	50,156,211	50,156,211	50,156,211	-
Amounts due to other insurers	15,621,216	15,621,216	15,621,216	-
Accrued expenses	1,585,090	1,585,090	1,585,090	-
Other creditors	724,058	724,058	724,058	-
	<u>68,086,575</u>	<u>68,086,575</u>	<u>68,086,575</u>	<u>-</u>
	December 31, 2013			
	Carrying amount	Contractual cash flows	Up to one year	Greater than one year
	----- Rupees -----			
Provision for outstanding claims	49,670,324	49,670,324	49,670,324	-
Amounts due to other insurers	5,806,153	5,806,153	5,806,153	-
Accrued expenses	2,745,510	2,745,510	2,745,510	-
Liabilities against assets subject to finance lease	93,872	98,211	98,211	-
Other creditors	775,550	775,550	775,550	-
	<u>59,091,409</u>	<u>59,095,748</u>	<u>59,095,748</u>	<u>-</u>



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 33.3 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.

#### 33.3.1 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:

	Dec. 31 / 2014	Dec. 31 / 2013	Dec. 31 / 2014	Dec. 31 / 2013
	Effective interest rate (%)		----- Rupees -----	
<b>Financial assets</b>				
Bank deposits	9.00% to 12.00%	9.60% to 11.00%	317,500,000	91,500,000
Investments	9.46%	9.46%	22,103,856	19,145,199
<b>Financial liabilities</b>				
Liabilities against assets subject to finance lease	-	22.00%	-	93,872

#### 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.

#### 33.3.2 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. 40.515 million (2013: Rs. 22.762 million) at the balance sheet date. The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favourable. 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, 2014 and 2013 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 better or worse in Company's equity investment portfolio because of the nature of equity markets.

The impact of hypothetical change would be as follows:

	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----	
Fair value	40,515,457	22,762,534
Hypothetical price change	± 10%	± 10%
Estimated fair value after hypothetical change in prices	4,051,546	2,276,253
Hypothetical variance in shareholders' equity	± 2,633,505	± 1,502,327
Hypothetical variance in profits / (loss) before tax	± 2,633,505	± 1,502,327



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 33.4 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 whose fair values have been disclosed in their respective notes to these financial statements. Fair value is determined on the basis of objective evidence at each reporting date. The company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in active market for identical instrument.

Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs.

	Level 1	Level 2	Level 3	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----				
Available for sale investments	40,515,457	-	-	40,515,457	18,407,709
Held to maturity	-	22,103,856	-	22,103,856	19,145,199
Loans and investments	37,500,000	-	280,000,000	317,500,000	136,500,000
	<u>78,015,457</u>	<u>22,103,856</u>	<u>280,000,000</u>	<u>380,119,313</u>	<u>174,052,908</u>

### 33.5 Insurance risk

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

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

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

#### Geographical concentration of insurance risk

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the commercial, industrial/residential occupation of the insured. 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 Insurance Association of Pakistan (IAP). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors, physical separation between the buildings within a insured's premises. It is basically the property contained within an area which is separated by another property by sufficient distance to confine insured damage from uncontrolled fire and explosion under the most adverse conditions to that one area.

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

#### Reinsurance arrangements

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

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

The concentration of risk by type of contracts (i.e. Fire and property damage, Marine, aviation and transport, Motor and Miscellaneous) is summarised below by reference to liabilities.



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

	December 31, 2014		
	Gross Sum Insured	Reinsurance Cover	Net Sum Insured
	----- Rupees -----		
Fire and property damage	83,167,900,163	39,774,205,243	43,393,694,920
Marine, aviation and transport	36,639,847,253	15,148,260,079	21,491,587,174
Motor	738,919,477	41,782,466	697,137,011
Miscellaneous	1,465,459,408	577,756,561	887,702,847
	<u>122,012,126,301</u>	<u>55,542,004,349</u>	<u>66,470,121,952</u>

	December 31, 2013		
	Gross Sum Insured	Reinsurance Cover	Net Sum Insured
	----- Rupees -----		
Fire and property damage	69,805,775,292	32,650,201,568	37,155,573,724
Marine, aviation and transport	21,990,813,522	9,448,588,910	12,542,224,612
Motor	279,603,790	21,878,510	257,725,280
Miscellaneous	966,325,167	590,503,606	375,821,561
	<u>93,042,517,771</u>	<u>42,711,172,594</u>	<u>50,331,345,177</u>

### 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	
	Dec. 31 / 2014	Dec. 31 / 2013	Dec. 31 / 2014	Dec. 31 / 2013
	----- Rupees -----			
<b>± 10% variation in profits (net)</b>				
Fire and property damage	7,366,867	2,395,280	4,788,464	1,556,932
Marine, aviation and transport	3,030,373	3,022,841	1,969,742	1,964,847
Motor	58,266	123,782	37,873	80,458
Miscellaneous	1,908,886	958,168	1,240,776	622,809
	<u>12,364,392</u>	<u>6,500,071</u>	<u>8,036,855</u>	<u>4,225,046</u>

### 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 December 31, 2014.

	----- Accident Year -----		
	Dec. 31 / 2012	Dec. 31 / 2013	Dec. 31 / 2014
	----- Rupees -----		
<b>Estimate of ultimate claims cost - Analysis on gross basis:</b>			
At end of accident year	103,438,482	89,702,500	139,901,210
One year later	2,858,018	2,257,500	
Cumulative payments to date	(104,039,000)	(91,960,000)	(135,218,210)
Liability recognised in the balance sheet	<u>2,257,500</u>	<u>-</u>	<u>4,683,000</u>



## Notes to and Forming Part of the Financial Statements For the Year Ended December 31, 2014

### 34 Capital Management

The Company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for share holders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debts. The Company's overall strategy remains unchanged from 2011. The company has not obtained long term finance and short term borrowings, therefore gearing ratio of the company is not applicable. In accordance with Circular No. 03 of 2007 of Securities and Exchange Commission of Pakistan (SECP), minimum paid up capital requirement to be complied with by Insurance Companies at the end of each year are as follows:

	Dec. 31 / 2012	Dec. 31 / 2013	Dec. 31 / 2014
		Rupees	
Minimum paid-up capital	300,000,000	300,000,000	300,000,000

The company currently meets the externally imposed capital limit.

### 35 Events After Balance Sheet Date

In respect of current year, the Board of Directors proposed fully paid up bonus shares @ 6.67% of paid up capital of the Company. The stock dividend is subject to approval of the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as liability in these financial statements.


### 36 Re-Classifications 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. However, no significant re-classification and re-arrangement have been made in these financial statements.

### 37 Date Of Authorization For Issue

These financial statements have been approved by the Board of Directors of the Company and are authorised for issue on March 31, 2015.

  
Chairman  
(Ch. Manzoor Ahmed)

  
Chief Executive / Principal Officer  
(Ch. Zabeer Ahmed)

  
Director  
(Ghulam Mustafa)

  
Director  
(Ather Zahoor)



## Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the 67<sup>th</sup> Annual General Meeting of The Pakistan General Insurance Company Limited (the "Company") will be held on Thursday, April 30, 2015, at 10:00 a.m. at the Registered Office of the Company located at Cooperative Bank House, 5 Bank Square, Shahrahe-Quaide-Azam, Lahore to transact the following business:

### Ordinary business

1. To confirm the minutes of Annual General Meeting of the Company held on April 30, 2014;
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' report thereon for the year ended December 31, 2014.
3. To appoint auditors for the ensuing year and to fix their remuneration.

### Special business

4. To consider and approve the issue of Bonus Shares in the ratio of 1 (One) new shares for every 15 (Fifteen) shares held (i.e. 6.67 %.)
5. To approve investments in associated undertakings amounting to Rs. 4.90 million
6. To increase authorized capital of the Company by Rs. 100 million from Rs. 400 million to Rs. 500 million.
7. To consider and adopt to apply to Securities and Exchange Commission of Pakistan for amendment in object clause of Memorandum and Articles of Association of the Company to accommodate for providing Islamic mode of insurance 'Takaful Operations - Window Operator'.

### Any other business

8. To consider any other business with the permission of the Chairman.

(Attached to this Notice is a statement of material facts covering the above-mentioned special business, as required under Section 160(1)(b) of the Companies Ordinance, 1984)

By Order of the Board

**Mazhar Zahoor**  
Company Secretary  
Lahore: March 31, 2015

### Notes:

1. A member entitled to attend and vote at the General Meeting is entitled to appoint another member as a proxy to attend and vote in respect of him. Form of proxy must be deposited at the Company's Registered Office not later than 48 hours before the time appointed for the meeting.
2. CDC Account holders are advised to follow the following guidelines of the Securities and Exchange Commission of Pakistan.
  - A. For attending the meeting:
    - (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.
    - (ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
  - B. For appointing proxies:
    - (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
    - (ii) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
    - (iii) Attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with proxy form.
    - (iv) The proxy shall produce his original CNIC or original passport at the time of the meeting.
    - (v) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
3. The Share Transfer Books of the Company will be closed from April 23, 2015 to April 30, 2015 (both days inclusive). Transfers received in order by our Shares Registrar, M/s. Corplink (Private) Limited, Lahore at the close of business on April 22, 2015 will be considered in time to attend and vote at the meeting and for the entitlement of Bonus Shares.
4. Members are requested to communicate to our Shares Registrar of any change in their addresses.



## Notice of Annual General Meeting

### Statement of material facts

This statement sets out the material facts concerning the Special Businesses given in agenda items No. 4, 5, 6 and 7 of this Notice, to be transacted at the AGM of The Pakistan General Insurance Company Limited's Shareholders.

#### Item No. 4 of the Notice - Issue of Bonus Shares

The Board has recommend the issue of Bonus Shares in the ratio of 1 (One) new share for every 15 (Fifteen) shares held (i.e.6.67%) in its meeting held on March 31, 2015. Accordingly, it is proposed to consider and if thought fit, pass the following ordinary resolutions, with or without modifications:

##### Bonus Shares

- "RESOLVED** that the decision of the Board of Directors of the Company to issue 2,500,000 ordinary shares of Rs. 10 each by capitalizing Rs. 25,000,000 out of the Free Reserves of the Company and allotted as fully paid up bonus shares to the members of the Company who will registered in the books of the Company on April 22, 2015 in the ratio of 1 (One) such new share for every 15 (Fifteen) existing ordinary shares held ranking pari passu with the existing ordinary shares of the Company be and is hereby ratified and confirmed."
- "FURTHER 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 institution selected by the Directors for this purpose."
- "FURTHER 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 business except to the extent of their entitlement to bonus shares as shareholders.

#### Item No. 5 of the Notice - Investments in Related Party

Consider and if thought fit to pass the following special resolution with or without modification(s).

- "RESOLVED** that consent of the Company be and is hereby accorded to invest maximum of Rs. 4.9 million (Rupees Four million Nine Hundred Thousand only) in the shares of M/s. Abubakr Autos (Private) Limited, an associated private limited company."  
This investment be made from time to time as the chief executive officer and / or other attorney(s) of the Company may deem fit.
- "FURTHER RESOLVED** that the chief executive officer be and is hereby individually authorized to fulfill all legal and corporate formalities for making the above investment."
- "FURTHER RESOLVED** that the special resolution be and is hereby passed for the purpose of compliance of section 208 of the Companies Ordinance, 1984."

The information required under Companies (Investment in Associated Companies or Associated Undertaking) Regulation, 2012 is as under –

#### Regulation No. 3 (1) a

i) Name of associated company and relationship criteria	Abubakr Autos (Private) Limited being associated on the basis of more than 20% holding by the Company .
ii) Purpose, benefits and period of investment	Long-term strategic investment for better return .
iii) Maximum amount of investment	Rs. 4.9million in ordinary shares of Rs. 10 each.
iv) Maximum price at which securities will be acquired	At fair value of shares.
v) Maximum number of securities to be acquired	Equivalent to the amount of investments.
vi) Number of securities and % of investments	Nil before proposed investment. No. of shares and % age after proposed investment will depend on the prevailing prices at the time of actual acquisition.
vii) Investment in listed securities	Not applicable .
viii) Investment in un-listed securities	Fair Value of Rs. 10 per share.
ix) Break-up value of securities intended to be acquired	Rs. 10 per share.
x) EPS of the associated undertakings	Not available as the Company is newly incorporated.
xi) Sources of funds from which securities will be acquired	Internal generation
xii) Securities intended to be acquired using borrowings	Not applicable



## Notice of Annual General Meeting

- xiii) Salient features of the agreement
- xiv) Direct or indirect interest in the associated company
  
- xv) Any other important details
- xvi) Further information, in case of investment in a project that has not commenced operations –
  - (i) Description of the project
  - (ii) Starting and expected date of completion
  - (iii) Projected time to operationally capable
  - (iv) Expected time to pay return on investments

Not applicable  
No director or chief executive has any interest in the proposed investments, except in their individual capacities as "Director / Chief Executive / Shareholders" of the Company  
None  
Sale and Purchase of motor vehicles  
In the process of incorporation  
September 2015  
One year from incorporation

### Regulation No. 3(3)

Undertaking viz-a-viz due diligence for proposed investment

The directors of the Company submit that they have carried out necessary due diligence for the proposed investment.

### Regulation No. 4

Disclosure of interest of directors In the investing company

No director or chief executive has any interest in the investing company except in their individual capacities as "Director / Chief Executive / Shareholders" of the investing company. The share holding of the director is Mr. Mazhar Zahoor 1,140,936.

### Item No. 6 of the Notice - Increase in Authorized Capital

Consider and if thought fit to pass the following special resolution with or without modification(s).

- a) "RESOLVED that the authorized share capital of the Company be and is hereby increased from Rs. 400,000,000 to Rs. 500,000,000 by the creation of 10,000,000 new shares of Rs. 10 each and the Memorandum and Articles of Association of the Company be amended as under –  
That the words and figures "Rs. 400,000,000 (Rupees Four Hundred million) divided into 40,000,000 ordinary shares of Rs. 10 each" appearing in clause III(V) of Memorandum of Association and clause VI of Articles of Association of the Company be substituted with word and figures "Rs. 500,000,000 (Rupees Five Hundred million) divided into 50,000,000 ordinary shares of Rs. 10 each".

None of the Directors of the Company are interested in this business as it is considered necessary to increase the authorized share capital to facilitate capitalization of future increase.

### Item No. 7 of the Notice - Change in Object Clause of Memorandum of the Company

Consider and if thought fit to pass the following special resolution with or without modification(s).

- a) "RESOLVED that following alteration in the Memorandum of Association of the Company be and is hereby inserted to part of clause III of the Memorandum of Association.
- y to undertake and carry on the business of all kinds of general and takaful and general re-takaful in Pakistan and / or in all parts of the world.
  - z. to design general takaful schemes or plans in order to meet the needs of participants in accordance with the takaful rules and to act as takaful / re-takaful operator to manage insurable risks.
  - aa. to underwrite any or all classes of general takaful business provided that under each of the classes of takaful business, to obtain approvals, including approval from the Shariah Advisor as to the permissibility of underwriting that class of takaful business and the types of risks that may be permissible within each class.
  - ab. to establish the participant takaful fund (PTF) and its policies, in accordance with the provisions of takaful rules for the time being in force and to modify the same in line with the guidance given by the Shariah Advisor of the takaful operation. To obtain and execute subsequent changes to the PTF policies, as approved by the Shariah Advisor.
  - ac. To do all other acts and deeds required for the purposes of undertaking general takaful and re-takaful businesses, including but not limited to obtaining approvals, directions and any other form of consent and / or permission required from within the Company and / or any concerned authorities including the Securities and Exchange Commission of Pakistan, with the view for The Pakistan General Insurance Company Limited to act as Takaful Window Operator."

None of the Directors of the Company are interested in this business as it is considered necessary to amend the objects of the Company to accommodate Islamic mode of insurance business.



## Proxy Form

I / We \_\_\_\_\_  
of \_\_\_\_\_ member of **The Pakistan General Insurance Company Limited** hereby appoint  
Mr. \_\_\_\_\_  
or failing him \_\_\_\_\_  
as my / our as my / our proxy in my / our absence to attend and vote for me / us and on my / our behalf at the 67<sup>th</sup>  
Annual General Meeting of the Company to be held on Thursday, April 30, 2015 at 10:00 a.m. and at any adjournment  
thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

Witnesses:

- Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC / Passport No. \_\_\_\_\_
- Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC / Passport No. \_\_\_\_\_



Signature of Member (s)

Shareholders' Folio No. \_\_\_\_\_  
and / or CDC  
Participant ID No. \_\_\_\_\_  
And Subaccount No. \_\_\_\_\_

### Important

This form of Proxy, duly completed, must be deposited at the Company's Registered Office at Cooperative Bank House, 5 Bank Square, Shahrah-e-Quaide-Azam, Lahore, not later than 48 hours before the time appointed for the meeting.

CDC Shareholders and their Proxies are each requested to attach attested photocopy of their Computerized National Identity Card (CNIC) or Passport with this proxy form before submission to the Company.

CDC Shareholders or their Proxies are requested to bring with them their Original Computerized National Identity Card or Passport along with the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.



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POSTAGE

**The Company Secretary**

**The Pakistan General Insurance Company Limited**

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**

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