Precaution Over Caution

ANNUAL REPORT 2014



IGI Insurance

SERVING YOU SINCE 1953

One should always have a safety net, for we know there is always a chance things may go wrong. Life is full of unexpected incidents; so be prepared with IGI Insurance.

Protect your investments and assets with our unique and diverse offerings. We at IGI aim to provide you with the highest standards in terms of securing your tomorrow so that you can have a wonderful today.

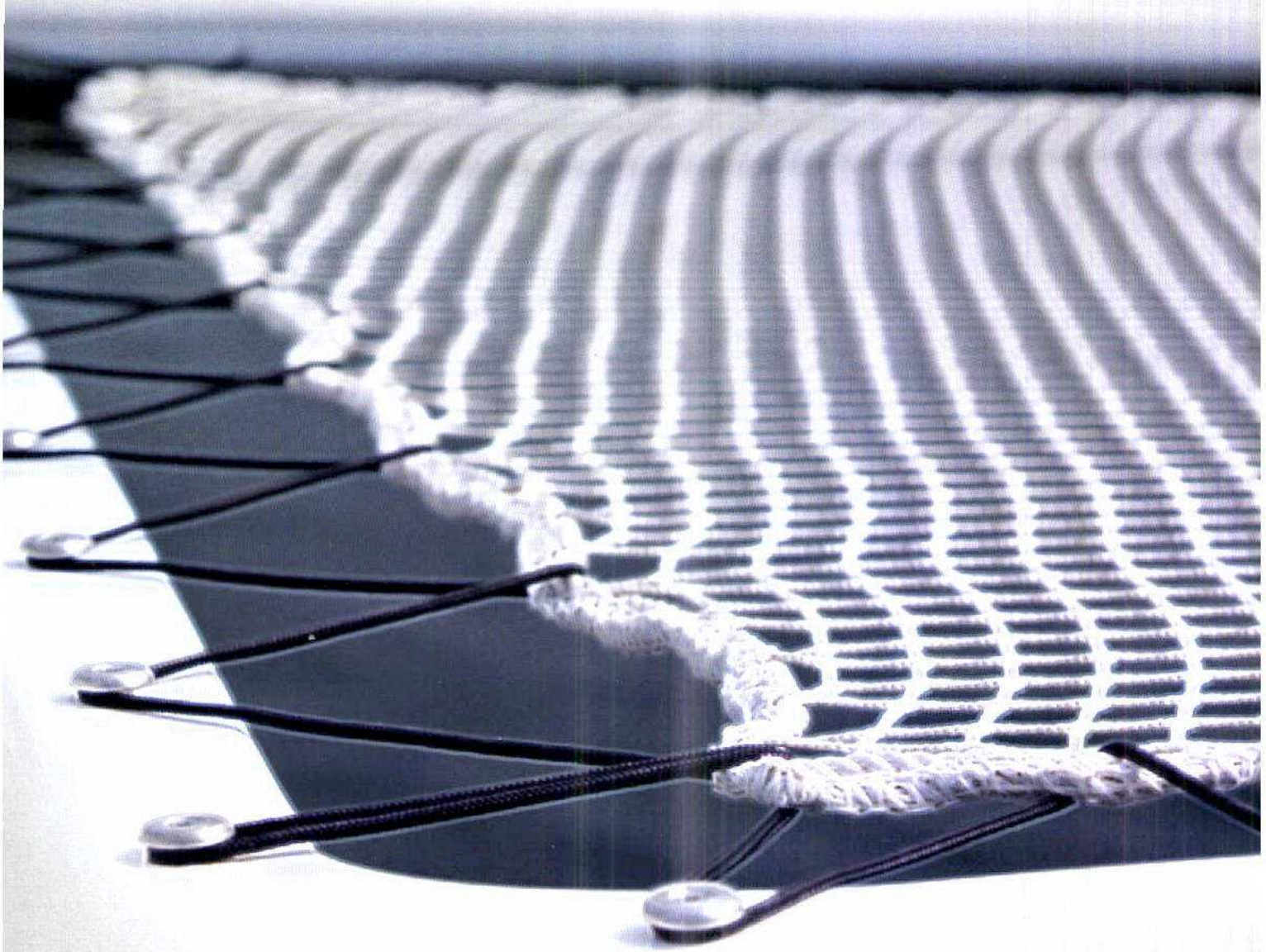
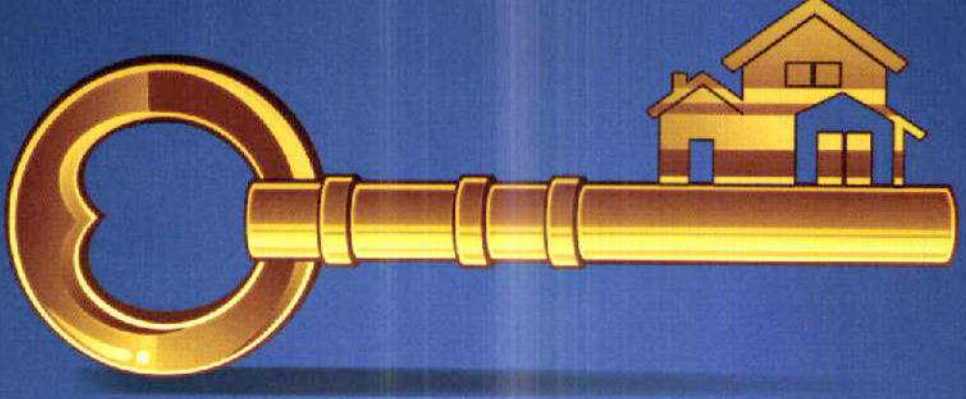


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HOME

Close all doors to your problems

IGI Home Cover is a customized insurance solution for all home owners & renters so that you get peace of mind

2014 Highlights

A year of growth and stability




MARINE
Don't worry about hurdles at sea.
ne and inland cargo policies provide the best protection
s' assets and business reputation. We take pride in
rtise and familiarity with international mari
so you can continue shipping

Vision & Mission

Vision
IGI Insurance is committed to being one of the leading providers of solutions to risk exposures in selected market segments in Pakistan.

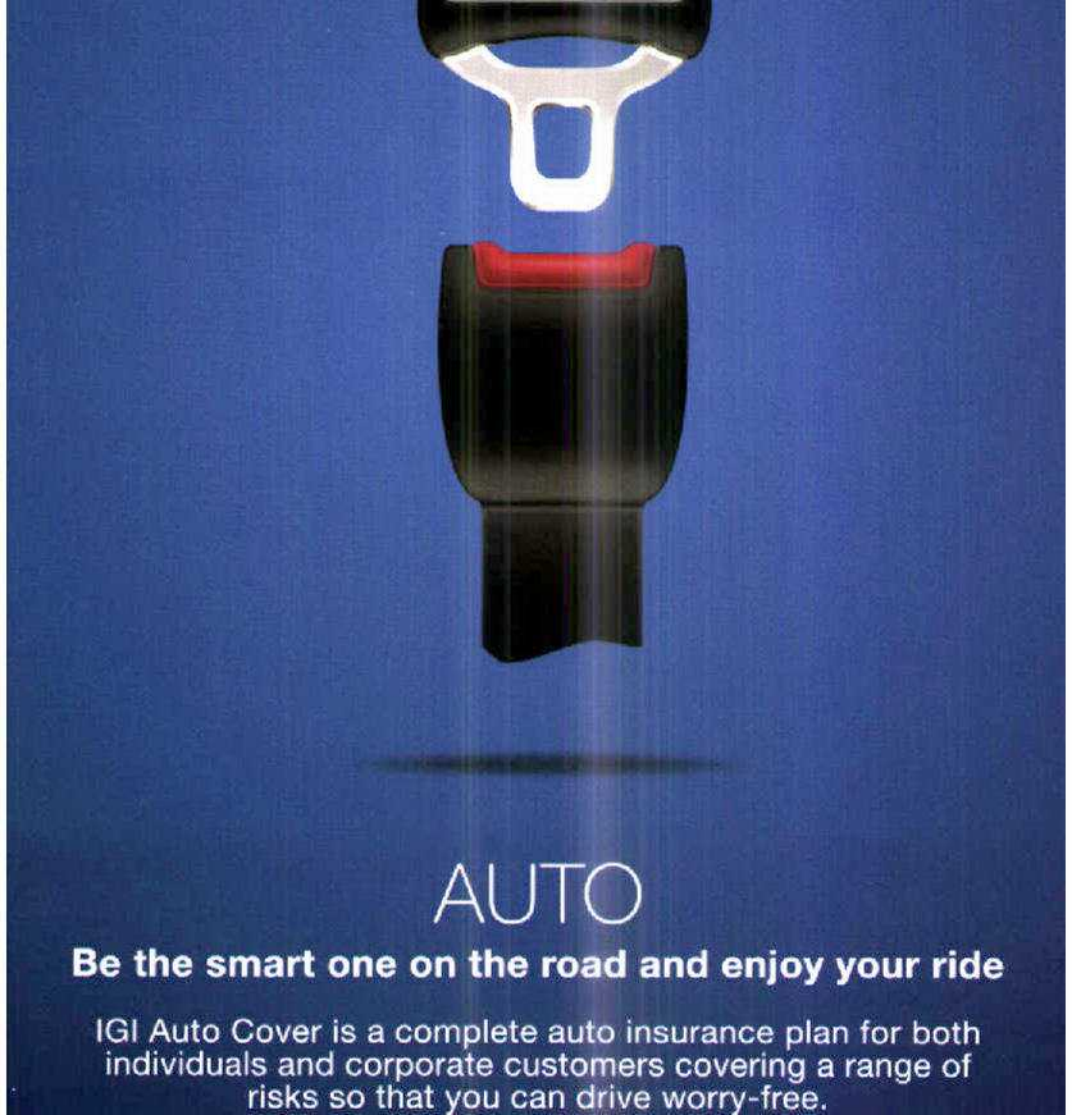
Mission
Our vision will be realized through:

Customers
Being the preferred insurer in providing solutions to risk exposure.

Shareholders
Consistently delivering above market average return on capital.

Employees
Providing the environment necessary to be the employer of choice.

Community
Compliance with the highest ethical and moral standards.


AUTO
Be the smart one on the road and enjoy your ride
IGI Auto Cover is a complete auto insurance plan for both individuals and corporate customers covering a range of risks so that you can drive worry-free.

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

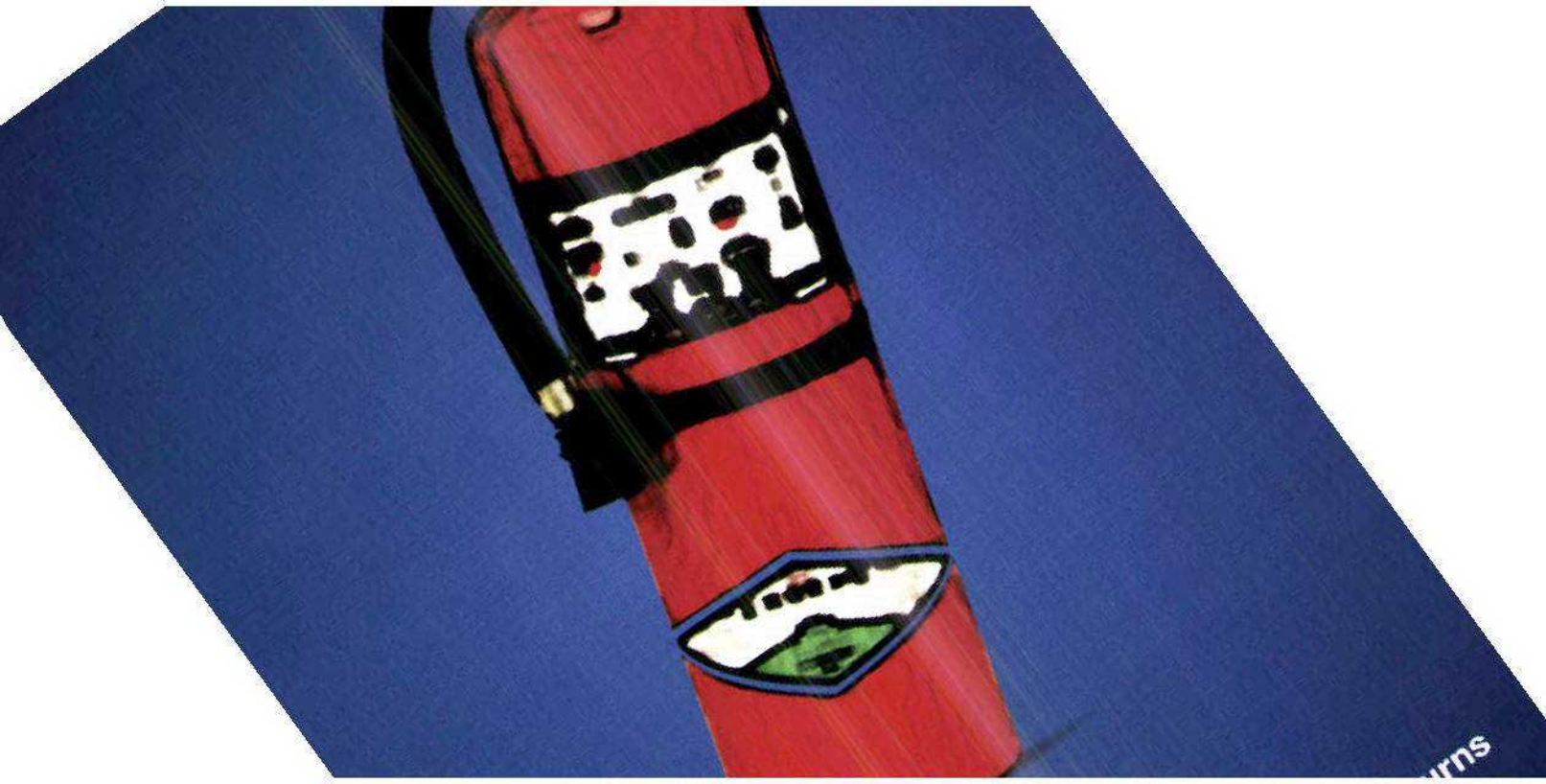
Through our expertise, analysis and focus, we assure growth for all stakeholders.

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.



Company Information

Board Of Directors
Syed Babar Ali (Chairman)
Shamim Ahmad Khan
Syed Kamal Ali
Syed Yawar Ali
Syed Shahid Ali
Syed Hyder Ali
Waqar Ahmed Malik
Tahir Masaud

Chief Executive Officer
Tahir Masaud

Chief Financial Officer
Usman Saifi

Company Secretary
Haider Raza

Audit Committee
Shamim Ahmad Khan
(Chairman)
Syed Yawar Ali
Syed Hyder Ali
Haider Raza (Secretary)

Investment Committee
Syed Hyder Ali (Chairman)
Shamim Ahmad Khan
Syed Kamal Ali
Syed Yawar Ali
Tahir Masaud
Usman Saifi (Secretary)

Claims Committee
Shamim Ahmad Khan
(Chairman)
Tahir Masaud
Moeez Karim
Usman Saifi
Mir Mehmood Ali (Secretary)

Underwriting Committee
Syed Hyder Ali (Chairman)
Tahir Masaud
Moeez Karim
Faisal Khan
Haider Ali
Syed Matin Ahmed (Secretary)

Re-insurance & Co-insurance Committee
Syed Hyder Ali (Chairman)
Tahir Masaud
Faisal Khan (Secretary)

Human Resources & Compensation Committee
Syed Yawar Ali (Chairman)
Syed Shahid Ali
Syed Hyder Ali
Waqar Ahmed Malik
Tahir Masaud
Kaifee Siddiqui (Secretary)

Strategy Committee
Syed Babar Ali (Chairman)
Shamim Ahmad Khan
Syed Yawar Ali
Syed Hyder Ali
Waqar Ahmed Malik
Tahir Masaud (Secretary)

Enterprise Risk Management Committee
Waqar Ahmed Malik (Chairman)
Tahir Masaud
Faisal Khan
Usman Saifi (Secretary)

Bankers
Allied Bank Limited
Habib Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
Standard Chartered Bank
(Pakistan) Limited
Faysal Bank Limited
National Bank of Pakistan
Habib Metro Bank

Auditors
A.F. Ferguson & Co.
Chartered Accountants

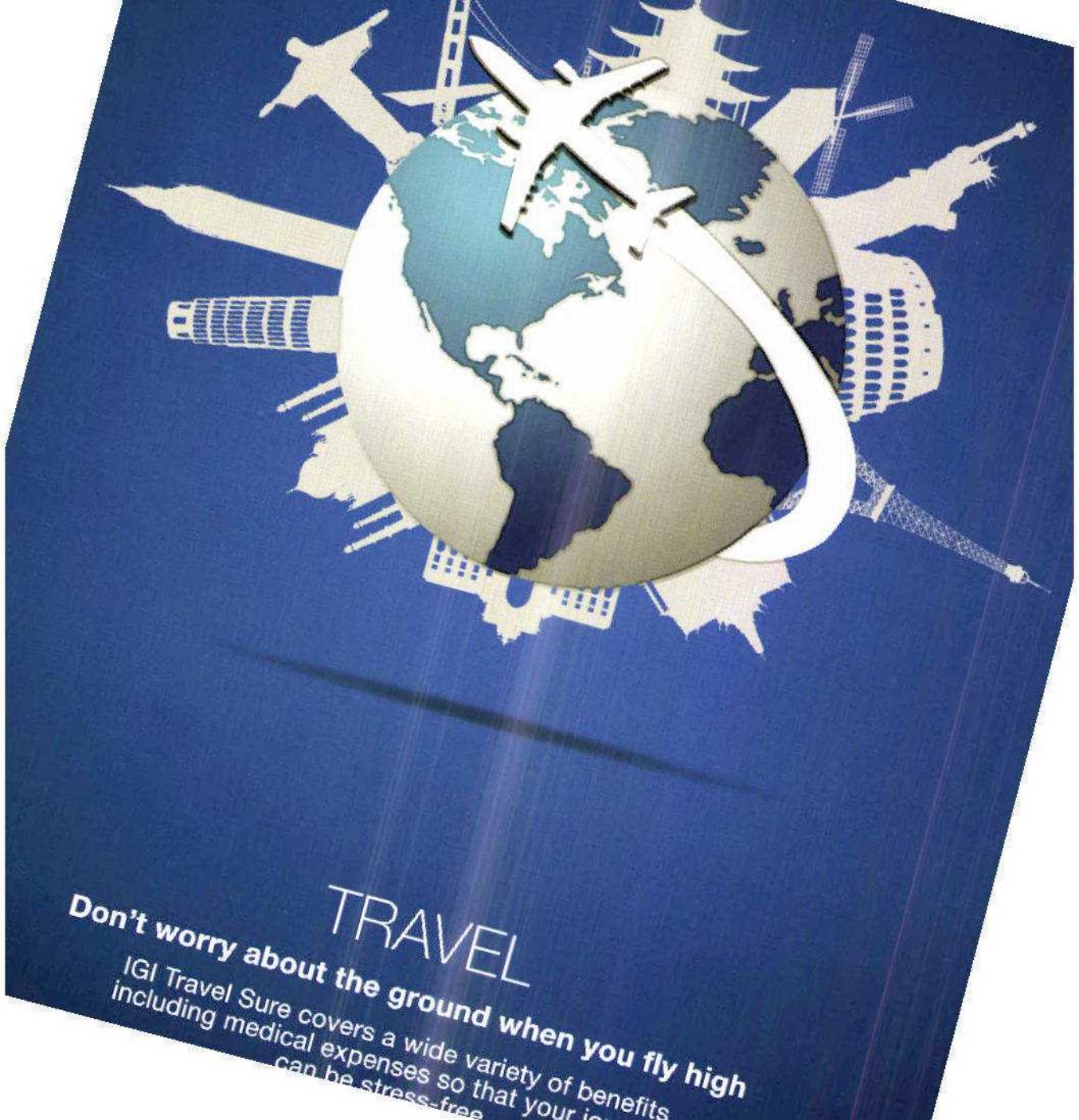
Internal Auditors
Ernst & Young Ford Rhodes
Sidat Hyder
Chartered Accountants

Legal Advisors
Ramday Law Associates
Hassan & Hassan
Lari & Company
Habib Ur Rehman & Co.

Share Registrar
FAMCO Associates (Private)
Limited
8-F, Next to Hotel Faran,
Nursery, Block-6, P.E.C.H.S
Shahrah-e-faisal
Karachi.

Registered & Head Office
7th Floor, The Forum,
Suite Nos.701-713, G-20,
Block 9,
Khayaban-e-Jami, Clifton,
Karachi-75600, Pakistan
www.igiinsurance.com.pk

Contact
UAN: 111-308-308
Toll Free No. 0800-2-3434
Fax: +92-21-35301772


TRAVEL
Don't worry about the ground when you fly high
IGI Travel Sure covers a wide variety of benefits
including medical expenses so that your
can be stress-free

Code of Conduct

The "Values" and "Principles" that the organization has developed over the years are adhered to by all employees within the organization. Following are some salient features of the code of conduct:
The company's operations and activities will be carried out in compliance with the law, regulations, statutory provisions and ethical integrity. All IGI employees are committed to fulfill their duties with utmost sincerity and fairness.

In conducting its business IGI is inspired by acts in accordance with the principles of loyalty, fairness, transparency and efficiency.

All employees of IGI avoid conflict of interest while conducting IGI's business and ensure that their judgment is not influenced whenever there is a prospect of direct or indirect personal gain.

The employees of IGI should not take advantage of the Company's information or property for personal gains. Any member of IGI 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 IGI are forbidden to pass on inside information at any time to any other person, inside or outside the company. Inside information refers to information about IGI, its business, or any other companies doing business that is generally not known to the public, but if known would affect the price of a company's shares or influence a person's investment decisions.

IGI has a culture of zero tolerance towards fraud and maintains the highest standards of prevention, detection and remediation. All IGI staff members are responsible for ensuring strong, robust and effective fraud control.

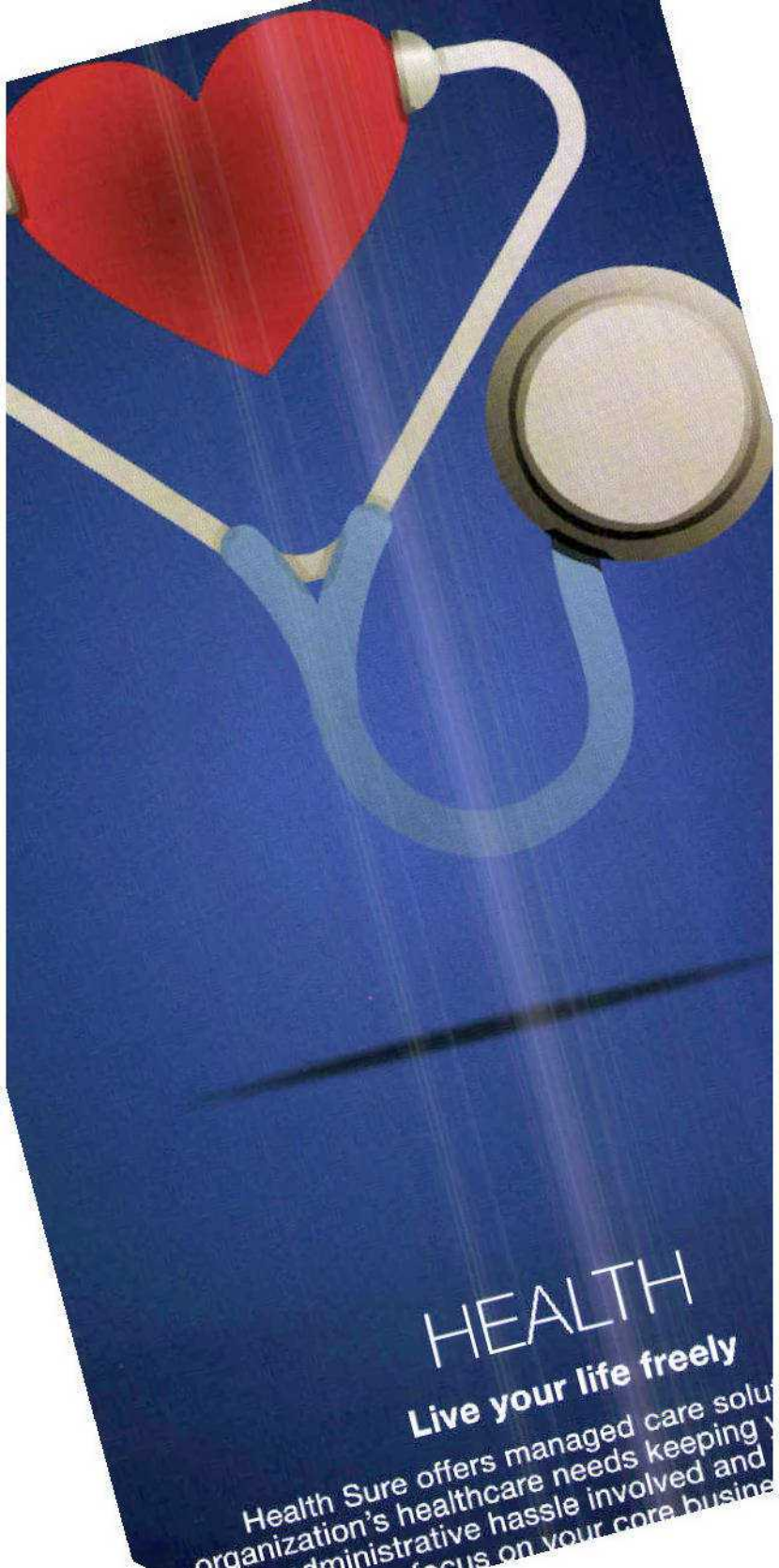
The employee shall not use company resources for the benefit of political parties or any association directly or indirectly connected to a political party.

It is the responsibility of all IGI 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 IGI has the right to work in an environment that is free from harassment, whether it is based on a person's race, color, ethnic or national origin, age, gender or religion.

IGI is an equal opportunity employer. All phases of the employment relationship including recruitment, promotion, compensation, benefits, transfers, layoff and leaves are carried out by all managers without regard to race, color, ethnic and national origin, age, gender or religion.

All employees are responsible for the security of authorized access to and proper use of IGI's physical and intangible assets any third party assets in custody with an employee.


HEALTH
Live your life freely
Health Sure offers managed care solu
organization's healthcare needs keeping y
dministrative hassle involved and
ocus on your core busine

Corporate Sustainability at IGI

IGI is conscious of its responsibility towards the society and the environment.

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
- Optimization of Resources

CORPORATE SOCIAL RESPONSIBILITY

- IGI 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 IGI 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. 107 M was paid on account of income tax and other levies.
- The Company contributed Rs. 20 M 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. This year the Company share was Rs. 8 M.

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.

IGI 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

- IGI 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
- Female participation now stands at 10%
- 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. 2 M
  - Average training hours per employee for the year were 16 hours
  - There have been zero accidents / injury at the workplace
  - Health Awareness Sessions arranged for employees every quarter

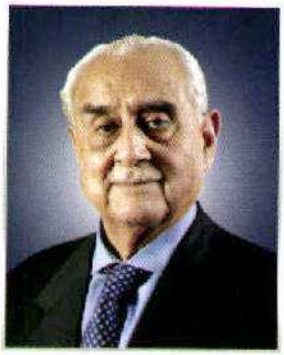
BUSINESS SUSTAINABILITY

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. IGI 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:

- ISO Management Representative Team for actions on identified improvement areas and ensuring compliance
- 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

Board of Directors



(Chairman) Syed Babar Ali

Director Since 1954

Other Engagements:

IGI Investment Bank Limited, Sanofi Aventis Pakistan Limited, Tri-Pack Films Limited, Nestle Pakistan Limited, Coca Cola Beverages Pakistan Limited, Tetra Pack Pakistan Limited, Ali Institute of Education, Babar Ali Foundation, Gumani Foundation, Industrial Technical & Educational Institute, National Management Foundation, Syed Maratib Ali Religious and Charitable Trust Society

Pro Chancellor Lahore University of Management Sciences (LUMS)

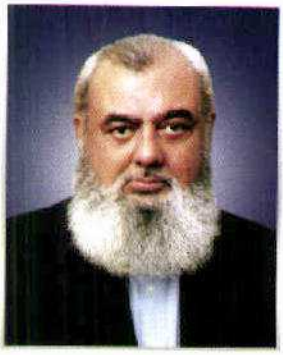


Shamim Ahmad Khan

Director Since 2000

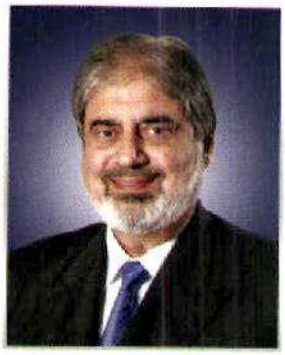
Other Engagements:

IGI Life Insurance Limited, Sustainable Development Policy Institute, Karandaaz Pakistan, Packages Limited, Abbot Laboratories Pakistan Limited, Member Of Advisory Committee of Center for International Private Enterprise (CIPE)



Syed Kamal Ali

Director Since 1979



Syed Yawar Ali

Director since 1999

Other Engagements:

IGI Life Insurance Limited, Amjad & Afzal Foundation, Nestle Pakistan Limited, Pakistan Dairy Association, Wazir Ali Industries Ltd., HY Enterprises (Pvt) Ltd. Company, Fatima Jinnah Medical College & Sir Ganga Ram Hospital, Punjab Livestock & Dairy Development Board, Dairy & Rural Development Foundation (NGO), Pakistan International Airlines, Safe Mix Concrete Products Ltd.



Syed Shahid Ali

Director Since 1980

Other Engagements:

Packages Limited, Treet Corporation Limited, Treet Power Limited, Loads Limited, Global Econo Trade (Pvt.) Limited, Specialized Motorcycle (Pvt.) Limited, Multiple Autoparts Industries (Pvt.) Limited, First Trust Manufacturing Modarba, Global Arts Limited (Formerly Treet Services Limited), Specialized Autoparts Industries (Private) Limited, Treet Assets (Private) Limited, Liaquat National Hospital



Waqar Ahmed Malik

Director Since 2008

Other Engagements:

Pakistan Petroleum Limited, Engro Polymer & Chemicals Limited, Noesis (Pvt.) Ltd, Trustee I-Care



Syed Hyder Ali

Director Since 1989

Other Engagements:

IGI Life Insurance Limited, Bulleh Shah Paper Mill (Pvt.) Limited, Nestle Pakistan Limited, Packages Limited, Packages Lanka (Pvt.) Limited, Sanofi-Aventis Pakistan Limited, Tetra Pack Pakistan Limited, Tri-Pack Films Limited, International Steel Limited, Babar Ali Foundation, National Management Foundation, Pakistan Business Council, Pakistan Centre For Philanthropy, KSB Pumps Company Limited, Syed Maratib Ali Religious and Charitable Trust Society

Member

Ali Institute of Education, International Chamber of Commerce Pakistan, Lahore University of Management Sciences (LUMS)



Tahir Masaud

Chief Executive since 2014

Other Engagements:

IGI Life Insurance Limited

Key Financial Data (Ten years at a Glance)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	(Rupees in thousand)									
GROSS PREMIUM	2,139,673	2,035,289	1,846,856	1,747,015	1,296,765	1,151,797	1,035,218	1,060,836	916,696	642,592
BALANCE SHEET										
PAID UP CAPITAL	1,226,895	1,115,359	1,115,359	1,115,359	718,427	598,689	598,689	319,301	199,563	153,510
GENERAL & CAPITAL RESERVES	9,470,780	8,749,620	8,972,692	9,530,371	10,264,964	10,534,374	10,624,177	8,103,740	823,740	673,740
SHAREHOLDERS EQUITY	11,579,146	10,928,233	10,673,722	11,179,366	11,575,854	10,960,813	10,846,519	11,271,456	8,509,721	1,228,755
INVESTMENTS-AT BOOK VALUE	12,196,544	11,252,448	11,246,453	11,517,573	11,905,802	11,235,758	11,709,948	12,404,727	9,246,735	1,873,766
INVESTMENTS-AT MARKET VALUE	57,463,450	41,428,682	25,732,615	18,578,665	14,367,621	9,393,620	8,964,435	16,647,641	9,765,736	8,266,127
FIXED ASSETS	240,178	222,085	163,797	165,115	270,822	282,545	302,531	309,283	292,084	246,253
TOTAL ASSETS-AT BOOK VALUE	14,530,470	13,227,423	12,842,307	13,470,805	12,960,451	12,366,066	13,200,639	14,099,555	10,399,049	2,957,949
UNDERWRITING PROVISIONS	1,361,433	1,278,317	1,207,028	1,363,873	701,366	699,522	801,975	915,454	622,417	431,259
PROFIT AND LOSS ACCOUNT										
UNDERWRITING PROFIT	208,195	104,616	232,399	207,782	205,095	253,103	193,166	160,102	226,929	190,065
INVESTMENT INCOME	940,878	691,351	559,231	378,402	937,663	(360,793)	(157,476)	3,021,533	7,315,629	258,822
PROFIT BEFORE TAX	942,101	555,252	613,856	440,385	995,369	(322,655)	(404,103)	2,983,516	7,357,109	326,757
INCOME TAX	119,300	74,165	11,326	6,929	84,215	100,800	(27,061)	53,938	14,739	37,014
PROFIT AFTER TAX	822,801	481,067	602,530	433,456	836,556	263,966	(377,042)	2,929,578	7,342,370	289,743
CASH FLOW SUMMARY										
OPERATING ACTIVITIES	232	155,276	177,039	(18,106)	278,667	126,941	(27,651)	2,306	227,769	110,553
INVESTING ACTIVITIES	(134,210)	667,840	268,042	266,935	175,741	768,554	367,307	(180,701)	29,285	(915,312)
FINANCING ACTIVITIES	444,856	(260,305)	(616,604)	(319,720)	(369,442)	(587,100)	(153,632)	(599,910)	(351,009)	491,659
CASH & CASH EQUIVALENTS AT THE YEAR END	235,369	(75,509)	(638,320)	(466,797)	(395,906)	(480,872)	(789,267)	(975,291)	(216,986)	(123,031)

Key Financial Data (Ten years at a Glance)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
	(Rupees in thousand)									
INVESTMENT / MARKET RATIOS										
Earnings per share (Rs.)	6.71	4.31	5.40	3.89	11.64	4.41	(6.30)	91.75	367.92	18.87
Market value per share (Rs.)	270.58	164.38	96.28	44.00	97.00	87.89	115.27	420.00	399.00	271.00
Break up value per share (Rs.)	94.38	97.98	95.70	100.23	161.13	183.08	191.17	353.00	426.42	80.04
Price earning ratio (Times)	40.35	38.11	17.82	11.32	8.33	19.93	(18.30)	4.58	1.08	14.36
Price to book ratio (Times)	2.87	1.68	1.01	0.44	0.60	0.48	0.64	1.19	0.94	3.39
Dividend yield (%)	1.11	1.52	3.12	11.36	3.09	3.98	1.30	0.95	1.00	1.48
Dividend payout (%)	44.73	57.96	55.53	1,060.48	25.76	79.38	(23.82)	4.36	1.09	21.19
Dividend cover (Times)	2.24	1.73	1.80	0.78	3.88	1.26	(4.20)	22.94	91.98	4.72
Investment yield (%)	1.64	1.67	2.17	2.04	6.53	(4.05)	(1.76)	18.15	74.91	3.12
Market capitalization (Rs. M)	33,197.32	18,934.27	10,738.68	4,907.58	6,968.74	5,261.89	6,901.09	13,410.64	7,962.56	4,160.12
Cash dividend per share (Rs.)	3.00	2.50	3.00	5.00	3.00	3.50	1.50	4.00	4.00	4.00
Cash dividend (%)	30.00	25.00	30.00	50.00	30.00	35.00	15.00	40.00	40.00	40.00
Stock Dividend per share (Rs.)	-	1.00	-	1.50	5.50	-	5.00	2.50	6.00	3.00
Stock dividend (%)	-	10.00	-	15.00	55.00	-	50.00	25.00	60.00	30.00
PROFITABILITY RATIOS										
Return on equity (%)	8.14	5.08	5.75	3.94	8.60	(2.94)	(3.73)	26.47	86.46	26.59
Return on assets (%)	5.66	3.64	4.66	3.22	6.45	2.13	(2.86)	20.78	70.61	9.80
EBITDA to gross premium (Times)	0.50	0.49	(0.19)	0.08	0.79	0.46	(0.15)	2.96	8.15	0.60
Underwriting profit to gross premium (%)	9.73	5.14	12.58	11.89	15.82	21.97	18.66	15.09	24.76	29.58
Profit before tax to gross premium (%)	44.03	27.28	35.24	25.21	76.76	(28.01)	(39.04)	281.24	802.57	50.85
Profit after tax to gross premium (%)	38.45	23.64	32.82	24.81	64.51	22.92	(36.42)	276.16	800.96	45.09
Cost / income ratios (Times)	0.70	1.01	0.94	0.56	0.30	(0.73)	(1.06)	0.10	0.02	0.42
LIQUIDITY / PERFORMANCE RATIOS										
Equity / Total assets (%)	79.69	82.62	82.47	82.99	89.32	88.64	82.17	79.94	81.83	41.54
Financial leverage	0.07	0.03	0.06	0.05	0.03	0.05	0.13	0.14	0.11	0.91
Paid up capital / Total assets (%)	8.44	8.43	8.62	8.28	5.54	4.84	4.54	2.26	1.92	5.19
Incurred loss ratio (%)	56.84	71.87	62.08	62.24	50.56	41.83	44.41	57.34	43.64	45.20
Total liabilities / Equity (Times)	1.36	1.14	1.23	0.20	0.12	0.13	0.22	0.25	0.22	1.41
Cash flow from operations to gross premium (Times)	0.00	0.08	0.10	(0.01)	0.21	0.11	(0.03)	0.00	0.25	0.17
Total assets turnover (Times)	0.15	0.15	0.14	0.13	0.10	0.09	0.08	0.08	0.09	0.22
Fixed assets turnover (Times)	8.91	9.16	11.28	10.58	4.79	4.08	3.42	3.43	3.14	2.61

Key Financial Data (for the year)

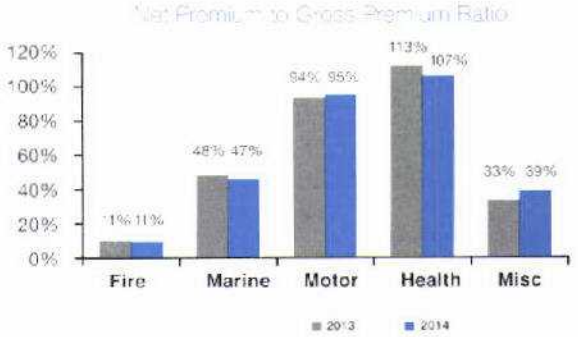
	2014	2013
	(Rupees in thousand)	
PROFIT AND LOSS ACCOUNT		
Gross Written Premium	2,139,673	2,035,289
Net Written Premium	1,061,685	1,067,885
Net Premium Revenue	1,044,933	1,066,554
Claims Incurred	1,051,471	1,140,827
Net Claims Expenses	594,539	766,535
Direct Expenses	335,876	287,064
Commission Income	263,645	233,839
Commission Expense	170,008	142,138
Underwriting Profit	208,195	104,616
Investment Income	940,878	691,351
Return on Bank Balances	34,251	14,962
Profit Before Tax	942,101	555,232
Profit After Tax	822,801	481,067
TECHNICAL RESERVES COVER		
Fire	546,419	570,670
Marine	180,661	80,509
Motor	358,497	312,534
Health	77,664	121,717
Miscellaneous	191,305	192,847
Total	1,354,546	1,278,277
CORPORATE ASSETS		
Investment Property	127,363	17,398
Investment in Fixed Assets	240,178	163,797
Investment in Subsidiary	729,846	-
Equity Investment in Associated Companies	3,710,955	3,648,641
Other Investments	7,755,743	7,603,807
Total Investments	12,196,544	11,252,448
Total Investments at Realizable Value	57,483,450	41,428,682
NUMBER OF EMPLOYEES		
Karachi Corporate Office	66	69
Lahore	35	36
Islamabad	11	11
Faisalabad	3	3
Multan	3	3
Sialkot	2	2
Gujranwala	2	1
Total	122	125

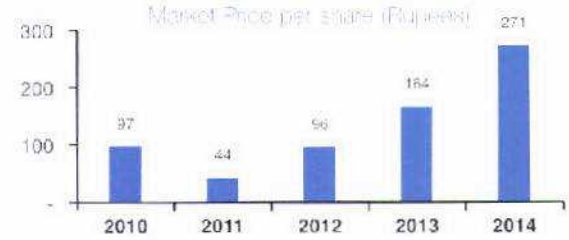
RATIOS

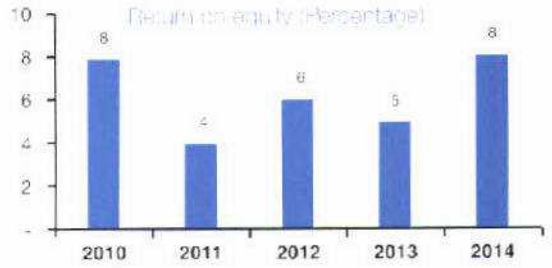
	2014					2013				
	Fire	Marine	Motor	Health	Misc	Fire	Marine	Motor	Health	Misc
Net Premium to Gross Premium	11%	47%	95%	107%	39%	11%	48%	94%	113%	33%
Loss Ratio	46%	80%	53%	64%	33%	82%	45%	61%	113%	48%
Expense Ratio	34%	5%	28%	15%	34%	26%	-2%	26%	12%	25%
Reserves to Net Premium	620%	98%	660%	58%	208%	770%	48%	64%	46%	256%
Policy Acquisition Cost to Gross Premium	23%	23%	26%	17%	26%	21%	21%	25%	14%	22%

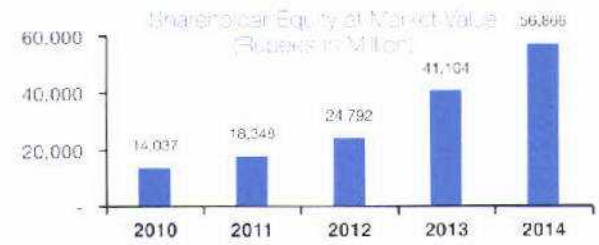
Key Financial Data

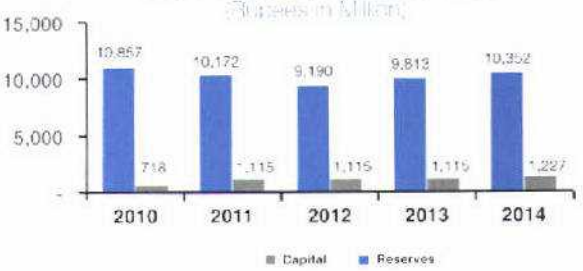


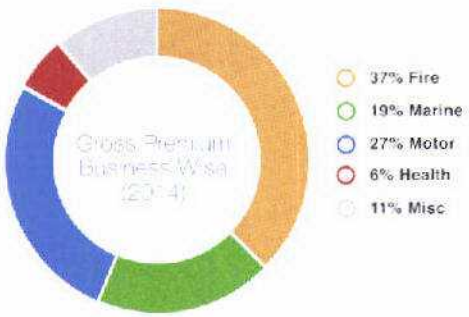


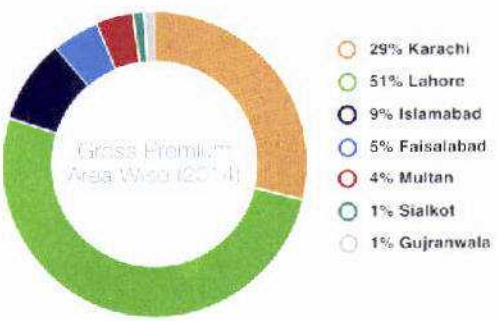












Horizontal Analysis

	2009	2010	2011	2012	2013	2014
Balance Sheet Items						
Cash and bank deposits	100	6	1,138	35	3,758	4,629
Investments	100	106	103	100	100	109
Investment property	-	100	94	88	18	131
Deferred tax	-	-	-	100	107	(100)
Premiums due but unpaid - unsecured	100	104	182	155	153	217
Amounts due from other insurers / reinsurers - unsecured	100	82	155	170	168	183
Accrued investment income	100	105	84	70	227	332
Reinsurance recoveries against outstanding claims	100	55	307	215	199	195
Prepaid reinsurance premium ceded	100	111	194	210	232	232
Prepayments - others	100	88	126	138	184	191
Taxation - payments less provision	100	96	92	99	114	120
Sundry receivables	100	201	207	92	111	144
Fixed assets	100	60	55	56	77	84
Intangibles	100	333	492	372	257	216
Total Assets	100	105	109	105	107	117
Issued, subscribed and paid up share capital	100	120	186	186	186	205
Unappropriated profits	100	(344)	310	340	617	1,092
Reserves	100	97	90	85	83	80
Provision for outstanding claims [including IBNR]	100	80	254	189	202	223
Provision for unearned premium	100	113	152	160	168	173
Premium deficiency reserve	-	-	-	-	-	100
Commission income unearned	100	128	174	171	181	191
Deferred tax	-	100	24	-	-	2
Premiums received in advance	100	35	341	58	143	33
Amounts due to other insurers / reinsurers	100	244	532	503	943	1,121
Accrued expenses	100	118	151	184	268	310
Sundry creditors	100	173	246	343	521	582
Long term finance	100	-	-	-	-	1,688
Short term finance	100	81	112	131	68	16
Unclaimed dividend	100	134	250	275	341	334
Total Shareholders' Equity and Liabilities	100	105	109	105	107	117
Profit and Loss Account						
Net premium revenue	100	117	139	153	174	170
Net claims	100	142	206	227	298	231
Premium deficiency reserve	-	-	-	-	100	(100)
Expenses	100	110	107	160	169	198
Net commission	100	54	103	225	141	144
Investment income	100	(246)	(99)	(147)	(182)	(247)
Other income	100	117	106	140	159	231
Financial charges	100	51	32	46	32	57
General and administration expenses	100	122	146	171	267	211
Loss before tax	100	(308)	(136)	(190)	(172)	(292)
Taxation	100	84	7	11	74	118
Loss after tax	100	(215)	(102)	(142)	(114)	(194)

Vertical Analysis

	2014	2013	2012	2011	2010	2009
Balance Sheet Items						
Cash and bank deposits	2.2%	1.9%	0.0%	0.0%	0.1%	2.0%
Investments	84.2%	85.1%	86.9%	91.9%	90.9%	88.7%
Investment property	0.9%	0.1%	0.7%	0.7%	0.0%	0.0%
Deferred tax	0.0%	0.1%	0.1%	0.0%	0.0%	0.1%
Premiums due but unpaid - unsecured	1.9%	1.5%	1.5%	1.0%	1.0%	1.3%
Amounts due from other insurers / reinsurers - unsecured	3.3%	3.3%	3.4%	1.6%	2.1%	1.4%
Accrued investment income	0.2%	0.1%	0.0%	0.1%	0.1%	0.0%
Reinsurance recoveries against outstanding claims	2.3%	2.6%	2.9%	0.7%	1.4%	1.5%
Prepaid reinsurance premium ceded	2.1%	2.3%	2.2%	1.1%	1.1%	1.4%
Prepayments - others	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Taxation - payments less provision	0.7%	0.7%	0.6%	0.6%	0.6%	0.6%
Sundry receivables	0.5%	0.4%	0.4%	0.8%	0.4%	0.6%
Fixed assets	1.6%	1.6%	1.2%	1.3%	2.3%	2.3%
Intangibles	0.0%	0.0%	0.1%	0.1%	0.0%	0.0%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Issued, subscribed and paid up share capital	8.5%	8.4%	8.6%	5.5%	4.8%	4.5%
(Accumulated losses) / Unappropriated profits	13.0%	8.0%	4.5%	4.6%	-1.4%	-2.9%
Reserves	58.5%	66.1%	69.3%	79.2%	85.2%	80.5%
Provision for outstanding claims [including IBNR]	4.4%	4.4%	4.2%	1.8%	2.3%	2.8%
Provision for unearned premium	4.5%	4.8%	4.6%	3.3%	3.0%	2.9%
Premium deficiency reserve	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Commission income unearned	0.5%	0.5%	0.5%	0.4%	0.3%	0.4%
Deferred tax	0.0%	0.0%	0.0%	0.5%	0.4%	0.0%
Premiums received in advance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amounts due to other insurers / reinsurers	2.4%	2.2%	1.2%	0.6%	0.3%	0.6%
Accrued expenses	0.8%	0.8%	0.5%	0.3%	0.3%	0.4%
Sundry creditors	2.2%	2.1%	1.4%	0.7%	0.4%	0.4%
Long term finance	4.7%	0.0%	0.0%	0.0%	0.3%	2.4%
Short term finance	0.6%	2.5%	5.0%	3.1%	3.9%	7.9%
Unclaimed dividend	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%
Total Shareholders' Equity and Liabilities	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Profit and Loss Account						
Net premium revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Net claims	-56.9%	-71.9%	-62.1%	-50.6%	-41.8%	-44.4%
Premium deficiency reserve	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expenses	-32.1%	-26.9%	-28.8%	-25.8%	-27.6%	-29.4%
Net commission	9.0%	8.6%	15.6%	4.8%	10.6%	9.4%
Investment income	90.0%	64.8%	59.5%	128.9%	-67.5%	-29.0%
Other income	5.3%	3.6%	3.6%	3.9%	3.9%	6.7%
Financial charges	-7.1%	-3.8%	-6.3%	-9.2%	-21.1%	-39.7%
General and administration expenses	-18.0%	-22.3%	-16.2%	-15.1%	-14.5%	-19.7%
Taxation	-11.4%	-7.0%	-1.2%	-11.7%	-16.4%	5.0%
(Profit) / loss after tax	-78.7%	-45.1%	-64.1%	-116.1%	-43.0%	69.5%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Statement of Value Addition

	2014	2013
	(Rupees in thousand)	
Gross Premium (including FED and FIF)	2,478,649	2,336,225
Add:		
Commission income from reinsurers	263,645	233,839
Rental income	4,086	13,179
Income from investment	984,266	710,158
Other income	17,262	10,136
	1,269,259	967,312
	3,747,908	3,303,537
Less: Claims, commission, management and other expenses (excluding remuneration to employees, donations & depreciation / amortization expenses)	(2,120,095)	(2,167,976)
Total value added	1,627,813	1,135,561
DISTRIBUTED AS FOLLOWS		
Employee remuneration	229,483	181,483
Government as:		
Company taxation	100,988	74,668
Levies (including FIF and FED)	338,975	300,995
To society:	20,652	20,905
To shareholders:		
Dividend	368,069	278,840
Bonus shares	-	111,536
Retained in Business:		
Depreciation	45,213	39,040
Net earnings	450,148	87,207
Financial Charges	74,285	40,887
Total	1,627,813	1,135,561





Board Committees

The Board has formed the following sub committees to exercise good governance.

- Audit Committee
- Human Resource & Compensation Committee
- Underwriting Committee
- Claims Committee
- Re-insurance & Co-insurance Committee
- Investment Committee
- Enterprise Risk Management Committee

Audit Committee

The terms of reference of the Committee are aligned with the Code of Corporate Governance. The Committee shall meet at least four times a year & comprise of three Directors and Company Secretary. The names of current members are:

1. Shamim Ahmad Khan (Non-Executive Director and Chairman)
2. Syed Yawar Ali (Non-Executive Director)
3. Syed Hyder Ali (Non-Executive Director)
4. Haider Raza (Secretary to the Committee)

The terms of reference of the Committee are as follows:

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

Human Resource & Compensation Committee

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

The Committee shall meet at least twice a year & comprise of four Directors, Chief Executive Officer and Head of Human Resources. The names of current members are:

1. Syed Yawar Ali (Non-Executive Director and Chairman)
2. Syed Shahid Ali (Non-Executive Director)
3. Syed Hyder Ali (Non-Executive Director)
4. Waqar Ahmed Malik (Independent Director)
5. Tahir Masaud (Chief Executive Officer)
6. Kaifee Siddiqui (Head of Human Resource & Compensation and Secretary to the Committee)

The Terms of Reference of the Committee are as follows:

i) To review and recommend the organizational structure of the Company;
ii) To review and recommend the compensation and benefits philosophy and strategy within the Company;
iii) To review and recommend to the Board the Company's Human Resources management, including recruitment, retention, training, performance management and related matters and to report to the Board on the implementation of these strategies;

Board Committees

iv) 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;
v) To review and recommend, in consultation with the CEO, the compensation of all its employees, including incentives and other benefit;
vi) To review the amount of incentive bonus based on corporate and individual performance, for the purpose of incentives calculation; and
vii) To review and recommend the CEO's compensation, including incentives and other benefits, to the Board for approval.

Underwriting Committee

The Committee shall meet at least four times a year & comprise of Director, Chief Executive Officer, Head of Marketing & Sales and Head of Fire, Marine, Motor and Miscellaneous Underwriting. The names of current members are:

1. Syed Hyder Ali (Non-Executive Director and Chairman)
2. Tahir Masaud (Chief Executive Officer)
3. Moeez Karim (Head of Marketing & Sales)
4. Faisal Khan (Head of Underwriting, Reinsurance and Risk Management)
5. Haider Ali (Head of Fire Underwriting)
6. Syed Matin Ahmed (Head of Marine, Motor & Miscellaneous Underwriting and Secretary to the Committee)

The Terms of Reference of the Committee are as follows:

i) The Underwriting Committee formulates the underwriting policy of the Company;
ii) It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers; and
iii) 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 Committee

The Committee shall meet at least four times a year & comprise of Director, Chief Executive Officer, Head of Marketing, Chief Financial Officer and Head of Claims. The names of current members are:

1. Shamim Ahmad Khan (Non-Executive Director and Chairman)
2. Tahir Masaud (Chief Executive Officer)
3. Moeez Karim (Head of Marketing & Sales)
4. Usman Saifi (Chief Financial Officer)
5. Mir Mehmood Ali (Head of Claims and Secretary to the Committee)

The Terms of Reference of the Committee are as follows:

i) To review the quarterly performance of Claims settlement;
ii) To analyze the class wise aging of outstanding claims;
iii) To monitor class wise claims trend; and
iv) To ensure that workshop & surveyor selection is done on merit & their performance is monitored.

Re-insurance & Co-insurance Committee

The Committee shall meet at least four times a year & comprise of Director, Chief Executive Officer and Head of Reinsurance and Risk Management. The names of current members are:

1. Syed Hyder Ali (Non-Executive Director and Chairman)
2. Tahir Masaud (Chief Executive Officer)
3. Faisal Khan (Head of Underwriting, Reinsurance and Risk Management and Secretary to the Committee)

The Terms of Reference of the Committee are as follows:

i) This Committee ensures that adequate re-insurance arrangements are made for the Company's businesses;
ii) It peruses the proposed re-insurances arrangements prior to their execution, reviews the arrangements from time to time and subject to the consent of the participating re-insures, makes appropriate adjustments to those arrangements in the light of the market development; and
iii) It also assesses the effectiveness of the re-insurance programme for future reference.

Board Committees

Investment Committee

The Committee shall meet at least four times a year & comprise of four Directors, Chief Executive Officer and Chief Financial Officer. The names of current members are:

1. Syed Hyder Ali (Non-Executive Director and Chairman)
2. Shamim Ahmad Khan (Non-Executive Director)
3. Syed Kamal Ali (Executive Director)
4. Syed Yawar Ali (Non-Executive Director)
5. Tahir Masaud (Chief Executive Officer)
6. Usman Saifi (Chief Financial Officer and Secretary to the Committee)

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

The terms of reference of the Investment Committee are as follows:

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

Enterprise Risk Management Committee

The Committee shall meet at least four times a year & comprise of Director, Chief Executive Officer, Chief Financial Officer and Head of Reinsurance. The names of current members are:

1. Waqar Ahmed Malik (Independent Director and Chairman)
2. Tahir Masaud (Chief Executive Officer)
3. Faisal Khan (Head of Reinsurance and Risk Management)
4. Usman Saifi (Chief Financial Officer and Secretary to the Committee)

The purpose of the Enterprise Risk Management Committee is to recommend to the Board a framework for enterprise risk management.

The terms of reference of the Enterprise Risk Management Committee are as follows:

i) To identify significant risk and mitigation measures.
ii) To develop procedures for identification, measurement and monitoring of risks.
iii) To assess and monitor the risk profile of the Company; and
iv) To develop and review risk reporting protocols.

Shareholder's Information

Registered Office
7th Floor, The Forum,
Suite No.701-713, G-20,
Block-9, Khayaban-e-Jami
Clifton, Karachi-75600
Pakistan.
Tel # 111-234-234
Fax # 92-21-35301772
Web site: www.igiinsurance.com.pk

Share Registrar Office
FAMCO Associates (Pvt.) Ltd.
Block-6, P.E.C.H.S
Near Hotel Faran, Nursery,
Shahrah-e-Faisal
Karachi.
Tel # 92-21 34380101-5
Fax # 92-21 34380106

Listing on Stock Exchanges

IGI equity shares are listed on Karachi Stock Exchange (KSE) Lahore Stock Exchange (LSE) and Islamabad Stock Exchanges (ISE).

Listing Fees

The annual listing fee for the financial year 2014-2015 has been paid to all the stock exchanges within the prescribed time limit.

Stock Code

The stock code for dealing in equity shares of IGI at KSE LSE and in ISE is IGIIL.

Investor Service Centre

IGIIL share department is operated by FAMCO Associates (Pvt.) Ltd. Registrar Services. It also functions as an Investor Service Centre and has been servicing nearly 1,855 shareholders. The Investor Service Centre 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 function. The team is headed by Mr. Owais Khan at Registrar Office and Mr. Haider Raza, Company Secretary and Head of Internal Audit at IGI Registered Office.

IGI's share department has online connectivity with Central Depository Company of Pakistan Limited. The share department undertakes activities pertaining to dematerialization of shares, shares transfer and transmission, issue of duplicate/ re-validated dividend warrants, issue of duplicate / replaced share certificates, change of address and other related matters.

For assistance, shareholders may contact either the Registered Office or the Share Registrar Office.

Contact Persons:
Mr. Haider Raza
Phone: 92-21-111-234-234
haider.raza@igi.com.pk

Mr. Hussain Ahmed
Tel # 92-21-34380107
92-21- 34380101-5
hussain.ahmed@famco.com.pk

Shareholder's Information

Services Standards
IGI has always endeavored to provide investors with prompt services. Listed below are various investor services and the maximum time limits set for their execution:

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

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.

Dematerialization of Shares

The equity shares of the Company are under the compulsory demat category. As at December 31, 2014, 33.67% of the equity shares of the Company have been dematerialized by the shareholders.

Shareholders holding shares in physical form are requested to dematerialize their holding at the earliest by approaching the depository participant registered with the CDC.

Dividend Announcement

The Board of Directors of the Company has proposed cash dividend of 30% (Rs.3/- per share), subject to approval by the shareholders of the Company at the Annual General Meeting.

Book Closure Dates

The register of Members and share transfer books of the Company will remain closed from April 10, 2015 to April 21, 2015 both days inclusive.

Dividend Remittance

Dividend declared and approved at the Annual General Meeting will be paid on or after April 21, 2015, but within the statutory time limit of 30 days:

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

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

Withholding of Tax & Zakat on Dividend:

Increase in withholding tax on dividend income for Non-Filers and dividend mandate.

Shareholders are hereby informed that the SECP Circular No.19/2014 dated October 24, 2014 communicated that the Government of Pakistan has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 through Finance Act-2014, whereby 10% and 15% rates were prescribed for deduction of withholding tax on the amount of dividend for filers and non-filers of income tax returns respectively.

The shareholders who are having their shares in physical form are requested to submit a copy of their National Tax Number (NTN) certificate/ Computerized National Identity Card (CNIC) to our Share Registrar as well as respective brokers/ Central Depository Company of Pakistan Limited (CDC) in this regard. Those shareholders who do not provide copy of their NTN certificate will be subject to 15% withholding tax deduction on dividend amount.

Shareholder's Information

Further to SECP vide circular No. 18 of 2012 dated 5th June 2012, allowed for payment cash dividend to shareholders electronically. If you wish to exercise this option, please fill the consent form on Dividend Mandate and return it to our Share Registrar at the address mentioned. Consent form may be accessed at http:// www.iglinsurance.com.pk/investor-corner

Zakat is also being deductable at source from the dividend at the rate of 2.5% of face value of shares, other than corporate holders or individuals who provide the undertaking for non-deduction of Zakat.

Dividend Warrant

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

Under Section 250 of the Companies Ordinance, 1984, a shareholder may, if so desire, direct a Company to pay dividend through his/her/its bank account to provide the detail of bank account to our registrar on bank mandate form.

Investors' Grievances

As on date none of the investor or shareholder has filed any letter of complaints 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.

General Meetings & Voting Rights

Pursuant to section 158 of The Companies Ordinance 1984, IGI holds a General Meeting of Shareholders at least 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 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Karachi, Lahore and Islamabad.

Shareholder having a holding of at least 10% or more above of voting right may also apply to the Board of Directors to call for a meeting of shareholders, and if Board does not take action on such application within 21 days, the shareholders may themselves call the meeting.

Video Conference Facility

Further to SECP S.R.O. No.1027(I)2014 dated 13th November 2014 clause 1(b) "The company may provide video conference facility to its members for attending the general meeting at place other than the town in which general meeting is taking place after considering the geographical dispersal of its members: Provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 10 days prior to date of meeting the company shall arrange video conference facility in that city subject to availability of such facility in that city".

All shares issued by the Company carry equal voting rights. Generally, matters at the General Meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favor of a particular resolution, it is taken as passed, unless a poll is demanded. Since, the fundamental voting principle in a Company is "One Share-One Vote", voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by 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 Memorandum and Articles of Association of the Company, every shareholder of the Company who is entitled to attend and vote at a General Meeting of the Company, can appoint another person as his / her proxy to attend and vote instead of himself / herself. Every notice calling a General Meeting of the Company contains a statement that shareholder entitled to attend and vote is entitled to appoint a proxy who needs not to be a member of the Company.

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

Web Presence

Updated information regarding the Company can be accessed at IGI web site: www.iglinsurance.com.pk

The web site contains the latest financial results of the Company together with Company's profile, the corporate philosophy and major products.

Circulation of annual financial through e mail

The Securities and Exchange Commission of Pakistan vide SRO 787(1)/2014 dated 8th September, 2014 has allowed companies to circulate annual balance sheet, profit & loss account, auditors report and directors report along with notice of annual general meeting to its members through e mail. Members who wish to avail this facility can give their consent to Company Secretary at his email address.

Shareholder's Information

Shareholders Category	No. of Shareholder	No. of Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	19	39,459,459	32.16
Associated Companies, undertakings and related parties.	2	33,876,059	27.61
NIT & ICP	-	-	-
Banks Development Financial Institutions, Non Banking Financial Institutions.	10	7,058,825	5.75
Insurance Companies	6	2,321,732	1.89
Modarabas and Mutual Funds	13	2,930,784	2.39
Share holders holding 10%	3	60,755,519	49.52
General Public :			
a. Local	1,717	21,298,011	17.36
b. Foreign	-	-	-
Others	88	15,744,662	12.84
Total (excluding : share holders holding 10%)	1,855	122,689,532	100.00

Information as required under Code of Corporate Governance - Categories of Shareholding

as at 31 December, 2014

Shareholder's category	Number of shareholder	Number of share held
Associated Companies, Undertakings and Related Parties (name wise details)		
INDUSTRIAL TECHNICAL AND EDUCATIONAL INSTITUTE	1	20,853,966
PACKAGES LIMITED	1	13,022,093
Mutual Funds (name wise details)		
CDC - TRUSTEE AKD INDEX TRACKER FUND	1	9,497
CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1	72,800
CDC - TRUSTEE IGI STOCK FUND	1	130,200
CDC - TRUSTEE JS AGGRESSIVE ASSET ALLOCATION FUND	1	26,000
CDC - TRUSTEE JS LARGE CAP. FUND	1	225,000
CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	1	31,580
CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	1	14,400
CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	1	437,367
CDC - TRUSTEE PICIC STOCK FUND	1	300
CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	1	628,040
CDC - TRUSTEE UNIT TRUST OF PAKISTAN	1	300,000
MC FSL - TRUSTEE JS GROWTH FUND	1	800,000
MCBFSL - TRUSTEE JS VALUE FUND	1	255,600
Directors and their spouse(s) and minor children (name wise details):		
CHAUDHRY TAHIR MASAUD	1	500
MR. WAQAR A. MALIK	3	25,573
MRS. AMINA HYDER ALI	1	295,179
MRS. PERWIN BABAR ALI	3	1,792,577
MR. SHAMIM AHMAD KHAN	1	6,306
SYED BABAR ALI	2	26,880,609
SYED HYDER ALI	2	5,263,329
SYED KAMAL ALI	1	124,746
SYED SHAHID ALI	3	3,820,644
SYED YAWAR ALI	2	1,249,996
Executives		
Faisal Khan	1	204
Muhammad Nasir Iqbal	1	6
Public Sector Companies and Corporations	1	1,214,475
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	20	8,795,258
Shareholders Holding five percent or more Voting Rights in the Listed Company (name wise details)		
SYED BABAR ALI	1	26,880,609
INDUSTRIAL TECHNICAL AND EDUCATIONAL INSTITUTE	1	20,853,966
PACKAGES LIMITED	1	13,022,093

Distribution of Shareholding in Centeral Depository Company of Pakistan Limited

as at 31 December, 2014

Shareholdings

No. of Shareholders	From	To	Total Number of Shares Held
256	1	100	10,536
291	101	500	89,129
187	501	1,000	149,854
353	1,001	5,000	844,555
120	5,001	10,000	885,633
32	10,001	15,000	403,007
15	15,001	20,000	269,021
16	20,001	25,000	365,786
13	25,001	30,000	364,316
9	30,001	35,000	292,294
5	35,001	40,000	185,114
3	40,001	45,000	128,097
4	45,001	50,000	195,369
5	50,001	55,000	272,839
1	55,001	60,000	60,000
2	60,001	65,000	127,800
5	65,001	70,000	343,164
4	70,001	75,000	290,013
1	75,001	80,000	79,700
1	80,001	85,000	82,996
1	90,001	95,000	92,000
1	95,001	100,000	98,600
1	100,001	105,000	102,360
1	105,001	110,000	108,984
1	115,001	120,000	118,468
1	120,001	125,000	124,746
1	130,001	135,000	130,200
2	135,001	140,000	273,460
1	150,001	155,000	154,212
1	160,001	165,000	164,852
2	215,001	220,000	440,000
1	220,001	225,000	225,000
1	230,001	235,000	230,008
3	240,001	245,000	729,755
1	255,001	260,000	255,600
1	295,001	300,000	300,000
2	300,001	305,000	605,946
2	320,001	325,000	644,865
1	325,001	330,000	325,114
2	335,001	340,000	672,536
1	340,001	345,000	342,830
1	365,001	370,000	368,352
2	415,001	420,000	838,200
1	435,001	440,000	437,367
1	440,001	445,000	440,485
1	485,001	490,000	488,678
1	575,001	580,000	578,758
1	580,001	585,000	580,176
1	625,001	630,000	628,040
1	655,001	660,000	660,000
1	665,001	670,000	667,142
1	750,001	755,000	752,065
1	755,001	760,000	759,000
1	795,001	800,000	800,000
1	975,001	980,000	980,000
1	995,001	1,000,000	997,720
1	1,025,001	1,030,000	1,027,140
1	1,080,001	1,085,000	1,080,969
1	1,165,001	1,170,000	1,167,916
1	1,210,001	1,215,000	1,214,475
1	1,225,001	1,230,000	1,226,801
1	2,095,001	2,100,000	2,100,000
1	2,115,001	2,120,000	2,117,380
1	2,515,001	2,520,000	2,517,300
1	2,715,001	2,720,000	2,719,146
1	4,585,001	4,590,000	4,586,385
1,877			41,310,234

Pattern of Shareholding as at 31 December, 2014

Shareholdings

No. of Shareholders	From	To	Total Number of Shares Held
355	1	100	14,051
398	101	500	116,025
245	501	1,000	192,580
436	1,001	5,000	1,041,435
185	5,001	10,000	1,379,351
43	10,001	15,000	533,858
20	15,001	20,000	352,085
21	20,001	25,000	475,528
18	25,001	30,000	501,022
9	30,001	35,000	292,294
7	35,001	40,000	269,135
6	40,001	45,000	258,250
5	45,001	50,000	243,334
6	50,001	55,000	327,691
3	55,001	60,000	176,354
2	60,001	65,000	127,800
5	65,001	70,000	343,164
6	70,001	75,000	434,401
1	75,001	80,000	79,700
3	80,001	85,000	248,017
1	85,001	90,000	88,600
1	90,001	95,000	92,000
1	95,001	100,000	96,600
1	100,001	105,000	102,360
1	105,001	110,000	108,984
1	110,001	115,000	112,074
1	115,001	120,000	118,468
2	120,001	125,000	247,769
1	130,001	135,000	130,200
3	135,001	140,000	411,086
1	145,001	150,000	148,415
2	150,001	155,000	305,510
1	160,001	165,000	164,852
2	170,001	175,000	340,222
1	190,001	195,000	191,201
2	215,001	220,000	440,000
2	220,001	225,000	449,571
1	225,001	230,000	226,235
1	230,001	235,000	230,008
3	240,001	245,000	729,755
1	250,001	255,000	254,283
1	255,001	260,000	255,600
1	285,001	290,000	285,489
2	295,001	300,000	595,179
2	300,001	305,000	605,946
2	320,001	325,000	644,665
1	325,001	330,000	325,114
1	330,001	335,000	334,547
2	335,001	340,000	672,536
1	340,001	345,000	342,830
1	365,001	370,000	368,352
2	415,001	420,000	838,209
1	435,001	440,000	437,307
1	440,001	445,000	440,485
1	485,001	490,000	488,678
2	550,001	555,000	1,101,498
1	575,001	580,000	578,758
1	580,001	585,000	580,176
1	585,001	590,000	585,457
1	625,001	630,000	628,040
1	655,001	660,000	660,000
1	665,001	670,000	667,142
1	750,001	755,000	752,055
1	755,001	760,000	759,000
1	795,001	800,000	800,000
1	975,001	980,000	980,000
1	995,001	1,000,000	997,720
1	1,025,001	1,030,000	1,027,140
1	1,055,001	1,060,000	1,058,735
1	1,060,001	1,065,000	1,063,207
1	1,080,001	1,085,000	1,080,969
1	1,165,001	1,170,000	1,167,918
1	1,210,001	1,215,000	1,214,475
1	1,225,001	1,230,000	1,226,801
1	1,675,001	1,680,000	1,676,677
1	1,945,001	1,950,000	1,946,364
1	2,095,001	2,100,000	2,100,000
1	2,115,001	2,120,000	2,117,380
1	2,515,001	2,520,000	2,517,300
1	2,715,001	2,720,000	2,719,146
1	3,075,001	3,080,000	3,076,728
1	4,585,001	4,590,000	4,586,385
1	5,240,001	5,245,000	5,241,419
1	13,020,001	13,025,000	13,022,093
1	20,850,001	20,855,000	20,853,966
1	26,875,001	26,880,000	26,879,480
1,855			122,689,532

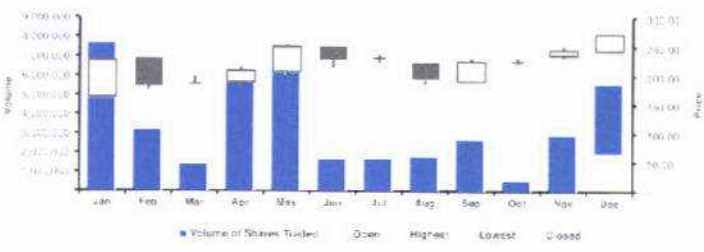
Share Price / Volume

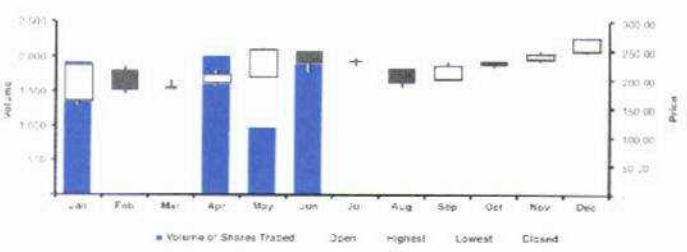
Share Price on the KSE (Rs.)

Month	Open	Highest	Lowest	Closed	Volume of Shares Traded
Jan	163.00	224.25	155.48	224.25	7,660,400
Feb	228.98	224.86	173.96	180.19	3,172,200
Mar	185.85	199.80	185.61	185.61	1,421,400
Apr	188.80	218.45	191.71	207.69	5,827,900
May	207.50	252.72	204.65	250.34	6,518,600
Jun	250.05	248.00	214.17	227.72	1,669,300
Jul	229.98	237.41	222.93	231.15	1,645,200
Aug	222.00	219.60	185.21	193.91	1,832,400
Sep	190.00	229.77	199.79	224.16	2,698,400
Oct	224.99	231.06	220.88	224.34	527,300
Nov	235.55	248.04	231.14	242.68	2,922,400
Dec	243.99	270.58	243.13	270.58	3,596,800

Share Price on the LSE (Rs.)

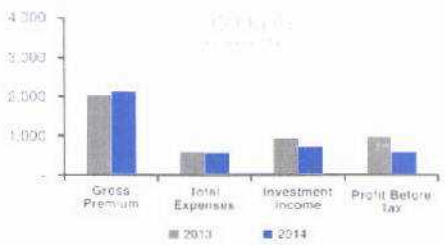
Month	Open	Highest	Lowest	Closed	Volume of Shares Traded
Jan	164.06	224.26	155.48	224.26	1,900
Feb	215.45	224.86	173.96	180.19	-
Mar	187.69	199.80	185.61	185.61	-
Apr	194.89	218.45	191.71	207.69	2,000
May	204.65	252.72	204.65	250.34	1,000
Jun	248.00	248.00	214.17	227.72	2,000
Jul	232.42	237.41	222.93	231.15	-
Aug	219.60	219.60	185.21	193.91	-
Sep	199.79	229.77	199.79	224.16	-
Oct	231.06	231.06	220.88	224.34	-
Nov	235.55	248.04	231.14	242.68	-
Dec	248.00	270.58	243.13	270.58	-





Directors' Report to the Shareholders

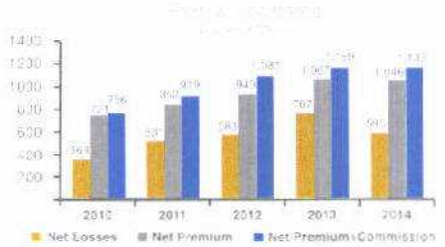
The Directors of IGI Insurance Limited take pleasure in presenting the annual report of your Company, together with the audited financial statements for the year ended December 31, 2014.



COMPANY PERFORMANCE REVIEW 2014

During the year the company recorded a profit before tax of Rs 942 million compared to Rs 555 million reflecting an increase of 70%. The underwriting results almost doubled from last year at Rs 208 million (2013: Rs 105 million).

Income from investment of Rs 941 million as compared to Rs 691 million in 2013 also contributed substantially to the profitability of the Company. The Company achieved earnings per share of Rs 6.71 as compared to the last year's Rs 3.29.

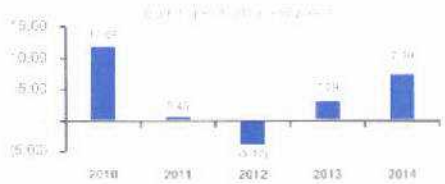


Despite the challenging environment your Company achieved growth in gross written premium of 5%, up from Rs 2.035 billion in 2013 to Rs 2.140 billion in 2014. Fire, Marine and Motor business segments being the main drivers for this growth. This growth was achieved despite a reduction in Health business segment by 47%, which is line with the Company's strategy of shedding loss making business in this class. Overall, a balanced mix of Fire, Marine, Motor, Health and Miscellaneous classes was achieved with 37%, 19%, 27%, 6% and 11% respectively.



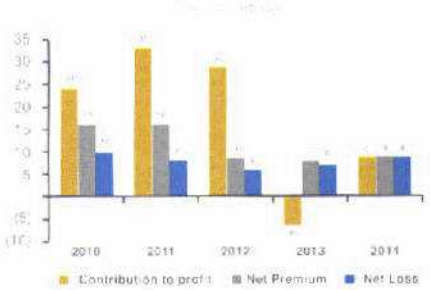
The net retained premium represents 49% of the total gross written premium. Net claims registered during 2014 decreased by 22% compared to last year, resulting in an improvement in the net incurred loss ratio from 72% in 2013 to 57% in the current year. Consequently, the underwriting results for 2014 amounted to Rs 208 million as compared to Rs 105 million in 2013. The underwriting profitability ratio improved from 5% in 2013 to 10% in 2014.

General and Administrative Expenses, which included a donation of Rs 20.6 million, show a decrease of 21%, from Rs 238 million to Rs 188 million. Decrease is mainly due to reduction in the expenses related to the acquisition of IGI Life Insurance Limited from Rs 80 million to Rs 19 million. Barring the expenses of IGI Life Insurance Limited, these expenses increased only in line with the prevailing inflation trends during the year. Financial charges increased by 82% mainly on account of the long term loan of the Company for acquisition of IGI Life Insurance Limited.



Directors' Report to the Shareholders

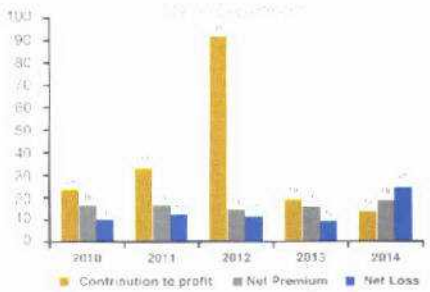
During the year, the Company acquired control of ALICO Pakistan by acquiring 34,838,687 ordinary shares (representing 69.677% of the issued and paid up capital) of Metlife shares in ALICO Pakistan on April 10, 2014. Accordingly, ALICO Pakistan became a subsidiary of the Company as at the aforementioned date and after necessary regulatory approvals, its name has been changed to IGI Life Insurance Limited.



SEGMENTS AT A GLANCE

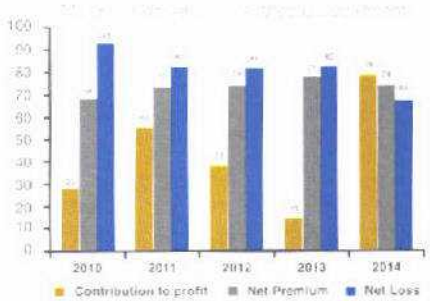
FIRE

During the review year, Gross Premium increased by 16% from Rs 702 million in 2013 to Rs 812 million in 2014. Net Premium Earned increased from Rs 74 million to Rs 88 million. Net Claims decreased from Rs 61 million in 2013 to Rs 41 million in 2014. This resulted in underwriting profit of Rs 17 million against underwriting loss of Rs 6 million in 2013.



MARINE, AVIATION AND TRANSPORT

Marine business increased by 13% from Rs 352 million in 2013 to Rs 399 million in 2014. Net Premium Earned increased from Rs 167 million to Rs 188 million. Net Claims increased from Rs 75 million to Rs 150 million, resulting in significant decrease in Underwriting Profit from Rs 96 million to Rs 28 million.

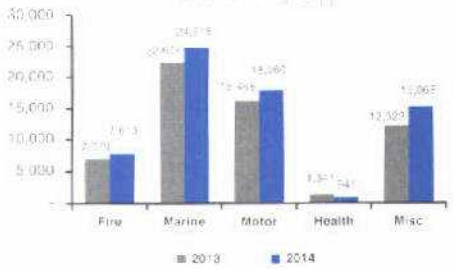


MOTOR

Gross Premium increased by 10% from Rs 519 million in 2013 to Rs 571 million in 2014. Net Premium Earned increased from Rs 487 million to Rs 543 million. Net Claims increased from Rs 296 million in 2013 to Rs 288 million. Underwriting Profit increased from Rs 62 million in 2013 to Rs 105 million in 2014.

HEALTH

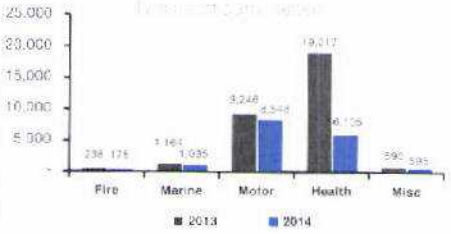
During the year, Gross Premium significantly decreased by 47%. The Net Claims decreased significantly from Rs 298 million in 2013 to Rs 85 million in 2014 mainly due to curtailment in the health business of the Company and simultaneously developing the synergies with IGI Life Insurance Limited in the health class. This resulted in an Underwriting Profit of Rs 28million in 2014 from the Underwriting loss of Rs 67 million in 2013.



Directors' Report to the Shareholders

OTHERS (MISCELLANEOUS)

For Miscellaneous segment, which includes Engineering, Contract, Travel, Bond and Cash business, Gross Written Premium marginally increased from Rs 230 million in 2013 to Rs 234 million. Net Claims marginally decreased from Rs 36 million in 2013 to Rs 30 million in 2014. Underwriting Profit increased from Rs 20 million to Rs 30 million in 2014.



CLAIMS

Swift and accurate claim settlement is our foremost priority. In this regard, with the advantage of having effective controls through advanced and efficient IT systems, the company has taken the initiative of delegating settlement authority of high frequency low value claims at the regional level. The knowledgeable and experienced claims staffs at the regional level are well equipped and trained to handle a large volume of claims directly. This gives the client an added advantage of dealing directly with the decision-maker at the local level, this will help the Company further optimize the claims processing and settlement time.



RE-INSURANCE AND RISK MANAGEMENT

We follow a policy of optimizing retention of risks through a carefully designed, high quality program of re-insurance. We work in partnership with our clients in identifying, mitigating and managing the risks. We believe the cost of risk mitigation is marginal when compared with the cost of an unexpected loss.

We have structured our re-insurance program to safeguard the value at risk by ensuring timely and quality protection for individual risks. The exposure to accumulation and concentration of risks at any location is now measurable with the help of our integrated IT system across all branches.

We also consider it as our responsibility to educate the clients on the scope of coverage of the insurance policies. The efforts of our risk engineering team have helped our clients significantly.

For a successful insurer, partnership with the insured is required. 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

Directors' Report to the Shareholders

INVESTMENTS

Our investment objective is to achieve an optimum return on the investment portfolio while adhering to our investment philosophy and the applicable regulations. The Book Value of your Company's investments is Rs 12,196 million as at December 31, 2014 as compared to Rs 11,252 million for 2013.

Your Company plans to invest in Packages Construction (Private) Limited (a wholly owned subsidiary of Packages Limited), which is in the process of developing a real estate project on land owned by Packages Limited in Lahore consisting of a shopping mall and allied facilities. IGI is in the process of obtaining all the required corporate and regulatory approvals for this investment. The proposed investment would help further strengthening the Company's strategic investments as well as diversifying the investment portfolio.

CAPITAL MANAGEMENT AND LIQUIDITY

The Company actively manages and monitors the matching of its asset positions against its commitments, together with 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 and interest expenses. Cash flows generated from operating activities are generally invested in supporting future payment requirements, including the payment of dividends to shareholders.

INFORMATION TECHNOLOGY AND BUSINESS PROCESS RE-ENGINEERING

We are pleased to apprise our shareholders that 2014 was yet another year for further technological advancement at IGI. Besides strengthening core ERP System which provides real time decision making capability, further processes related to motor, non-motor & health claims were refined through in-house developed software to further enrich the efficiency of claim processing and faster settlement with improved controls.

In addition to existing value added SMS services, this year different Web portals have been introduced to strengthen our client relationship. The purpose of this facility is to fulfill their insurance related activities in a timely manner.

The primary data center has been further equipped with the latest hardware & software for robust IT platform. On the same lines, the disaster recovery site has been relocated to tier 3+ data center for high availability and business continuity.

HUMAN RESOURCE

At IGI, we consider our people to be the most valuable asset. The Company's HR philosophy promotes ownership, initiative, and welcomes innovation across the board.

In line with this philosophy, we have taken further step towards the development of our managers by constituting a 360 degree feedback mechanism for key managers and providing professional training

Directors' Report to the Shareholders

to raise the skill sets. A 360 degree feedback provides a platform for senior managers to receive feedback from colleagues and direct reports and highlight areas of further improvement which then form part of their Personal Development Plan.

We continue to strive for inducting, retaining and developing the best talent in the industry to deliver our vision and mission.

CODE OF CONDUCT

Your Company has designed a Code of Conduct to ensure ethical practices and integrity which is signed by all the employees. All our operational activities are carried out in a transparent manner strictly following the code of ethics, on which there is no compromise.

CORPORATE SOCIAL RESPONSIBILITY

Your Company is fully aware of its corporate social responsibilities and is supporting social sector organizations in the fields of education, health and environment. The Company contributed Rs 20.6 million in this area in 2014. The Company also offers internships all around the year to students from colleges and universities.

ISO CERTIFICATION AND ITS VALUE TO OUR CUSTOMERS

Your Company continues to focus on improving productivity and efficiency in its operations and has maintained its Quality Management Certification ISO 9001:2008 after becoming the first genera insurance Company in Pakistan to receive ISO 9001:2008 certification.

INSURER'S FINANCIAL STRENGTH RATING

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has, for the fifteenth consecutive year assigned your Company an "Insurer Financial Strength" (IFS) Rating of "AA" (Double A), in January 2015 The Insurer Financial Strength (IFS) rating of "AA" (Double A) denotes a very strong capacity to meet policyholder and contract obligations, modest risk factors, and the expectation that the impact of any adverse business and economic factors will be very limited.

APPROPRIATIONS

The proposed appropriations are as under:

	2014	2013
	(Rupees in thousand)	
Final Dividend for the year – 2014:30% (2013: 15%)	368,069	167,304
Interim Dividend for the year – 2014: Nil (2013: 10%)	-	111,536
Transfer from reserve to pay final dividend for the year	368,069	167,304
Transfer from reserve to issue final Bonus Shares –2014: Nil (2013: 10%)	-	111,536

By proposing the final dividend of 30% for 2014, the total dividend amount will be Rs 368 million.

Directors' Report to the Shareholders

FUTURE OUTLOOK

The Board and the management of your Company are fully cognizant of the challenges for an insurance company in the highly current competitive environment. We are well equipped in terms of human resource, system and technology to improve our performance in the coming years and achieve even better underwriting results.

ACKNOWLEDGEMENT

We would like to thank our customers, business partners and employees for their faith in us, which has helped us to achieve progress over the years. We also thank our shareholders for their continued patronage and confidence in IGI.

For and on behalf of the Board



Syed Babar Ali
Chairman
Karachi: February 26, 2015

Corporate Calendar

First quarter ended March 31, 2014	Announced on	April 22, 2014
Half year ended June 30, 2014	Announced on	August 27, 2014
Third quarter ended September 30, 2014	Announced on	October 24, 2014
Year ended December 31, 2014	Announced on	February 26, 2015
Final - Cash (2013)	Announced on	February 25, 2014
	Entitlement date	April 10, 2014
	Statutory limit upto which payable	May 23, 2014
	Credit & Paid on	April 23, 2014
Final – Cash (2014)	Announced on	February 26, 2015
	Entitlement date	April 10, 2015
	Statutory limit upto which payable	May 21, 2015
	Expected to be paid on	April 21, 2015

Issuance of Annual Report	March 30, 2015
61st Annual General Meeting	April 21, 2015

Report on Corporate Governance

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

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

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

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

4. The International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

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

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations, except as stated in the Statement of Compliance with the Code of Corporate Governance.

8. Key operating and financial data for the last ten years is shown in the annual report.

9. There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as at 31 December 2014, except as those disclosed in the financial statements.

10. The value of investments based on audited accounts of the respective funds were as follows:

    Provident Fund as at June 30, 2014 Rs. 50.99 million
    Gratuity Fund as at December 31, 2013 Rs. 30.44 million

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

12. The trade carried out by the Directors, CEO, CFO, Company Secretary, Executives and their spouses and minor children, if any, in the shares of the Company is given below:

    Directors & spouses
    Mrs. Perwin Babar Ali purchased 115,900 shares.
    Syed Kamal Ali, Director sold 3,000 shares.
    Syed Shahid Ali, Director sold 162,000 shares
    Syed Hyder Ali, Director purchased 21,500 shares.
    Mr. Waqar Ahmed Malik, Director purchased 11,000 shares.
    Mr. Waqar Ahmed Malik, Director sold 2,300 shares.

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

14. Out of the eight members on the board, only two members are yet to obtain certification which shall be obtained by 30 June 2016 in accordance with the requirement of the Code.

15. The aggregate remunerations of executives and non-executive directors including salary, fee, benefits, etc are Rs. 30.56 million and 4.6 million.

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.

Report on Corporate Governance

Board & Sub Committee Meetings

Meetings of the Board of Directors, Audit, Underwriting, Reinsurance, Claims, Investment and Human Resources and Compensation Committee were held according to schedule. No causal vacancy occurred on the Board. Meetings held and attendance by each Director in the meetings of the Board and its subcommittees are as follows.

The Board granted leave of absence to those Directors who could not attend the Board meetings.

Board / Sub Committees	Board Meeting	Audit Committee	Underwriting Committee	Reinsurance Committee	Claims Committee	Investment Committee	Human Resources & Compensation Committee	Enterprise Risk Management Committee
No of meeting held	5	4	4	4	4	4	5	2
ATTENDANCE								
Syed Babar Ali	5	-	-	-	-	-	-	-
Shamim Ahmed Khan	5	4	-	-	4	4	-	-
Syed Kamal Ali	1	-	-	-	-	1	-	-
Syed Yawar Ali	4	4	-	-	-	4	5	-
Syed Shahid Ali	3	-	-	-	-	-	1	-
Syed Hyder Ali	5	4	4	4	-	4	5	-
Waqar Ahmed Malik	4	-	-	-	-	-	5	2
Jalees Ahmed Siddiqi	3	-	3	3	3	3	2	-
Tahir Masaud	2	-	1	1	1	1	1	2

Audit Committee

As required under the Code of Corporate Governance, the Audit Committee continued to perform as per its terms of reference duly approved by the Board. The Committee composition and its terms of reference are attached in the annual report.

Auditors

The present auditors M/S A.F FERGUSON & Company, Chartered Accountants retire and being eligible, have offered themselves for reappointment. The external auditors hold satisfactory rating by the Institute of Chartered Accountant of Pakistan (ICAP) as required under their Quality Control Review Program. As suggested by Audit Committee, the Board of Directors has recommended the appointment of M/S A.F FERGUSON & Company, Chartered Accountants as auditors of the Company for the year 2015, at a fee to be mutually agreed.

Material Changes

There have been no material changes and commitments affecting the financial position of your Company since December 31, 2014.

Pattern of Shareholding

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

For and on behalf of the Board

Syed Babar Ali
Chairman

Karachi, February 26, 2015

Statement of Compliance with the Code of Corporate Governance

for the year ended 31 December, 2014

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulation of Karachi, Lahore and Islamabad Stock Exchanges and SRO 68(1)/2003 issued by the Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Non-Executive	Syed Babar Ali
Non Executive	Mr. Shamim Ahmad Khan
Executive	Syed Kamal Ali
Non-Executive	Syed Yawar Ali
Non-Executive	Syed Shahid Ali
Non-Executive	Syed Hyder Ali
Executive	Mr. Tahir Masaud
Independent	Mr. Waqar Ahmed Malik

The independent director meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on 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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring on the Board on September 01, 2014 which was filled up by the directors on the same day.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

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. The minutes of the meetings were appropriately recorded and circulated.

9. Out of the eight members on the board, only two members are yet to obtain certification which shall be obtained by June 30, 2016 in accordance with the requirement of the Code.

10. The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer, Company Secretary and Head of Internal Audit are approved by the Board of Directors.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

Statement of Compliance with the Code of Corporate Governance

for the year ended 31 December, 2014

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 the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises of three (3) members, all of whom are non-executive directors including Chairman of the Committee, however there is no independent director in the audit committee.

16. 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 CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed a Human Resource and Remuneration Committee. It comprises of five (5) members of whom three (3) are non-executive directors including Chairman of the Committee, one Independent director and Chief Executive Officer of the Company.

18. The Company has outsourced the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company. The Company has designated the Company Secretary as Head of Internal Audit of the Company. The management considers that there is no conflict in designation of him as Head of Internal Audit since the internal audit function has been outsourced to a professional firm.

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

20. 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.

21. 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).

22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchanges.

23. The Board ensures that the appointed actuary complied with the requirements set out for him in this code.

24. The actuary appointed by the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.

25. The underwriting, claims settlement and reinsurance and coinsurance committees have been formed. The minutes of meetings of committees were circulated timely to the members, directors and the CFO.

26. We confirm that all other material principles enshrined in the CCG have been complied with.

Syed Babar Ali
Chairman

Karachi, February 26, 2015

Unconsolidated
Financial Statements for the year ended December 31, 2014

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A. F. FERGUSON & CO.

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of IGI Insurance Limited (the Company) for the year ended December 31, 2014 to comply with Regulation No. 35 of Chapter XI contained in the Listing Regulations of the Karachi, Lahore and Islamabad 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.

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's 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 alternate pricing mechanism. We are only required and have ensured compliance of the above 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 prices 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.

Further, we highlight below certain instances of non-compliance with the requirements of the Code as reflected in the respective paragraph references where these have been stated in the Statement of Compliance:

Paragraph Reference	Description
15	There is no independent director in the Audit Committee.
18	The Company has designated the Company Secretary as the Head of Internal Audit of the Company.

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Chartered Accountants
Dated: February 26, 2015
Karachi

A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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A. F. FERGUSON & CO.

Auditors' report to the members of IGI Insurance Limited

We have audited the annexed unconsolidated financial statements comprising of:

(i) unconsolidated balance sheet;
(ii) unconsolidated profit and loss account;
(iii) unconsolidated statement of changes in equity;
(iv) unconsolidated statement of cash flows;
(v) unconsolidated statement of premiums;
(vi) unconsolidated statement of claims;
(vii) unconsolidated statement of expenses; and
(viii) unconsolidated statement of investment income;

of IGI Insurance 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 unconsolidated 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 except for the change as stated in note 4.1 to the unconsolidated financial statements with which we concur;

(c) the unconsolidated 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, its 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).

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Chartered Accountants
Engagement Partner: Shahbaz Akbar
Dated: February 26, 2015
Karachi

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Unconsolidated Balance Sheet

	Note	2014	2013 (Rupees in thousands) Restated	2012 Restated
Share capital and reserves				
Authorised share capital 200,000,000 (2013: 200,000,000) ordinary shares of Rs. 10 each		2,000,000	2,000,000	2,000,000
Issued, subscribed and paid up share capital	5	1,226,895	1,115,359	1,115,359
Unappropriated profit		1,881,471	1,063,254	585,671
Reserves		8,470,780	8,749,620	8,972,692
		11,579,146	10,928,233	10,673,722
Underwriting provisions				
Provision for outstanding claims (including IBNR)		640,512	579,185	541,686
Provision for unearned premium		648,171	630,220	600,136
Premium deficiency reserve		-	40	-
Commission income unearned		72,750	68,872	65,206
		1,361,433	1,278,317	1,207,028
Deferred liabilities				
Deferred taxation	13	1,230	-	-
Creditors and accruals				
Premium received in advance		330	1,427	575
Amounts due to other insurers / reinsurers		350,027	294,173	156,942
Accrued expenses		117,584	101,740	69,578
Sundry creditors	6	316,834	283,287	186,637
		784,775	680,627	413,732
Borrowings				
Short term finances - secured	7	79,830	331,395	640,684
Long term finances - secured	8	675,000	-	-
		754,830	331,395	640,684
Other liabilities				
Unclaimed dividend		8,676	8,851	7,141
TOTAL LIABILITIES		2,910,944	2,299,190	2,268,585
TOTAL EQUITY AND LIABILITIES		14,490,090	13,227,423	12,942,307
CONTINGENCIES	9			

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

Chairman	Director	Director	Principal Officer and Chief Executive

as at December 31, 2014

	Note	2014	2013	2012
			(Rupees in thousands)	
			Restated	Restated
Cash and bank deposits				
Cash and other equivalents	10	43	314	105
Current and other accounts	11	156	572	2,259
Deposits maturing within 12 months		315,000	255,000	-
		315,199	255,886	2,364
Investments	12	12,196,544	11,252,448	11,246,453
Investment property	21	127,363	17,398	84,936
Deferred taxation	13	-	13,117	12,315
Current assets - others				
Premiums due but unpaid - unsecured	14	275,139	194,495	197,503
Amounts due from other insurers / reinsurers - unsecured	15	474,766	436,891	440,294
Accrued income on investments and deposits		27,784	19,047	5,862
Reinsurance recoveries against outstanding claims		336,040	342,336	370,053
Prepayments:				
- prepaid reinsurance premium ceded		309,858	308,659	279,906
- others		19,519	18,864	14,116
Taxation - payments less provision		95,450	90,667	78,605
Sundry receivables	16	72,250	55,530	46,103
		1,610,806	1,466,489	1,432,442
Fixed assets				
Tangible	19			
Furniture, fixtures and office equipments		25,468	16,996	19,811
Buildings		157,055	140,483	84,937
Motor vehicles		53,333	59,457	51,600
		235,856	216,936	156,348
Intangibles	20			
Computer software		4,322	5,149	7,449
TOTAL ASSETS		14,490,090	13,227,423	12,942,307

Chairman | Director | Director | Principal Officer and Chief Executive

Unconsolidated Profit and Loss Account for the year ended 31 December, 2014

	Note	Fire and property damage	Marine, aviation & transport	Motor	Health	Miscellaneous	2014 Aggregate	2013 Aggregate Restated
		(Rupees in thousands)						
Revenue account								
Net premium revenue		88,113	188,533	543,023	133,218	92,046	1,044,933	1,066,554
Net claims		(40,832)	(150,489)	(288,112)	(85,096)	(30,010)	(594,539)	(766,535)
Premium deficiency reversal / (expenses)		-	-	-	-	40	40	(40)
Management expenses	22	(118,346)	(58,160)	(107,229)	(18,070)	(34,071)	(335,876)	(287,064)
Net commission		88,250	48,422	(43,030)	(2,407)	2,402	93,637	91,701
Underwriting result		17,185	28,306	104,652	27,645	30,407	208,195	104,616
Investment income							940,878	691,351
Rental income							4,086	13,179
Return on bank balances							34,251	14,962
Other income	23						17,262	10,136
Financial charges	24						(74,285)	(40,867)
General and administrative expenses	25						(188,286)	(238,125)
							733,906	450,616
Profit before taxation							942,101	555,232
Taxation	26						(119,300)	(74,165)
Profit after taxation							822,801	481,067
Other comprehensive loss - not reclassifiable to profit and loss								
- Re-measurement of post employment benefit obligations - net of tax							(4,584)	(3,484)
Total comprehensive income							818,217	477,583
Profit and loss appropriation account								
Balance of unappropriated profit at commencement of the year							1,063,254	585,671
Profit after taxation							822,801	481,067
Other comprehensive (loss)							(4,584)	(3,484)
Transferred from general reserve							167,304	223,072
Final dividend for the year ended December 31, 2013 Rs. 1.5 per share (2012: Re. 1 per share)							(167,304)	(111,536)
Interim dividend for the year ended December 31, 2014 : Nil (2013: Re. 1 per share)							-	(111,536)
							818,217	477,583
Balance of unappropriated profit at end of the year							1,881,471	1,063,254
							(Rupees)	
Earnings per share - basic and diluted	27						6.71	3.92

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

Chairman	Director	Director	Principal Officer and Chief Executive

Unconsolidated Statement of Changes in Equity for the year ended 31 December, 2014

	Reserves						
		Capital reserves			Revenue reserves		
	Issued, subscribed and paid-up share capital	Premium on issue of shares	Reserve for Bonus shares	Other capital reserves	General reserve	Un-appropriated profit	Total
	(Rupees in thousands)						
Balance as at January 1, 2013	1,115,359	35,762	-	33,267	8,903,663	161,813	10,249,864
Effect of change in accounting policy with respect to accounting for investment in associates applied retrospectively - net of tax - refered to in note 4.1	-	-	-	-	-	423,858	423,858
Balance as at January 1, 2013 (restated)	1,115,359	35,762	-	33,267	8,903,663	585,671	10,673,722
Profit after taxation for the year ended December 31, 2013	-	-	-	-	-	481,067	481,067
Other comprehensive income for the year							
- Re-measurement of post employment benefit obligations - net of tax	-	-	-	-	-	(3,484)	(3,484)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	477,583	477,583
Transfer from general reserve to unappropriated profit	-	-	-	-	(223,072)	223,072	-
Transactions with owners, recorded directly in equity							
Final dividend for the year ended December 31, 2012 - Re. 1 per share	-	-	-	-	-	(111,536)	(111,536)
Interim dividend for the period ended June 30, 2013 - Re. 1 per share	-	-	-	-	-	(111,536)	(111,536)
	-	-	-	-	-	(223,072)	(223,072)
Balance as at December 31, 2013 (restated)	1,115,359	35,762	-	33,267	8,680,591	1,063,254	10,928,233
Profit after taxation for the year ended December 31, 2014	-	-	-	-	-	822,801	822,801
Other comprehensive (loss) for the year							
- Re-measurement of post employment benefit obligations - net of tax	-	-	-	-	-	(4,584)	(4,584)
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	818,217	818,217
Transfer from general reserve to unappropriated profit	-	-	-	-	(167,304)	167,304	-
Transfer from general reserve to reserve for bonus shares	-	-	111,536	-	(111,536)	-	-
Transactions with owners, recorded directly in equity							
Final dividend for the year ended December 31, 2013 - Re. 1 per share	-	-	-	-	-	(167,304)	(167,304)
Bonus shares issued for the year ended December 31, 2013	111,536	-	(111,536)	-	-	-	-
	111,536	-	(111,536)	-	-	(167,304)	(167,304)
Balance as at December 31, 2014	1,226,895	35,762	-	33,267	8,401,751	1,881,471	11,579,146

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

Chairman	Director	Director	Principal Officer and Chief Executive

Unconsolidated Statement of Cash Flows

	2014	2013
	(Rupees in thousands)	
OPERATING CASH FLOWS		
Underwriting activities		
Premiums received	2,057,932	2,039,149
Reinsurance premiums paid	(1,060,009)	(826,770)
Claims paid	(990,144)	(1,103,328)
Reinsurance and other recoveries received	463,228	402,009
Commissions paid	(120,526)	(92,820)
Commissions received	267,523	237,505
Net cash generated from underwriting activities	618,004	655,745
Other operating activities		
Income tax paid	(107,268)	(87,029)
Contribution to Defined Plan	(6,730)	(5,908)
General and management expenses paid	(362,710)	(302,660)
Operating payments - net	(141,064)	(108,356)
Net cash used in other operating activities	(617,772)	(503,953)
Total cash generated from all operating activities	232	151,792
INVESTMENT ACTIVITIES		
Profit / return received	40,804	16,060
Dividends received	882,904	680,328
Payments for investments	(892,275)	(13,042)
Proceeds from disposal of investments	-	7,632
Fixed capital expenditure	(183,132)	(31,548)
Proceeds from disposal of fixed assets	17,489	11,894
Total cash (used in) / generated from investing activities	(134,210)	671,324
FINANCING ACTIVITIES		
Dividends paid	(167,479)	(221,362)
Loan received	675,000	-
Financial charges paid	(62,665)	(38,943)
Total cash generated from / (used in) financing activities	444,856	(260,305)
Net cash generated from all activities	310,878	562,811
Cash at beginning of the year	(75,509)	(638,320)
Cash at end of the year	235,369	(75,509)

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

Chairman	Director	Director	Principal Officer and Chief Executive

	2014	2013 (Restated)
	(Rupees in thousands)	
Reconciliation to profit and loss account		
Operating cash flows	232	151,792
Depreciation expense	(45,213)	(39,040)
Financial charges	(74,285)	(40,887)
Gain on disposal of fixed assets	7,628	10,136
Increase in other assets	125,817	25,148
Increase in liabilities other than term finances	(175,644)	(336,240)
Reversal of provision / (provision) for impairment in the value of available for sale investments	51,821	(7,047)
Others		
Loss on disposal of investments	-	7,632
Dividend and other investment income	932,445	709,573
Profit after tax	822,801	481,067

Definition of cash

Cash comprises of cash in hand, policy stamps, bank balances and short term finance.

Cash for the purposes of the Statement of Cash Flows consists of:

Cash and other equivalents		
- Cash in hand	-	-
- Policy stamps in hand	43	314
	43	314
Current and other accounts		
- Current accounts	70	404
- Saving accounts	86	168
	156	572
Deposits maturing within 12 months	315,000	255,000
Short term finances	(79,830)	(331,395)
	235,369	(75,509)

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

Chairman	Director	Director	Principal Officer and Chief Executive

Unconsolidated Statement of Premiums for the year ended 31 December, 2014

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2014	2013
	(Rupees in thousands)									
Direct and facultative										
Fire and property damage	812,175	265,986	276,469	801,692	725,638	233,684	245,743	713,579	88,113	74,108
Marine, aviation and transport	399,134	19,668	18,177	400,625	211,449	10,410	9,767	212,092	188,533	167,749
Motor	570,531	209,088	231,206	548,413	5,436	181	227	5,390	543,023	486,696
Health	124,012	49,597	40,391	133,218	-	-	-	-	133,218	262,808
Miscellaneous	233,821	85,881	81,928	237,774	135,465	64,384	54,121	145,728	92,046	75,193
Total	2,139,673	630,220	648,171	2,121,722	1,077,988	308,659	309,858	1,076,789	1,044,933	1,066,554

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

Chairman	Director	Director	Principal Officer and Chief Executive

Unconsolidated Statement of Claims for the year ended 31 December, 2014

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	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		2014	2013
	(Rupees in thousands)									
Direct and facultative										
Fire and property damage	238,964	252,855	214,057	200,166	205,637	227,789	181,486	159,334	40,832	60,995
Marine, aviation and transport	279,592	56,499	158,427	381,520	187,686	18,168	61,513	231,031	150,489	75,106
Motor	264,267	103,446	127,291	288,112	-	14,687	14,687	-	288,112	296,184
Health	119,943	72,120	37,273	85,096	-	-	-	-	85,096	297,973
Miscellaneous	87,378	94,265	103,464	96,577	69,905	81,692	78,354	66,567	30,010	36,277
Total	990,144	579,185	640,512	1,051,471	463,228	342,336	336,040	456,932	594,539	766,535

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

Chairman	Director	Director	Principal Officer and Chief Executive

Unconsolidated Statement of Expenses for the year ended 31 December, 2014

Business underwritten inside Pakistan

Class	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expense	
		Opening	Closing					2014	2013
	(Rupees in thousands)								
Direct and facultative									
Fire and property damage	65,439	-	-	65,439	118,346	183,785	153,689	30,096	19,538
Marine, aviation and transport	32,474	-	-	32,474	58,160	90,634	80,896	9,738	(2,959)
Motor	43,030	-	-	43,030	107,229	150,259	-	150,259	128,267
Health	2,407	-	-	2,407	18,070	20,477	-	20,477	31,967
Miscellaneous	26,658	-	-	26,658	34,071	60,729	29,060	31,669	18,550
Total	170,008	-	-	170,008	335,876	505,884	263,645	242,239	195,363

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

Chairman	Director	Director	Principal Officer and Chief Executive

Unconsolidated Statement of Investment Income
for the year ended 31 December 2014

	2014	2013
	(Rupees in thousands)	
		Restated
Income from non-trading investments		
Return on government securities	15,290	14,283
Dividend income on available for sale investments	713,839	585,229
Dividend income on investment in associates	169,065	95,099
Gain on sale of available for sale investments	-	7,632
Reversal of provision / (provision) for impairment in value of investments	51,821	(7,047)
Less: Investment related expenses	(9,137)	(3,845)
Net investment income	940,878	691,351

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

Chairman	Director	Director	Principal Officer and Chief Executive

1 STATUS AND NATURE OF BUSINESS

IGI Insurance Limited ("the Company"), a Packages Group Company, was incorporated as a public limited company in 1953 under Companies Ordinance, 1984. The Company is listed on the Karachi, Lahore and Islamabad Stock Exchanges and is engaged in providing general insurance services in spheres of Fire, Marine, Motor, Health and Miscellaneous. The registered office of the Company is situated at 7th Floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi.

IGI Insurance Limited (the "Company") and American Life Insurance Company U.S.A entered into a share purchase agreement dated January 21, 2013 (the "SPA") in respect of the sale by ALICO of its 40,986,690 ordinary shares representing approximately 81.97% of the total issued, subscribed and paid up capital of American Life Insurance Company (Pakistan) Limited ("ALICO Pakistan") to the Company, subject to certain terms and conditions as stated in the SPA (the "Transaction"). The consummation of the Transaction was subject to regulatory approvals and completion of the requirements of the Listed Companies (Substantial Acquisition of Voting Shares and Takeover) Ordinance, 2002 (the "Takeover Ordinance") including the mandatory tender offer for shares to the remaining shareholders of ALICO Pakistan pursuant to the Takeover Ordinance. The Company sought required regulatory approvals and complied with all the requirements of public offer pursuant to the Takeover Ordinance, 2002.

During the year, the Company acquired control of ALICO Pakistan by acquiring 34,838,687 ordinary shares (representing 69.677% of the issued and paid up capital) of ALICO Pakistan on April 10, 2014. ALICO Pakistan became a subsidiary of the Company as at the aforementioned date and its name has been changed to IGI Life Insurance Limited (IGI Life). The remaining 6,148,003 shares (representing 12.293 % of the issued and paid up capital) of IGI Life will be acquired on the third anniversary of the acquisition date or earlier as per the terms and conditions of SPA.

2 BASIS OF PREPARATION

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

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and directives issued by the SECP. Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 the SEC (Insurance) Rules, 2002 or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or the said directives prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after January 1, 2014 but are considered not be to relevant or to have any significant effect on the Company's operations and are, therefore, not disclosed in these unconsolidated financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

IFRS 12, 'Disclosures of interest in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The amendments may impact the financial statements of the Company by addition of certain disclosures.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these unconsolidated financial statements.

3 BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared on the basis of historical cost convention, except as otherwise disclosed.

3.1 Critical accounting judgments and estimates

The preparation of unconsolidated financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgment in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

- Provision for outstanding claims including IBNR (note 4.2.3)
- Provision for taxation and deferred tax (note 4.4)
- Defined benefit plan (note 4.10.2)
- Useful lives and residual values of fixed assets (note 4.9)
- Premium deficiency reserve (note 4.2.6)
- Classification of investments and its impairment (note 4.6)
- Reinsurance recoveries against outstanding claims (note 4.2.4)

3.2 Functional and presentation currency

Items included in the unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These financial statements are presented in Pak Rupees which is the Company's functional currency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these unconsolidated financial statements are set out below. These policies have been applied consistently to all the years presented except for the change described in note 4.1 to these unconsolidated financial statements.

4.1 Change in accounting policy

As mentioned in note 1, the Company has acquired a controlling interest in IGI Life Insurance Limited during the year. Prior to this acquisition, the Company did not have a subsidiary and only prepared a single set of financial statements (stand alone financial statements) as required under the provisions of the Companies Ordinance, 1984. Investments in associates were accounted for using the equity method in the stand alone financial statements of the Company. As a result of the acquisition, IGI Insurance Limited is now the parent company of IGI Life Insurance Limited and is now required to prepare consolidated financial statements under the provisions of the Companies Ordinance, 1984 and in accordance with the requirements of International Financial Reporting Standards as applicable in Pakistan.

Consolidated financial statements are those in which the results and financial position of the parent company and its subsidiary are reflected as one economic entity. Investments in associates are required to be accounted for using the equity method in the consolidated financial statements. Consequently, the Company has changed its accounting policy for investments in associates in its stand alone financial statements. As per the revised policy investments in associates are presented in the stand alone financial statements on the basis of the direct equity interest (i.e. at cost less accumulated impairment losses; if any) rather than on the basis of the reported results and net assets of the investees. In addition dividend income from associates is now accounted for when the Company's right to receive such dividend is established.

The above mentioned change in accounting policy has been accounted for retrospectively in accordance with the requirements of IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' and the comparative information has been restated. Further, as required under IAS 1, ' Presentation of Financial Statements', the Company has presented a third Balance Sheet at the beginning of the preceding period as a result of the change in accounting policy.

The effects on the Company's unconsolidated financial statements as a result of this change have been summarized below:

	2013	2012
	(Rupees in thousands)	
Impact on unconsolidated balance sheet		
Decrease in asset classified as held for sale - note 4.1.1	148,789	202,615
Increase in investments	210,979	626,473
Decrease in deferred taxation liability	24,216	-
Impact on unconsolidated profit and loss account		
Increase in investment income		33,623
Decrease in share of profit from associates		443,243
Reversal of impairment on asset classified as held for sale		53,826
Increase in taxation		24,216
Decrease in other comprehensive income		
Share of other comprehensive income of associate		5,874
Decrease in earnings per share (Rupees)		(2.70)
Impact on statement of changes in equity		
Cumulative increase in unappropriated profit at January 1, 2013		423,858
Decrease in total comprehensive income for the year ended December 31, 2013		(337,452)
Cumulative increase in unappropriated profit at January 1, 2014		86,406

4.1.1 As mentioned in note 12.2.2 to these unconsolidated financial statements, investment in IGI Investment Bank Limited has ceased to be classified as held for sale and has been accounted for as an investment in associate.

4.2 Insurance contracts

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

The Company enters into fire and property damage, marine, motor, health, burglary, loss of cash in transit, travel, personal accident, engineering losses and other insurance contracts with corporate clients and individuals residing or located in Pakistan.

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 liabilities are extinguished or expired.

The Company neither issues investment contracts nor does it issue insurance contracts with Discretionary Participation Features (DPF).

4.2.1 Premium

Premium written under a policy is recognised as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognised as unearned premium by the Company. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

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

Receivables under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Company reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the profit and loss account.

4.2.2 Reinsurance ceded

Insurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts.

The Company enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contracts are not offset against expenses or income from related insurance assets.

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

The Company assesses its reinsurance assets for impairment on the reporting date. If there is an objective evidence that the reinsurance 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.

4.2.3 Claims expense

General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

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

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

IBNR for health and personal accident is determined and recognised in accordance with valuation carried out by an appointed actuary.

4.2.4 Reinsurance recoveries against claims

Claim recoveries receivable from the reinsurer are recognised as an asset at the same time as the claims which give rise to the

right of recovery are recognised as a liability and are measured at the amount expected to be received.

4.2.5 Commission and other acquisition costs

Commission expense and other acquisition costs are charged to the profit and loss account at the time the policies are accepted. Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy by the Company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Commission from reinsurers is arrived at after taking the impact of opening and closing unearned commission. Profit commission, if any, which the Company may be entitled to under the terms of reinsurance, is recognised on accrual basis.

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

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. Further, actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Accident and Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on 9 January 2012. If these ratios are adverse, premium deficiency is determined. The loss ratios estimated on these basis for the unexpired portion are as follows:

Fire and property damage	61%
Marine, aviation and transport	74%
Motor	75%
Health	97%
Miscellaneous	56%

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the balance sheet date. In case of Health and Accident class, no premium deficiency is booked on the advice of appointed actuary. Hence, no reserve for the same has been made in these unconsolidated financial statements.

4.3 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 services received, whether or not billed to the Company.

Provisions are recognised 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 can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.4 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance

sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

4.5 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks, stamps in hand and short term finances.

4.6 Investments

4.6.1 All investments are initially recognised at cost, being the fair value of the consideration given and include transaction cost, except for held for trading investments in which case transaction costs are charged to the profit and loss account. These are classified into the following categories:

- Investment in subsidiaries
- Investment in associates
- Held to maturity
- Available for sale
- Investment at fair value through profit and loss - held for trading

4.6.1.1 Investment in subsidiaries

Investments in subsidiaries are initially recognised at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any and carrying amounts of the investments are adjusted accordingly.

4.6.1.2 Investment in associates

Investments in associates are presented in the stand alone financial statements on the basis of direct equity interest (i.e. at cost less accumulated impairment losses; if any) . In addition dividend income is accounted for when the Company's right to receive such dividend is established.

4.6.1.3 Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost. At subsequent reporting dates, these are measured at amortised cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and amortised over the term of the investment using the effective yield.

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

The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of the investment.

4.6.1.4 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. It also includes investments in associated undertakings where the Company does not have significant influence. The Company follows trade date accounting for 'regular way purchase and sales' of investments.

Subsequent to initial recognition, these are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP) in December 2002. The Company uses stock exchange quotation at the balance sheet date to determine the market value of its quoted investments whereas, impairment of unquoted investments is computed by reference to net assets of the investee on the basis of the latest available audited / unaudited financial statements.

Had these investments been measured at fair value as required by IAS 39 - Financial Instruments: Recognition and Measurement, the Company's net equity would have been higher by Rs. 35.186 million at December 31, 2014.

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

Gain / (loss) on sale of available for sale investments are recognised in the profit and loss account.

4.6.1.5 Investments at fair value through profit or loss - held for trading

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuation in prices or are part of a portfolio for which there is a recent actual pattern of short-term profit taking.

Subsequent to initial recognition these are measured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

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

4.6.1.6 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition these are measured at amortised cost.

4.6.2 Derivative financial instruments

Derivatives are initially recorded at cost and are remeasured to fair value at subsequent reporting dates. The fair value of a derivative is the equivalent of the unrealized gain or loss from revaluation of derivative using prevailing market rates. Derivatives are classified as held for trading and the net unrealised gain or loss are included in investment income.

4.6.3 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Company commits to purchase or sell the investment.

4.7 Sale and repurchase agreements

Securities purchased under an agreement to resell (reverse repo) are not recognised in the unconsolidated financial statements as investments and the amount extended to the counter party is included in sundry receivables. The difference between the sale and repurchase price is recognised as mark-up income and included in other income.

4.8 Investment property

Investment property is held for earning rentals and capital appreciation. Investment property is accounted for under the cost model in accordance with International Accounting Standards (IAS) 40, "Investment property" and S.R.O 938 issued by the Securities and Exchange Commission of Pakistan.

Depreciation policy, subsequent capital expenditures and gain or losses on disposal are accounted for in the same manner as tangible fixed assets.

4.9 Fixed assets

Tangible

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation on all fixed assets is charged to profit and loss account on the straight line method so as to write-off depreciable amount of an asset over its useful life at the rates stated in note 19 to the unconsolidated financial statements. Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted, if impact on depreciation is significant. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss in the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

Intangible

Software development cost are only capitalized to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

4.10 Staff retirement benefits

4.10.1 Defined contribution plan

The Company operates an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the Company and employees to the fund at the rate of 10 percent of basic salary.

4.10.2 Defined benefit plan

All permanent employees of the Company participate in an approved funded defined gratuity plan. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out for the year ended December 31, 2014 using the Projected Unit Credit Method. Amounts arising as a result of 'Remeasurements', representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the Balance Sheet immediately, with a charge or credit to 'Other Comprehensive Income' in the periods in which they occur.

4.10.3 Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit and loss account.

4.11 Financial instruments

Financial assets and financial liabilities within the scope of IAS 39 are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and are de-recognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet mainly include cash and bank deposits, investments, accrued investment income, sundry receivables, accrued expenses, amount due from / to other insurers / reinsurers, sundry creditors, short term and long term finances and unclaimed dividend. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.12 Offsetting of financial assets and financial liabilities

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

4.13 Asset classified as held for sale

Assets and groups of assets and liabilities which comprise disposal groups are classified as 'held for sale' when all of the following criteria are met: a decision has been made to sell, the assets are available for sale immediately, the assets are being actively marketed, and a sale has been or is expected to be concluded within twelve months of the balance sheet date. Assets and disposal groups 'held for sale' are valued at lower of the carrying amount and fair value less disposal costs.

4.14 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. The reported operating segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

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

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

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

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

Health insurance provides coverage against expenses incurred during the hospitalisation due to sickness, emergency and accidents.

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

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

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.

4.15 Impairment

The carrying values of the Company's fixed assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

4.16 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

4.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

4.18 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except in cases where such costs are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) in which costs such costs are capitalised as part of the cost of that asset. Currently, the company does not have any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

4.19 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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.

4.21 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recorded in the period in which these are approved.

4.22 Earnings per share

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

5 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2014	2013		2014	2013
(Number of shares)			(Rupees in thousands)	
1,942,187	1,942,187	Ordinary shares of Rs. 10 each issued as fully paid in cash	19,422	19,422
120,747,345	109,593,751	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	1,207,473	1,095,937
122,689,532	111,535,938		1,226,895	1,115,359

5.1 Ordinary shares of the Company held by associated undertakings are as follows:

	2014	2013
	(Number of shares)	
Packages Limited	13,022,093	11,838,267
Industrial Technical and Educational Institute	20,853,966	18,958,151
	33,876,059	30,796,418

6 SUNDRY CREDITORS

	Note	2014	2013
		(Rupees in thousands)	
Federal excise duty		15,573	16,527
Federal insurance fee		1,089	1,158
Car finance payable		1,112	1,765
Agent commission payable		165,100	115,618
Cash margin		105,645	117,534
Others		28,315	30,685
		316,834	283,287

7 SHORT TERM FINANCES SECURED

Running finances	7.1	79,830	171,395
Term finances		-	160,000
		79,830	331,395

7.1 Running finance facilities available from various commercial banks under mark-up arrangements amount to Rs. 1,950 million (2013: Rs. 1,940 million). The rates of mark-up on these facilities range from 11.31% to 11.84% per annum (2013: 10.33% to 11.55% per annum) and are payable latest by January 15, 2015. Running finances are secured against pledge of shares held by the Company. Term finance facilities available from various commercial banks under mark-up arrangements amount to Rs. 300 million (2013: Rs. 310 million). The rates of mark-up on these facilities range from 10.55% to 11.59% per annum (2013: 9.49% to 10.67% per annum). Term finance is secured against pledge of shares held by the Company.

8 LONG TERM FINANCES - SECURED

	Note	2014	2013
		(Rupees in thousands)	
Long term loan	8.1	675,000	-

8.1 The Company obtained a long term finance facility amounting to Rs. 1,500 million during 2013 for the purpose of acquisition of IGI Life Insurance Limited [Formerly American Life Insurance Company (Pakistan) Limited], out of which Rs. 800 million was availed during the year ended December 31, 2014. The loan carries markup at the rate of six month KIBOR +0.75%. Principal repayment is to be made in 10 equal semi installments starting from the 30th month after the first disbursement and subsequently, six months thereafter. The first disbursement was on April 7, 2014. The Company has paid Rs.125 million against principal amount. Long term finance is secured against pledge of shares of Nestle Pakistan Limited.

9 CONTINGENCIES

9.1 Company is defending a suit against it by M/s Nawaz Enterprises for recovery of Rs. 9.45 million on account of insurance claim. The management, based on advice of the legal counsel, is confident that the outcome of the case is likely to be in favor of the Company.

9.2 Company is defending a suit filed against it and the beneficiary by the Federation of Pakistan amounting to Rs. 4.929 million. The petition is pending for hearing before Civil Court judge. As per the management, the outcome of the case is likely to be favourable.

9.3 An appeal was filed before the Commissioner - Appeals, Sindh Revenue Board (SRB) against the order passed by the Assistant

Commissioner, SRB under section 23(1) of the Sindh Sales Tax on Services Act, 2011 for tax periods July 2011 to December 2012 which was decided against the Company. Against the order of the Commissioner - Appeals, further appeal has been filed before the Appellate Tribunal, SRB on January 16, 2015, which is pending. As per the management, the outcome of the appeal is likely to be in favor of the Company.

	Note	2014	2013
		(Rupees in thousands)	
10 CASH AND OTHER EQUIVALENTS			
Cash		-	-
Policy stamps in hand		43	314
		43	314
11 CURRENT AND OTHER ACCOUNTS			
Current accounts		70	404
PLS savings accounts	11.1	86	168
		156	572

11.1 The balances in PLS savings accounts carry mark-up at 6.00% per annum (2013: 6.00% per annum).

12 INVESTMENTS

The investments comprise of the following:			
Investment in Subsidiary	12.1	729,846	-
Instruments in associates	12.2	3,710,955	3,648,641
Held to maturity investments	12.3	124,109	112,950
Available for sale investments	12.4	7,631,634	7,490,857
		12,196,544	11,252,448

12.1 Investments in Subsidiary

Quoted

IGI Life Insurance Limited [Formerly American Life Insurance Company (Pakistan) Limited]	12.1.1	729,846	-
34,838,687 (2013:Nil) fully paid shares of Rs. 10 each			
Equity held 69.677% (2013: Nil)			
Market value Rs. 160.95 per share			

12.1.1 During the year, the Company acquired control of IGI Life Insurance Limited [American Life Insurance Company (Pakistan) Limited] by acquiring 69.677% of the paid up capital of IGI Life.

	Note	2014	2013
		(Rupees in thousands)	

12.2 Investments in Associates

Quoted

Packages Limited			
21,133,101 (2013: 21,133,101) fully paid ordinary shares of Rs. 10 each Equity held 25.05% (2013: 25.05%) Market value Rs. 678.29 per share		3,499,853	3,499,853
IGI Investment Bank Limited			
89,095,494 (2013: 89,095,494) fully paid ordinary shares of Rs. 10 each Equity held 42.01% (2013: 42.01%) Market value Rs. 2.37 per share	12.2.2	890,117	890,117
		4,389,970	4,389,970
Provision for diminution in value on investments		(679,015)	(741,329)
		3,710,955	3,648,641

Unquoted

Dane Foods Limited			
2,643,161 (2013: 2,643,161) fully paid ordinary shares of Rs. 10 each Equity held 30.62% (2013: 30.62%)			
Cost		26,432	26,432
Provision for diminution in value		(26,432)	(26,432)
		-	-
		3,710,955	3,648,641

12.2.1 Investment in unquoted associate does not include any goodwill as the investment was made when this associate was incorporated.

12.2.2 During the year, the Board of Directors of the Company have decided that no divestment will be made of any shareholding of the Company in IGI Investment Bank Limited (IGIIBL). Accordingly, investment in IGIIBL has ceased to be classified as held for sale and has been accounted for as an investment in associate.

		Note	2014	2013
12.3	Held to maturity		(Rupees in thousands)	
	Government securities	12.3.1	124,109	112,950

12.3.1 Government securities

Pakistan Investment Bonds	2019	13.22%	Half yearly	14,373	14,282
Pakistan Investment Bonds	2021	13.08%	Half yearly	14,292	14,228
Pakistan Investment Bonds	2020	13.98%	Half yearly	23,094	22,886
Pakistan Investment Bonds	2022	12.00%	Half yearly	60,513	60,513
Pakistan Investment Bonds	2022	11.25%	Half yearly	1,039	1,041
Pakistan Investment Bonds	2022	12.76%	Half yearly	10,798	-
				124,109	112,950

12.3.1.1 The Pakistan Investment Bonds are placed as statutory deposit with State Bank of Pakistan in accordance with the requirements of Clause (a) of sub-section 2 of section 29 of Insurance Ordinance, 2000.

12.3.1.2 Market value of Pakistan Investment Bonds carried at amortised cost amounts to Rs. 137.208 million (2013: Rs. 112.678 million).

	Note	2014	2013
12.4 Available for sale		(Rupees in thousands)	
Related parties	12.4.1		
- Quoted		7,298,754	7,238,290
- Unquoted		100,236	100,236
		7,398,990	7,338,526
Others	12.4.2		
- Quoted		178,083	138,575
- Unquoted		54,561	13,756
		232,644	152,331
		7,631,634	7,490,857

12.4.1 Related parties

2014 (Number of shares)	2013 (Number of shares)	Percentage equity held	Face value per share (Rupees)	Company's name	Note	2014 (Rupees in thousands)	2013 (Rupees in thousands)
Quoted							
4,364,666	4,357,466	9.61%	10	Nestle Pakistan Limited	12.5	6,472,825	6,412,361
1,841,739	1,841,739	19.10%	10	Sanofi Aventis Pakistan Limited		391,348	391,348
1,353,416	1,353,416	4.51%	10	Tri-Pack Films Limited		264,985	264,985
5,442,060	5,442,060	10.09%	10	Treet Corporation Limited		150,035	150,035
199,169	173,191	3.25%	10	Zulfiqar Industries Limited		19,561	19,561
				Total investment		7,298,754	7,238,290
				Provision for diminution in value		-	-
						7,298,754	7,238,290
				Market value as at December 31		42,190,335	35,131,043
Unquoted							
12,433,934	12,433,934	0.64%	10	Coca Cola Beverages Pakistan Limited Chief Executive: Mr. John Seward Break-up value is Rs. 8.82 per share based on unaudited financial statements for the period ended June 30, 2014			
				Cost		134,665	134,665
				Provision for diminution in value		(34,429)	(34,429)
						100,236	100,236
				Breakup value as at December 31		109,667	102,818

12.4.2 Others

Quoted							
70,031	70,031	0.85%	10	Siemens Pakistan Engineering Company Limited		125,442	125,442
458,611	458,611	0.38%	10	International Industries Limited		37,395	37,395
292,738	234,191	3.72%	10	Mitchell's Fruit Farms Limited		21,437	21,437
						184,274	184,274
234,868	-		100	IGI Stock Fund-Growth Units		25,000	-
250,000	-		100	AGHP Capital Preservation Fund-Growth		25,000	-
						50,000	-
				Provision for diminution in value		(56,191)	(45,699)
						178,083	138,575
				Market value as at December 31		427,101	280,962
Unquoted							
44	44	4.87%	100	Kissan Fruit Growers (Private) Limited Break-up value is Rs. 559.23 per share based on audited financial statements for the year ended September 30, 2006		4	4
32	32	4.83%	100	Punjab Fruit Growers (Private) Limited Break-up value is Rs. 107.09 per share based on audited financial statements for the year ended September 30, 2006		3	3

2014 (Number of shares)	2013 (Number of shares)	Percentage equity held	Face value per share (Rupees)	Company's name	Note	2014 (Rupees in thousands)	2013 (Rupees in thousands)
1,705	1,705	4.87%	10	Haider Fruit Growers (Private) Limited Break-up value is Rs. 9.71 per share based on audited financial statements for the year ended June 30, 2006			
				Cost		17	17
				Provision for diminution in value		(1)	(1)
						16	16
350	350	-	100	Petroleum Development Pakistan Limited	12.6	1	1
500	500	-	100	National Steel of Pakistan Limited	12.6	1	1
422,499	422,499	0.65%	10	Central Depository Company of Pakistan Chief Executive: Muhammad Hanif Break-up value is Rs. 28.81 per share based on audited financial statements for the year ended June 30, 2014		9,110	9,110
1,900,000	1,900,000	0.67%	10	DHA Cogen Limited Chief Executive: Naseem Khan Break-up value is Rs. 2.095 per share based on audited financial statements for the year ended December 31, 2009			
				Cost		19,125	19,125
				Provision for diminution in value		(19,125)	(19,125)
						-	-
374,440	374,440	0.37%	10	Techlogix International Limited Chief Executive: Mr. Kawan Khawaja Break-up value is Rs. 2.58 per share based on audited financial statements for the period ended December 31, 2012			
				Cost		4,261	4,261
				Provision for diminution in value		(3,291)	(3,291)
						970	970
3,824,688	956,172	4.39%	10	Systems (Private) Limited Chief Executive: Mr. Asif Peer Break-up value is Rs. 15.98 per share based on unaudited financial statements for the period ended June 30, 2014	12.7		
				Cost		45,532	10,150
				Provision for diminution in value		(6,499)	(6,499)
						39,033	3,651

2014 (Number of shares)	2013 (Number of shares)	Percentage equity held	Face value per share (Rupees)	Company's name	Note	2014 (Rupees in thousands)	2013 (Rupees in thousands)
73,962	36,981	4.55%		Visionet Systems Inc. Chief Executive: Mr. Arshad Masood Break-up value is Rs. 160.56 per share based on unaudited financial statements for the period ended December 31, 2013			
				Cost		5,423	-
				Provision for diminution in value		-	-
						5,423	-
						54,561	13,756
				Breakup value as at 31 December		90,157	39,392

12.5 318,900 shares of Nestle Pakistan Limited with a book value of Rs. 472.929 million are pledged as security against short term finances and long term finances as referred to in note 7 and 8 to these unconsolidated financial statements.

12.6 These represent investments in Bangladesh.

12.7 Systems (Private) Limited had applied for listing on the Karachi Stock Exchange at December 31, 2014.

	Note	2014	2013
13 DEFERRED TAXATION		(Rupees in thousands)	Restated
Deferred tax debits / (credits) have arisen in respect of:			
Accelerated tax depreciation		(39,422)	(27,453)
Provision for doubtful receivables		37,551	31,490
Unused tax losses		-	8,516
Defined benefit plan		641	564
		(1,230)	13,117

14 PREMIUMS DUE BUT UNPAID

Unsecured			
- Considered good		275,139	194,495
- Considered doubtful		68,053	66,785
		343,192	261,280
Provision for doubtful receivables	14.3	(68,053)	(66,785)
		275,139	194,495

14.1 This includes an amount of Rs 79.876 million receivable from related parties out of which an amount of Rs 10.560 million have been considered doubtful.

14.2 The aggregate amount due by directors, chief executive and executives of the Company amounts to Rs. 0.547 million (2013: Rs 0.131 million).

14.3 Provision for doubtful receivables	Note	2014 (Rupees in thousands)	2013 (Rupees in thousands)
Balance as at January 1		66,785	60,000
Provision made during the year		1,268	6,785
Balance as at December 31		68,053	66,785

		Note	2014	2013
			(Rupees in thousands)	
15	**AMOUNTS DUE FROM OTHER INSURERS / REINSURERS**			
	Unsecured			
	- Considered good		474,766	436,891
	- Considered doubtful		39,236	25,833
			514,002	462,724
	Provision for doubtful receivables	15.1	(39,236)	(25,833)
			474,766	436,891
15.1	Provision for doubtful receivables			
	Balance as at January 1		25,833	14,559
	Provision made during the year		13,403	11,274
	Balance as at December 31		39,236	25,833
16	**SUNDRY RECEIVABLES**			
	Advances - considered good		2,353	1,849
	Security deposits		9,320	10,407
	Agent balances		566	2,299
	(Payable to) / receivable from defined benefit plan	16.1	(1,832)	3,621
	Sales tax recoverable		13,494	1,253
	Salvage recoverable		11,782	7,318
	Others	16.2	36,567	28,783
			72,250	55,530

16.1 Defined benefit plan - approved gratuity fund

16.1.1 Salient features

The Company offers an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The gratuity is governed under the Trust Act, 1882, Trust Deed and Rules of Fund, Companies Ordinance, 1984, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

The Company faces the following risks on account of gratuity fund:

Final salary risks

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility

Most assets are invested in risk free investments. However, investments in shares, are subject to adverse fluctuation as a result of change in market price.

Discount rate fluctuation

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. The risk is mitigated by closely monitoring the performance of investment.

Mortality risks

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Withdrawal risks

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

16.1.2 Valuation results

The Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at December 31, 2014. The information provided in notes 16.1.3 to 16.1.13 has been obtained from the actuarial valuation carried out as at December 31, 2014. The following significant assumptions have been used for valuation of this scheme:

		2014	2013
		Per annum	
a)	Expected rate of increase in salary level	11.3%	13.0%
b)	Discount rate	11.3%	13.0%
c)	Expected return on plan assets	11.3%	13.0%
d)	Normal retirement age (years)	58	58

e) Assumptions regarding future mortality experience are based on actuarial recommendations and published statistics.

	Note	2014	2013
		(Rupees in thousands)	
16.1.3 Amounts recognised in the balance sheet:			
Present value of defined benefit obligation	16.1.4	45,053	28,040
Less: Fair value of plan assets	16.1.5	(43,221)	(31,661)
		1,832	(3,621)
Movement in (asset) / liability during the year			
Obligation at the beginning of the year		(3,621)	(5,397)
Charge to profit and loss account		5,131	2,405
Other comprehensive income		7,052	5,279
Contribution to the fund during the year		(6,730)	(5,908)
Obligation at the end of the year		1,832	(3,621)
16.1.4 Movement in defined benefit obligation:			
Present value of obligation as at January 1		28,040	21,362
Current service cost		6,039	3,365
Interest cost		3,491	2,260
Benefits paid		(2,369)	(3,422)
Actuarial loss		9,852	4,475
Present value of obligation as at December 31		45,053	28,040
16.1.5 Movement in fair value of plan assets:			
Fair value of plan assets as at January 1		31,661	26,759
Expected return on plan assets		4,399	3,220
Contributions to the fund		6,730	5,908
Benefits paid		(2,369)	(3,422)
Actuarial gain / (loss)		2,800	(804)
Fair value as at December 31		43,221	31,661

	2014	2013
	(Rupees in thousands)	
16.1.6 Amounts recognised in the profit and loss account:		
Current service cost	6,039	3,365
Interest cost	3,491	2,260
Expected return on investments	(4,399)	(3,220)
Expense for the year	5,131	2,405
16.1.7 Actual return on plan assets		
Expected return on assets	4,399	3,220
Actuarial gain	-	-
	4,399	3,220

16.1.8 Sensitivity analysis

a) The impact of 1% change in following variables on defined benefit obligation is as follows:

	Change in assumption	Increase in assumption	Decrease in assumption
		(Rupees in thousands)	
Discount rate	1%	40,152	50,873
Expected rate of increase in salaries	1%	51,044	39,930

	Increase by 1 year in assumption	Decrease by 1 year in assumption
b) Life expectancy / withdrawal rate	45,169	45,215

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

16.1.9 Plan assets comprise of the following:

	2014 (Rupees in thousands)	Percentage composition	2013 (Rupees in thousands)	Percentage composition
Equity investments	3,134	7.25%	2,429	7.67%
Cash and bank deposits	826	1.91%	1,135	3.59%
Government Securities	39,261	90.84%	28,097	88.74%
Fair value of plan assets	43,221	100.00%	31,661	100.00%

16.1.10 As per the actuarial recommendations, the expected return on plan assets was taken as 11.25% (2013:13%), which is representative of yields on long-term Government bonds. Due to the increased volatility of share prices in recent months, there is no clear indication of return on equity. It is therefore assumed that the yield on equity matches the return on debt.

16.1.11 Based on actuarial advice, the Company intends to charge an amount of Rs 8.034 million in the financial statements for the year ending December 31, 2015.

16.1.12 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

At December 31, 2014	Less than a year	Between 1-2 Years	Between 2-5 years	Over 5 years	Total
	(Rupees in thousands)				
Gratuity	1,260	1,216	7,441	251,186	261,103

16.1.13 5 years data on the deficit / (surplus) of the plan is as follows

	2014	2013	2012	2011	2010
	(Rupees in thousands)				
Present value of defined benefit obligation	45,053	28,040	21,362	17,184	14,063
Fair value of plan assets	(43,221)	(31,661)	(26,759)	(20,007)	(14,662)
Deficit / (surplus)	1,832	(3,621)	(5,397)	(2,823)	(599)

16.2 This includes an amount of Rs. 31.390 million (2013: Rs. 26.881 million) receivable from related parties under group shared services.

17 Defined contribution plan - provident fund

The Company has set up a provident fund for its permanent employees and contributions were made by the Company to the Trust in accordance with the requirements of Section 227 of the Companies Ordinance, 1984. The total charge against provident fund for the year ended December 31, 2014 was Rs. 8.827 million (2013: Rs. 7.834 million). The audit of the provident fund for the year ended June 30, 2014 is in progress. The net assets based on audited financial statements of Provident Fund as at June 30, 2013 are Rs. 56.202 million out of which 93% was invested in different financial instruments categories as provided in Section 227 of the Companies Ordinance, 1984 and rules formulated for the purpose. The fair value of investments of the provident fund as at June 30, 2013 was Rs. 52.520 million and the cost of investment was Rs. 52.977 million. The above investments out of provident fund have been made in accordance with the requirement of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

Break up of investments	2013 (Rupees in thousands)	2013 % of the size of the fund
Debt securities	4,997	8.89%
Government securities	39,287	69.90%
Listed securities	6,701	11.92%
Bank deposits	1,535	2.73%
Total	52,520	

18 STAFF STRENGTH

	2014	2013
	(Number of employees)	
Number of employees as at December 31	122	125
Average number of employees during the year	124	126

19 FIXED ASSETS - Tangible

	Furniture, fixtures and office equipment				Buildings	Motor vehicles	Total
	Furniture and fixtures	Office equipment	Computer equipment	Sub total			
	(Rupees in thousands)						
As at January 1, 2013							
Cost	22,734	23,336	32,543	78,613	119,913	91,219	289,745
Accumulated depreciation	(12,764)	(19,714)	(26,324)	(58,802)	(34,976)	(39,619)	(133,397)
Net book value as at January 1, 2013	9,970	3,622	6,219	19,811	84,937	51,600	156,348
For the year ended December 31, 2013							
Opening net book value	9,970	3,622	6,219	19,811	84,937	51,600	156,348
Additions	642	1,550	2,275	4,467	-	26,983	31,450
Disposals							
- Cost	-	(330)	(6,417)	(6,747)	93,484	(19,018)	67,719
- Accumulated depreciation	-	298	6,309	6,607	(29,605)	17,400	(5,598)
	-	(32)	(108)	(140)	63,879	(1,618)	62,121
Depreciation charge	(2,242)	(1,431)	(3,469)	(7,142)	(8,333)	(17,508)	(32,983)
Net book value as at December 31, 2013	8,370	3,709	4,917	16,996	140,483	59,457	216,936
As at January 1, 2014							
Cost	23,376	24,556	28,401	76,333	213,397	99,184	388,914
Accumulated depreciation	(15,006)	(20,847)	(23,484)	(59,337)	(72,914)	(39,727)	(171,978)
Net book value as at January 1, 2014	8,370	3,709	4,917	16,996	140,483	59,457	216,936
For the year ended December 31, 2014							
Opening net book value	8,370	3,709	4,917	16,996	140,483	59,457	216,936
Additions	9,458	4,258	4,050	17,766	23,440	21,777	62,983
Disposals / Transfer							
- Cost	(867)	(2,395)	(363)	(3,625)	-	(22,772)	(26,397)
- Accumulated depreciation	471	1,960	161	2,592	-	13,944	16,536
	(396)	(435)	(202)	(1,033)	-	(8,828)	(9,861)
Depreciation charge	(2,878)	(1,676)	(3,707)	(8,261)	(6,868)	(19,073)	(34,202)
Net book value as at December 31, 2014	14,554	5,856	5,058	25,468	157,055	53,333	235,856
As at December 31, 2014							
Cost	31,967	26,419	32,088	90,474	236,837	98,189	425,500
Accumulated depreciation	(17,413)	(20,563)	(27,030)	(65,006)	(79,782)	(44,856)	(189,644)
Net book value as at December 31, 2014	14,554	5,856	5,058	25,468	157,055	53,333	235,856
Annual rate of depreciation	10%	10-20%	33.33%		5%	20%	

19.1 Disposal of operating fixed assets

Particulars of the assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
		(Rupees in thousands)				
Vehicles						Employees
Honda Civic	2,672	267	2,405	2,271	Company policy	Jalees Ahmed Siddiqi
Honda City	1,791	149	1,642	1,523	Company policy	Jalees Ahmed Siddiqi
Honda Civic	1,563	923	640	937	Company policy	Fauzia Ahmad
						Outsiders
Honda Civic	1,854	62	1,792	1,875	Negotiation	IGI Finex Securities
Suzuki Alto	725	507	218	558	Negotiation	IGI Finex Securities
Toyota Corolla	1,888	818	1,070	1,685	Insurance Claim	Alfalah Insurance Company
Honda City	1,405	703	702	1,200	Negotiation	Kamran Jamil
Suzuki Cultus	939	673	266	820	Negotiation	Allah Dita Ranjha
Other assets with book value of less than Rs. 50,000						
Computers						
Computer Equipments	363	161	202	274	Negotiation	Various
Vehicles	9,935	9,842	93	5,438	Company policy	Various employees
Office and electrical equipments	2,395	1,960	435	825	Negotiation	Various
Furniture and Fixture	867	471	396	83	Negotiation	Various
	26,397	16,536	9,861	17,489		

20 INTANGIBLES

	2014	2013
	(Rupees in Thousands)	
Computer Software		
Net book value as at January 1	5,149	7,449
Addition	1,848	98
Amortisation	(2,675)	(2,398)
Net book value as at December 31	4,322	5,149

21 INVESTMENT PROPERTY

	2014							
	Cost			Accumulated Depreciation			WDV	Useful
	As at Jan 1, 2014	Additions	As at Dec 31, 2014	As at Jan 1, 2014	For the year	As at Dec 31, 2014	as at Dec 31, 2014	life
	(Rupees in thousands)							
Building	26,429	118,301	144,730	9,031	8,336	17,367	127,363	20 years

	2013							
	Cost			Accumulated Depreciation			WDV	Useful
	As at Jan 1, 2013	Additions (transfer)	As at Dec 31, 2013	As at Jan 1, 2013	For the year (transfer)	As at Dec 31, 2013	as at Dec 31, 2013	life
	(Rupees in thousands)							
Building	119,913	-	26,429	34,977	3,659	9,031	17,398	20 years
		(93,484)			(29,605)			

21.1 The market value of the investment properties is Rs. 155.430 million as at December 31, 2014 as per the valuation carried out by various independent professional valuers.

22 MANAGEMENT EXPENSES

	Note	2014	2013
		(Rupees in thousands)	
			Restated
Salaries, wages and benefits	22.1	229,483	181,483
Rent, rates and taxes		25,700	27,598
Utilities		16,449	14,679
Repairs and maintenance		8,868	3,521
Education and training		2,161	1,750
Computer expenses		5,019	4,109
Communication		8,252	9,595
Provision for doubtful debts		14,671	18,060
Inspection fee		1,179	854
Security expenses		24,094	25,415
		335,876	287,064

22.1 This includes charge for defined benefit and defined contribution plans amounting to Rs. 5.131 million (2013: Rs. 2.405 million) and Rs. 8.827 million (2013: Rs. 7.834 million) respectively.

23 OTHER INCOME

	Note	2014	2013
		(Rupees in thousands)	
Income from non-financial assets			
Gain on disposal of fixed assets		7,628	10,136
Liabilities written back		9,634	-
		17,262	10,136

24 FINANCIAL CHARGES

Markup on long term finance		63,112	-
Markup on short term finance		6,163	38,874
Bank charges		5,010	2,013
		74,285	40,887

25 GENERAL AND ADMINISTRATIVE EXPENSES

General office premium		8,032	7,024
Motor car expenses		16,323	16,874
Tour and travelling		13,720	16,433
Representation expenses		2,089	1,478
Stationery and printing		6,464	8,538
Depreciation and amortisation	19, 20 & 21	45,213	39,040
Donations	25.1	20,652	20,905
Audit fee	25.2	3,850	2,670
Advertisement expenses		4,161	5,931
Legal and professional		46,289	99,429
Workers' Welfare Fund		19,227	18,593
Sundry expenses		2,266	1,210
		188,286	238,125

25.1 Donations amounting to Rs. 20 million (2013: Rs. 20.546) were made to following institute in which the directors of the Company had interest during the year:

Name of the Institute	Address
National Management Foundation	Lahore University of Management Sciences, DHA, Lahore

25.2 Audit fee

	2014	2013
	(Rupees in thousands)	
Fee for statutory audit	750	750
Fee for interim review	300	300
Fee for audit of consolidated financial statements	750	-
Fee for audit of regulatory return	200	200
Special certifications and sundry services	1,600	1,350
Out of pocket expenses	250	70
	3,850	2,670

26 TAXATION

	2014	2013
	(Rupees in thousands)	Restated
For the year		
- Current	100,988	81,819
- Deferred	18,312	(503)
Prior year	-	(7,151)
	119,300	74,165

26.1 Tax charge reconciliation

	2014
	(Rupees in thousands)
Profit before tax	942,101
Tax calculation at the rate of 33 %	310,893
Effect of items taxable under lower rates	(186,242)
Effect of permenant differences	(10,791)
Others	5,440
	119,300

For the year 2013 numerical reconciliation between the average tax rate and applicable tax rate had not been presented as provision for the current year income tax had been made under the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001 (Ordinance).

26.2 The income tax assessments of the Company have been finalised up to and including the tax year 2014. However, the Company has filed appeals in respect of certain assessment years which mainly relate to the following:

- While finalising the assessment for the year 1999-2000 the Taxation Officer has not allowed credit for tax paid under section 54 amounting to Rs. 3 million for which rectification application is filed which is pending.
- The Company has also filed applications in respect of certain mistakes made in the orders passed under section 124 of the Income tax Ordinance for 2001-2002 and 2002-2003. The applications filed were rejected by the T.O. against which appeals have been filed with the CIT (A) which are pending.

- The Additional Commissioner of Income Tax (AC) has issued notice under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of the tax year 2005 and 2006 whereby he has proposed to disallow claim of expenses and exemption in respect of gain on sale of shares and taxed income from Associates. Against the above notice, the Company has filed a constitutional petition before the Honourable High Court. The regular hearing of petition is currently pending with the High Court.

- In respect of tax year 2007, all significant issues involved amounting to Rs. 7 billion were decided in favour of the Company by CIR(A) and then by the ATIR. However, no appeal effect order has been passed. Further, certain matters amounting to Rs. 82 million that were remanded back to DCIR by the CIR(A) were not decided upon by the High Court. The Company has written a letter to the taxation officer for passing appeal effect orders. The department has recently filed Income Tax Reference Application before Honourable High Court of Sindh against the deletion of the addition made on account of re-characterisation of actual realized capital gain. The said Income Tax Reference Application is still pending adjudication.

- In case of tax year 2008, the Additional Commissioner Audit Division-11 had issued notice under section 122 (5A) of the Ordinance for passing an amended order on certain issues. The Company filed a writ petition before the High Court of Sindh which has restrained the department to take up the amended proceedings. The additional Commissioner Audit zone III LTU Karachi issued another notice under section 122(5A) of the Ordinance in May 14, 2014 and passed an amended assessment order under section 122(5A) by disallowing provision for IBNR and allocation of expense against capital gains and dividend income. As a result of amended assessment demand of Rs. 63,165,717 was created. Against the disallowances made by the ACIR, the Company has filed an appeal before the Commissioner Inland Revenue (Appeals) and also filed an application for stay of demand. Pursuant to the stay application, the CIR(A) has granted stay of demand to the Company, however the appeal filed in respect of the disallowances is pending adjudication.

  Moreover, pursuant to the decision of the CIR(A), the ACIR has passed an appeal effect order duly incorporating the relief granted by the CIR(A) in respect of allocation of expenses and tax refundable of Rs. 18,029,931 has been determined.

- In case of tax year 2009, the Deputy Commissioner of Inland Revenue (DCIR) has passed the amended order under section 122(5A) of the Ordinance by disallowing provisions on account of IBNR, Unearned Commission and allocation of expenses relating to exempt income. As a result of amended assessment demand of Rs 141m was created. The DCIR has made certain errors in the order for which application for rectification was filed. Rectified order under Section 221 has been passed and as a result demand has been reduced to Rs.51m. The learned CIR(A) has granted partial relief in respect of certain issue and confirmed certain disallowances. The company filed further appeal before the appellate tribunal inland revenue (ATIR) in respect of issues on which relief was not allowed by the CIR(A). The ATIR, pursuant to the appeals filed against the order of CIR(A), has now passed the order whereby the ATIR has confirmed disallowance made on account of provision for IBNR. Further issue of allocation of expenses against investment income has been remanded back to CIR(A). As regards, the issue of addition made on account of provision of unearned commission, the ATIR has upheld the decision of CIR(A) whereby disallowance made on this score is deleted. In respect of issues decided against the company, a reference application has been filed before honourable Sindh High Court which is pending adjudication.

  'The Taxation Office, Enforcement & Collection Division, Large Taxpayers Unit, Karachi vide order dated 01 January 2009 passed under section 161/205 of the Ordinance, on account of non- deduction of tax from re-insurance premium paid to non-resident reinsurance companies wherein a demand of Rs. 3,298,588 has created for the tax year 2009. Against the said order an appeal; before the CIR (A) has been filed. The CIR (A) while finalizing the above appeal has decided the issue in favor of the company and the demand created through the above order has been annulled. Against the appellate order passed by the CIR (A) under section 161/205 the department has filed further appeal with the ATIR which has been decided by the ATIR in favor of the company.

- 'In case of tax year 2013, notice dated 17 May 2014 was issued for amendment of assessment under section 122(9) read with Section 122(5A) of the Ordinance. The reply and details were duly submitted and no amended assessment order has been received to date.

  The management and tax advisor of the Company are confident that the above matters will be decided in the Company's favor. Accordingly, no provision has been recognised in these unconsolidated financial statements.

27 EARNINGS PER SHARE

	2014	2013
	(Rupees in thousands)	
		Restated
27.1 Basic earnings per share		
Profit for the year	822,801	481,067
	(Number of shares)	
Weighted average number of ordinary shares	122,689,532	122,689,532
	(Rupees)	
		Restated
Earnings per share	6.71	3.92

27.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2014 and December 31, 2013 which would have any effect on the earnings per share if the option to convert is exercised.

28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including certain benefits, to the Chief Executive, Director and Executives of the Company during the year are as follows:

	Chief Executive		Directors		Executives*	
	2014	2013	2014	2013	2014	2013
			(Rupees in thousands)			
Fee for attending board meeting	-	-	2,800**	2,305**	-	-
Managerial remuneration	11,860	7,680	2,901	2,777	51,923	43,648
Bonus	4,338	2,913	-	-	3,129	7,025
Retirement benefits (including provident fund)	2,058	1,332	-	-	8,828	7,558
Housing and utilities	6,728	4,292	587	620	29,639	24,960
Medical expenses	33	-	-	-	2,922	1,819
Conveyance allowance	393	265	-	-	6,798	6,028
Others	3,461	1,739	-	-	1,080	6,414
	28,871	18,221	6,288	5,702	104,319	97,452
Number of persons	2***	1	2	2	45	40

28.1 Chief Executive and executives of the Company are provided with Company maintained cars and residential telephones.

* The above includes an aggregate amount of Rs 45.16 million (2013: 29.088 million) in respect of remuneration of key management personnel.

** This includes fee for attending Board meeting of all the seven directors.

*** During the year Mr. Jalees Ahmed Siddiqui resigned from the office of the Chief Executive and Mr. Tahir Masaud was appointed as the new Chief Executive of the Company w.e.f. September 1, 2014.

29 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of subsidiary, related group companies, directors of the Company, key management personnel, major shareholders, post employment benefit plans and other related parties. The Company in the normal course of business carries out transactions with various related parties at agreed / commercial terms and conditions. Remuneration of key management personnel is disclosed in note 28. Amounts due to / from and other significant transactions, other than those disclosed else where in these financial statements, are as follows:

	Subsidiary		Post employment benefit plans		Directors		Key Management personnel		Other Related Parties	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in thousands)									
Transactions										
Premium underwritten	371	-	-	-	853	677	21	44	453,732	543,944
Premium collected	371	-	-	-	436	616	21	44	496,747	579,454
Claims expense	-	-	-	-	297	846	-	-	89,770	143,040
Commission expense	-	-	-	-	-	-	-	-	10,181	10,864
Commission paid	-	-	-	-	-	-	-	-	8,024	9,007
Rental income	-	-	-	-	-	-	-	-	4,086	13,179
Fixed assets purchased	-	-	-	-	-	-	-	-	31,355	4,558
Fixed assets disposed	-	-	-	-	-	-	5,320	-	2,611	-
Investment property purchased	-	-	-	-	-	-	-	-	113,419	-
Dividend received	-	-	-	-	-	-	-	-	874,365	640,961
Dividend paid	-	-	-	-	45,964	61,867	1	1	17,042	22,723
Rent expense	-	-	-	-	-	-	-	-	18,743	17,435
Rent paid	-	-	-	-	-	-	-	-	19,759	17,959
Security deposits	-	-	-	-	-	-	-	-	600	577
Investment / (divestment) in shares - net of provision for impairment	-	-	-	-	-	-	-	-	33,532	(42,112)
Investment in Certificates of Deposit	-	-	-	-	-	-	-	-	-	395,000
Certificates of Deposit matured	-	-	-	-	-	-	-	-	255,000	140,000
Profit on Certificates of Deposit	-	-	-	-	-	-	-	-	19,541	14,353
Brokerage commission	-	-	-	-	-	-	-	-	2,404	15
Donations paid	-	-	-	-	-	-	-	-	20,000	20,546
Charge in respect of gratuity fund	-	-	5,131	2,405	-	-	-	-	-	-
Charge in respect of provident fund	-	-	8,827	7,834	-	-	-	-	-	-
Contribution to gratuity func	-	-	6,730	5,908	-	-	-	-	-	-
Contribution to provident fund	-	-	10,279	8,577	-	-	-	-	-	-
Insurance premium paid	585	-	-	-	-	-	-	-	-	-
Balances										
Premium receivable	-	-	-	-	547	131	-	-	46,229	57,080
Commission payable	-	-	-	-	-	-	-	-	7,710	7,150
Investment in shares	729,846	-	-	-	-	-	-	-	10,825,399	10,987,167
Profit receivable on Certificates of Deposit	-	-	-	-	-	-	-	-	19,890	13,134
Investment in Certificates of Deposit	-	-	-	-	-	-	-	-	-	255,000
Other receivable	701	-	-	-	-	-	-	-	30,917	28,279
Security deposits	-	-	-	-	-	-	-	-	6,289	5,750
Prepaid rent	-	-	-	-	-	-	-	-	10,593	9,577
(Payable to) / Receivable from gratuity fund	-	-	(1,832)	3,621	-	-	-	-	-	-
Receivable from provident fund	-	-	1,452	743	-	-	-	-	-	-

30 OPERATING SEGMENT

30.1 The Company's business is organised and managed separately according to the nature of services provided with the following segments:

- Fire and property insurance provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.
- Marine, aviation and transport insurance provides coverage against cargo risk, war risk, damages occurring in inland transit and other related perils.
- Motor insurance provides comprehensive car coverage, indemnity against third party loss and other related coverage.
- Accident and health insurance provides coverage against personal accident, hospitalization and other medical benefits.
- Miscellaneous insurance provides coverage against burglary, loss of cash in safe and cash in transit, engineering losses, travel and other coverage.

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

	2014					
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Total
	(Rupees in thousands)					
Segment assets	727,301	218,746	225,706	45,818	218,864	1,436,435
Unallocated assets	-	-	-	-	-	13,053,655
Consolidated total assets	-	-	-	-	-	14,490,090
Segment liabilities	742,075	276,814	495,941	107,539	360,125	1,982,494
Unallocated liabilities	-	-	-	-	-	928,450
Consolidated total liabilities	-	-	-	-	-	2,910,944

	Restated 2013					
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Total
	(Rupees in thousands)					
Segment assets	689,067	142,649	183,084	75,678	220,552	1,311,030
Unallocated assets	-	-	-	-	-	11,916,393
Consolidated total assets	-	-	-	-	-	13,227,423
Segment liabilities	658,514	160,831	370,404	177,353	368,678	1,735,780
Unallocated liabilities	-	-	-	-	-	563,410
Consolidated total liabilities	-	-	-	-	-	2,299,190

31 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and financial liabilities

	2014	2013
	(Rupees in thousands)	
Financial assets		
Loans and receivables - amortised cost		
Cash and bank deposits		
Cash and other equivalents	43	314
Current and other accounts	156	572
Deposits maturing within 12 months	315,000	255,000
	315,199	255,886
Current assets - others		
Premiums due but unpaid - unsecured	275,139	194,495
Amounts due from other insurers / reinsurers - unsecured	474,766	436,891
Accrued income on investments and deposits	27,784	19,047
Reinsurance recoveries against outstanding claims	336,040	342,336
Sundry receivables	72,250	55,530
	1,185,979	1,048,299
Investments - held to maturity	124,109	112,950
Investments - available for sale	7,631,634	7,490,857
Financial Liabilities		
Amortised cost		
Provision for outstanding claims (including IBNR)	640,512	579,185
Amounts due to other insurers / reinsurers	350,027	294,173
Accrued expenses	117,584	101,740
Sundry creditors	298,454	264,812
Short term finances - secured	79,830	331,395
Long term finances - secured	675,000	-
Unclaimed dividend	8,676	8,851
	2,170,083	1,580,156

32 RISK MANAGEMENT

32.1 Risk management framework

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk and price risk). The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Company's financial assets and liabilities are limited. The Company consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing the Company's risk management policies.

32.2 Insurance risks

32.2.1 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 businesses. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

Concentration of insurance risk

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 businesses. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

To optimize benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk survey.

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 IAP (Insurance Association of Pakistan). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors and 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.

Address look-up and decoding is the essential field of the policy data interphase of IT systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is punched into the IT system / application through which a number of MIS reports can be generated to assess the concentration of risk.

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.

For Marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are fed into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the proportional treaty agreement. Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

The voyage cards so maintained for the particular set of policies for a single vessel voyage are automatically logged into the system showing actual gross, treaty and net exposure, both in terms of sums insured and premiums.

32.2.2 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, accumulated losses on net account can also 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 Company's class wise risk exposure (based on maximum loss coverage in a single policy is as follows:

	2014		
	Maximum sum insured	Reinsurance cover	Highest net liability
	(Rupees in thousands)		
Fire and property damage	31,109,241	31,021,241	88,000
Marine, aviation and transport	8,633,395	7,770,056	863,339
Motor	24,000	11,900	12,100
Health	1,000	-	1,000
Miscellaneous	20,535,003	19,362,240	1,172,763
	60,302,639	58,165,437	2,137,202

	2013		
	Maximum sum insured	Reinsurance cover	Highest net liability
	(Rupees in thousands)		
Fire and property damage	30,201,385	30,138,466	62,919
Marine, aviation and transport	6,731,250	6,058,125	673,125
Motor	27,900	14,229	13,671
Health	1,000	-	1,000
Miscellaneous	12,053,396	11,812,328	241,068
	49,014,931	48,023,148	991,783

The table below sets out the concentration of insurance contract liabilities by type of contract:

	2014		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	(Rupees in thousands)		
Fire and property damage	742,075	727,301	14,774
Marine, aviation and transport	276,814	218,746	58,068
Motor	495,941	225,706	270,235
Health	107,539	45,818	61,721
Miscellaneous	360,125	218,864	141,261
	1,982,494	1,436,435	546,059

	2013		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	(Rupees in thousands)		
Fire and property damage	658,514	689,067	(30,553)
Marine, aviation and transport	160,831	142,649	18,182
Motor	370,404	183,084	187,320
Health	177,353	75,678	101,675
Miscellaneous	368,678	220,552	148,126
	1,735,780	1,311,030	424,750

32.2.3 Uncertainty in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events that occur during the term of the insurance contract.

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Company uses historical experience factor based on analysis of the past years claim reporting pattern.

There are several variable factors which affect the amount and timing of recognized claim liabilities. However, the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from recognised amounts.

32.2.4 Key assumptions

The principal assumption underlying the liability estimation of IBNR and premium deficiency reserve is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

32.2.5 Sensitivities

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:

	Effect of 10% increase in claims		Effect of 10% decrease in claims	
	Profit and Loss account	Equity	Profit and Loss account	Equity
	(Rupees in thousands)			
Fire and property damage	(4,083)	(4,083)	4,083	4,083
Marine, aviation and transport	(15,049)	(15,049)	15,049	15,049
Motor	(28,811)	(28,811)	28,811	28,811
Health	(8,510)	(8,510)	8,510	8,510
Miscellaneous	(3,001)	(3,001)	3,001	3,001
	(59,454)	(59,454)	59,454	59,454

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.

Analysis on gross basis

Accident year	2010	2011	2012	2013	2014	Total
	(Rupees in thousands)					
Estimate of ultimate claims cost:						
At end of accident year	124,748	696,865	228,529	322,760	232,592	1,605,494
One year later	133,815	577,426	215,891	321,070	- -	1,248,202
Two years later	133,731	560,613	191,334	-	- -	885,678
Three years later	114,232	558,500	-	-	- -	672,732
Four years later	114,433	-	-	-	- -	114,433
Estimate of cumulative claims	114,433	558,500	191,334	321,070	232,592	1,417,929
Cumulative payments to date	(109,135)	(503,952)	(187,971)	(260,758)	(167,407)	(1,229,223)
Liability recognised in the balance sheet	5,298	54,548	3,363	60,312	65,185	188,706

The above effects have been worked out on the assumption that increase / decrease in net claims expense pertains to individual segment in isolation.

32.3 Financial risk

(i) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and market prices.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company is exposed to interest / mark-up rate risk in respect of the following:

2014

		Interest / mark-up bearing			Non-interest / mark-up bearing			
	Interest Rates	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
		(Rupees in thousands)						
Financial assets								
Cash and bank deposits	6.00% - 11.50%	315,086	-	315,086	113	-	113	315,199
Investments	8.50% - 12.00%	-	124,109	124,109	7,631,634	-	7,631,634	7,755,743
Premium due but unpaid		-	-	-	275,139	-	275,139	275,139
Amounts due from other insurers / reinsurers - unsecured		-	-	-	474,766	-	474,766	474,766
Accrued income on investments and deposits		-	-	-	27,784	-	27,784	27,784
Reinsurance recoveries against outstanding claims		-	-	-	336,040	-	336,040	336,040
Sundry receivables		-	-	-	72,250	-	72,250	72,250
		315,086	124,109	439,195	8,817,726	-	8,817,726	9,256,921
Financial liabilities								
Provision for outstanding claims [including IBNR]		-	-	-	640,512	-	640,512	640,512
Amounts due to other insurers / reinsurers		-	-	-	350,027	-	350,027	350,027
Accrued expenses		-	-	-	117,584	-	117,584	117,584
Sundry creditors		-	-	-	298,454	-	298,454	298,454
Short term finances - secured	11.31%-11.84%	79,830	-	79,830	-	-	-	79,830
Long term finances - secured	-	-	675,000	675,000	-	-	-	675,000
Unclaimed dividend		-	-	-	8,676	-	8,676	8,676
		79,830	675,000	754,830	1,415,253	-	1,415,253	2,170,083
		235,256	(550,891)	(315,635)	7,402,473	-	7,402,473	7,086,838

2013

	Interest Rates	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in thousands)						
Financial assets								
Cash and bank deposits	6.00% - 11.50%	255,168	-	255,168	718	-	718	255,886
Investments	12.00%	-	112,950	112,950	7,490,857	-	7,490,857	7,603,807
Premium due but unpaid		-	-	-	194,495	-	194,495	194,495
Amounts due from other insurers / reinsurers - unsecured		-	-	-	436,891	-	436,891	436,891
Accrued income on investments and deposits		-	-	-	19,047	-	19,047	19,047
Reinsurance recoveries against outstanding claims		-	-	-	342,336	-	342,336	342,336
Sundry receivables		-	-	-	55,530	-	55,530	55,530
		255,168	112,950	368,118	8,539,874	-	8,539,874	8,907,992
Financial liabilities								
Provision for outstanding claims (including IBNR)		-	-	-	579,185	-	579,185	579,185
Amounts due to other insurers / reinsurers		-	-	-	294,173	-	294,173	294,173
Accrued expenses		-	-	-	101,740	-	101,740	101,740
Sundry creditors		-	-	-	264,812	-	264,812	264,812
Short term finance - secured	10.33% - 11.55%	331,395	-	331,395	-	-	-	331,395
Unclaimed dividend		-	-	-	8,851	-	8,851	8,851
		331,395	-	331,395	1,248,761	-	1,248,761	1,580,156
		(76,227)	112,950	36,723	7,291,113	-	7,291,113	7,327,836

Sensitivity analysis

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 or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. Borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes. The table below summarizes Company's interest rate risk as of December 31, 2014 and 2013 and shows the effects of a hypothetical 1% increase and a 1% decrease in interest rates as at the year end.

	Profit and Loss	
	Increase	Decrease
	(Rupees in thousands)	
As at December 31, 2014		
Cash flow sensitivity-Variable rate financial liabilities	(1,780)	1,780
As at December 31, 2013		
Cash flow sensitivity-Variable rate financial liabilities	(874)	874

(b) Foreign currency risk

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As of the balance sheet date, the Company does not have material assets or liabilities which are exposed to foreign currency risk except for amount due from and due to reinsurers.

(c) 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.11.188 million (2013: Rs. 11.026 million) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. 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 except for investments in subsidiaries and associates which are carried at cost less accumulated impairment losses and available for sale equity instruments which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002.

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 realised in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.

Sensitivity analysis

The table below summarizes Company's equity price risk as of 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 worse in Company's equity investment portfolio because of the nature of equity markets.

Had all equity investments, other than subsidiary and associates, been measured at fair values as required by IAS 39 "Financial Instruments: Recognition and Measurement", the impact of hypothetical change would be as follows:

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase / (decrease) in profit / (loss) before tax
31 Dec 2014	42,617,436	10% increase	46,879,180	4,261,744	-
		10% decrease	38,355,692	(4,261,744)	-
31 Dec 2013	35,412,005	10% increase	38,953,206	3,541,200	-
		10% decrease	31,870,805	(3,541,200)	-

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. To guard against the risk, the Company maintains balance of cash and other equivalents and readily marketable securities. The maturity profile of assets and liabilities are also monitored to ensure adequate liquidity is maintained.

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date on an undiscounted cash flow basis.

	2014			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in thousands)			
Provision for outstanding claims	640,512	640,512	640,512	-
Amount due to other insurers / reinsurers	350,027	350,027	350,027	-
Accrued expenses	117,584	117,584	117,584	-
Unclaimed dividend	8,676	8,676	8,676	-
Short term finance	79,830	79,830	79,830	-
Long term finance	675,000	675,000	-	675,000
Sundry creditors	298,454	298,454	298,454	-
	2,170,083	2,170,083	1,495,083	675,000

	2013			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in thousands)			
Provision for outstanding claims	579,185	579,185	579,185	-
Amount due to other insurers / reinsurers	294,173	294,173	294,173	-
Accrued expenses	101,740	101,740	101,740	-
Unclaimed dividend	8,851	8,851	8,851	-
Short term finance	331,395	331,395	331,395	-
Sundry creditors	264,812	264,812	264,812	-
	1,580,156	1,580,156	1,580,156	-

(iii) Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. 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.

	2014	2013
	(Rupees in thousands)	
- Bank deposits	156	572
- Deposits maturing within 12 months	315,000	255,000
- Investments	-	-
- Premiums due but unpaid	275,139	194,495
- Amount due from other insurers / reinsurers	474,766	436,891
- Accrued income on investments and deposits	27,784	19,047
- Prepaid reinsurance premium ceded	309,858	308,659
- Reinsurance recoveries against outstanding claims	336,040	342,336
- Sundry receivables	72,250	55,530
	1,810,993	1,612,530

The Company did not hold any collateral against the above during the year. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery. During the year receivables of Rs. 14.671 million were further impaired. The movement in the provision for doubtful debt account is shown in note 14.3 & 15.1. 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.

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

	Rating		Rating	2014	2013
	Short Term	Long Term	Agency	(Rupees in thousands)	
Bank deposits					
JS Bank Limited	A1	A+	PACRA	-	84
Habib Bank Limited	A1+	AAA	JCR-VIS	-	13
KASB Bank Limited	C	B	PACRA	30	30
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	56	53
MCB Bank Limited	A1+	AAA	PACRA	61	382
National Bank of Pakistan	A-1+	AAA	JCR-VIS	9	10
				156	572
Certificate of Deposits					
IGI Investment Bank Limited	BBB-	A3	PACRA	-	255,000
Faysal Bank Limited	A1+	AA	PACRA	165,000	-
Habib Bank Limited	A1+	AAA	JCR-VIS	150,000	-
				315,000	255,000

** The age analysis of premiums due but unpaid and amounts due from other insurers / reinsurers is as follows:

	2014	2013
	(Rupees in thousands)	
Upto 1 year	585,442	526,632
1-2 years	101,578	67,901
2-3 years	48,028	52,736
Over 3 years	122,146	76,735
	857,194	724,004

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets subject to credit risk is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

Sector wise analysis of premiums due but unpaid

	2014	2013
	(Rupees in thousands)	
Foods and beverages	31,304	53,013
Financial services	18,762	14,575
Pharmaceuticals	34,935	15,198
Textile and composites	55,326	26,513
Plastic industries	661	268
Engineering	24,158	30,420
Other manufacturing	28,443	10,995
Miscellaneous	149,603	110,298
	343,192	261,280

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2014	2013
		(Rupees in thousands)			
A- or above (including PRCL)	476,348	305,332	274,114	1,055,794	891,789
BBB and B+	3,116	11,238	11,370	25,724	104,228
Others	34,538	19,470	24,374	78,382	117,702
Total	514,002	336,040	309,858	1,159,900	1,113,719

33 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Company has no items to report in this level.
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company has no items to report in this level.

The carrying amounts of all other financial assets and liabilities reflected in the financial statements approximate their fair values. In case of available for sale investments, the equity securities are carried at lower of cost or market value in line with SECP's SRO (Refer note 4.6.1.4).

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 shareholders 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 debt.

The Company currently meets the paid up capital requirement as required by Securities and Exchange Commission of Pakistan.

35 CORRESPONDING FIGURES

Corresponding figures have been restated / rearranged and reclassified, wherever necessary, for the purpose of comparison. There have been no significant reclassifications / restatements in the financial statements except for the following:

- The Company has changed its policy in respect of accounting for investment in associates as disclosed in Note 4.1 to these unconsolidated financial statements.

36 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on February 26, 2015 by the Board of Directors of the Company.

37 EVENTS AFTER BALANCE SHEET DATE

The Board of Directors has proposed a final dividend for the year ended December 31, 2014 of Rs. 3.0 per share (2013: Rs. 1.50 per share), amounting to Rs. 368.069 million (2013: Rs 167.304 million) and bonus shares at Nil (2013: 10%) amounting to Rs. Nil (2013: 111.536 million) in its meeting held on February 26, 2015 for the approval of the members at the annual general meeting to be held on April 21, 2015 . The Board has also recommended to transfer Rs. 368.069 million (2013: Rs. 278.840 million) to unappropriated profit from general reserves. The financial statements for the year ended December 31, 2014 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2015.

Chairman	Director	Director	Principal Officer and Chief Executive

Consolidated
Financial Statements for the year ended December 31, 2014

Directors' Report to the Shareholders On Consolidated Financial Statements

For the year ended 31 December 2014

On behalf of the Board, I am pleased to present the report on consolidated financial statements of IGI Insurance Company Limited for the year ended 31 December 2014.

The following appropriation of profit has been recommended by the Board of Directors:

	2014	2013
	(Rupees in thousand)	
Profit before tax	1,388,202	875,745
Taxation	(152,794)	(98,381)
Profit after tax	1,235,408	777,364
Other comprehensive income	1,499	2,390
Total comprehensive income	1,236,907	779,754
Profit attributable to non-controlling interest	12,375	-
Profit attributable to ordinary shareholders	1,224,532	779,754
Unappropriated profit brought forward	716,522	48,304
Profit available for appropriation	1,953,429	828,058
	Rupees	Rupees
Earnings per share	10.07	6.34

For and on behalf of the Board

Syed Babar Ali
Chairman
Karachi: February 26, 2015

pwc

A. F. FERGUSON & CO.

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of IGI Insurance Limited (the Holding Company) and its subsidiary, IGI Life Insurance Limited (here-in-after referred to as 'the Group') as at December 31, 2014 and the related consolidated profit and loss account, consolidated statement of changes in equity, consolidated cash flow statement, consolidated statement of premiums, consolidated statement of claims, consolidated statement of expenses and consolidated statement of investment income together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of the Holding Company. The financial statements of IGI Life Insurance Limited was audited by another firm of auditors whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of IGI Insurance Limited and its subsidiary company as at December 31, 2014 and the results of their operations for the year then ended.

Afferguson&co

Chartered Accountants
Engagement Partner: Shahbaz Akbar
Dated: February 26, 2015
Karachi

Consolidated Balance Sheet

	Note	2014	2013 (Rupees in thousands) Restated	2012 Restated
Share capital and reserves				
Authorised share capital [200,000,000 (December 31, 2013: 200,000,000) Ordinary shares of Rs.10/- each]		2,000,000	2,000,000	2,000,000
Issued, subscribed and paid up share capital	6	1,226,895	1,115,359	1,115,359
Unappropriated profit		1,874,930	716,522	48,304
Reserves		8,582,316	8,861,156	8,972,692
Equity Attributable to the equity holders of the parent		11,684,141	10,693,037	10,136,355
Non-controlling interest	7	250,314	-	-
TOTAL EQUITY		11,934,455	10,693,037	10,136,355
Balance of Statutory Funds	8	10,455,268	-	-
Underwriting provisions				
Provision for outstanding claims (including IBNR)		850,726	579,185	541,686
Provision for unearned premium		648,171	630,220	600,136
Premium deficiency reserve		-	40	-
Commission income unearned		72,750	68,872	65,206
		1,571,647	1,278,317	1,207,028
Creditors and accruals				
Premium received in advance		41,375	1,427	575
Amounts due to other insurers / reinsurers		374,196	294,173	156,942
Experience refund payable		41,749	-	-
Accrued expenses		197,938	101,740	69,578
Sundry creditors	10	492,068	283,288	186,637
		1,147,326	680,628	413,732
Deferred liabilities				
Deferred taxation	17	39,167	11,099	-
Borrowings				
Short term finances - secured	11	79,830	331,395	640,684
Long term finances - secured	12	675,000	-	-
		754,830	331,395	640,684
Other liabilities				
Unclaimed dividend		8,703	8,851	7,141
TOTAL LIABILITIES		13,976,941	2,310,290	2,268,585
TOTAL EQUITY AND LIABILITIES		25,911,396	13,003,327	12,404,940
CONTINGENCIES AND COMMITMENTS	13			

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

as at December 31, 2014

	Note	2014	2013 (Rupees in thousands) Restated	2012 Restated
Cash and bank deposits				
Cash and other equivalents	14	506	314	105
Current and other accounts	15	596,291	572	2,259
Deposits maturing within 12 months		315,000	255,000	-
		911,797	255,886	2,364
Loans secured against life insurance policies		134,350	-	-
Loans secured against other assets				
- To employees		92	-	-
- To agents		269	-	-
		361	-	-
Investments	16	21,954,935	11,041,469	10,709,086
Investment property	24	127,363	17,398	84,936
Deferred taxation		-	-	12,315
Current assets - others				
Premiums due but unpaid	18	395,945	194,495	197,503
Amounts due from other insurers / reinsurers - unsecured	19	525,344	436,891	440,294
Accrued income on investments and deposits		417,496	19,047	5,862
Reinsurance recoveries against outstanding claims		336,040	342,336	370,053
Prepayments:				
- prepaid reinsurance premium ceded		309,858	308,659	279,906
- others		50,704	18,864	14,116
Taxation - payments less provision		234,081	90,667	78,605
Experience refund receivable		23,316	-	-
Sundry receivables	20	89,217	55,530	46,103
		2,382,001	1,466,489	1,432,442
Fixed assets				
Tangible	23			
Furniture, fixtures and office equipments		42,337	16,996	19,811
Buildings		166,545	140,483	84,937
Motor vehicles		66,782	59,457	51,600
Capital work in progress		2,003	-	-
		277,667	216,936	156,348
Intangibles				
Computer software		5,951	5,149	7,449
Goodwill	5	116,971	-	-
TOTAL ASSETS		25,911,396	13,003,327	12,404,940

Chairman	Director	Director	Principal Officer and Chief Executive

Consolidated Profit and Loss Account for the year ended 31 December, 2014

	Note	NON-LIFE INSURANCE					LIFE INSURANCE								
								Life Non-Participating			Accident & Health Business			2014	2013
		Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Life Participating	Individual	Group	Investment Linked Business	Individual	Group	Pension Business Fund	Aggregate	Aggregate (Restated)
		(Rupees in thousands)													
Revenue account															
Net premium revenue		88,113	188,533	543,023	133,218	92,046	43,956	753,935	91,255	508,414	15,705	231,545	7,424	2,697,207	1,066,564
Net claims		(40,832)	(150,469)	(258,112)	(85,096)	(30,010)	(76,728)	(208,846)	(73,884)	(1,690,645)	(10,275)	(244,534)	(48,400)	(2,950,981)	(766,535)
Premium deficiency reversal / (expense)		-	-	-	-	40	-	-	-	-	-	-	-	40	(40)
Expenses		(118,346)	(58,160)	(107,229)	(18,070)	(34,071)	(12,303)	(129,905)	(39,700)	(48,866)	(1,814)	(49,749)	725	(617,187)	(287,064)
Net commission		86,250	48,422	(43,080)	(2,407)	2,402	(4,549)	(197,218)	(14,231)	(92,852)	(9,601)	(10,007)	-	(234,821)	91,701
Net investment income - Statutory Fund		-	-	-	-	-	126,927	325,606	15,888	585,974	3,118	5,999	7,904	1,069,510	-
Other income-net		-	-	-	-	-	7,077	23,693	858	4,405	407	17,610	1,276	55,348	-
Add: Policyholders' liabilities at the acquisition date	8	-	-	-	-	-	1,065,109	3,362,749	91,682	5,099,543	24,385	202,096	104,923	9,952,400	-
Less: Policyholders' liabilities at the end of the year	9	-	-	-	-	-	(1,098,827)	(3,936,365)	(55,374)	(4,253,660)	(22,770)	(146,652)	(70,259)	(9,584,542)	-
(Surplus / deficit taken to statutory fund		-	-	-	-	-	(51,002)	9,544	(6,675)	(109,328)	842	(6,179)	(3,565)	(156,391)	-
Underwriting Result	25	17,185	28,306	134,662	27,645	30,407	-	-	-	-	-	-	-	208,196	104,616
Investment income														774,585	657,728
Rental income														4,086	13,179
Return on bank balances														38,946	14,362
Other income	26													17,262	10,136
Finance cost charges	27													(74,285)	(40,887)
General and administrative expenses	28													(196,886)	(239,125)
														563,698	415,993
Share of profit / (loss) of associates arising from															
- continuing operations														615,309	407,465
- discontinued operations														-	(53,329)
														615,309	354,136
Profit before taxation														1,388,202	875,745
Taxation														(152,794)	(98,351)
Profit after taxation														1,235,408	777,394
Other comprehensive income - not reclassifiable to profit and loss															
- Share of other comprehensive income of associate - net of tax														6,083	5,874
- Re-measurement of post retirement benefit obligations - net of tax														(4,584)	(3,484)
														1,499	2,390
Total comprehensive income														1,236,907	779,784
Total comprehensive income attributable to															
Equity holders of the parent														1,224,532	779,784
Non-controlling interest														12,375	
														1,236,907	779,784
														Rupees	
Earnings per share - basic and diluted (note 31)														10.07	6.34

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chairman | Director | Director | Principal Officer and Chief Executive

Consolidated Statement of Changes in Equity for the year ended 31 December, 2014

	Issued, subscribed and paid-up share capital	Reserves				Capital contributed to statutory fund	Unappropriated profit	Equity Attributable to equity holders of the parent	Non controlling Interest	Total
		Capital reserves			Revenue reserves					
		Premium on issue of shares	Reserve for bonus shares	Other capital reserves	General reserve					
	(Rupees in thousands)									
Balance as at January 1, 2013	1,115,359	35,762	-	33,267	8,903,663	-	161,813	10,249,864	-	10,249,864
Effect of reclassification of asset classified as held for sale as investment in associate net of tax - referred in note 16.1.4	-	-	-	-	-	-	(113,509)	(113,509)	-	(113,509)
Balance as at January 1, 2013 (restated)	1,115,359	35,762	-	33,267	8,903,663	-	48,304	10,136,355	-	10,136,355
Profit after taxation for the year ended December 31, 2013	-	-	-	-	-	-	777,364	777,364	-	777,364
Other comprehensive income for the year										
- Share of other comprehensive income of associate - net of tax	-	-	-	-	-	-	5,874	5,874	-	5,874
- Re-measurement of post employment benefit obligations - net of tax	-	-	-	-	-	-	(3,484)	(3,484)	-	(3,484)
	-	-	-	-	-	-	2,390	2,390	-	2,390
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	-	-	779,754	779,754	-	779,754
Transfer from general reserve to unappropriated profit	-	-	-	-	(111,536)	-	111,536	-	-	-
Transactions with owners, recorded directly in equity										
Final dividend for the year ended December 31, 2012 - Re. 1 per share	-	-	-	-	-	-	(111,536)	(111,536)	-	(111,536)
Interim dividend for the period ended June 30, 2013 - Re. 1 per share	-	-	-	-	-	-	(111,536)	(111,536)	-	(111,536)
Balance as at December 31, 2013 - restated	1,115,359	35,762	-	33,267	8,792,127	-	716,522	10,693,037	-	10,693,037
Transfer from general reserve to unappropriated profit	-	-	-	-	(111,536)	-	111,536	-	-	-
Transactions with owners, recorded directly in equity										
Non-controlling interest acquired on acquisition of IGI Life Insurance Limited	-	-	-	-	-	-	-	-	266,715	266,715
Profit after taxation for the year ended December 31, 2014	-	-	-	-	-	-	1,223,033	1,223,033	12,375	1,235,408
Other comprehensive income for the year										
- Share of other comprehensive income of associate - net of tax	-	-	-	-	-	-	6,083	6,083	-	6,083
- Re-measurement of post employment benefit obligations - net of tax	-	-	-	-	-	-	(4,584)	(4,584)	-	(4,584)
	-	-	-	-	-	-	1,499	1,499	-	1,499
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	-	-	1,224,532	1,224,532	279,090	1,503,622
Transfer from general reserve to reserves for bonus shares	-	-	111,536	-	(111,536)	-	-	-	-	-
Transfer from general reserve to unappropriated profit	-	-	-	-	(167,304)	-	167,304	-	-	-
Capital contribution to statutory fund during the year	-	-	-	-	-	(66,124)	-	(66,124)	(28,776)	(94,900)
Transactions with owners, recorded directly in equity										
Bonus shares issued for the year ended December 31, 2013 - Re. 1 per share	111,536	-	(111,536)	-	-	-	-	-	-	-
Final dividend for the year ended December 31, 2013 - Re. 1 per share	-	-	-	-	-	-	(167,304)	(167,304)	-	(167,304)
Balance as at December 31, 2014	1,226,895	35,762	-	33,267	8,513,287	(66,124)	1,941,654	11,684,141	250,314	11,934,455

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

Consolidated Statement of Cash Flows

	Note	2014	2013
		(Rupees in thousand)	
			Restated
OPERATING ACTIVITIES			
a) Underwriting activities			
Premiums received		3,809,836	2,039,149
Reinsurance premiums paid		(1,150,253)	(826,770)
Claims paid		(1,390,057)	(1,103,328)
Surrenders paid		(1,994,531)	-
Reinsurance and other recoveries received		510,335	402,009
Commissions paid		(338,042)	(92,820)
Commissions received		304,267	237,505
Net cash (used in) / generated from underwriting activities		(248,445)	655,745
b) Other operating activities			
Income tax paid		(170,734)	(87,029)
General management expenses and operating payments - net		(839,400)	(413,440)
Contribution to gratuity fund		(15,274)	-
Loans advanced		(21,875)	-
Loan repayments received		260	-
Interfund transaction		-	-
Net cash used in other operating activities		(1,047,023)	(500,469)
Total cash (used in) / generated from operating activities		(1,295,468)	155,276
INVESTMENT ACTIVITIES			
Profit / return received		635,301	16,060
Dividends received		882,904	680,308
Acquisition of IGI Life Insurance Limited	5	(691,604)	-
Payments for investments		(4,659,928)	(16,506)
Proceeds from redemption of investments		5,737,502	7,632
Fixed capital expenditure		(205,632)	(31,548)
Capital work in progress		(2,003)	-
Proceeds from disposal of fixed assets		23,307	11,894
Total cash generated from investing activities		1,719,847	667,840
FINANCING ACTIVITIES			
Dividends paid		(167,479)	(221,362)
Financial charges paid		(62,666)	(38,943)
Loan received		675,000	-
Total cash generated from / (used in) financing activities		444,855	(260,305)
Net cash generated from all activities		869,234	562,811
Cash at the beginning of the year		(37,267)	(638,320)
Cash at the end of the year		831,967	(75,509)

Chairman	Director	Director	Principal Officer and Chief Executive

	Note	2014	2013
		(Rupees in thousand)	
			Restated
Reconciliation to profit and loss account			
Operating cash flows		(1,295,468)	155,276
Depreciation / amortisation		(59,714)	(39,040)
Financial charges		(74,286)	(40,887)
Gain on disposal of fixed assets		9,416	10,136
Increase / (decrease) in assets other than cash		134,947	(2,552)
(Increase) / decrease in liabilities		105,253	(336,240)
Reversal of provision for impairment in the value of available for sale investments		(10,492)	54,429
Others			
Surplus of Statutory funds		(132,075)	-
Dividend and other investment income		1,864,017	622,106
Share of profit of associates		616,309	354,136
Return on bank balances		77,501	-
Profit after taxation		1,235,408	777,364

Definition of cash

Cash comprises of cash in hand and at banks, stamps in hand, short term placements with banks and short term running finance

Cash for the purpose of Statement of Cash Flows consists of:

Cash and other equivalents		506	314
Current and other accounts		596,291	572
Deposits maturing within 12 months		315,000	255,000
Short term running finance		(79,830)	(331,395)
		831,967	(75,509)

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

Consolidated Statement of Premiums for the year ended 31 December, 2014

Business underwritten inside Pakistan

	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2014	2013
Non-Life Insurance:	(Rupees in thousands)									
Direct and facultative										
Fire and property damage	812,175	265,986	276,469	801,692	725,638	233,684	245,743	713,579	88,113	74,108
Marine, aviation and transport	399,134	19,668	18,177	400,625	211,449	10,410	9,767	212,092	188,533	167,749
Motor	570,531	209,088	231,206	548,413	5,436	181	227	5,390	543,023	486,696
Health	124,012	49,597	40,391	133,218	-	-	-	-	133,218	262,808
Miscellaneous	233,821	85,881	81,928	237,774	135,465	64,384	54,121	145,728	92,046	75,193
Total	2,139,673	630,220	648,171	2,121,722	1,077,988	308,659	309,858	1,076,789	1,044,933	1,066,554
Life Insurance:										
Life Participating	51,167	-	-	51,167	7,171	-	-	7,171	43,996	-
Life Non-Participating (Individual)	766,647	-	-	766,647	12,712	-	-	12,712	753,935	-
Life Non-Participating (Group)	124,634	-	-	124,634	33,379	-	-	33,379	91,255	-
Investment Linked Business	520,681	-	-	520,681	12,267	-	-	12,267	508,414	-
Accident and health (Individual)	20,373	-	-	20,373	4,668	-	-	4,668	15,705	-
Accident and health (Group)	233,222	-	-	233,222	1,677	-	-	1,677	231,545	-
Pension business fund	7,424	-	-	7,424	-	-	-	-	7,424	-
Total	1,724,148	-	-	1,724,148	71,874	-	-	71,874	1,652,274	-
Grand Total	3,863,821	630,220	648,171	3,845,870	1,149,862	308,659	309,858	1,148,663	2,697,207	1,066,554

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

Consolidated Statement of Claims for the year ended 31 December, 2014

Business underwritten inside Pakistan

	Claims paid	Outstanding claims		Claims expense	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		2014	2013
	(Rupees in thousands)									
Non-Life Insurance:										
Direct and facultative										
Fire and property damage	238,964	252,855	214,057	200,166	205,637	227,789	181,486	159,334	40,832	60,995
Marine, aviation and transport	279,592	56,499	158,427	381,520	187,686	18,168	61,513	231,031	150,489	75,106
Motor	264,267	103,446	127,291	288,112	-	14,687	14,687	-	288,112	296,184
Health	119,943	72,120	37,273	85,096	-	-	-	-	85,096	297,973
Miscellaneous	87,378	94,265	103,464	96,577	69,905	81,692	78,354	66,567	30,010	36,277
Total	990,144	579,185	640,512	1,051,471	463,228	342,336	336,040	456,932	594,539	766,535
Life Insurance:										
Life Participating	79,777	35,056	31,368	76,089	(639)	-	-	(639)	76,728	-
Life Non-Participating (Individual)	215,714	45,534	49,382	219,562	10,716	-	-	10,716	208,846	-
Life Non-Participating (Group)	93,904	107,971	98,577	84,510	10,816	-	-	10,816	73,694	-
Investment Linked Business	1,699,925	9,350	4,954	1,695,529	1,884	-	-	1,884	1,693,645	-
Accident and health (Individual)	2,839	16,876	22,683	8,646	(1,629)	-	-	(1,629)	10,275	-
Accident and health (Group)	245,456	4,235	3,250	244,471	(63)	-	-	(63)	244,534	-
Pension business fund	48,400	-	-	48,400	-	-	-	-	48,400	-
Total	2,386,015	219,022	210,214	2,377,207	21,085	-	-	21,085	2,356,122	-
Grand Total	3,376,159	798,207	850,726	3,428,678	484,313	342,336	336,040	478,017	2,950,661	766,535

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chairman | Director | Director | Principal Officer and Chief Executive

Consolidated Statement of Expenses for the year ended 31 December, 2014

Business underwritten inside Pakistan

	Commissions paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers*	Net underwriting expense	
		Opening	Closing					2014	2013
Non-Life Insurance:	(Rupees in thousands)								
Direct and facultative									
Fire and property damage	65,439	-	-	65,439	118,346	183,785	153,689	30,096	19,538
Marine, aviation and transport	32,474	-	-	32,474	58,160	90,634	80,896	9,738	(2,959)
Motor	43,030	-	-	43,030	107,229	150,259	-	150,259	128,267
Health	2,407	-	-	2,407	18,070	20,477	-	20,477	31,967
Miscellaneous	26,658	-	-	26,658	34,071	60,729	29,060	31,669	18,550
Total	170,008	-	-	170,008	335,876	505,884	263,645	242,239	195,363
Life Insurance:									
Life Participating	4,572			4,572	12,003	16,575	23	16,552	-
Life Non-Participating (Individual)	198,197	-	-	198,197	129,905	328,102	979	327,123	-
Life Non-Participating (Group)	20,626			20,626	39,700	60,326	6,395	53,931	-
Investment Linked Business	93,775	-	-	93,775	48,865	142,640	923	141,717	-
Accident and health (Individual)	9,744			9,744	1,814	11,558	143	11,415	-
Accident and health (Group)	10,108	-	-	10,108	49,749	59,857	101	59,756	-
Pension business fund	-	-	-	-	(725)	(725)	-	(725)	-
Total	337,022	-	-	337,022	281,311	618,333	8,564	609,769	-
Grand Total	507,030	-	-	507,030	617,187	1,124,217	272,209	852,008	195,363

* Commissions from reinsurers is arrived after taking impact of opening and closing unearned commission.

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chairman | Director | Director | Principal Officer and Chief Executive

Consolidated Statement of Investment Income for the year ended 31 December, 2014

	2014	2013
	(Rupees in thousands)	
Non-Life Insurance:		
Income from non-trading investments		
Return on government securities	15,290	14,283
Dividend income on available for sale investments	713,839	585,229
Gain on sale of available for sale investments	-	7,632
(Provision) for diminution / reversal of impairment in value of investments	(10,492)	54,429
Less: Investment related expenses	(9,137)	(3,845)
	709,500	657,728
Life Insurance:		
Shareholders' fund		
Return on government securities	61,232	-
Realised gain on sale of investments held as available for sale	3,846	-
Interest income on loans to employees / agents	7	-
	65,085	-
Statutory Funds		
Life Participating		
Return on government securities	111,257	-
Unrealised gain on revaluation of available-for-sale investments	5,630	-
Gain on sale of investments classified as available-for-sale	9,040	-
	125,927	-
Life Non-Participating (Individual)		
Return on government securities	289,052	-
Unrealised gain on revaluation of available-for-sale investments	15,302	-
Gain on sale of investments classified as available-for-sale	20,652	-
	325,006	-
Life Non-Participating (Group)		
Return on government securities	16,391	-
Unrealised gain on revaluation of available-for-sale investments	-	-
(Loss) on sale of investments classified as available-for-sale	(503)	-
	15,888	-
Investment Linked		
Return on government securities	263,888	-
Unrealised gain on revaluation of available-for-sale investments	278,733	-
Gain on sale of investments classified as available-for-sale	43,353	-
	585,974	-
Accident and Health (Individual)		
Return on government securities	2,988	-
Unrealised gain on revaluation of available-for-sale investments	-	-
Gain on sale of investments classified as available-for-sale	130	-
	3,118	-
Accident and Health (Group)		
Return on government securities	6,205	-
Unrealised gain on revaluation of available-for-sale investments	-	-
(Loss) on sale of investments classified as available-for-sale	(212)	-
	5,993	-
Pension Business Fund		
Return on government securities	7,112	-
Gain on sale of investments classified as available-for-sale	792	-
	7,904	-
Net investment income	1,844,395	-
Net investment income-statutory funds	1,069,810	-
Net investment income-other	774,585	657,728
	1,844,395	657,728

The annexed notes 1 to 40 form an integral part of these consolidated financial statements.

Chairman	Director	Director	Principal Officer and Chief Executive

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" consist of:

(i) IGI Insurance Limited - Holding Company

(ii) IGI Life Insurance Limited [formerly American Life Insurance Company (Pakistan) Limited] - Subsidiary Company

In accordance with share purchase agreement the Holding Company acquired 34,838,687 shares of IGI Life Insurance Limited [formerly American Life Insurance Company (Pakistan) Limited], the Subsidiary Company on April 10, 2014 resulting in the controlling interest of 69.68 % of the paid up capital of the Subsidiary.

In March and April 2013, two suits were filed by some of the employees of the Subsidiary Company seeking protection for their employment from the consequences of the Share Purchase Agreement (SPA). The status quo order passed by the High Court was modified on July 05, 2013 so that the transaction contemplated by the SPA is allowed to be consummated. The final disposal of the legal proceedings is pending. As per the advice of legal advisors of the Subsidiary Company, the chances of adverse financial implication on the Subsidiary Company are remote.

1.2 Holding Company

IGI Insurance Limited ("Holding Company"), a Packages Group Company, was incorporated as a public limited company in 1953 under Companies Ordinance, 1984. The Company is listed on the Karachi, Lahore and Islamabad stock exchanges and is engaged in providing general insurance services in the spheres of Fire, Marine, Motor, Health and Miscellaneous. The registered office of the Company is situated at 7th Floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi.

1.3 Subsidiary Company

IGI Life Insurance Limited [formerly American Life Insurance Company (Pakistan] Limited) ("Subsidiary Company") was incorporated in Pakistan on October 9, 1994 as a public limited company under the Companies Ordinance, 1984. Its shares are quoted on the Karachi and Lahore Stock Exchanges. The Company commenced its operations on May 25, 1995 after registration with the Controller of Insurance on April 30, 1995. The registered office of the Company is situated at Floor 13, Dolmen City, Block - 4, Scheme - 5, Clifton, Karachi.

The Company is engaged in life insurance, carrying on both participating and non-participating business. In accordance with the requirements of the Insurance Ordinance, 2000, the Company established a Shareholders' Fund and Separate Statutory Funds, in respect of each class of life insurance business. The Statutory Funds established by the Company, in accordance with the advice of the Appointed Actuary are as follows:

- Life (participating)
- Life (non-participating) – Individual
- Life (non-participating) – Group
- Accident & Health – Individual
- Accident & Health – Group
- Pension Business Fund
- Investment Linked

2 BASIS OF PREPARATION

These consolidated financial statements are being submitted to the shareholders in accordance with the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges and section 237 of the Companies Ordinance, 1984.

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and directives issued by the SECP. Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 the SEC (Insurance) Rules, 2002 or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 or the said directives prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Group's accounting period beginning on or after January 1, 2014 but are considered not be to relevant or to have any significant effect on the Group's operations and are, therefore, not disclosed in these consolidated financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

2.3.1 IFRS 10, 'Consolidated financial statements', builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist where the determination of control is difficult to assess. The management is currently in the process of determining the impact of application of this standard on the consolidated financial statements.

2.3.2 IFRS 12, 'Disclosures of interests in other entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The management is currently in the process of determining the impact of application of this standard on the consolidated financial statements.

2.3.3 There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2015 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these consolidated financial statements.

2.4 Consolidation

Subsidiary Company is the entity in which the Holding Company directly or indirectly controls or beneficially owns or holds more than 50% of the voting securities or otherwise has power to elect and appoint more than 50% of its directors. The financial statements of the Subsidiary Company is included in the Consolidated financial statements from the date the control commences until the control ceases.

The assets and liabilities of the Subsidiary Company have been consolidated on a line by line basis and carrying value of investment held by the Holding Company is eliminated against Holding Company's share in paid up capital of the Subsidiary Company.

Intergroup balances and transactions have been eliminated.

Non-controlling interests are that part of net results of the operations and of net assets of the Subsidiary Company attributable to interest which are not owned by the Holding Company. Non-controlling interests are presented as s separate item in the consolidated financial statements.

3 BASIS OF MEASUREMENT

At the acquisition date all the assets and liabilities of the Subsidiary Company have been recognised at fair value, which becomes the cost for the Holding Company and since then, these consolidated financial statements have been prepared on the basis of historical cost convention, except as otherwise disclosed.

3.1 Critical accounting judgments and estimates

The preparation of these consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are as follows:

- Provision for outstanding claims including IBNR (note 4.6)
- Provision for taxation and deferred tax (note 4.13)
- Defined benefit plan (note 4.18)
- Useful lives and residual values of fixed assets (note 4.16)
- Premium deficiency reserve (note 4.9)
- Classification of investments and its impairment (note 4.15)
- Reinsurance recoveries against outstanding claims (note 4.7)

3.1.1 Policyholders' liabilities

The general principles adopted in the actuarial valuation to estimate policyholders' liabilities as at balance sheet date are as follows:

a) Reserves for Endowment Policies with term not less than 20 years have been calculated using Full Preliminary Term Method with EFU (1961-66) Ultimate Mortality Table at 3.75%.

b) Reserves for Endowment Policies with term less than 20 years have been calculated using combination of Full Preliminary Term Method and Net Level Premium Method with EFU (1961-66) Ultimate Mortality Table at 3.75%.

c) Term Policies are calculated using Net Level Premium Method with EFU (1961-66) Ultimate Mortality Table at 3.75%.

d) Reduced Paid-ups and Extended Term insurances have been valued by Net Single Premium Method with EFU (1961-66) Ultimate Mortality Table at 3.75%.

e) Bonus Reserves have been valued by Net Single Premium Method with EFU (1961-66) Ultimate Mortality Table at 3.75%.

f) Loyalty Bonus Reserves have been valued by Net Single Premium Method at 3.75% for active policies with no partial withdrawal and all premiums paid when due for the preceding 5 years.

g) In respect of Unit Linked policies, the reserve for bid value of allocated units is calculated using the latest bid value of units and the total number of units belonging to policyholders' accounts as at the valuation date. The amount is held as a reserve since it represents the current value of amounts that will be payable to policyholders at the time when a maturity, death or surrender claim is filed. The latest bid value is the last "announced" bid price before the valuation date.

h) Universal Life business has been valued using full Account values. No deduction has been made for surrender charges.

i) Group Life Insurance, Individual Accident & Health Insurance and Group Accident & Health have been valued using Unearned Gross Premium.

j) Pension business has been valued using full Account values.

k) Unearned premium reserves have been maintained for all riders except Level Term rider reserve which is calculated using Net Level Premium Method with EFU (1961-66) Ultimate Mortality Table at 3.75%.

l) Reinsurance premium reserves have been maintained on an unearned premium basis.

m) Reserves have been maintained for Incurred But Not Reported (IBNR) claims, based on the claims lag pattern experienced over the past few years.

n) Reserves for claims payable in installments have been kept at 3.75%.

o) Unearned Premium Reserve is kept as half month of Cost of Insurance (COI) for Cost of Insurance (COI) of Universal Life and Unit Linked Policies.

p) No policy is treated as an asset and in the system if the reserve is negative, the negative value is excluded and the reserves for the policies is set equal to zero.

q) The Group does not have any insurance policy which is denominated in foreign currency.

3.1.2 Surrenders

For the purpose of conventional and annuity business, no provision has been made for lapses and surrenders. This gives prudence to the value placed on the liability by not taking any credits for the profits made on surrenders.

3.1.3 Claims provision

a) Reserves have been made in respect of all intimated claims. Most claims require lump sum payments, and reserves have been maintained in each Statutory Fund, where applicable. In a small number of cases, claims are payable in installments over a period of more than twelve months after the valuation date. In respect of all such claims, reserves have been calculated using the minimum valuation basis.

b) Adequate reserves have also been maintained for Incurred But Not Reported (IBNR) claims. The IBNR is determined based on statistical method that analyses the time lag between the claim occurrence date and claim reported date from the Group's own experience.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these consolidated financial statements are set out below:

4.1 Business Combination

Business combinations are accounted for by applying the acquisition method. The cost of acquisition is measured as the fair value of assets given, equity instruments issued and the liabilities incurred or assumed at the date of acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement, if any. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss account.

4.2 Goodwill

Goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGU, that is expected to benefit from the synergies of the combination. Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Acquisitions of non-controlling interest (NCI) are measured at the proportionate share of the NCI in the fair value of the net assets acquired by the Holding Company. The excess of the fair value consideration transferred over the proportionate share of the NCI in the fair value net assets acquired is recognised in equity.

4.3 Insurance contracts

Insurance contracts represent contracts with policy holders and reinsurers.

Those contracts including riders where the Group (the insurer) accepts significant insurance risk from another party i.e. group and individual policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders are insurance policy contracts.

Those insurance contracts that are issued by one insurer (the reinsurer) to compensate another insurer (the cedant) for losses on one or more contracts issued by the cedant are reinsurance contracts. The Group enters into reinsurance contracts with foreign reinsurers in the normal course of business in order to limit the potential for losses arising from certain exposures.

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

4.3.1 Non-Life Business

The Group enters into fire and property damage, marine, motor, health, burglary, loss of cash in transit, travel, personal accident, engineering losses and other insurance contracts with corporate clients and individuals residing or located in Pakistan.

4.3.2 Life Business

The Group enters into insurance contracts with policyholders which are divided into following two major categories:

Group Insurance contracts

The Group offers group life, group accident & health and pension business to its clients. The Group also underwrites business for consumer banking related schemes. The risk underwritten is mainly death, hospitalization and disability. The group insurance contracts are issued typically on yearly renewable term basis (YRT). This business is written through direct sales force as well as bancassurance.

Individual Insurance Contracts

The Group offers Individual Life (Participating), Individual Life (Non-Participating), Individual Accident & Health and Investment Unit Linked Plans which provide the financial protection; protection against the financial consequences of death, disease and disability caused by accidents, sickness or old age and a substantial return at maturity. Investment unit linked policies are regular life policies, where policy value is determined as per the underlying assets' value. Various types of riders (Accidental Death, Family Income Benefit, etc.) are also sold along with the basic policies. Some of these riders are charged through deduction from policyholders' fund value, while others are conventional i.e., additional premium is charged there against. This business is written through direct sales force as well as bancassurance.

4.4 Premiums

Non-Life Business

Premium written under a policy is recognised as income over the period of insurance from the date of issuance of the policy to which it relates to its expiry. Where the pattern of incidence of risk varies over the period of the policy, premium is recognised as revenue in accordance with the pattern of the incidence of risk. The portion of premium written relating to the unexpired period of coverage is recognised as unearned premium by the Group. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

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

Receivables under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Group reduces the carrying amount of the receivable accordingly and recognises that impairment loss in the profit and loss account.

Life Business

- The initial premium is recognised when the policy is issued after receipt of that premium. Subsequent premiums falling due under the policy are recognised if received before expiry of the grace period, or if advanced by the Group under the Automatic Premium Loan (APL). However, premiums outstanding in the month of December but not received by December 31 are recognised if the grace period is to expire after the next January 1.

- Group premiums are recognised when due.

- Single premiums are recognised once the related policies are issued against the receipt of premium.

Receivables under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Group reduces the carrying amount of the receivable accordingly and recognises it as impairment loss.

4.5 Reinsurance ceded

Insurance contracts entered into by the Group with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts.

The Group enters into reinsurance contracts in the normal course of business in order to limit the potential for losses arising from certain exposures. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the reinsurance policies and are in accordance with the related reinsurance contract.

Reinsurance assets are not offset against related insurance liabilities. Income or expenses from reinsurance contracts are not offset against expenses or income from related insurance assets.

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

The Group assesses its reinsurance assets for impairment on the reporting date. If there is an objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit and loss account.

4.6 Claims Expense

Non-Life Business

General insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

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

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

IBNR for health and personal accident is determined and recognised in accordance with valuation carried out by an appointed actuary.

Life Business

Insurance claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims and any adjustments to claims outstanding from previous years. Claims are recognised earlier of the policy ceases to participate in the earnings of the fund or insured event occurs except for accident and health claims which are recognised as soon as a reliable estimate of the claim amount can be made.

The outstanding claims liability includes amounts relating to unpaid reported claims and expected claims settlement costs. Full provision is made for the estimated cost of claims incurred to the date of the balance sheet. The liability for claims expenses relating to "Incurred But Not Reported"(IBNR) is included in policyholders' liabilities.

Claim recoveries

Claims recoveries receivable from reinsurers are recognised as assets at the same time when the corresponding claims are recorded in accordance with the terms of the re-insurance contracts.

Experience refund of premium

Experience refund of premium payable / receivable to / from Group policyholders is included in outstanding claims.

4.7 Reinsurance recoveries against claims

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

4.8 Commission and other acquisition costs

Non-Life Business

Commission expense and other acquisition costs are charged to the profit and loss account at the time the policies are accepted. Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy by the Group. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Commission from reinsurers is arrived at after taking the impact of opening and closing unearned commission. Profit commission, if any, which the Group may be entitled to under the terms of reinsurance, is recognised on accrual basis.

Life Business

These are costs incurred in acquiring insurance policies, maintaining such policies, and include without limitation all forms of remuneration paid to insurance agents.

Commissions and other expenses are recognised as an expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognised not later than the period in which the premium to which they refer is recognised as revenue.

4.9 Premium deficiency reserve

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

Non-Life Business

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. Further, actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Accident and Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on January 9, 2012. If these ratios are adverse, premium deficiency is determined. The loss ratios estimated on these basis for the unexpired portion are as follows:

Fire and property damage	61%
Marine, aviation and transport	74%
Motor	75%
Health	97%
Miscellaneous	56%

Based on an analysis of combined operating ratio for the expired period of each reportable segment, the management considers that the unearned premium reserve for all classes of business as at the year end is adequate to meet the expected future liability after reinsurance, from claims and other expenses, expected to be incurred after the balance sheet date in respect of policies in those classes of business in force at the balance sheet date. In case of Health and Accident class, no premium deficiency is booked on the advice of appointed actuary. Hence, no reserve for the same has been made in these consolidated financial statements.

Life Business

No provision has been made as 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 as per the advice of appointed actuary.

4.10 Policyholders' liabilities

Life Business

Policyholders' liabilities including IBNR are stated at a value determined by the appointed actuary through an actuarial valuation / advice carried out at each balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000. In determining the value both acquired policy values as well as estimated values which will be payable against risks which the Group underwrites are considered. The basis used are applied consistently from year to year.

4.11 Loans secured against life insurance policies

Interest bearing loans are available to policyholders of the Group to the extent of ninety percent of cash values built in their policies. These are recognised on disbursement.

4.12 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 services received, whether or not billed to the Group.

Provisions are recognised when the Group 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 can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.13 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised 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 utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

4.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, deposits with banks, stamps in hand and short term finances.

4.15 Investments

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction cost, except for held for trading investments in which case transaction costs are charged to the profit and loss account. These are classified into the following categories:

- Investment in associates
- Held to maturity
- Available for sale
- Investment at fair value through profit and loss - held for trading

4.15.1 Initial recognition

All investments are initially recognised at cost, being the fair value of the consideration given and includes transaction costs.

4.15.2 Subsequent measurement

4.15.2.1 Investment in associates

Investment in associates, where the Group has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognised at cost, thereafter the Group's share of the changes in the net assets of the associates are accounted for at the end of each reporting period. After application of the equity method, the Group determines whether it is necessary to recognise any permanent impairment loss with respect to the Group's net investment in the associate by comparing the entire carrying amount with its recoverable amount. Share of profit and loss of associate is accounted for in the Group's profit and loss account. Associates' accounting policies are adjusted where necessary to ensure consistency with the policies adopted by the Group.

4.15.2.2 Held to maturity

Investments with fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity and are initially measured at cost. At subsequent reporting dates, these are measured at amortised cost using the effective yield method.

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and amortised over the term of the investment using the effective yield.

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

The difference between the redemption value and the purchase price of the held to maturity investments is amortized and taken to the profit and loss account over the term of the investment.

4.15.2.3 Available-for-sale

Non-Life Business

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. It also includes investments in associated undertakings where the Group does not have significant influence. The Group follows trade date accounting for 'regular way purchase and sales' of investments.

Subsequent to initial recognition, these are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP) in December 2002. The Group uses stock exchange quotation at the balance sheet date to determine the market value of its quoted investments whereas, impairment of unquoted investments is computed by reference to net assets of the investee on the basis of the latest available audited / unaudited financial statements.

Had these investments been measured at fair value as required by IAS 39 - Financial Instruments: Recognition and Measurement, the Group's net equity would have been higher by Rs. 35.186 million at December 31, 2014.

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

Gain / (loss) on sale of available for sale investments are recognised in the profit and loss account.

Life Business

Investment linked fund

Investments classified as available for sale, which are linked to the units of the investment linked fund, are marked to their market values. Any gain or loss on such available-for-sale investments is recognised in revenue account of the investment linked fund.

International Accounting Standard - 39 (IAS-39) "Financial Instruments - Recognition and Measurement" has been revised effective January 1, 2005. In the revised IAS-39 the option of taking the revaluation gain / loss on the available for sale securities to income / revenue account has been deleted and all such gain / loss is to be taken to equity. However SECP through Insurance Rules, 2002 had prescribed the format of presentation and disclosure of financial statements, according to which the Statutory Funds have no equity accounts. Resultantly, the changes in IAS-39 were not implemented.

4.15.2.4 Investments at fair value through profit or loss - held for trading

These financial assets are acquired principally for the purpose of generating profit from short-term fluctuation in prices or are part of a portfolio for which there is a recent actual pattern of short-term profit taking.

Subsequent to initial recognition these are measured at fair value by reference to quoted market prices with the resulting gain or loss being included in net profit or loss for the period in which it arises.

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

4.15.2.5 Fair / market value measurement

For investment in Government securities, fair / market value is determined by reference to quotations obtained from Reuters page (PKRV) where applicable. The fair / market value of mutual fund units is determined as per the rates announced by the Mutual Funds Association of Pakistan (MUFAP).

4.15.2.6 Date of recognition

Regular way purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

4.15.2.7 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition these are measured at amortised cost.

4.15.2.8 Investment income

- Income from held to maturity investments is recognised on a time proportion basis using effective interest method. The difference between the redemption value and the purchase price of the held to maturity investments is amortized over the term of the investment and is taken to the profit and loss account and revenue account, for investments relating to shareholders fund and statutory funds respectively.

- Revaluation gain on investment held for available-for-sale in the investment linked fund is recognised as income in the revenue account.

- Dividend income on investments is recognised when the Group's right to receive the payment is established.

- Gain or loss on sale of investments is included in profit and loss account and revenue account, for investments relating to shareholders fund and statutory funds respectively.

- Return on bank deposits, loans to employees and loans to policyholders are recognised on a time proportionate basis taking into account the effective yield.

4.16 Fixed assets

Tangible

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation on all fixed assets is charged to profit and loss account on the straight line method so as to write-off depreciable amount of an asset over its useful life at the rates stated in note 24 to the consolidated financial statements. Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted, if impact on depreciation is significant. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss in the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognised as an income or expense.

Intangible

Software development cost are only capitalised to the extent that future economic benefits are expected to flow to the entity. Intangible assets with finite useful lives are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets with indefinite useful lives are stated at cost less impairment losses, if any.

4.17 Investment property

Investment property is held for earning rentals and capital appreciation. Investment property is accounted for under the cost model in accordance with International Accounting Standards (IAS) 40. "Investment property" and S.R.O 938 issued by the Securities and Exchange Commission of Pakistan.

Depreciation policy, subsequent capital expenditures and gain or losses on disposal are accounted for in the same manner as tangible fixed assets.

4.18 Staff retirement benefits

4.18.1 Non-Life Business

4.18.1.1 Defined contribution plan

The Holding Company operates an approved contributory provident fund for all permanent employees. Equal monthly contributions are made by the Parent Company and employees to the fund at the rate of 10 percent of basic salary.

4.18.1.2 Defined benefit plan

All permanent employees of the Holding Company participate in an approved funded defined gratuity plan. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out for the year ended December 31, 2014 using the Projected Unit Credit Method. Amounts arising as a result of 'Remeasurements', representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the Balance Sheet immediately, with a charge or credit to 'Other Comprehensive Income' in the periods in which they occur.

4.18.1.3 Accumulating compensated absences

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit and loss account.

4.18.2 Life Business

4.18.2.1 Defined benefit plan

The Subsidiary Company operates an approved defined benefit gratuity scheme for all its permanent employees who attain the minimum qualification period for entitlement to gratuity. Contributions to the fund are made based on in-house actuarial valuation. The most recent in-house actuarial valuation was carried out for the year ended December 31, 2014 using the Projected Unit Credit Method.

Actuarial gains and losses are recognised in other comprehensive income (OCI) in the periods in which they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognised directly in other comprehensive income with no subsequent recycling through the profit and loss account. In case employee benefits are charged to statutory funds, current and past service costs, gains or losses on settlements, net interest income / (expense) and actuarial gains and losses are recognised in revenue account.

In case the benefits paid under the scheme are reduced, it is treated as past service cost in the period in which change takes place.

4.18.2.2 Defined contribution plan

The Company operates an approved contributory provident fund which covers all permanent employees. Equal monthly contributions are made both by the Company and the employees to the Fund at the rate of 10 percent of basic salary.

4.18.2.3 Employees' compensated absences

The Company accounts for the liability in respect of employees' compensated absences in the period in which they are vested.

4.19 Financial instruments

Financial assets and financial liabilities within the scope of IAS 39 are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and are de-recognised when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance sheet mainly include cash and bank deposits, investments, accrued investment income, sundry receivables, accrued expenses, amount due from / to other insurers / reinsurers, sundry creditors, short term finances, long-term finances and unclaimed dividend. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.20 Offsetting of financial assets and financial liabilities

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

4.21 Asset classified as held for sale

Assets and groups of assets and liabilities which comprise disposal groups are classified as 'held for sale' when all of the following criteria are met: a decision has been made to sell, the assets are available for sale immediately, the assets are being actively marketed, and a sale has been or is expected to be concluded within twelve months of the balance sheet date. Assets and disposal groups 'held for sale' are valued at lower of the carrying amount and fair value less disposal costs.

4.22 Segment reporting

A business segment is a distinguishable component of the Group 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. The reported operating segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

4.22.1 Non-Life Business

The Group has five primary business segments for reporting purposes namely fire, marine, motor, health and miscellaneous.

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

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

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

Health insurance provides coverage against expenses incurred during the hospitalisation due to sickness, emergency and accidents.

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

Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment. The accounting policies of operating segment are the same as those described in the summary of significant accounting policies.

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.

4.22.2 Life Business

The Group accounts for segment reporting using the classes or sub-classes of business (Statutory Funds) as specified under the Insurance Ordinance 2000 and SEC (Insurance) Rules,2002 as the primary reporting format.

- The Life (participating) segment provides life insurance coverage to individuals under individual life policies that are entitled to share in the surplus earnings of the statutory fund to which they are referable.

- The Life (non-participating) segment provides life insurance coverage to individuals under individual life policies that are not entitled to share in the surplus earnings of the statutory fund to which they are referable.

- The Life (non-participating) Group segment provides life insurance coverage to employer-employee (and similar) groups of employees / members under a single life policy issued to the employer. The Group policy is not entitled to share in the surplus earnings of the statutory fund to which it is referable.

- The Investment Linked business segment provides life insurance coverage to individuals, whereby the benefits are expressed in terms of units, the value of which is related to the market value of specified assets.

- The Accident and Health - Individual segment provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals.

- The Accident and Health - Group segment provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to employer-employee (and similar) groups of employees / members under a single policy issued to the employer.

- The Pension Fund segment provides coverage for the purposes of a pension or a retirement scheme with or without the payments being guaranteed for a minimum period.

The Group maintains Statutory Funds in respect of each class of its life insurance business. Assets, liabilities, revenues and expenses of the Group are referable to respective Statutory Funds, however, wherever, these are not referable to Statutory Funds, they are allocated to the Shareholders' Fund.

Apportionment of assets, liabilities, revenues and expenses, wherever required, between the funds are made on a fair and equitable basis and in accordance with the written advice of the Appointed Actuary.

Actuarial valuation of life insurance business is required to be carried out annually at the balance sheet date. Policyholders' liabilities included in the statutory funds are based on the actuarial valuation carried out by the Appointed Actuary.

The Group reviews the basis of estimation used in respect of allocation of assets, liabilities, income and expenses not referable to specific fund with the consultation of Group's appointed actuary.

4.23 Impairment

The carrying values of the Group's assets are reviewed at each financial year end for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

4.24 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees at the exchange rates prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rates prevailing at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. Exchange gains or losses are included in income currently.

4.25 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

4.26 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except in cases where such costs are directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) in which costs such costs are capitalised as part of the cost of that asset. Currently, the Group does not have any borrowing costs directly attributable to the acquisition of or construction of qualifying assets.

4.27 Share capital

Ordinary shares are classified as equity and recognised at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.28 Expenses of management - Non-Life Insurance

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.

4.29 Dividends and appropriations to reserves

Dividends and appropriations to reserves are recorded in the period in which these are approved.

5 BUSINESS COMBINATION

5.1 Acquisition of IGI Life Insurance Limited

In accordance with share purchase agreement the Holding Company acquired 34,838,687 shares of IGI Life Insurance Limited (formerly American Life Insurance Company (Pakistan) Limited), the Subsidiary Company on April 10, 2014 resulting in the controlling interest of 69.68 % of the paid up capital of the Subsidiary.

The business combination has been accounted for by applying the purchase method. The cost of the acquisition has been measured at the cash payment made by the Parent company against the purchase of shares. Identified assets acquired, liabilities assumed or incurred have been carried at the book value at the acquisition date. The excess of the cost of acquisition over the book value of the Group's shares of the identifiable net assets acquired has been recorded as goodwill in the financial statements of the Group. The goodwill in the financial statement is provisional as fair value of the assets and liabilities was not determined as at the end of the reporting period.

5.2 Consideration transferred

Details of the purchase consideration given, book values of the net assets acquired and goodwill are as follows:

	(Rupees in thousands)
Purchase consideration	729,846
Less: book value of net assets / (liabilities) acquired in IGI Life Insurance	612,875
Goodwill	116,971
Acquisition-related costs (included in the profit and loss account for the year ended December 31, 2014)	18,288

5.3 Assets acquired and liabilities recognised at the date of acquisition

At the acquisition date, the identifiable assets acquired and liabilities assumed have provisionally been recognised at their carrying value. The management is in the process of determining the fair value of acquired assets and liabilities.

The carrying amounts of assets and liabilities acquired are as follows:

	Acquiree's carrying amounts as on acquisition date (Rupees in thousands)
Cash and others	1,473
Current and other accounts	36,769
Loans secured against Life Insurance Policies	112,475
Loans secured against other assets	
To employees	288
To agents	333
Investments	
Government securities	9,916,541
Listed mutual funds	1,260,861
Current Assets - Others	
Premiums due but unpaid	164,650
Amount due from other insurers / reinsurers	77,398
Amount due from agents	950
Prepayments	32,771
Sundry receivables	24,501
Accrued interest	215,117
Experience refund receivable	22,056
Taxation - payments less provision	94,939
Fixed Assets	
Tangible	
Leasehold improvements, furniture & fixtures, office equipments, computers and vehicles	36,702
Intangible	
Softwares and licences	256
Total Assets	11,998,080
Balance of Statutory Fund	10,548,835
Creditors and Accruals	
Outstanding claims	219,022
Staff retirement benefits - payable	3,177
Premiums received in advance	57,133
Amount due to other insurers / reinsurers	17,367
Amount due to agents	32,373
Experience refund payable	46,707
Accrued expenses	49,696
Other creditors and accruals	144,153
Unclaimed dividend	27
Total Liabilities	11,118,490
Book value of net assets as at April 9, 2014	879,590
%age of net assets acquired	69.677%
Book value of net assets acquired	612,875
Cash paid net of cash acquired	691,604

5.4 The acquisition contributed a net profit before taxation of Rs. 60.585 million since April 10, 2014.

5.5 Had the acquisition of the business from American Life Insurance Company U.S.A been made on January 1, 2014, the profit and loss account would have shown proforma net profit before taxation of Rs. 1,410.232 million respectively.

6 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2014	2013		2014	2013
(Number of shares)			(Rupees in thousands)	
1,942,187	1,942,187	Ordinary shares of Rs. 10 each issued as fully paid in cash	19,422	19,422
120,747,345	109,593,751	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	1,207,473	1,095,937
122,689,532	111,535,938		1,226,895	1,115,359

6.1 Ordinary shares of the Holding Company held by associated undertakings are as follows:

	2014	2013
	(Number of shares)	
Packages Limited	13,022,093	11,838,267
Industrial Technical and Educational Institute	20,853,966	18,958,151
	33,876,059	30,796,418

7 NON CONTROLLING INTEREST

	2014 (Rupees in thousands)
Net assets at acquisition date	266,715
Profit for the period	12,375
Capital contribution to statutory funds	-
Opening retained earnings	-
	279,090

8 MOVEMENT IN EQUITY OF STATUTORY FUNDS

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Life (Non-participating) Group	Investment Linked	Accident & Health Individual	Accident & Health Group	Pension Business Fund	2014	2013
	(Rupees in thousands)								
Policyholders' liabilities									
Balance at the beginning of the period	1,066,109	3,363,746	91,682	5,099,543	24,388	202,009	104,923	9,952,400	-
Increase / (decrease) during the period	32,718	573,209	(26,308)	(845,878)	(1,618)	(55,317)	(34,664)	(357,858)	-
Balance at end of the period	1,098,827	3,936,955	65,374	4,253,665	22,770	146,692	70,259	9,594,542	-
Retained earnings on participating business attributable to participating policyholders - Ledger Account A									
Balance at the beginning of the period	312,501	-	-	-	-	-	-	312,501	-
Surplus allocated during the period	131,242	-	-	-	-	-	-	131,242	-
Surplus Adjustment	-	-	-	-	-	-	-	-	-
10% surplus transfer to Ledger Account B	-	-	-	-	-	-	-	-	-
Bonus allocated during the period	(80,240)	-	-	-	-	-	-	(80,240)	-
Closing balance at end of the period	363,503	-	-	-	-	-	-	363,503	-

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Group	Investment Linked	Accident & Health Individual	Group	Pension Business Fund	2014	2013
	(Rupees in thousands)								
Retained earnings of participating business attributable to shareholders but not distributable - Ledger Account B									
Balance at the beginning of the period	43,056	-	-	-	-	-	-	43,056	-
Surplus adjustment	-	-	-	-	-	-	-	-	-
10% surplus transfer from Ledger Account A	-	-	-	-	-	-	-	-	-
Closing balance at end of the period	43,056	-	-	-	-	-	-	43,056	-
Retained earnings on other than participating business - Ledger Account D									
Balance at the beginning of the period	-	(73,653)	30,251	(95,327)	4,062	4,546	(5,553)	(135,674)	-
(Deficit) / surplus allocated during the period	-	(6,544)	6,676	109,329	(842)	6,175	3,595	118,389	-
Surplus appropriated to shareholders' Fund	-	-	-	-	-	-	-	-	-
Closing balance at end of the period	-	(80,197)	36,927	14,002	3,220	10,721	(1,958)	(17,285)	-
Capital contributed by shareholders' fund									
Balance at the beginning of the period	-	224,452	-	117,100	-	29,000	6,000	376,552	-
Capital contributed during the period	-	33,100	-	-	1,500	60,300	-	94,900	-
Capital withdrawn during the period	-	-	-	-	-	-	-	-	-
	-	33,100	-	-	1,500	60,300	-	94,900	-
Balance at end of the year	-	257,552	-	117,100	1,500	89,300	6,000	471,452	-
Balance of statutory fund at period end	1,505,386	4,114,310	102,301	4,384,767	27,490	246,713	74,301	10,455,268	-

8.1 This represents surplus earned in life (participating) statutory fund before allocation of bonus. Amount of surplus appearing in the revenue account is net off bonus allocated during the year.

9 POLICYHOLDERS' LIABILITIES

As per actuary's advice, the policyholders' liabilities as at December 31, 2014 are as follows:

	STATUTORY FUNDS							AGGREGATE	
	Life (Participating)	Life (Non-participating) Individual	Group	Investment Linked	Accident & Health Individual	Group	Pension Business Fund	2014	2013
	(Rupees in Thousands)								
Gross of reinsurance									
Actuarial liability relating to future events	1,099,236	3,935,092	36,458	4,248,441	13,949	103,006	70,259	9,506,441	-
Provision for outstanding reported claims payable over a period exceeding twelve months	-	6,938	3,873	-	8,481	915	-	20,207	-
Provision for incurred but not reported claims	4,100	3,073	42,180	5,894	2,445	43,491	-	101,183	-
Total	1,103,336	3,945,103	82,511	4,254,335	24,875	147,412	70,259	9,627,831	-
Net of reinsurance									
Actuarial liability relating to future events	1,095,355	3,928,380	21,866	4,247,771	11,918	102,286	70,259	9,477,855	-
Provision for outstanding reported claims payable over a period exceeding twelve months	-	6,157	3,873	-	8,481	915	-	19,426	-
Provision for incurred but not reported claims	3,472	2,416	39,615	5,894	2,371	43,491	-	97,261	-
Total	1,098,827	3,936,955	65,374	4,253,665	22,770	146,692	70,259	9,594,542	-

10 SUNDRY CREDITORS

	Note	2014	2013
		(Rupees in thousands)	
Federal excise duty		15,573	16,527
Federal insurance fee		1,089	1,158
Car finance payable		1,112	1,765
Agent commission payable		228,825	115,618
Cash margin		105,645	117,534
Others		139,824	30,686
		492,068	283,288

11 SHORT TERM FINANCES - SECURED

Running finances	11.1	79,830	171,395
Term finances		-	160,000
		79,830	331,395

11.1 Running finance facilities available from various commercial banks under mark-up arrangements amount to Rs. 1,950 million (2013: Rs. 1,940 million). The rates of mark-up on these facilities range from 11.31% to 11.84% per annum (2013: 10.33% to 11.55% per annum) and are payable latest by January 15, 2015. Running finances are secured against pledge of shares held by the Holding Company. Term finance facilities available from various commercial banks under mark-up arrangements amount to Rs. 300 million (2013: Rs. 310 million). The rates of mark-up on these facilities range from 10.55% to 11.59% per annum (2013: 9.49% to 10.67% per annum). Term finance is secured against pledge of shares held by the Holding Company.

12 LONG TERM FINANCES - SECURED

	Note	2014	2013
		(Rupees in thousands)	
Long term loan	12.1	675,000	-

12.1 The Holding Company obtained a long term finance facility amounting to Rs. 1,500 million during 2013 for the purpose of acquisition of IGI Life Insurance Limited [Formerly American Life Insurance Company (Pakistan) Limited] , out of which Rs. 800 million was availed during the year ended December 31, 2014. Principal repayment is to be made in 10 equal semi installments starting from the 30th month after the first disbursement and subsequently, six months thereafter. The Holding Company has paid Rs. 125 million against principal amount. Long term finance is secured against pledge of shares of Nestle Pakistan Limited.

13 CONTINGENCIES

13.1 The Holding Company is defending a suit against it by M/s Nawaz Enterprises for recovery of Rs. 9.45 million on account of insurance claim. The management, based on advice of the legal counsel, is confident that the outcome of the case is likely to be in favor of the Holding Company.

13.2 The Holding Company is defending a suit filed against it and the beneficiary by the Federation of Pakistan amounting to Rs. 4.929 million. The petition is pending for hearing before Civil Court judge. As per the management, the outcome of the case is likely to be favourable.

13.3 An appeal was filed before the Commissioner - Appeals, Sindh Revenue Board (SRB) against the order passed by the Assistant Commissioner, SRB under section 23(1) of the Sindh Sales Tax on Services Act, 2011 for tax periods July 2011 to December 2012 which was decided against the Holding Company. Against the order of the Commissioner - Appeals, further appeal has been filed before the Appellate Tribunal, SRB on January 16, 2015, which is pending. As per the management, the outcome of the appeal is likely to be in favor of the Holding Company.

14 CASH AND OTHER EQUIVALENTS

	Note	2014	2013
		(Rupees in thousands)	
Cash		463	-
Policy stamps in hand		43	314
		506	314

		Note	2014	2013
			(Rupees in thousands)	
15	**CURRENT AND OTHER ACCOUNTS**			
	Current accounts		70	404
	PLS savings accounts	15.1	596,221	168
			596,291	572

15.1 The balances in PLS savings accounts carry mark-up ranging from 6.00% to 8.25% per annum (2013: 6.00% per annum).

		Note	2014	2013
			(Rupees in thousands)	
				Restated
16	**INVESTMENTS**			
	The investments comprise of the following:			
	Investments in associates	16.1	3,890,989	3,437,662
	Held to maturity investments	16.2	124,109	112,950
	Available for sale investments	16.3	17,298,910	7,490,857
	At fair value through profit or loss	16.3.3	640,927	-
			21,954,935	11,041,469

16.1 Investments in associates

Quoted

Packages Limited
21,133,101 (2013: 21,133,101) fully paid ordinary shares of Rs. 10 each — Note 16.1.2 & 16.1.3 — 3,890,989 — 3,437,662
Equity held 25.05% (2013: 25.05%)
Market value Rs. 678.29 per share

IGI Investment Bank Limited
89,095,494 (2013: 89,095,494) fully paid ordinary shares of Rs. 10 each — Note 16.1.4 — - — -
Equity held 42.01% (2013: 42.01%)
Market value Rs. 2.37 per share

	3,890,989	3,437,662

Unquoted

Dane Foods Limited
2,643,161 (2013: 2,643,161) fully paid ordinary shares of Rs. 10 each
Equity held 30.62% (2013: 30.62%)

Cost	26,432	26,432
Provision for diminution in value of investments	(26,432)	(26,432)
	-	-
	3,890,989	3,437,662

16.1.1 Investment in unquoted associate does not include any goodwill as the investment was made when this associate was incorporated.

16.1.2 The summarised financial information of Packages Limited is as follows:

	Country of incorporation	2014			
		Assets	Liabilities	Revenues	Profit
		(Rupees in thousands)			
Packages Limited	Pakistan	61,724,222	10,971,240	18,727,001	2,460,316

	Country of incorporation	2013			
		Assets	Liabilities	Revenues	(Loss) / profit
		(Rupees in thousands)			
Packages Limited	Pakistan	55,285,862	12,378,379	17,428,145	1,795,539

16.1.3 The share of profit / (loss) from Packages Limited is based on unaudited results as at December 31, 2014. The Group has accordingly recognised share of profits from continuing operations of Packages Limited amounting to Rs. 616.309 million.

16.1.4 During the year, the Board of Directors of the Holding Company has decided that no divestment will be made of any shareholding of the Holding Company in IGI Investment Bank Limited (IGIIBL). Accordingly, investment in IGIIBL has ceased to be classified as held for sale and has been accounted for as an investment in associate.

The effects on the Group's consolidated financial statements as a result of this change have been summarized below:

	2013	2012
Impact on consolidated balance sheet	(Rupees in thousands)	
Decrease in asset classified as held for sale	148,789	202,615
Increase in investment in associates	-	89,106

	Year ended December 31, 2013
Impact on consolidated profit and loss accounts	
Decrease in share of profit from associates	89,106
Decrease in earnings per share	0.001
Impact on consolidated statement of changes in equity	
Cumulative decrease in unappropriated profit at January 1, 2013	113,509
Decrease in total comprehensive income for the year ended December 31, 2013	89,106
Cumulative decrease in unappropriated profit at December 31, 2013	202,615

		Note	2014	2013
			(Rupees in thousands)	
16.2	Held to maturity			
	Government securities	16.2.1	124,109	112,950

16.2.1 Government securities

Particulars	Maturity year	Effective yield % per annum	Profit payment	2014	2013
				(Rupees in thousands)	
Pakistan Investment Bonds	2019	13.22%	Half yearly	14,373	14,282
Pakistan Investment Bonds	2021	13.08%	Half yearly	14,292	14,228
Pakistan Investment Bonds	2020	13.98%	Half yearly	23,094	22,886
Pakistan Investment Bonds	2022	12.00%	Half yearly	60,513	60,513
Pakistan Investment Bonds	2022	11.25%	Half yearly	1,039	1,041
Pakistan Investment Bonds	2022	12.76%	Half yearly	10,798	-
				124,109	112,950

16.2.1.1 The Pakistan Investment Bonds amounting to Rs. 174.109 million are placed as statutory deposit with State Bank of Pakistan in accordance with the requirements of Clause (a) of sub-section 2 of section 29 of Insurance Ordinance, 2000.

16.2.1.2 Market value of Pakistan Investment Bonds carried at amortised cost amounts to Rs. 137.208 million (2013: Rs. 112.678 million).

		Note	2014	2013
			(Rupees in thousands)	
16.3	Available for sale investments			
16.3.1	Available for sale - at lower of cost or market value			
	Related parties	16.3.1.1		
	- Quoted		7,298,754	7,238,290
	- Unquoted		100,236	100,236
			7,398,990	7,338,526
	Others	16.3.1.2		
	- Quoted		308,088	138,575
	- Unquoted		5,511,711	13,756
			5,819,799	152,331
16.3.2	Available for sale - at fair value			
	- Government Securities		2,704,130	-
	- Units of Mutual Funds		1,375,991	-
			4,080,121	-
			17,298,910	7,490,857
16.3.3	At fair value through profit or loss			
	- Units of Mutual Funds		640,927	-

16.3.1.1 Related parties

Quoted

2014	2013	Percentage equity held	Face value per share (Rupees)	Company's name	Note	2014	2013
(Number of shares)						(Rupees in thousands)	
4,364,666	4,357,466	9.61%	10	Nestle Pakistan Limited	16.4	6,472,825	6,412,361
1,841,739	1,841,739	19.10%	10	Sanofi Aventis Pakistan Limited		391,348	391,348
1,353,416	1,353,416	4.51%	10	Tri-Pack Films Limited		264,985	264,985
5,442,060	5,442,060	10.09%	10	Treet Corporation Limited		150,035	150,035
199,169	173,191	3.25%	10	Zulfiqar Industries Limited		19,561	19,561
				Total investment		7,298,754	7,238,290
				Provision for diminution in value		-	-
						7,298,754	7,238,290
				Market value as at December 31		42,190,335	35,131,043

Unquoted

12,433,934	12,433,934	0.64%	10	Coca Cola Beverages Pakistan Limited Chief Executive: Mr. John Seward Break-up value is Rs. 8.82 per share based on unaudited financial statements for the period ended June 30, 2014			
				Cost		134,665	134,665
				Provision for diminution in value		(34,429)	(34,429)
						100,236	100,236
				Breakup value as at December 31		109,667	102,818

16.3.1.2 Others

Quoted

70,031	70,031	0.85%	10	Siemens Pakistan Engineering Company Limited		125,442	125,442
458,611	458,611	0.38%	10	International Industries Limited		37,395	37,395
292,738	234,191	3.72%	10	Mitchell's Fruit Farms Limited		21,437	21,437
						184,274	184,274

2014	2013	Percentage equity held	Face value per share (Rupees)	Company's name	Note	2014	2013
(Number of shares)						(Rupees in thousands)	
Units of Mutual Fund							
280,658	-		100	IGI Stock Fund		30,200	-
423,340	-		100	AGHP Capital Preservation Fund		42,335	-
250,244	-		100	Al Ameen Islamic Principal Preservation Fund - IV		26,000	-
512,966	-		50	Al Meezan Principal Preservation Fund - MCPPI		26,000	-
84,971	-		100	Al Ameen Islamic Principal Preservation Fund - V		8,670	-
1,347,377	-		10	NAFA Stock Fund		15,600	-
290,893	-		100	UBL Stock Advantage Fund		15,600	-
223,632	-		50	Pakistan Stock Market Fund		15,600	-
						180,005	-
				Provision for diminution in value		(56,191)	(45,699)
						308,088	138,575
				Market value as at December 31		559,116	280,962
Unquoted							
44	44	4.87%	100	Kissan Fruit Growers (Private) Limited Break-up value is Rs. 559.23 per share based on audited financial statements for the year ended September 30, 2006		4	4
32	32	4.83%	100	Punjab Fruit Growers (Private) Limited Break-up value is Rs. 107.09 per share based on audited financial statements for the year ended September 30, 2006		3	3
1,705	1,705	4.87%	10	Haider Fruit Growers (Private) Limited Break-up value is Rs. 9.71 per share based on audited financial statements for the year ended June 30, 2006			
				Cost		17	17
				Provision for diminution in value		(1)	(1)
						16	16
350	350	-	100	Petroleum Development Pakistan Limited	16.5	1	1
500	500	-	100	National Steel of Pakistan Limited	16.5	1	1

2014	2013	Percentage equity held	Face value per share (Rupees)	Company's name	Note	2014	2013
(Number of shares)						(Rupees in thousands)	
422,499	422,499	0.65%	10	Central Depository Company of Pakistan Chief Executive: Muhammad Hanif Break-up value is Rs. 28.81 per share based on audited financial statements for the year ended June 30, 2014		9,110	9,110
1,900,000	1,900,000	0.67%	10	DHA Cogen Limited Chief Executive: Naseem Khan Break-up value is Rs. 2.095 per share based on audited financial statements for the year ended December 31, 2009			
				Cost		19,125	19,125
				Provision for diminution in value		(19,125)	(19,125)
						-	-
374,440	374,440	0.37%	10	Techlogix International Limited Chief Executive: Mr. Kawan Khawaja Break-up value is Rs. 2.58 per share based on audited financial statements for the period ended December 31, 2012			
				Cost		4,261	4,261
				Provision for diminution in value		(3,291)	(3,291)
						970	970
3,824,688	956,172	4.39%	10	Systems (Private) Limited Chief Executive: Mr. Asif peer Break-up value is Rs. 15.98 per share based on unaudited financial statements for the period ended June 30, 2014			
				Cost	16.6	45,532	10,150
				Provision for diminution in value		(6,499)	(6,499)
						39,033	3,651
73,962	36,981	4.55%		Visionet Systems Inc. Chief Executive: Arshad Masood Break-up value is Rs.160.56 per share based on unaudited financial statements for the period ended December 31, 2013			
				Cost		5,423	-
				Provision for diminution in value		-	-
						5,423	-
						54,561	13,756
				Breakup value as at 31 December		90,157	39,392

	Maturity year	Effective yield % per annum	Profit payment	2014 (Rupees in thousands)	2013
Pakistan Investment Bonds	2019	12.00%	Half Yearly	329,496	-
Pakistan Investment Bonds	2019	9.00%	Half Yearly	42,304	-
Pakistan Investment Bonds	2020	12.00%	Half Yearly	515,070	-
Pakistan Investment Bonds	2021	12.00%	Half Yearly	495,409	-
Pakistan Investment Bonds	2021	10.00%	Half Yearly	730,266	-
Pakistan Investment Bonds	2023	12.50%	Half Yearly	33,748	-
Pakistan Investment Bonds	2024	12.00%	Half Yearly	2,782,832	-
Pakistan Investment Bonds	2031	13.00%	Half Yearly	528,025	-
				5,457,150	-
				5,511,711	13,756

16.3.2 Available for sale investments - at fair value

Government Securities					
Pakistan Investment Bonds	2016	11.25%	Half Yearly	461,435	-
Pakistan Investment Bonds	2018	11.50%	Half Yearly	1,159,481	-
Pakistan Investment Bonds	2019	12.00%	Half Yearly	135,073	-
Pakistan Investment Bonds	2020	12.00%	Half Yearly	948,141	-
				2,704,130	-

Units of Mutual Fund

2014 (Number of units)	2013	Face value per unit (Rupees)			
954,699	-	10	NAFA Stock Fund	11,625	-
335,716	-	10	NAFA Islamic Asset Allocation Fund	5,022	-
249,661	-	50	MCB - Arif Habib Savings Pakistan Income Fund	13,821	-
1,554,179	-	50	MCB - Arif Habib Savings Pakistan Stock Market Fund	114,294	-
62,922	-	50	MCB - Arif Habib Savings Pakistan International Element Islamic Asset Allocation Fund	3,677	-
28,899	-	100	United Growth & Income Fund	2,394	-
3,605,260	-	100	United Stock Advantage Fund	199,299	-
1,428,618	-	100	Al Ameen Islamic Income Fund	141,862	-
3,677,753	-	100	Faysal Money Market Fund	387,083	-
4,316,865	-	100	UBL Money Market Fund	452,090	-
3,442,274	-	10	ABL Stock Fund	44,824	-
				1,375,991	-
				4,080,121	-

16.3.3 At fair value through profit or loss

2014	2013	Face value per unit (Rupees)	Company Name	2014	2013
(Number of units)				(Rupees in thousands)	
1,193,415	-	100	Al Ameen Islamic Principal Preservation Fund - IV	127,074	-
2,446,337	-	50	Al Meezan Principal Preservation Fund - MCPPI	127,821	-
826,660	-	100	Alfalah GHP Capital Preservation Fund	85,718	-
405,225	-	100	Al Ameen Islamic Principal Preservation Fund - V	41,333	-
6,425,651	-	10	NAFA Stock Fund	78,241	-
1,387,272	-	100	UBL Stock Advantage Fund	76,689	-
1,066,505	-	50	Pakistan Stock Market Fund	78,431	-
218,373	-	100	IGI Stock Fund	25,620	-
				640,927	-

16.4 318,900 shares of Nestle Pakistan Limited with a book value of Rs. 472.929 million are pledged as security against short term finances and long term finances as referred to in notes 12 and 13 to these consolidated financial statements.

16.5 These represent investments in Bangladesh.

16.6 Systems (Private) Limited had applied for listing on the Karachi Stock Exchange at December 31, 2014.

17 DEFERRED TAXATION

	2014	2013
	(Rupees in thousands)	
Deferred tax debits / (credits) have arisen in respect of:		Restated
Accelerated tax depreciation	(39,422)	(27,453)
Investment in associate	(37,937)	(24,216)
Provision for doubtful receivables	37,551	31,490
Unused tax losses	-	8,516
Remeasurement of post employment benefit obligations	-	1,795
Defined benefit plan	641	(1,231)
	(39,167)	(11,099)

18 PREMIUMS DUE BUT UNPAID

	Note	2014	2013
		(Rupees in thousands)	
Unsecured			
- Considered good		395,945	194,495
- Considered doubtful		68,053	66,785
		463,998	261,280
Provision for doubtful receivables	18.3	(68,053)	(66,785)
		395,945	194,495

18.1 This includes an amount of Rs 79.676 million receivable from related parties out of which an amount of Rs 10.560 million have been considered doubtful.

18.2 The aggregate amount due by directors, chief executive and executives of the Group amounts to Rs. 0.547 million (2013: Rs 0.131 million).

	Note	2014	2013
18.3 Provision for doubtful receivables		(Rupees in thousands)	
Balance as at January 1		66,785	60,000
Provision made during the year		1,268	6,785
Balance as at December 31		68,053	66,785

19 AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

Unsecured			
- Considered good		525,344	436,891
- Considered doubtful		39,236	25,833
		564,580	462,724
Provision for doubtful receivables	19.1	(39,236)	(25,833)
		525,344	436,891

19.1 Provision for doubtful receivables			
Balance as at January 1		25,833	14,559
Provision made during the year		13,403	11,274
Balance as at December 31		39,236	25,833

20 SUNDRY RECEIVABLES

		2014	2013
		(Rupees in thousands)	
			Restated
Advances - considered good		2,353	1,849
Security deposits		17,274	10,407
Agent balances		1,975	2,299
(Payable to) / receivable from defined benefit plan	20.1 & 20.2	(9,570)	3,621
Sales tax recoverable		13,494	1,253
Salvage recoverable		11,782	7,318
Advances to employees against expenses			
- executives		308	-
- others		236	-
Receivable against claim administration services		13,354	-
Experience refund receivable		-	-
Others	20.3	38,011	28,783
		89,217	55,530

20.1 Defined benefit plan - approved gratuity fund - Holding Company

20.1.1 Salient features

The Holding Company offers an approved gratuity fund for all employees. Annual contributions are made to the fund on the basis of actuarial recommendations. The gratuity is governed under the Trust Act, 1882, Trust Deed and Rules of Fund, Companies Ordinance, 1984, the Income Tax Ordinance, 2001 and the Income Tax Rules, 2002.

The Holding Company faces the following risks on account of gratuity fund:

Final salary risks

The risk that the final salary at the time of cessation of service is greater than what was assumed. Since the benefit is calculated on the final salary, the benefit amount would also increase proportionately.

Asset volatility

Most assets are invested in risk free investments. However, investments in shares, are subject to adverse fluctuation as a result of change in market price.

Discount rate fluctuation

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields. A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the current plan's bond holdings.

Investment risks

The risk of the investment underperforming and not being sufficient to meet the liabilities. The risk is mitigated by closely monitoring the performance of investment.

Mortality risks

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

Withdrawal risks

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

20.1.2 Valuation results

The Holding Company operates an approved funded gratuity scheme for all eligible employees. Actuarial valuation is carried out every year and the latest valuation was carried out as at December 31, 2014. The information provided in notes 20.1.3 to 20.1.13 has been obtained from the actuarial valuation carried out as at December 31, 2014. The following significant assumptions have been used for valuation of this scheme:

	2014	2013
	Per annum	
a) Expected rate of increase in salary level	11.3%	13.0%
b) Discount rate	11.3%	13.0%
c) Expected return on plan assets	11.3%	13.0%
d) Normal retirement age (years)	58	58

e) Assumptions regarding future mortality experience are based on actuarial recommendations and published statistics.

		Note	2014	2013
			(Rupees in thousands)	
20.1.3	Amounts recognised in the balance sheet:			
	Present value of defined benefit obligation	20.1.4	45,053	28,040
	Less: Fair value of plan assets	20.1.5	(43,221)	(31,661)
			1,832	(3,621)
	Movement in (asset) / liability during the year			
	Obligation at the beginning of the year		(3,621)	(5,397)
	Charge to profit and loss account		5,131	2,405
	Other comprehensive income		7,052	5,279
	Contribution to the fund during the year		(6,730)	(5,908)
	Obligation at the end of the year		1,832	(3,621)
20.1.4	Movement in defined benefit obligation:			
	Present value of obligation as at January 1		28,040	21,362
	Current service cost		6,039	3,365
	Interest cost		3,491	2,260
	Benefits paid		(2,369)	(3,422)
	Actuarial loss		9,852	4,475
	Present value of obligation as at December 31		45,053	28,040
20.1.5	Movement in fair value of plan assets:			
	Fair value of plan assets as at January 1		31,661	26,759
	Expected return on plan assets		4,399	3,220
	Contributions to the fund		6,730	5,908
	Benefits paid		(2,369)	(3,422)
	Actuarial gain / (loss)		2,800	(804)
	Fair value as at December 31		43,221	31,661
20.1.6	Amounts recognised in the profit and loss account:			
	Current service cost		6,039	3,365
	Interest cost		3,491	2,260
	Expected return on investments		(4,399)	(3,220)
	Expense for the year		5,131	2,405
20.1.7	Actual return on plan assets			
	Expected return on assets		4,399	3,220
	Actuarial gain		-	-
			4,399	3,220

20.1.8 Sensitivity analysis

a) The impact of 1% change in following variables on defined benefit obligation is as follows:

	Change in assumption	Increase in assumption	Decrease in assumption
		(Rupees in thousands)	
Discount rate	1%	40,152	50,873
Expected rate of increase in salaries	1%	51,044	39,930

	Increase by 1 year in assumption	Decrease by 1 year in assumption
b) Life expectancy / withdrawal rate	45,169	45,215

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions, same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability.

20.1.9 Plan assets comprise of the following:

	2014 (Rupees in thousands)	Percentage composition	2013 (Rupees in thousands)	Percentage composition
Equity investments	3,134	7.25%	2,429	7.67%
Cash and bank deposits	826	1.91%	1,135	3.59%
Government Securities	39,261	90.84%	28,097	88.74%
Fair value of plan assets	43,221	100.00%	31,661	100.00%

20.1.10 As per the actuarial recommendations, the expected return on plan assets was taken as 11.25% (2013:13%), which is representative of yields on long-term Government bonds. Due to the increased volatility of share prices in recent months, there is no clear indication of return on equity. It is therefore assumed that the yield on equity matches the return on debt.

20.1.11 Based on actuarial advice, the Company intends to charge an amount of Rs 8.034 million in the financial statements for the year ending December 31, 2015.

20.1.12 Expected maturity analysis of undiscounted defined benefit obligation for the gratuity scheme is as follows:

At December 31, 2014	Less than a year	Between 1-2 Years	Between 2-5 years	Over 5 years	Total
			(Rupees in thousands)		
Gratuity	1,260	1,216	7,441	251,186	261,103

20.1.13 5 year data on the deficit / (surplus) of the plan is as follows:

	2014	2013	2012	2011	2010
			(Rupees in thousands)		
Present value of defined benefit obligation	45,053	28,040	21,362	17,184	14,063
Fair value of plan assets	(43,221)	(31,661)	(26,759)	(20,007)	(14,662)
Deficit / (surplus)	1,832	(3,621)	(5,397)	(2,823)	(599)

20.2 Defined benefit plan - approved gratuity fund - Subsidiary Company

Salient features

The fund typically exposes the Subsidiary Company to actuarial risks such as: salary risk, discount rate risk, mortality risk and investment risk defined as follow:

Salary increase risk

This is the risk that the salary at the time of cessation of service is higher than that assumed by us. This is a risk to the Company because the benefits are based on the final salary: if the final salary is higher than what we have assumed, the benefits will also be higher.

Discount rate risk

The discount rate is based on the yield on government bonds. If the market yield of bonds varies, the discount rate would vary in the same manner and would affect the present value of obligation and fair value of assets.

Mortality / withdrawal risk

This is the risk that the actual mortality / withdrawal experience is different than that assumed by the Subsidiary Company.

Investment risk

This is the risk that the assets are underperforming and are not sufficient to meet the liabilities.

The in-house actuarial valuations are carried out annually and contributions are made accordingly. Following were the significant assumptions used for valuation carried out as at December 31, 2014:

	2014	2013
- Discount rate per annum (%)	10.5	11.06
- Expected rate of increase in the salaries of employees per annum (%)	10.5	11.06
- Expected interest rate on plan assets of the fund per annum (%)	10.5	12.81
- Expected remaining service length of employees	19 years	12 years

	Post acquisition	Pre acquisition
	(Rupees in thousands)	

20.2.1 Amounts recognised in the balance sheet:

Present value of defined benefit obligations	87,269	77,648
Fair value of plan assets	(79,532)	(74,471)
Net liability	7,738	3,177

20.2.2 Movement in liability during the year

Opening balance	3,176	1,266
Charge for the year	13,106	4,878
Contributions to the fund during the period	(8,544)	(2,968)
Contributions - benefit payments on behalf of the fund	-	-
Closing balance	7,738	3,176

		2014	2013
		(Rupees in thousands)	
20.2.3	Movement in defined benefit obligation:		
	Present value of obligations as at January 1	77,648	99,916
	Current service cost	6,769	2,519
	Interest cost	7,645	2,846
	Benefits paid during the period	(9,773)	(29,487)
	Actuarial loss	4,980	1,854
	Present value of obligations as at December 31	87,269	77,648
20.2.4	Movement in fair value of plan assets		
	Fair value of plan assets as at January 1	74,472	98,650
	Expected return on plan assets	7,549	2,809
	Contribution to the fund	8,544	2,968
	Contributions - benefit payments on behalf of the fund	-	-
	Benefits paid during the period	(9,773)	(29,487)
	Actuarial (loss)	(1,260)	(469)
	Fair value of plan assets as at December 31	79,532	74,471
20.2.5	Amounts recognised in the profit and loss account:		
	Current service cost	6,769	2,519
	Net interest cost	97	36
	Actuarial loss recognised during the period	6,240	2,323
		13,106	4,878
20.2.6	Actual return on plan assets		
	Expected return on assets	7,549	2,809
	Actuarial (loss) on assets	(1,260)	(469)
		6,289	2,340

20.2.7 Sensitivity analysis

Significant actuarial assumptions for the determination of the defined obligation are discount rate, and expected rate of salary increase. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Base		Present value of Obligation	% change from Base
Discount rate	Increase by 0.5%	87,165	-0.12%
	Decrease by 0.5%	87,390	0.14%
Salary growth rate	Increase by 0.5%	87,390	0.14%
	Decrease by 0.5%	87,165	-0.12%
Mortality rate	50% of base assumption	87,321	0.06%
	150% of base assumption	87,218	-0.06%
Withdrawal rate	50% of base assumption	87,330	0.07%
	150% of base assumption	87,211	-0.06%

The estimated contribution to the Fund for the year ending December 31, 2015 is Rs. 15.718 million.

Plan assets comprise of the following:

	2014	
	Fair value (Rs. in thousands)	Percentage %
Bonds	52,503	66.02%
Mutual fund	13,030	16.38%
Cash at bank	13,998	17.60%
Fair value of plan assets	79,531	100.00%

20.3 This includes an amount of Rs. 30.917 million (2013: Rs. 26.881 million) receivable from related parties under group shared services.

21 DEFINED CONTRIBUTION PLAN - PROVIDENT FUND

The Holding Company has set up a provident fund for its permanent employees and contributions were made by the Holding Company to the Trust in accordance with the requirements of Section 227 of the Companies Ordinance, 1984. The total charge against provident fund for the year ended December 31, 2014 was Rs. 8.827 million (2013: Rs. 7.834 million). The audit of the provident fund for the year ended June 30, 2014 is in progress. The net assets based on audited financial statements of Provident Fund as at June 30, 2013 are Rs. 56.202 million out of which 93% was invested in different financial instruments categories as provided in Section 227 of the Companies Ordinance, 1984 and rules formulated for the purpose. The fair value of investments of the provident fund as at June 30, 2013 was Rs. 52.520 million and the cost of investment was Rs. 52.977 million. The above investments out of provident fund have been made in accordance with the requirement of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

The Subsidiary Company has set up a provident fund for its permanent employees and contributions were made by the Holding Company to the Trust in accordance with the requirements of Section 227 of the Companies Ordinance, 1984. The total charge against provident fund for the period ended December 31, 2014 was Rs. 9.046 million. The net assets based on unaudited financial statements of Provident Fund as at December 31, 2014 are Rs. 43.461 million out of which 33.78% was invested in different financial instruments categories as provided in Section 227 of the Companies Ordinance, 1984 and rules formulated for the purpose. The fair value of investments of the provident fund as at December 31, 2014 was Rs. 15.449 million and the cost of investment was Rs. 14.683 million. The above investments out of provident fund have been made in accordance with the requirement of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

Break up of investments

	Holding Company		Subsidiary Company	
	(Rs. in thousands)	% of the size of the fund	(Rs. in thousands)	% of the size of the fund
Debt securities	4,997	8.89%	-	-
Government securities	39,287	69.90%	14,683	33.78%
Listed securities	6,701	11.92%	-	-
Bank deposits	1,535	2.73%	-	-
Total	52,520		14,683	

	Holding Company		Subsidiary Company	
	2014	2013	2014	2013
	(Number of employees)			
Number of employees as at December 31	122	125	104	112
Average number of employees during the year	124	126	105	115

22 STAFF STRENGTH

		Note	2014	2013
23	**FIXED ASSETS**		(Rupees in thousands)	
	Tangible assets	23.1	275,664	216,936
	Capital work in progress	23.2	2,003	-
	Intangible assets	23.3	5,951	5,149
			283,618	222,085

23.1 Tangible assets

	Furniture, fixtures and office equipment				Buildings	Motor vehicles	Total
	Furniture and fixtures	Office equipment	Computer equipment	Sub total			
	(Rupees in thousands)						
As at January 1, 2013							
Cost	22,734	23,336	32,543	78,613	119,913	91,219	289,745
Accumulated depreciation	(12,764)	(19,714)	(26,324)	(58,802)	(34,976)	(39,619)	(133,397)
Net book value as at January 1, 2012	9,970	3,622	6,219	19,811	84,937	51,600	156,348
For the year ended December 31, 2013							
Opening net book value	9,970	3,622	6,219	19,811	84,937	51,600	156,348
Additions	642	1,550	2,275	4,467	-	26,983	31,450
Disposals							
- Cost	-	(330)	(6,417)	(6,747)	93,484	(19,018)	67,719
- Accumulated depreciation	-	298	6,309	6,607	(29,605)	17,400	(5,598)
	-	(32)	(108)	(140)	63,879	(1,618)	62,121
Depreciation charge	(2,242)	(1,431)	(3,469)	(7,142)	(8,333)	(17,508)	(32,983)
Net book value as at December 31, 2013	8,370	3,709	4,917	16,996	140,483	59,457	216,936
As at January 1, 2014							
Cost	23,376	24,556	28,401	76,333	213,397	99,184	388,914
Accumulated depreciation	(15,006)	(20,847)	(23,484)	(59,337)	(72,914)	(39,727)	(171,978)
Net book value as at January 1, 2014	8,370	3,709	4,917	16,996	140,483	59,457	216,936
For the year ended December 31, 2014							
Opening net book value	8,370	3,709	4,917	16,996	140,483	59,457	216,936
Assets acquired on acquisition	6,812	4,856	2,935	14,603	9,997	12,102	36,702
Additions	11,957	6,636	6,858	25,451	27,453	31,281	84,185

	Furniture, fixtures and office equipment				Buildings	Motor vehicles	Total
	Furniture and fixtures	Office equipment	Computer equipment	Sub total			
	(Rupees in thousands)						
Disposals / Transfer							
- Cost	(3,530)	(3,469)	(363)	(7,362)	(8,031)	(25,661)	(41,054)
- Accumulated depreciation	2,363	2,747	161	5,271	5,481	16,411	27,163
	(1,167)	(722)	(202)	(2,091)	(2,550)	(9,250)	(13,891)
Depreciation charge	(4,389)	(2,558)	(5,675)	(12,622)	(8,838)	(26,808)	(48,268)
Net book value as at December 31, 2014	21,583	11,921	8,833	42,337	166,545	66,782	275,664
As at December 31, 2014							
Cost	38,615	32,579	37,831	109,025	242,816	116,906	468,747
Accumulated depreciation	(17,032)	(20,658)	(28,998)	(66,688)	(76,271)	(50,124)	(193,083)
Net book value as at December 31, 2014	21,583	11,921	8,833	42,337	166,545	66,782	275,664
Annual rate of depreciation	10%	10-20%	20-33.33%		5-10%	20-33%	

23.1.1 Disposal of operating fixed assets

Particulars of the assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousands)					
Vehicles						Employees
Honda Civic	2,672	267	2,405	2,271	Company policy	Jalees Ahmed Siddiqi
Honda City	1,791	149	1,642	1,523	Company policy	Jalees Ahmed Siddiqi
Honda Civic	1,563	923	640	937	Company policy	Fauzia Ahmad
Honda City	1,200	1,200	-	435	Company policy	Salman Ghaffar
Corolla GLI	1,689	1,247	442	1,095	Company policy	Hashim Sadiq Ali
						Outsiders
Honda Civic	1,854	62	1,792	1,875	Negotiation	IGI Finex Securities
Suzuki Alto	725	507	218	558	Negotiation	IGI Finex Securities
Toyota Corolla	1,888	818	1,070	1,685	Insurance Claim	Alfalah Insurance Company
Honda City	1,405	703	702	1,200	Negotiation	Kamran Jamil
Suzuki Cultus	939	673	266	820	Negotiation	Allah Dita Ranjha
Other assets with book value of less than Rs. 50,000						
Computers						
Computer Equipments	363	161	202	274	Negotiation	Various
Vehicles	9,935	9,842	93	5,438	Company policy	Various employees

Particulars of the assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in thousands)					
Office and electrical equipments	3,469	2,747	722	1,134	Negotiation	Various
Furniture and Fixture	3,322	2,203	1,119	1,012	Negotiation	Various
	208	180	28	-	Write off	
Leasehold improvements	8,031	5,481	2,550	3,050	Negotiation	Various
	41,054	27,163	13,891	23,307		

23.2 Capital work in progress

	2014	2013
	(Rupees in thousands)	
Acquisition on business combination	2,003	-
Addition	-	-
Transfer	-	-
Closing	2,003	-

23.3 Intangibles

Computer Software		
Net book value as at January 1	5,149	7,449
Acquisition	255	-
Addition	3,657	98
Amortisation	(3,110)	(2,398)
Net book value as at December 31	5,951	5,149

24 INVESTMENT PROPERTY

2014

	Cost			Accumulated Depreciation			WDV	Useful
	As at Jan 1, 2014	Additions / (disposals) / (transfer)	As at Dec 31, 2014	As at Jan 1, 2014	For the year	As at Dec 31, 2014	as at Dec 31, 2014	life
	(Rupees in thousands)							
Building	26,429	118,301	144,730	9,031	8,336	17,367	127,363	20 years

2013

	Cost			Accumulated Depreciation			WDV	Useful
	As at Jan 1, 2013	Additions / (disposals) / (transfer)	As at Dec 31, 2013	As at Jan 1, 2013	For the year (transfer)	As at Dec 31, 2013	as at Dec 31, 2013	life
	(Rupees in thousands)							
Building	119,913	-	26,429	34,977	3,659	9,031	17,398	20 years
		(93,484)			(29,605)			

24.1 The market value of the investment properties is Rs. 155.430 million as December 31, 2013 as per the valuation carried out by various independent professional valuers.

25 MANAGEMENT EXPENSES

	Note	2014	2013
		(Rupees in thousands)	
Salaries, wages and benefits	25.1	379,226	181,483
Rent, rates and taxes		39,993	27,598
Utilities		20,775	14,679
Repairs and maintenance		18,541	3,521
Education and training		5,545	1,750
Computer expenses		7,699	4,109
Communication		11,302	9,595
Provision for doubtful debts		14,671	18,060
Inspection fee		1,179	854
Security expenses		24,803	25,415
Legal and professional		22,790	-
Directors' fees		1,772	-
Audit fee of subsidiary company		1,295	-
Actuary's fees		9,857	-
Advertisement expenses		11,387	-
Stationery and printing		11,187	-
Depreciation and amortisation		14,501	-
Travelling		4,776	-
Miscellaneous		15,888	-
		617,187	287,064

25.1 This includes charge for defined benefit and defined contribution plans amounting to Rs. 18.237 million (2013: Rs. 2.405 million) and Rs. 19.106 million (2013: Rs. 7.834 million) respectively.

26 OTHER INCOME

	Note	2014	2013
		(Rupees in thousands)	
Income from non-financial assets		9,634	-
Liabilities no longer required written back		7,628	10,136
Others		17,262	10,136

27 FINANCIAL CHARGES

Markup on long term finance		63,112	-
Markup on short term finance		6,163	38,874
Bank charges		5,010	2,013
		74,285	40,887

28 GENERAL AND ADMINISTRATIVE EXPENSES

General office premium		7,447	7,024
Motor car expenses		16,323	16,874
Tour and travelling		13,720	16,433
Representation expenses		2,089	1,478
Stationery and printing		6,464	8,538
Depreciation and amortisation	24 & 25	45,213	39,040
Donations	28.1	20,652	20,905
Audit fee	28.2	3,850	2,670
Advertisement expenses		4,161	5,931
Legal and professional		46,302	99,429
Workers' Welfare Fund		20,470	18,593
Sundry expenses		2,028	1,210
Regulators fee		6,477	-
Fee & subscription		1,690	-
		196,886	238,125

28.1 Donations amounting to Rs. 20 million (2013: Rs. 20.546) were made to following institute in which the directors of the Group had interest during the year:

Name of the Institute	Address
National Management Foundation	Lahore University of Management Sciences, DHA, Lahore

28.2 Audit fee (Holding Company)

	2014	2013
	(Rupees in thousands)	
Fee for statutory audit	750	750
Fee for interim review	300	300
Fee for audit of consolidated financial statements	750	-
Fee for audit of regulatory return	200	200
Special certifications and sundry services	1,600	1,350
Out of pocket expenses	250	70
	3,850	2,670

29 TAXATION

	2014	2013
	(Rupees in thousands)	
		Restated
For the year		
- Current	120,761	81,819
- Deferred	32,033	23,713
Prior year	-	(7,151)
	152,794	98,381

29.1 Tax charge reconciliation

	2014
	(Rupees in thousands)
Profit before tax	1,388,202
Tax calculation at the rate of 33 %	458,107
Effect of items taxable under lower rates	(304,465)
Effect of permenant differences	9,772
Others	(10,620)
	152,794

For the year 2013 numerical reconciliation between the average tax rate and applicable tax rate had not been presented as provision for the current year income tax had been made under the provisions of minimum tax under Section 113 of the Income Tax Ordinance, 2001 (Ordinance).

29.2 The income tax assessments of the Holding Company have been finalised up to and including the tax year 2014. However, the Holding Company has filed appeals in respect of certain assessment years which mainly relate to the following:

- While finalising the assessment for the year 1999-2000 the Taxation Officer has not allowed credit for tax paid under section 54 amounting to Rs. 3 million for which rectification application is filed which is pending.

- The Holding Company has also filed applications in respect of certain mistakes made in the orders passed under section 124 of the Income tax Ordinance for 2001-2002 and 2002-2003. The applications filed were rejected by the T.O. against which appeals have been filed with the CIT (A) which are pending.

- The Additional Commissioner of Income Tax (AC) has issued notice under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of the tax year 2005 and 2006 whereby he has proposed to disallow claim of expenses and exemption in respect of gain on sale of shares and taxed income from Associates. Against the above notice, the Holding Company has filed a constitutional petition before the Honourable High Court. The regular hearing of petition is currently pending with the High Court.

- In respect of tax year 2007, all significant issues involved amounting to Rs. 7 billion were decided in favour of the Holding Company by CIR(A) and then by the ATIR. However, no appeal effect order has been passed. Further, certain matters amounting to Rs. 82 million that were remanded back to DCIR by the CIR(A) were not decided upon by the High Court. The Holding Company has written a letter to the taxation officer for passing appeal effect orders. The department has recently filed Income Tax Reference Application before Honourable High Court of Sindh against the deletion of the addition made on account of re-characterisation of actual realized capital gain. The said Income Tax Reference Application is still pending adjudication.

- In case of tax year 2008, the Additional Commissioner Audit Division-11 had issued notice under section 122 (5A) of the Ordinance for passing an amended order on certain issues. The Company filed a writ petition before the High Court of Sindh which has restrained the department to take up the amended proceedings. The additional Commissioner Audit zone III LTU Karachi issued another notice under section 122(5A) of the Ordinance in May 14, 2014 and passed an amended assessment order under section 122(5A) by disallowing provision for IBNR and allocation of expense against capital gains and dividend income. As a result of amended assessment demand of Rs. 63.166 million was created. Against the disallowances made by the ACIR, the Holding Company has filed an appeal before the Commissioner Inland Revenue (Appeals) and also filed an application for stay of demand. Pursuant to the stay application, the CIR(A) has granted stay of demand to the Holding Company, however the appeal filed in respect of the disallowances is pending adjudication.

  Moreover, pursuant to the decision of the CIR(A), the ACIR has passed an appeal effect order duly incorporating the relief granted by the CIR(A) in respect of allocation of expenses and tax refundable of Rs. 18.03 million has been determined.

- In case of tax year 2009, the Deputy Commissioner of Inland Revenue (DCIR) has passed the amended order under section 122(5A) of the Ordinance by disallowing provisions on account of IBNR, Unearned Commission and allocation of expenses relating to exempt income. As a result of amended assessment demand of Rs 141million was created. The DCIR has made certain errors in the order for which application for rectification was filed. Rectified order under Section 221 has been passed and as a result demand has been reduced to Rs.51 million. The learned CIR(A) has granted partial relief in respect of certain issue and confirmed certain disallowances. The Holding Company filed further appeal before the appellate tribunal inland revenue (ATIR) in respect of issues on which relief was not allowed by the CIR(A). The ATIR, pursuant to the appeals filed against the order of CIR(A), has now passed the order whereby the ATIR has confirmed disallowance made on account of provision for IBNR. Further issue of allocation of expenses against investment income has been remanded back to CIR(A). As regards, the issue of addition made on account of provision of unearned commission, the ATIR has upheld the decision of CIR(A) whereby disallowance made on this score is deleted. In respect of issues decided against the Holding Company, a reference application has been filed before honourable Sindh High Court which is pending adjudication.

- The Taxation Office, Enforcement & Collection Division, Large Taxpayers Unit, Karachi vide order dated 01 January 2009 passed under section 161/205 of the Ordinance, on account of non- deduction of tax from re-insurance premium paid to non-resident reinsurance companies wherein a demand of Rs. 3.299 million has created for the tax year 2009. Against the said order an appeal; before the CIR (A) has been filed. The CIR (A) while finalizing the above appeal has decided the issue in favor of the Holding Company and the demand created through the above order has been annulled. Against the appellate order passed by the CIR (A) under section 161/205 the department has filed further appeal with the ATIR which has been decided by the ATIR in favor of the Holding Company.

- In case of tax year 2013, notice dated 17 May 2014 was issued for amendment of assessment under section 122(9) read with Section 122(5A) of the Ordinance. The reply and details were duly submitted and no amended assessment order has been received to date.

The management and tax advisor of the Holding Company are confident that the above matters will be decided in the Holding Company's favor. Accordingly, no provision has been recognised in these consolidated financial statements.

30 EARNINGS PER SHARE

	2014	2013
	(Rupees in thousands)	
		Restated
30.1 Basic earnings per share		
Profit for the year	1,235,408	777,364
	(Number of shares)	
Weighted average number of ordinary shares	122,689,532	122,689,532
	(Rupees)	
		Restated
Earnings per share	10.07	6.34

30.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at December 31, 2014 and December 31, 2013 which would have any effect on the earnings per share if the option to convert is exercised.

31 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amounts charged in these financial statements for remuneration, including certain benefits, to the Chief Executive, Director and Executives of the Company during the year are as follows:

31.1 Holding Company

	Chief Executive**		Directors		Executives*	
	2014	2013	2014	2013	2014	2013
	(Rupees in thousands)					
Fee for attending board meeting	-	-	2,800**	2,305	-	-
Managerial remuneration	11,860	7,680	2,901	2,777	51,923	43,648
Bonus	4,338	2,913	-	-	3,129	7,025
Retirement benefits (including provident fund)	2,058	1,332	-	-	8,828	7,558
Housing and utilities	6,728	4,292	587	620	29,639	24,960
Medical expenses	33	-	-	-	2,922	1,819
Conveyance allowance	393	265	-	-	6,798	6,028
Others	3,461	1,739	-	-	1,080	6,414
	28,871	18,221	6,288	5,702	104,319	97,452
Number of persons	2	1	2	2	45	40

31.1.1 Chief Executive and executives of the Company are provided with Company maintained cars and residential telephones.

* The above includes an aggregate amount of Rs 45.16 million (2013: 29.088 million) in respect of remuneration of key management personnel.

** This includes fee for attending Board meeting of all the seven directors.

*** During the year Mr. Jalees Ahmed Siddiqui resigned from the office of the Chief Executive and Mr. Tahir Masaud was appointed as the new Chief Executive of the Company w.e.f. September 1, 2014.

31.2 Subsidiary Company

	2014		
	Chief Executive	Directors	Executives
	(Rupees in thousands)		
Fee for attending board meeting	-	1,772	-
Managerial remuneration	8,810	-	118,301
Bonus and housing	-	-	4,127
Retirement benefits	395	-	12,390
Housing and utilities	-	-	270
Other benefits	-	-	721
	9,205	1,772	135,809
Number of persons	1	5	87

32 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of related group companies, directors of the Group, key management personnel, major shareholders, post employment benefit plans and other related parties. The Group in the normal course of business carries out transactions with various related parties at agreed / commercial terms and conditions. Remuneration of key management personnel is disclosed in note 31. Amounts due to / from and other significant transactions, other than those disclosed else where in these financial statements, are as follows:

	Directors		Key Management personnel		Post employment benefit plans		Other Related Parties	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in thousands)							
Transactions								
Premium underwritten	853	677	21	44	-	-	478,291	543,944
Premium collected	436	616	21	44	-	-	521,306	579,454
Claims expense	297	846	-	-	-	-	108,919	143,040
Commission expense	-	-	-	-	-	-	10,181	10,864
Commission paid	-	-	-	-	-	-	8,024	9,007
Rental income	-	-	-	-	-	-	4,086	13,179
Fixed assets purchased	-	-	-	-	-	-	31,355	4,558
Fixed assets disposed	-	-	5,320	-	-	-	2,611	-
Investment property purchased	-	-	-	-	-	-	113,419	-
Dividend received	-	-	-	-	-	-	874,365	640,961
Dividend paid	45,964	61,867	1	1	-	-	17,042	22,723
Rent expense	-	-	-	-	-	-	18,743	17,435
Rent paid	-	-	-	-	-	-	19,759	17,959
Security deposits	-	-	-	-	-	-	600	577

	Directors		Key Management personnel		Post employment benefit plans		Other Related Parties	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in thousands)							
Investment / (divestment) in shares - net of	-	-	-	-	-	-	-	-
provision for impairment	-	-	-	-	-	-	33,532	(42,112)
Investment in Certificates of Deposit	-	-	-	-	-	-	-	395,000
Certificates of Deposit matured	-	-	-	-	-	-	255,000	140,000
Profit on Certificates of Deposit	-	-	-	-	-	-	19,541	14,353
Brokerage commission	-	-	-	-	-	-	2,588	15
Donations paid	-	-	-	-	-	-	20,000	20,546
Charge in respect of gratuity fund	-	-	-	-	5,131	2,405	-	-
Charge in respect of provident fund	-	-	-	-	8,827	7,834	-	-
Contribution to gratuity fund	-	-	-	-	15,274	5,908	-	-
Contribution to provident fund	-	-	-	-	19,106	8,577	-	-
Mark up on loan	-	-	-	-	7	-	-	-
Net book value of fixed assets sold / transfer	-	-	-	-	2,772	-	-	-
Consultancy charges	-	-	-	-	-	-	1,143	-
Balances								
Premium receivable	547	131	-	-	-	-	46,229	57,080
Commission payable	-	-	-	-	-	-	7,710	7,150
Investment in shares	-	-	-	-	-	-	10,825,399	10,987,167
Profit receivable on Certificates of Deposit	-	-	-	-	-	-	19,890	13,134
Investment in Certificates of Deposit	-	-	-	-	-	-	-	255,000
Other receivable	-	-	-	-	-	-	30,917	28,279
Security deposits	-	-	-	-	-	-	6,289	5,750
Prepaid rent	-	-	-	-	-	-	10,593	9,577
(Payable to) / Receivable from gratuity fund	-	-	-	-	(9,570)	3,621	-	-
Receivable from provident fund	-	-	-	-	1,452	743	-	-
Loan receivable	-	-	92	-	-	-	-	-

33 OPERATING SEGMENT

33.1 The Group's business is organised and managed separately according to the nature of services provided with the following segments:

Non-Life Insurance

- Fire and property insurance provides coverage against damages caused by fire, riot and strike, explosion, earthquake, atmospheric damage, flood, electric fluctuation and other related perils.
- Marine, aviation and transport insurance provides coverage against cargo risk, war risk, damages occurring in inland transit and other related perils.
- Motor insurance provides comprehensive car coverage, indemnity against third party loss and other related coverage.
- Accident and health insurance provides coverage against personal accident, hospitalization and other medical benefits.

- Miscellaneous insurance provides coverage against burglary, loss of cash in safe and cash in transit, engineering losses, travel and other coverage.

Life Insurance

- The Life (participating) segment provides life insurance coverage to individuals under individual life policies that are entitled to share in the surplus earnings of the statutory fund to which they are referable.

- The Life (non-participating) segment provides life insurance coverage to individuals under individual life policies that are not entitled to share in the surplus earnings of the statutory fund to which they are referable.

- The Life (non-participating) Group segment provides life insurance coverage to employer-employee (and similar) groups of employees / members under a single life policy issued to the employer. The Group policy is not entitled to share in the surplus earnings of the statutory fund to which it is referable.

- The Investment Linked business segment provides life insurance coverage to individuals, whereby the benefits are expressed in terms of units, the value of which is related to the market value of specified assets.

- The Accident and Health - Individual segment provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to individuals.

- The Accident and Health - Group segment provides fixed pecuniary benefits or benefits in the nature of indemnity or a combination of both in case of accident or sickness to employer-employee (and similar) groups of employees / members under a single policy issued to the employer.

- The Pension Fund segment provides coverage for the purposes of a pension or a retirement scheme with or without the payments being guaranteed for a minimum period.

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

2014

	General Insurance					Life Insurance							
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Life (Participating)	Life (Non-Participating) Individual	Life (Non-Participating) Group	Investment Linked Business	Accident & Health Individual	Accident & Health Group	Pension Business Fund	Aggregate Total
	(Rupees in thousands)												
Segment assets	727,301	218,748	225,706	45,818	218,864	1,549,404	4,262,397	258,032	4,508,235	53,238	224,856	75,122	12,367,719
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	13,543,677
Consolidated total assets													25,911,396
Segment liabilities	679,014	245,623	451,642	97,910	236,325	1,549,404	4,295,497	258,032	4,508,235	54,738	265,156	75,122	12,736,898
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	1,240,043
Consolidated total liabilities													13,976,941

2013

	General Insurance					Life Insurance							
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Life (Participating)	Life (Non-Participating) Individual	Life (Non-Participating) Group	Investment Linked Business	Accident & Health Individual	Accident & Health Group	Pension Business Fund	Aggregate Total
	(Rupees in thousands)												
Segment assets	765,646	181,031	289,585	101,142	245,611	-	-	-	-	-	-	-	1,583,115
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	11,470,212
Consolidated total assets													13,053,327
Segment liabilities	672,595	131,595	387,871	155,611	226,241	-	-	-	-	-	-	-	1,573,917
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	736,373
Consolidated total liabilities													2,310,290

34 FINANCIAL INSTRUMENTS BY CATEGORY

	2014	2013
	(Rupees in thousands)	
Financial assets and financial liabilities		
Financial assets		
Loans and receivables - amortised cost		
Cash and bank deposits		
Cash and other equivalents	506	314
Current and other accounts	596,291	572
Deposits maturing within 12 months	315,000	255,000
	911,797	255,886
Loans secured against life insurance policies	134,350	-
Loans secured against other assets		
- To employees	92	-
- To agents	269	-
	361	-
Current assets - others		
Premiums due but unpaid - unsecured	395,945	194,495
Amounts due from other insurers / reinsurers - unsecured	525,344	436,891
Accrued income on investments and deposits	417,496	19,047
Reinsurance recoveries against outstanding claims	336,040	342,336
Sundry receivables	89,217	55,530
	1,764,042	1,048,299
Investments - held to maturity	124,109	112,950
Investments - available for sale	17,298,910	7,490,857
Investments - at fair value through profit or loss	640,927	-
Financial Liabilities		
Amortised cost		
Provision for outstanding claims (including IBNR)	850,726	579,185
Amounts due to other insurers / reinsurers	374,196	294,173
Accrued expenses	197,938	101,740
Sundry creditors	473,688	264,812
Short term finances - secured	79,830	331,395
Long term finances - secured	675,000	-
Unclaimed dividend	8,703	8,851
	2,660,081	1,580,156

35 RISK MANAGEMENT

35.1 Risk management framework - Holding Company

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest / mark-up rate risk and price risk). The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance. Overall, risks arising from the Group's financial assets and liabilities are limited. The Group consistently manages its exposure to financial risk without any material change from previous period in the manner described in notes below. The Board of Directors has overall responsibility for the establishment and oversight of Group's risk management framework. The Board is also responsible for developing the Group's risk management policies.

35.1.1 Insurance risk - Holding Company

The Holding 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 Holding Company is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Holding 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 Holding 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 businesses. The Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

Further, the Group adopts strict claim review policies including active management and prompt pursuing of the claims, regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the insurance risk.

35.1.2 Concentration of insurance risk - Holding Company

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 businesses. The Holding Company minimizes its exposure to significant losses by obtaining reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

To optimize benefits from the principle of average and law of large numbers, geographical spread of risk is of extreme importance. There are a number of parameters which are significant in assessing the accumulation of risks with reference to the geographical location, the most important of which is risk survey.

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 IAP (Insurance Association of Pakistan). For instance, the presence of Perfect Party Walls, Double Fire Proof Iron Doors and 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.

Address look-up and decoding is the essential field of the policy data interphase of IT systems. It provides instant location which is dependent on data collection provided under the policy schedule. All critical underwriting information is punched into the IT system / application through which a number of MIS reports can be generated to assess the concentration of risk.

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.

For Marine risks, complete underwriting details, besides sums insured and premiums, like vessel identification, voyage input (sea / air / inland transit), sailing dates, origin and destination of the shipments, per carry limits, etc. are fed into the IT system. The reinsurance module of the IT system is designed to satisfy the requirements as laid down in the proportional treaty agreement. Shipment declarations are also endorsed on the policies. Respective reinsurance cessions are automatically made upon the posting of policy documents.

The voyage cards so maintained for the particular set of policies for a single vessel voyage are automatically logged into the system showing actual gross, treaty and net exposure, both in terms of sums insured and premiums.

35.1.3 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, accumulated losses on net account can also 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.

Claims on general insurance contracts are payable on a claim occurrence basis. The Holding Company is liable for all insured events that occur during the term of the insurance contract.

An estimated amount of the claim is recorded immediately on intimation to the Holding Company. The estimation of the amount is based on the amount notified by the policy holder, management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Holding Company uses historical experience factor based on analysis of the past years claim reporting pattern.

35.2 Risk management framework - Subsidiary Company

The Subsidiary Company issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Company manages them.

35.2.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim although the later one is not significant due to pre-determined amount of insurance in most of the cases or at least maximum limits.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random, and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. The Subsidiary Company has developed its insurance underwriting strategy for careful selection of the risk and diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Insurance contracts issued by the Subsidiary Company are divided into:

a) Short term insurance contracts
b) Long term insurance contracts

Short term Insurance contracts

(a) Frequency and severity of claims

These contracts mostly pay a pre-determined amount on death and disability without any maturity or surrender values. These contracts are issued to individuals and also to employers to ensure their commitments to their employees in terms of other employees' benefit plans.

The risk is affected by several factors e.g. age, occupation, benefit structure and life style. The Subsidiary Company attempts to manage this risk through its underwriting, claims handling and reinsurance policy.

(b) Sources of uncertainty in the estimation of future claim payments

Other than for testing of adequacy of the liability representing the unexpired risk at the end of the reporting period, there is no need to estimate mortality rates or morbidity rates for future years because these contracts have short duration. However, for incurred disability income claims, it is necessary to estimate the rates of recovery from disability for future years. Standard recovery tables produced by reinsurers are used as well as the actual experience of the Subsidiary Company. The influence of economic circumstances on the actual recovery rate for individual contracts is the key source of uncertainty for these estimates.

(c) Process used to decide on assumptions

The assumptions used for the insurance contracts are as follows:

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into Subsidiary Company's experience is conducted from time to time. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table.

Morbidity

The rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for the Subsidiary Company's own experience.

(d) Changes in assumptions

There has been no change in the assumptions during the year.

Long-term insurance contracts

(a) Frequency and severity of claims

For contracts where death is the insured risk, the most significant factors that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle, such as eating, smoking and exercise habits, resulting in earlier or more claims than expected. For contracts where survival is the insured risk, the most significant factor is continued improvement in medical science and social conditions that would increase longevity.
At present, these risks do not vary significantly in relation to the location of the risk insured by the Subsidiary Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted. For contracts with discretionary participation feature (DPF), the participating nature of these contracts results in a significant risk with the insured party.

The Subsidiary Company charges for mortality risk on reporting dates for all insurance contracts without a fixed term. It has the right to alter these charges based on its mortality experience and hence minimize its exposure to mortality risk. Delays in implementing in restraints over the extent of the increases may reduce its mitigating effect. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. The Subsidiary Company balances death risk and survival risk across its portfolio. The Company reinsures the excess of the insured benefit through an excess of loss reinsurance arrangement. Medically impaired lives are reinsured at lower levels.

Insurance risk for contracts is also affected by the contract holders' right to pay reduced or no future premiums, to terminate the contract completely, or to exercise a guaranteed annuity option. On the assumption that contract holders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour.

(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts

Uncertainty in the estimation of future benefit payments and premium receipts for long-term insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behaviour.

The Subsidiary Company uses appropriate base tables of standard mortality according to the type of contract being written and the territory in which the insured person resides. An investigation into the actual experience of the Subsidiary Company is carried out and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. Where this is not based on standard industry tables adjusted for the Subsidiary Company's overall experience. For contracts that insure survival, an adjustment is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigation bodies. The impact of any historical evidence of selective termination behaviour will be reflected in this experience. The Subsidiary Company maintains voluntary termination statistics to investigate the deviation of actual termination experience against assumptions. Statistical methods are used to determine appropriate termination rates. An allowance is then made for any trends in the data to arrive at a best estimate of future termination rates.

(c) Process used to decide on assumptions

For long-term insurance contracts with fixed and guaranteed terms and with DPF, estimates are made in two stages. At inception of the contract, the Subsidiary Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract.

Subsequently, new estimates are developed at each reporting date to determine whether liabilities are adequate in the light of the latest current estimates. The initial assumptions are not altered if the liabilities are considered adequate. If the liabilities are not adequate, the assumptions are altered ('unlocked') to reflect the latest current estimates; no margin is added to the assumptions in this event. Improvements in estimates have no impact on the value of the liabilities and related assets, while significant enough deteriorations in estimates have an impact.

For long-term insurance contracts without fixed terms and for investment contracts with DPF, the assumptions used to determine the liabilities do not contain margins and are not locked in but are updated at each reporting date to reflect the latest estimates. Assumptions are considered to be 'best estimate' if, on average, the results are expected to be worse than the assumptions in 50% of possible scenarios and better in the other 50%.

The assumptions used for the insurance contracts are as follows:

Mortality

An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into Subsidiary Company's experience is performed from time to time, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. For contracts insuring survivorship, an allowance is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

Morbidity

The rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for the Subsidiary Company's own experience.

Persistency

A review of the Subsidiary Company's experience from time to time is made to determine an appropriate persistency rate. Persistency rates vary by product type and policy duration. An allowance is then made for any trends in the data to arrive at a best estimate of future persistency rates that takes into account the effective contract holders' behaviour.

Investment returns

Investment returns affect the assumed level of future benefits due to the contract holders and the selection of the appropriate discount rate. The Subsidiary Company's investment return assumptions are generally based on medium to long term expected rate of return on government fixed income securities e.g. PIBs with some margins.

Renewal expense level and inflation

The current level of expenses is taken as an appropriate expense base. Expense inflation assumption is based on general inflation. For some products, the Subsidiary Company also adjusts its expense assumptions considering significant growth in volume of business due to which expense ratio will come down.

Tax

It has been assumed that current tax legislation and rates continue unaltered.

(d) Change in assumptions

There has been no change in the assumptions during the year.

(e) Sensitivity analysis

The liabilities under Universal Life, Unit Linked, Group Life, Group Accident and Health, Individual Accident and Health and Pension business are not dependent on assumptions related to mortality, persistency, expense or interest rates because the liabilities under these lines of business are either based on actual account values or unearned premium reserve. For the traditional endowment plans, no sensitivity testing is carried out because the liability basis prescribed by the regulations are too conservative and the liability under these plans are less than 5% of total liabilities.

The Group's class wise risk exposure (based on maximum loss coverage in a single policy is as follows)

	2014		
	Maximum sum insured	Reinsurance cover	Highest net liability
	(Rupees in thousands)		
Fire and property damage	31,109,241	31,021,241	88,000
Marine, aviation and transport	8,633,395	7,770,056	863,339
Motor	24,000	11,900	12,100
Health	1,000	-	1,000
Miscellaneous	20,535,003	19,362,240	1,172,763
Life (participating)	10,733,000	3,474,000	7,259,000
Life (non-participating) – Individual	32,278,000	10,754,000	21,524,000
Life (non-participating) – Group	73,109,000	26,512,000	46,597,000
Investment Linked	16,390,000	12,319,000	4,071,000
Accident & Health – Individual	12,601,000	2,462,000	10,139,000
	205,413,639	113,686,437	91,727,202

	2013		
	Maximum sum insured	Reinsurance cover	Highest net liability
	(Rupees in thousands)		
Fire and property damage	30,201,385	30,138,466	62,919
Marine, aviation and transport	6,731,250	6,058,125	673,125
Motor	27,900	14,229	13,671
Health	1,000	-	1,000
Miscellaneous	12,053,396	11,812,328	241,068
	49,014,931	48,023,148	991,783

The table below sets out the concentration of insurance contract liabilities by type of contract for the Group:

	2014		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	(Rupees in thousands)		
Fire and property damage	679,014	727,301	(48,287)
Marine, aviation and transport	245,823	218,746	27,077
Motor	451,642	225,706	225,936
Health	97,910	45,818	52,092
Miscellaneous	236,325	218,864	17,461
Life Participating	1,549,404	1,549,404	-
Life Non-Participating (Individual)	4,295,497	4,262,397	33,100
Life Non-Participating (Group)	258,032	258,032	-
Investment Linked Business	4,508,235	4,508,235	-
Accident and Health Business (Individual)	54,738	53,238	1,500
Accident and Health Business (Group)	285,156	224,856	60,300
Pension Business Fund	75,122	75,122	-
	12,736,898	12,367,719	369,179

	2013		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	(Rupees in thousands)		
Fire and property damage	672,599	765,646	(93,047)
Marine, aviation and transport	131,595	181,031	(49,436)
Motor	387,871	239,685	148,186
Health	155,611	101,142	54,469
Miscellaneous	226,241	245,611	(19,370)
	1,573,917	1,533,115	40,802

35.2.2 Uncertainty in the estimation of future claims payment

Claims on general insurance contracts are payable on a claim occurrence basis. The Group is liable for all insured events that occur during the term of the insurance contract.

An estimated amount of the claim is recorded immediately on intimation to the Company. The estimation of the amount is based on the amount notified by the policy holder, management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Company uses historical experience factor based on analysis of the past years claim reporting pattern.

There are several variable factors which affect the amount and timing of recognized claim liabilities. However, the management considers that uncertainty about the amount and timing of claim payments is generally resolved within a year. The Group takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from recognised amounts.

35.2.3 Key assumptions

The principal assumption underlying the liability estimation of IBNR and premium deficiency reserve is that the Company's future claim development will follow similar historical pattern for occurrence and reporting. The management uses qualitative judgment to assess the extent to which past occurrence and reporting pattern will not apply in future. The judgment includes external factors e.g. treatment of one-off occurrence claims, changes in market factors, economic conditions, etc.

35.2.4 Sensitivities

Non-Life Insurance

As the Group 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:

	Effect of 10% increase in claims		Effect of 10% decrease in claims	
	Profit and Loss account	Equity	Profit and Loss account	Equity
	(Rupees in thousands)			
Fire and property damage	(4,083)	(4,083)	4,083	4,083
Marine, aviation and transport	(15,049)	(15,049)	15,049	15,049
Motor	(28,811)	(28,811)	28,811	28,811
Health	(8,510)	(8,510)	8,510	8,510
Miscellaneous	(3,001)	(3,001)	3,001	3,001
	(59,454)	(59,454)	59,454	59,454

Life Insurance

The liabilities under Universal Life, Unit Linked, Group Life, Group Accident and Health, Individual Accident and Health and Pension business are not dependent on assumptions related to mortality, persistency, expense or interest rates because the liabilities under these lines of business are either based on actual account values or unearned premium reserve. For the traditional endowment plans, no sensitivity testing is carried out because the liability basis prescribed by the regulations are too conservative and the liability under these plans are less than 5% of total liabilities.

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.

Analysis on gross basis

Accident year	2010	2011	2012	2013	2014	Total
			(Rupees in thousands)			
Estimate of ultimate claims cost:						
At end of accident year	124,748	696,865	228,529	322,760	232,592	1,605,494
One year later	133,815	577,426	215,891	321,070	-	1,248,202
Two years later	133,731	560,613	191,334	-	-	885,678
Three years later	114,232	558,500	-	-	-	672,732
Four years later	114,433	-	-	-	-	114,433
Estimate of cumulative claims	114,433	558,500	191,334	321,070	232,592	1,417,929
Cumulative payments to date	(109,135)	(503,952)	(187,971)	(260,758)	(167,407)	(1,229,223)
Liability recognised in the balance sheet	5,298	54,548	3,363	60,312	65,185	188,706

The above effects have been worked out on the assumption that increase / decrease in net claims expense pertains to individual segment in isolation.

The following table shows the development of claims relating to life insurance over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year. Further, claims with significant uncertainties are not outstanding as at 31 December 2014 therefore claim development table is not required to be presented. However, aging of outstanding claims relating to life insurance and movement of outstanding claims is presented below:

Aging of outstanding claim	2014 (Rupees in thousands)
Upto 1 year	78,991
1-2 years	40,332
2-3 years	9,967
Over 3 years	80,924
Total	210,214

Movement of outstanding claim

Opening balance	219,022
Total gross claims	2,377,207
Claims paid / settled	(2,386,015)
Closing balance	210,214

35.3 Financial risk

(i) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and market prices.

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group is exposed to interest / mark-up rate risk in respect of the following:

2014

	Interest Rates	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in thousands)						
Financial assets								
Cash and bank deposits	6.00% - 11.50%	911,221	-	911,221	576	-	576	911,797
Investments	12.00%	-	8,285,389	8,285,389	9,778,557	-	9,778,557	18,063,946
Loans secured against life insurance policies		134,350	-	134,350	-	-	-	134,350
Loans secured against other assets		361	-	361	-	-	-	361
Premium due but unpaid		-	-	-	395,945	-	395,945	395,945
Amounts due from other insurers / reinsurers - unsecured		-	-	-	525,344	-	525,344	525,344
Accrued income on investments and deposits		-	-	-	417,496	-	417,496	417,496
Reinsurance recoveries against outstanding claims		-	-	-	336,040	-	336,040	336,040
Sundry receivables		-	-	-	89,217	-	89,217	89,217
		1,045,932	8,285,389	9,331,321	11,543,175	-	11,543,175	20,874,496
Financial liabilities								
Provision for outstanding claims [including IBNR]		-	-	-	850,726	-	850,726	850,726
Amounts due to other insurers / reinsurers		-	-	-	374,196	-	374,196	374,196
Accrued expenses		-	-	-	197,938	-	197,938	197,938
Sundry creditors		-	-	-	473,688	-	473,688	473,688
Short term finance - secured	10.33% -11.55%	79,830	-	79,830	-	-	-	79,830
Long term finances - secured	10.94%	-	675,000	675,000	-		-	675,000
Unclaimed dividend		-	-	-	8,703	-	8,703	8,703
		79,830	675,000	754,830	1,905,251	-	1,905,251	2,660,081
		966,102	7,610,389	8,576,491	9,637,924	-	9,637,924	18,214,415

2013

	Interest Rates	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
		Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	
		(Rupees in thousands)						
Financial assets								
Cash and bank deposits	6.00% - 11.50%	255,168	-	255,168	718	-	718	255,886
Investments	12.00%	-	112,950	112,950	7,490,857	-	7,490,857	7,603,807
Premium due but unpaid		-	-	-	194,495	-	194,495	194,495
Amounts due from other insurers / reinsurers - unsecured		-	-	-	436,891	-	436,891	436,891
Accrued income on investments and deposits		-	-	-	19,047	-	19,047	19,047
Reinsurance recoveries against outstanding claims		-	-	-	342,336	-	342,336	342,336
Sundry receivables		-	-	-	55,530	-	55,530	55,530
		255,168	112,950	368,118	8,539,874	-	8,539,874	8,907,992
Financial liabilities								
Provision for outstanding claims [including IBNR]		-	-	-	579,185	-	579,185	579,185
Amounts due to other insurers / reinsurers		-	-	-	294,173		294,173	294,173
Accrued expenses		-	-	-	101,740		101,740	101,740
Sundry creditors		-	-	-	264,812	-	264,812	264,812
Short term finance - secured	10.33%-11.55%	331,395	-	331,395	-	-	-	331,395
Unclaimed dividend		-	-	-	8,851	-	8,851	8,851
		331,395	-	331,395	1,248,761	-	1,248,761	1,580,156
		(76,227)	112,950	36,723	7,291,113	-	7,291,113	7,327,836

Sensitivity analysis

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 or re-price in a given period. The Group manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. Borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes. The table below summarizes Group's interest rate risk as of December 31, 2014 and 2013 and shows the effects of a hypothetical 1% increase and a 1% decrease in interest rates as at the year end.

	Profit and Loss	
	Increase	Decrease
	(Rupees in thousands)	
As at December 31, 2014		
Cash flow sensitivity-Variable rate financial liabilities	(1,780)	1,780
Cash flow sensitivity-Variable rate financial assets	-	-
As at December 31, 2013		
Cash flow sensitivity-Variable rate financial liabilities	(874)	874
Cash flow sensitivity-Variable rate financial assets	-	-

(b) Foreign currency risk

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As of the balance sheet date, the Group does not have material assets or liabilities which are exposed to foreign currency risk except for amount due from and due to reinsurers.

(c) 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. Group is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 7.607 million (2013: Rs. 7.377 million) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. 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 except for investments in associates which are carried under equity method and available for sale equity instruments of non-life insurance business which are stated at lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of the S.R.O. 938 issued by the Securities and Exchange Commission of Pakistan (SECP), in December 2002.

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 realised in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 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 worse in Company's equity investment portfolio because of the nature of equity markets.

Had all equity investments, other than associates, been measured at fair values as required by IAS 39 "Financial Instruments: Recognition and Measurement", the impact of hypothetical change would be as follows:

	Fair value	Hypothetical price change	Estimated fair value after hypothetical change in prices	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase / (decrease) in profit / (loss) before tax
31 Dec 2014	42,749,451	10% increase	47,024,396	4,274,945	-
		10% decrease	38,474,506	(4,274,945)	-
31 Dec 2013	35,412,005	10% increase	38,953,206	3,541,201	-
		10% decrease	31,870,805	(3,541,201)	-

(ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. To guard against the risk, the Company maintains balance of cash and other equivalents and readily marketable securities. The maturity profile of assets and liabilities are also monitored to ensure adequate liquidity is maintained. All financial liabilities of the Company are short term in nature.

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date on an undiscounted cash flow basis.

	2014			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in thousands)			
Provision for outstanding claims	850,726	850,726	850,726	-
Amount due to other insurers / reinsurers	374,196	374,196	374,196	-
Accrued expenses	197,938	197,938	197,938	-
Unclaimed dividend	8,703	8,703	8,703	-
Short term finance	79,830	79,830	79,830	-
Long term finance	675,000	675,000	-	675,000
Sundry creditors	473,688	473,688	473,688	-
	2,660,081	2,660,081	1,985,081	675,000

	2013			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in thousands)			
Provision for outstanding claims	579,185	579,185	579,185	-
Amount due to other insurers / reinsurers	294,173	294,173	294,173	-
Accrued expenses	101,740	101,740	101,740	-
Unclaimed dividend	8,851	8,851	8,851	-
Short term finance	331,395	331,395	331,395	-
Sundry creditors	264,812	264,812	264,812	-
	1,580,156	1,580,156	1,580,156	-

(iii) Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. 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.

	2014	2013
	(Rupees in thousands)	
- Bank deposits	596,291	572
- Deposits maturing within 12 months	315,000	255,000
- Investments	-	-
- Premiums due but unpaid	395,945	194,495
- Amount due from other insurers / reinsurers	525,344	436,891
- Accrued income on investments and deposits	417,496	19,047
- Prepaid reinsurance premium ceded	309,858	308,659
- Reinsurance recoveries against outstanding claims	336,040	342,336
- Sundry receivables	89,217	55,530
	2,985,191	1,612,530

The Company did not hold any collateral against the above during the year. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery. During the year receivables of Rs. 14.671 million were further impaired. The movement in the provision for doubtful debt account is shown in note 19.1 & 18.3. 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.

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

	Rating		Rating Agency	2014	2013
	Short Term	Long Term		(Rupees in thousands)	
Bank deposits					
JS Bank Limited	A1	A+	PACRA	-	84
Habib Bank Limited	A-1+	AAA	JCR-VIS	266	13
KASB Bank Limited	C	B	PACRA	30	30
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	56	53
MCB Bank Limited	A1+	AAA	PACRA	12,763	382
National Bank of Pakistan	A-1+	AAA	JCR-VIS	9	10
Bank Alfalah Limited	A1+	AA	PACRA	10,218	-
Bank Al-Habib Limited	A1+	AA+	PACRA	546,905	-
Meezan Bank Limited	A-1+	AA	JCR-VIS	8	-
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	24,347	-
Summit Bank Limited	A-1	A-	JCR-VIS	1,689	-
Certificate of Deposits					
IGI Investment Bank Limited	BBB-	A3	PACRA	-	255,000
Faysal Bank Limited	A1+	AA	PACRA	165,000	-
Habib Bank Limited	A1+	AAA	JCR-VIS	150,000	-
				911,291	255,572

** The age analysis of premiums due but unpaid and amounts due from other insurers / reinsurers is as follows:

	2014	2013
	(Rupees in thousands)	
Upto 1 year	756,826	526,632
1-2 years	101,578	67,901
2-3 years	48,028	52,736
Over 3 years	122,146	76,735
	1,028,578	724,004

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial assets subject to credit risk is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

	2014	2013
	(Rupees in thousands)	
Sector wise analysis of premiums due but unpaid		
Foods and beverages	43,422	53,013
Financial services	59,766	14,575
Pharmaceuticals	40,715	15,198
Textile and composites	61,586	26,513
Plastic industries	661	268
Engineering	24,158	30,420
Other manufacturing	28,443	10,995
Miscellaneous	205,247	110,298
	463,998	261,280

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2014	2013
	(Rupees in thousands)				
A- or above (including PRCL)	476,348	355,910	274,116	1,106,374	891,789
BBB and B+	3,116	11,238	11,240	25,594	104,228
Others	34,538	19,470	24,458	78,466	117,702
Total	514,002	386,618	309,814	1,210,434	1,113,719

36 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The table below analyses financial instruments carried at fair value. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Company has no items to report in this level.

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company has no items to report in this level.

December 31, 2014	Level 1	Level 2	Level 3
	(Rupees in thousands)		
Assets carried at fair value			
Available-for-sale investments	4,080,121	-	-
Fair value through profit or loss investment	640,927	-	-

The carrying amounts of all other financial assets and liabilities reflected in the financial statements approximate their fair values. In case of available for sale investments, the equity securities are carried at lower of cost or market value in line with SECP's SRO (Refer note 4.15.2.3).

37 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 shareholders 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 debt.

The Company currently meets the paid up capital requirement as required by Securities and Exchange Commission of Pakistan.

38 CORRESPONDING FIGURES

"Corresponding figures in these consolidated financial statements are the same as reported in the annual published financial statements of IGI Insurance Limited for the year ended December 31, 2013. Corresponding figures have been restated / rearranged and reclassified, wherever necessary, for the purpose of comparison. There have been no significant reclassifications / restatements in the financial statements except for the following:

- Asset classified as held for sale has been reclassified as investment in associate as disclosed in note 16.1.4 to these consolidated financial statements.

39 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 26, 2015 by the Board of Directors of the Holding Company.

40 EVENTS AFTER BALANCE SHEET DATE

The Board of Directors has proposed a final dividend for the year ended December 31, 2014 of Rs. 3.0 per share (2013: Rs. 1.50 per share), amounting to Rs. 368.069 million (2013: Rs 167.304 million) and bonus shares at Nil (2013: 10%) amounting to Rs. Nil (2013: 111.536 million) in its meeting held on February 26, 2015 for the approval of the members at the annual general meeting to be held on April 21, 2015 . The Board has also recommended to transfer Rs. 368.069 million (2013: Rs. 278.840 million) to unappropriated profit from general reserves. The financial statements for the year ended December 31, 2014 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2015.

Chairman	Director	Director	Principal Officer and Chief Executive

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 61st Annual General Meeting of IGI Insurance Limited (the "Company") will be held on Tuesday, April 21, 2015, at 11:00 a.m. at the Registered Office of the Company located at 7th Floor, The Forum, G-20, Block 9, Khyaban-e-Jami, Clifton, Karachi, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of Annual General Meeting of the Company held on April 23, 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 consider and approve the payment of cash dividend @ thirty percent (30%) that is Rupees three (Rs.3/-) per ordinary share of Rs. 10 (Ten) each for the year ended December 31, 2014 as recommended by the Board of Directors (the "Board") of the Company.

4. To appoint auditors for the ensuing year and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, pass special resolution pursuant to Section 208 of the Companies Ordinance, 1984 to authorized investment by way of purchase of shares of Packages Constructions (Pvt.) Limited an unlisted associated company of the Company.

ANY OTHER BUSINESS

6. 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

Haider Raza
Company Secretary
Karachi: March 30, 2015

Notice of Annual General Meeting

Notes:

1. The Share Transfer Books of the Company will be closed from April 10, 2015, to April 21, 2015, both days inclusive.

2. A member entitled to attend and vote at the meeting is entitled to appoint another person as a proxy to attend and vote instead of him. The proxy forms duly completed and signed by the member appointing a proxy must be deposited with the Company's Share Registrar, FAMCO Associates (Private) Limited,8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahrah-e-Faisal, Karachi, not later than forty-eight (48) hours before the time appointed for the Meeting.

3. Any individual Beneficial Owner of Central Depository Company, entitled to vote at this meeting must bring his/her Computerized National Identity Card ("CNIC") with him/her to provide his/her identity and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of Board of Directors Resolution / Power of Attorney and/or all such documents as are required under Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan for this purpose.

4. Change of address, if any, should be notified immediately to the Company's Share Registrar aforestated.

5. Disclosure under Para 3 (a) of SRO 634 (1) / 2014 dated July 10, 2014

   The financial statements and reports have been placed on website of the Company.

6. Disclosure of SRO No. 787 (1) 2014 dated September 8, 2014 for circulation of annual financial through e mail

   The Securities and Exchange Commission of Pakistan vide SRO 787(1)/2014 dated 8th September, 2014 has allowed companies to circulate annual balance sheet, profit & loss account, auditors report and directors report along with notice of annual general meeting to its members through e mail. Members who wish to avail this facility can give their consent to Company Secretary at his email address.

7. Disclosure of SRO No. 1027 (1) 2014 dated November 13, 2014 for video facility for AGM

   Further to SECP S.R.O. No.1027 / (I) 2014 dated 13th November 2014 clause 1(b) "The company may provide video conference facility to its members for attending the general meeting at place other than the town in which general meeting is taking place after considering the geographical dispersal of its members: Provided that if members, collectively holding 10% or more shareholding residing at a geographical location, provide their consent to participate in the meeting through video conference at least 10 days prior to date of meeting the company shall arrange video conference facility in that city subject to availability of such facility in that city".

8. Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Company are requested to send the same at the earliest.

Notice of Annual General Meeting

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

Item No. 5 of the Notice

Investment in Unlisted Associated Company

IGI Insurance Limited is a public listed company with equity of Rs. 11.58 billion as of December 31, 2014. The Company is desirous of making investment of Rs. 1,000 million for acquisition of 100 million ordinary shares of Packages Construction (Private) Limited, an unlisted associated company.

For this purpose, it is proposed to consider and, if thought fit, to pass the following resolution as a special resolution, with or without modification, for authorizing investment by way of subscribing of shares of the said associated company pursuant to Section 208 of the Companies Ordinance, 1984:

"RESOLVED THAT

1) approval of the shareholders be and is hereby accorded under Section 208 of the Companies Ordinance, 1984 for the investment of Rs. 1,000 million (Rupees one thousand million) for subscribing 100 million ordinary shares of Rs.10/- each of Packages Construction (Private) Limited, an unlisted associated company;

2) as permitted in Regulation 8(1) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2012, it is specifically authorized by the members that the limit of investment above will not lapse after 12 months and will continue till the time this limit is fully utilized; and

3) the Chief Executive Officer of the Company be and is hereby authorized to take any and all such further actions as may be required for the investment by the Company in the ordinary shares of Packages Construction (Private) Limited authorised by this Special Resolution."

The information required under the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 is provided below:

S. No.	Requirement	Information Required
i.	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established.	Packages Construction (Private) Limited ("PCPL") is a subsidiary of Packages Limited, an associated company of IGI Insurance Limited (the "Company"). The Company, Packages Limited and PCPL can be construed under common control for the purposes of Section 208 of the Companies Ordinance, 1984. On this basis, PCPL is considered as an unlisted associated company of the Company. For this reason, the approval of the Shareholders of the Company, by Special Resolution, under Section 208 of the Companies Ordinance, 1984 is sought.

Notice of Annual General Meeting

S. No.	Requirement	Information Required
ii.	Purpose, benefits and period of investment.	PCPL is, as mentioned above, a subsidiary of Packages Limited. Its main object is to carry out the business of all types of construction activities and development of real estate. Currently, PCPL is in the process of a real estate project on land owned by Packages Limited at Mouza Amer Sidhu, Lahore consisting of a shopping mall and allied facilities. The cost of this project of PCPL is expected to be Rs. 8,998 million excluding mark-up. The proposed equity investment of the Company in PCPL will contribute towards the construction and completion of the said shopping mall project of PCPL. The investment will enable the Company to earn dividend income including bonus/right shares and prospective capital gains. The period of the proposed equity investment is long term.
iii.	Maximum amount of Investment.	Investment of up to Rs.1,000 million (Rupees one thousand million) to subscribe 100 million ordinary shares of PCPL.
iv.	Maximum price at which securities will be acquired.	Rs. 10/- per share at par.
v.	Maximum number of securities to be acquired.	100 million shares
vi.	Number of securities and percentage thereof held before and after the proposed investment.	The Company does not currently hold any securities of PCPL. After the completion of its proposed investment in PCPL, the Company will eventually hold 100 million ordinary shares of PCPL constituting 20% of the total paid-up share capital of PCPL.
vii.	In case of Investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired.	Not applicable. PCPL is a private company.
viii.	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulations 6(1).	A.F. Ferguson & Co., a firm of Chartered Accountants, has determined the fair market value of the shares of PCPL within the range of Rs. 8.93 to Rs. 13.70 per share by its report dated February 28, 2015. This is more than the par value of the shares of PCPL at which the proposed equity investment of the Company in PCPL will be made.
ix.	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements.	Rs. 9.19/- per share
x.	Earnings per share of the associated company or associated undertaking for the last three years.	Not relevant as PCPL has not started earning profits, except interest/mark-up on the funds deposited with banks(s).
xi.	Source of fund from which securities will be acquired.	Out of funds borrowed from bank(s) and/or financial institution(s).
xii.	Where the securities are intended to be acquired using borrowed funds. a). Justification for investment through borrowings: and b). Detail of guarantees and assets pledged for obtaining such funds.	 The investment is expected to earn a higher return as compared to cost of borrowed funds. Pledge of shares and / or other securities of other companies, held by the Company.
xiii.	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment.	Not applicable. No such written agreement has been entered into with PCPL. However, PCPL has made an offer to the Company to subscribe 100 million ordinary shares of PCPL at par. This offer has been accepted by the Company, subject to shareholders' approval, by Special Resolution, under Section 208 of the Companies Ordinance, 1984 and grant of any applicable regulatory approval(s).

S. No.	Requirement	Information Required
xiv.	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration.	Mr. Shamim Ahmed Khan, Syed Hyder Ali and Syed Shahid Ali, Directors of the Company are also Directors of the Packages Limited and are interested to the extent of their and their relatives' shareholding (if any) in Packages Limited and in this Company; Packages Limited, the principal sponsor of PCPL, is interested to the extent of its shareholding in the Company (10.61%); Syed Babar Ali, a major shareholder of the Company (21.91%) and also a major shareholder of Packages Limited, the principal sponsor of PCPL, and the relatives of Syed Babar Ali are interested to the extent of their shareholding in the Company and in Packages Limited.
xv.	Any other important detail necessary for the members to understand the transactions.	The proposed investment in PCPL will be made after obtaining any third party or regulatory approvals, as may be necessary.
xvi.	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely:	
	a) Description of the project and its history since conceptualization.	Shopping mall in Lahore comprising retail shops, super market, cinema, food court and play zone.
	b) Starting and expected dates of completion of work:	Start date was September 2014. Expected date of completion is by the end of third quarter of the year 2016.
	c) Time by which such project shall become commercially operational; and	By the end of third quarter of the year 2016.
	d) Expected time by which the project shall start paying return on investment.	In the year 2019.

Undertaking under Regulation 3(3) of the Companies (Investment in Associated Companies and Associated Undertakings) Regulation, 2012:

As required by the said Regulation No.3(3), it is confirmed and an undertaking is given to the members to this effect that the Directors have carried out proper due diligence for the proposed investment by the Company in the shares of Packages Construction (Private) Limited, an unlisted associated company for which the authority of the members by Special Resolution is sought.

A copy of the recommendations of the report of the said due diligence will be available for the members' inspection at the General Meeting.

Status of approvals for investments in associated companies

As required by Regulation 4(2) of the Companies (Associated Companies or Associated Undertakings) Regulations 2012, the position of various investments in associated companies against approvals held by the Company is as under:

1. Nestle Pakistan Limited

(a) Amount approved in the Annual General Meeting held on April 26, 2012: Rs. 1,000 million;

(b) The Company has invested Rs. 69.58 million so far;

(c) The said amount could not be fully utilized for non-availability of shares at reasonable price (the resolution did not require implementation within specified time); and

(d) There was no major change in the financial position of the investee company.

2. **Packages Limited**

(a) Amount approved in the Annual General Meeting held on April 26, 2012: Rs. 500 million;

(b) The Company has invested Rs. 7.74 million so far;

(c) The said authorized amount could not be fully utilized for non-availability of shares at reasonable price (the resolution did not require implementation within specified period); and

(d) There was no major change in the financial position of the investee company.

3. **Tri-Pack Films Limited**

(a) Amount approved in the Annual General Meeting held on April 26, 2012: Rs. 500 million;

(b) The Company has made no investment during the year because of non- availability of shares at reasonable price (the resolution did not require implementation within specified period); and

(c) There was no major change in the financial position of the investee company.

4. **Sanofi-Aventis Pakistan Limited**

(a) Amount approved in the Annual General Meeting held on April 26, 2012: Rs. 500 million;

(b) The Company has invested Rs. 91.02 million so far.

(c) The said amount could not be fully utilized for non-availability of shares at reasonable price (the resolution did not require implementation within specified period); and

(d) There was no major change in the financial position of the investee company.

5. **Siemens (Pakistan) Engineering Company Limited**

(a) Amount approved in the Annual General Meeting held on April 26, 2012: Rs. 500 million;

(b) The Company has made no investment during the year because of non-availability of shares at reasonable price (the resolution did not require implementation within specified period); and

(c) There was no major change in the financial position of the investee company.

Form of Proxy

The Company Secretary,
IGI Insurance Limited,
7th Floor, The Forum,
Suite Nos. 701-713, G-20, Block 9,
Khayaban-e-Jami, Clifton,
Karachi-75600, Pakistan

I/We _____
of _____ being member (s)
of **IGI Insurance Limited, and holder of** _____ Ordinary Shares as per Share
Registered Folio No. _____ and/or **CDC Participant I. D. No.** _____ and
Sub Account No. _____ hereby appoint _____
of _____
or failing him / her _____
of _____
as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the sixty one Annual General Meeting of the Company to be held on Tuesday, April 21, 2015 at 11:00 a.m. at the registered office of the Company at 7th Floor, The Forum, Suite Nos. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi-75600 and at any adjournment thereof.
Signed this _____ day of _____ 2015.

1) **Witness:**
Signature _____
Name _____
Address _____
_____

CNIC or _____
Passport No. _____

Signature: Please affix Rupees five revenue stamp

2) **Witness:**
Signature _____
Name _____
Address _____
_____

CNIC or _____
Passport No. _____

(Signature should agree with the specimen signature registered with the Company)

Note: Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting.

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

The shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their Original Computerized National Identity Cards and CDC account number for verification.

AFFIX
CORRECT
POSTAGE

The Company Secretary

IGI Insurance Limited,
7th Floor, The Forum
Suite Nos. 701-713, G-20, Block 9,
Khayaban-e-Jami, Clifton,
Karachi-75600, Pakistan

IGI's Presence

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Karachi - 75600, Pakistan.
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E-mail: insurance.karachi@igi.com.pk

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Fax: +92-51-2277356
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IGI
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IGI's Presence

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IGI
Insurance

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