



# A Sound Partner

Annual Report 2016



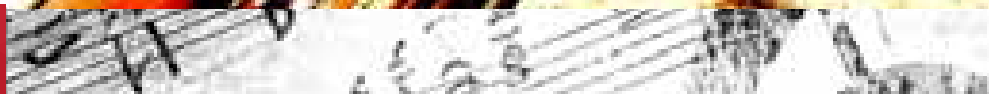




# Introduction

At IGI Insurance it is our conscious effort to create products that resonate with our clients. We believe that having the protection of insurance must induce a positive feeling of security. Being one of the leading insurance companies in Pakistan, it is our responsibility to provide sound risk management advice and fine tune our services to the needs of our clients. When life throws you off key, trust IGI Insurance to take note.







# Contents

|    |   |     |   |
|----|---|-----|---|
| 04 | Highlights  | 65  | Unconsolidated Statement of Investment Income                       |
| 13 | Vision & Mission  | 66  | Notes to and Forming part of the Unconsolidated Financial Statement |
| 15 | Core Values   | 119 | Consolidated Financial Statements                                   |
| 17 | Company Information   | 120 | Directors' Report to the Shareholders                               |
| 19 | Code of Conduct   | 121 | Auditors' Report to the Members                                     |
| 21 | Corporate Sustainability at IGI   | 122 | Consolidated Balance Sheet  |
| 22 | Board of Directors  | 124 | Consolidated Profit and Loss Account                                |
| 24 | Key Financial Data  | 125 | Consolidated Statement of Changes in Equity                         |
| 28 | Horizontal Analysis   | 126 | Consolidated Statement of Cash Flows                                |
| 29 | Vertical Analysis   | 128 | Consolidated Statement of Premiums                                  |
| 30 | Statement of Value Addition   | 129 | Consolidated Statement Claims                                       |
| 31 | Board Committees  | 130 | Consolidated Statement of Expenses                                  |
| 34 | Shareholder Information   | 131 | Consolidated Statement of Investment Income                         |
| 42 | Directors' Report to the Shareholders   | 132 | Notes to and Forming part of the Consolidated Financial Statement   |
| 46 | Corporate Calendar  | 213 | Notice of Annual General Meeting                                    |
| 47 | Report on Corporate Governance  | 217 | Form of Proxy   |
| 49 | Statement of Compliance with the Code of Corporate Governance                                 | 219 | Request for Annual Report and Notices Through E-Mail                |
| 52 | Unconsolidated Financial Statements   | 221 | Video Conference Facility   |
| 54 | Review Report to the Members on Statement of Compliance with the Code of Corporate Governance | 223 | Video Conference Facility (Urdu)                                    |
| 55 | Auditors' Report to the Members   | 225 | Request for Annual Report and Notices Through E-Mail (Urdu)         |
| 56 | Unconsolidated Balance Sheet  | 227 | Form of Proxy (Urdu)  |
| 58 | Unconsolidated Profit and Loss Account  | 232 | Notice of Annual General Meeting (Urdu)                             |
| 59 | Unconsolidated Statement of Changes in Equity   | 233 | Consolidated Director's Report (Urdu)                               |
| 60 | Unconsolidated Statement of Cash Flows  | 235 | Report on Corporate Governance (Urdu)                               |
| 62 | Unconsolidated Statement of Premiums  | 239 | Directors' Report to the Shareholders (Urdu)                        |
| 63 | Unconsolidated Statement Claims   |     |   |
| 64 | Unconsolidated Statement of Expenses  |     |   |

# 2016 Highlights

Gross Written  
Premium

Rs.  
**2,820** m  
Growth  
**20**%

Underwriting  
Result

**323** m  
Growth  
**25**%

Investment  
Income

Rs.  
**2,129** m  
Growth  
**47**%

The infographic consists of two vertical bars. The left bar is blue and contains the text 'Earnings per Share'. Below it is a circular badge with a blue border containing the text 'Rs. 11.69' and 'Growth 11%'. The right bar is green and contains the text 'Cash Dividend'. Below it is a circular badge with a green border containing the text '80%'. Both bars have a 3D effect with a dark shadow at the top.

Earnings  
per Share

Rs.  
**11.69**  
Growth  
**11**%

Cash  
Dividend


**80**%



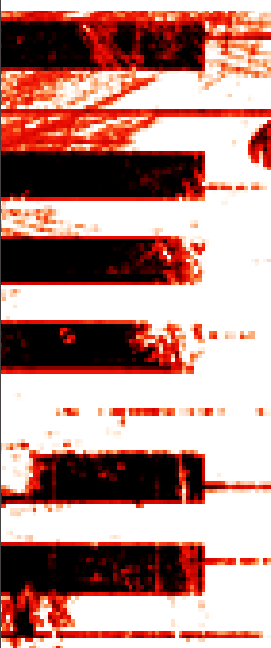


# Sound Policies

As one of the leading insurers in Pakistan operating for 60 years, we believe in harmonious relationships with our clientele and stockholders. We have seen growth of 20% in Gross Premium Income and a jump of 25% in our underwriting profit. There is a growth of 47% in Investment Income and 11% in Earnings per Share. Cash dividend for the year is 80%.



“The very essence of leadership is that you have to have vision. You can't blow an uncertain trumpet.” *Theodore Hesburgh*

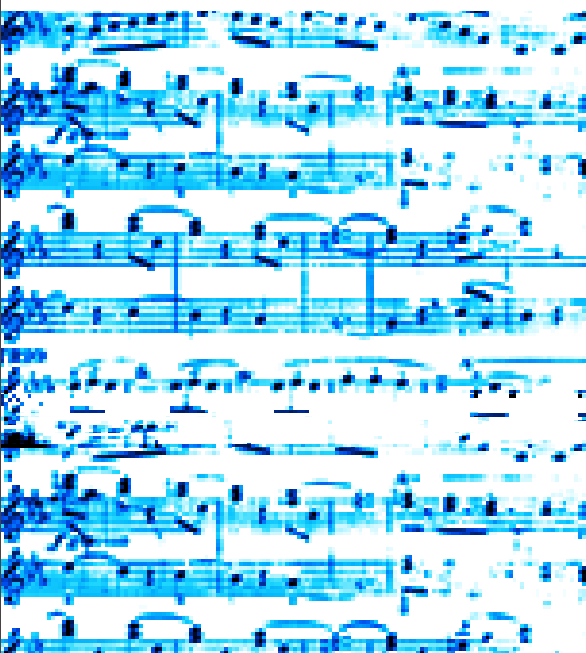




# Trust is key

The financial soundness of IGI has been a key to attain and retain a loyal customer base. As your insurance company, IGI Insurance stays in tune with the national and global insurance systems, procedures and practices with a view to continuously improve our efficiency and quality of service as well as our profitability.

“Enthusiasm is everything. It must be taut and vibrating like a guitar string.” *Pele*







# Diversity by design

The requirements of our stakeholders always resonate with IGI Insurance. Our products are constantly fine tuned to meet and exceed our customers' expectations. We serve both individual and corporate customers.

"If a man does not keep pace with his companions, perhaps it is because he hears a different drummer. Let him step to the music which he hears, however measured or far away."

*Henry David Thoreau*





# Vision

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

# Mission

**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 employer of choice.

**COMMUNITY:** Compliance with the highest ethical and moral standards.







# Core Values

## **Professionalism**

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

## **Integrity**

In conducting business we are inspired by and comply with the principles of honesty, fairness and transparency.

## **Customer Service**

Provide value added Customer Service both to external and internal customers.

## **Commitment to Growth**

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

## **Commitement to Excellence**

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





# Company information

## Board of Directors

Syed Babar Ali (Chairman)  
Shamim Ahmad Khan  
Syed Yawar Ali  
Syed Shahid Ali  
Syed Hyder Ali  
Faryal Jooma  
Osman Khalid Waheed  
Tahir Masaud

## Chief Executive Officer (CEO)

Tahir Masaud

## Chief Financial Officer (CFO)

Abdul Haseeb  
(Subsequent to the year end  
Syed Awais Amjad was appointed as the CFO)

## Company Secretary (CS)

Adil Ali Abbasi  
(Subsequent to the year end  
Yasir Ali Quraishi was appointed as the CS)

## Chief Technical Officer (CTO)

Faisal Khan

## Head of Underwriting

Jamshaid Hussain

## Audit Committee

Shamim Ahmad Khan (Chairman)  
Syed Yawar Ali  
Syed Hyder Ali  
Faryal Jooma  
Sarwar Khan (Secretary)  
(Subsequent to the year end  
Shahzeeb Haider was appointed as Secretary)

## Investment Committee

Syed Hyder Ali (Chairman)  
Shamim Ahmad Khan  
Syed Yawar Ali  
Osman Khalid Waheed  
Tahir Masaud  
Sajjad Iftikhar  
Abdul Haseeb (Secretary)  
(Subsequent to the year end  
Syed Awais Amjad was appointed as Secretary)

## Claims Committee

Shamim Ahmad Khan (Chairman)  
Tahir Masaud  
Syed Awais Amjad  
Asad Ali Siddiqui  
Kashif Qayyum  
Zahid Mehmood (Secretary)

## Underwriting Committee

Syed Hyder Ali (Chairman)  
Tahir Masaud  
Faisal Khan  
Haider Ali  
Jamshaid Hussain (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  
Faryal Jooma  
Tahir Masaud  
Kaifee Siddiqui (Secretary)

## Bankers

Allied Bank Limited  
Bank Al Habib Limited  
Bank Islami Pakistan Limited  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank  
JS Bank Limited  
MCB Bank Limited  
National Bank of Pakistan Limited  
NIB Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
United Bank Limited

## 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

## 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](http://www.igiinsurance.com.pk)

## Contact

UAN: 111-308-308  
Toll Free No. 0800-2-3434  
Fax: 92-21-35301706







# 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.

All employees 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.

Employees of IGI 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 the employees at IGI that 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 physical and intangible assets any third party assets in custody with an employee



# 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; and
- 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. 469 Mn was paid on account of income tax and other levies.
- IGI contributed Rs. 21 Mn 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's share was Rs. 9.3 Mn.

## ENVIRONMENTAL SUSTAINABILITY

Pollution reduction and waste management measures have been defined and are implemented 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 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 at IGI 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 towards employee training & education was around Rs. 2.7 Mn.
- Average training hours per employee for the year were 22 hours.
- There have been zero accidents / injury at the workplace.
- Health Awareness Sessions were 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 ensures 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 and transparency.



**Syed Babar Ali**  
(Chairman) 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 Pak Pakistan Limited, Ali Institute of Education, Babar Ali Foundation, Gurmani Foundation, Industrial Technical & Educational Institute, National Management Foundation, Syed Maratib Ali Religious and Charitable Trust Society.

#### PRO CHANCELLOR

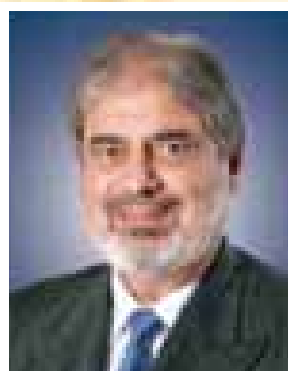
Lahore University of Management Sciences (LUMS).



**Shamim Ahmad Khan**  
Director since 2000

#### Other Engagements

IGI Life Insurance Limited, Attock Refinery Ltd, Abbott Laboratories Pakistan Limited, Packages Limited, Karandaaz (Pvt) Limited, Sustainable Development Policy Institute-(Member of Board Governors).



**Syed Yawar Ali**  
Director since 1999

#### Other Engagements

IGI Life Insurance Limited, Nestle Pakistan Limited, Amjad & Afzal Foundation (NGO), Pakistan Dairy Association, Wazir Ali Industries Ltd, HY Enterprises (Pvt.) Limited, Pakistan International Airline, Dairy & Rural Development Foundation (NGO), Zarai Taraqati Bank Limited.



**Syed Shahid Ali**  
Director since 1980

#### Other Engagements

Packages Limited, Treet Corporation Limited, Treet Power Limited, Loads Limited, Treet Holdings Limited, Specialized Motorcycle (Pvt.) Limited, Specialized Autoparts Industries (Pvt.) Limited, Multiple Autoparts Industries (Pvt.) Limited, Treet Assets (Pvt.) Limited, First Treet Manufacturing Modaraba, Global Arts Limited.



**Syed Hyder Ali**  
Director since 1989

**Other Engagements**

IGI Life Insurance Limited, Bulleh Shah Packaging (Pvt.) Limited, Flexible Packages Convertors (Pty) Limited, Nestle Pakistan Limited, Packages Limited, Packages Lanka (Pvt.) Limited, Packages Construction (Pvt.) Limited, Sanofi-Aventis Pakistan Limited, Tetra Pak Pakistan Limited, Tri-Pack Films Limited, International Steel Limited, Babar Ali Foundation, National Management Foundation, Pakistan Centre for Philanthropy, KSB Pumps Company Limited, Syed Maratib Ali Religious & Charitable Trust Society, World Wide Fund for Nature-Pakistan(WWF-Pakistan).

**MEMBER & TRUSTEE**

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



**Faryal Jooma**  
Director since 2015

**Other Engagements**

Jooma Law Associates  
Haidermota & Co.



**Osman Khalid Waheed**  
Director since 2015

**Other Engagements**

Ferozsons Laboratories Limited, BF Biosciences Limited, Murree Brewery Co. Ltd, Nestle Pakistan Limited, Lahore University of Management Science (LUMS), Lahore Biennale Foundation, DGS (Pvt) Limited, Pakistan Centre for Philanthropy, Lahore.



**Tahir Masaud**  
Chief Executive since 2014

**Other Engagements**

Systems Limited.

# Key Financial Data (Ten years at a Glance)

|   | 2016               | 2015        | 2014       | 2013       | 2012       | 2011       | 2010       | 2009       | 2008       | 2007       |
|---|--------------------|-------------|------------|------------|------------|------------|------------|------------|------------|------------|
|   | Rupees in thousand |             |            |            |            |            |            |            |            |            |
| GROSS PREMIUM                           | 2,820,043          | 2,343,705   | 2,139,673  | 2,035,289  | 1,846,856  | 1,747,015  | 1,296,765  | 1,151,797  | 1,035,218  | 1,060,836  |
| BALANCE SHEET                           |                    |             |            |            |            |            |            |            |            |            |
| Paid up capital                         | 1,226,895          | 1,226,895   | 1,226,895  | 1,115,359  | 1,115,359  | 1,115,359  | 718,427    | 598,689    | 598,689    | 319,301    |
| General & capital reserves              | 7,366,574          | 8,102,711   | 8,470,780  | 8,749,620  | 8,972,692  | 9,530,371  | 10,264,964 | 10,534,374 | 10,624,177 | 8,103,740  |
| Shareholders equity                     | 13,612,551         | 12,260,735  | 11,579,146 | 10,928,233 | 10,673,722 | 11,179,366 | 11,575,854 | 10,960,813 | 10,846,519 | 11,271,456 |
| Investments-at book value               | 15,658,683         | 12,325,078  | 12,196,544 | 11,252,448 | 11,246,453 | 11,517,573 | 11,905,802 | 11,235,758 | 11,709,948 | 12,404,727 |
| Investments-at market value             | 72,865,651         | 54,774,293  | 57,483,450 | 41,428,682 | 25,732,615 | 18,578,665 | 14,367,621 | 9,393,620  | 8,964,435  | 16,647,641 |
| Fixed assets                            | 262,298            | 220,743     | 240,178    | 222,085    | 163,797    | 165,115    | 270,822    | 282,545    | 302,531    | 309,283    |
| Total assets-at book value              | 19,449,039         | 14,650,626  | 14,490,090 | 13,227,423 | 12,942,307 | 13,470,805 | 12,960,451 | 12,366,066 | 13,200,639 | 14,099,555 |
| Underwriting provisions                 | 1,990,067          | 1,464,778   | 1,361,433  | 1,278,317  | 1,207,028  | 1,363,873  | 701,366    | 699,522    | 801,975    | 915,454    |
| PROFIT AND LOSS ACCOUNT                 |                    |             |            |            |            |            |            |            |            |            |
| Underwriting profit                     | 323,137            | 256,411     | 208,195    | 104,616    | 232,399    | 207,782    | 205,095    | 253,103    | 193,166    | 160,102    |
| Investment income                       | 2,128,713          | 1,445,480   | 940,878    | 691,351    | 559,231    | 378,402    | 937,663    | (380,793)  | (157,476)  | 3,021,533  |
| Profit before tax                       | 2,067,126          | 1,531,753   | 942,101    | 555,232    | 613,856    | 440,385    | 995,369    | (322,655)  | (404,103)  | 2,983,516  |
| Income tax                              | 633,251            | 238,707     | 119,300    | 74,165     | 11,326     | 6,929      | 84,215     | 100,800    | (27,061)   | 53,938     |
| Profit after tax                        | 1,433,875          | 1,293,046   | 822,801    | 481,067    | 602,530    | 433,456    | 836,556    | 263,966    | (377,042)  | 2,929,578  |
| Cash flow summary                       |                    |             |            |            |            |            |            |            |            |            |
| Operating activities                    | (186,179)          | 34,479      | 232        | 155,276    | 177,039    | (18,106)   | 278,667    | 126,941    | (27,651)   | 2,306      |
| Investing activities                    | (1,048,288)        | 1,277,366   | (134,210)  | 667,840    | 268,042    | 266,935    | 175,741    | 768,554    | 367,307    | (160,701)  |
| Financing activities                    | 393,809            | (1,328,060) | 444,856    | (260,305)  | (616,604)  | (319,720)  | (369,442)  | (587,100)  | (153,632)  | (599,910)  |
| Cash & cash equivalents at the year end | (621,505)          | 219,154     | 235,369    | (75,509)   | (638,320)  | (466,797)  | (395,906)  | (480,872)  | (789,267)  | (975,291)  |

# Key Financial Data (Ten years at a Glance)

| 2016               | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--------------------|------|------|------|------|------|------|------|------|------|
| Rupees in thousand |      |      |      |      |      |      |      |      |      |

## INVESTMENT / MARKET RATIOS

|                                |           |           |           |           |           |          |          |          |          |           |
|--------------------------------|-----------|-----------|-----------|-----------|-----------|----------|----------|----------|----------|-----------|
| Earnings per share (Rs.)       | 11.69     | 10.54     | 6.71      | 4.31      | 5.40      | 3.89     | 11.64    | 4.41     | (6.30)   | 91.75     |
| Market value per share (Rs.)   | 307.89    | 236.57    | 270.58    | 164.38    | 96.28     | 44.00    | 97.00    | 87.89    | 115.27   | 420.00    |
| Break up value per share (Rs.) | 110.95    | 99.93     | 94.38     | 97.98     | 95.70     | 100.23   | 161.13   | 183.08   | 181.17   | 353.00    |
| Price earning ratio (Times)    | 26.33     | 22.45     | 40.35     | 38.11     | 17.82     | 11.32    | 8.33     | 19.93    | (18.30)  | 4.58      |
| Price to book ratio (Times)    | 2.78      | 2.37      | 2.87      | 1.68      | 1.01      | 0.44     | 0.60     | 0.48     | 0.64     | 1.19      |
| Dividend yield (%)             | 3.00      | 2.54      | 1.11      | 1.52      | 3.12      | 11.36    | 3.09     | 3.98     | 1.30     | 0.95      |
| Dividend payout (%)            | 68.45     | 56.93     | 44.73     | 57.96     | 55.53     | 1,060.48 | 25.76    | 79.38    | (23.82)  | 4.36      |
| Dividend cover (Times)         | 1.46      | 1.76      | 2.24      | 1.73      | 1.80      | 0.78     | 3.88     | 1.26     | (4.20)   | 22.94     |
| Investment yield (%)           | 3.00      | 2.64      | 1.64      | 1.67      | 2.17      | 2.04     | 6.53     | (4.05)   | (1.76)   | 18.15     |
| Market capitalization (Rs. M)  | 37,774.87 | 29,024.66 | 33,197.32 | 18,334.27 | 10,738.68 | 4,907.58 | 6,968.74 | 5,261.88 | 6,901.09 | 13,410.64 |
| Cash dividend per share (Rs.)  | 8.00      | 6.00      | 3.00      | 2.50      | 3.00      | 5.00     | 3.00     | 3.50     | 1.50     | 4.00      |
| Cash dividend (%)              | 80.00     | 60.00     | 30.00     | 25.00     | 30.00     | 50.00    | 30.00    | 35.00    | 15.00    | 40.00     |
| Stock Dividend per share (Rs.) | -         | -         | -         | 1.00      | -         | 1.50     | 5.50     | -        | 5.00     | 2.50      |
| Stock dividend (%)             | -         | -         | -         | 10.00     | -         | 15.00    | 55.00    | -        | 50.00    | 25.00     |

## PROFITABILITY RATIOS

|  |       |       |       |       |        |       |        |         |         |        |
|--|-------|-------|-------|-------|--------|-------|--------|---------|---------|--------|
| Return on equity (%)                     | 15.19 | 12.49 | 8.14  | 5.08  | 5.75   | 3.94  | 8.60   | (2.94)  | (3.73)  | 26.47  |
| Return on assets (%)                     | 7.37  | 8.83  | 5.66  | 3.64  | 4.66   | 3.22  | 6.45   | 2.13    | (2.86)  | 20.78  |
| EBITDA to gross premium (Times)          | 0.77  | 0.69  | 0.50  | 0.49  | (0.19) | 0.08  | 0.79   | 0.46    | (0.15)  | 2.96   |
| Underwriting profit to gross premium (%) | 11.46 | 10.94 | 9.73  | 5.14  | 12.58  | 11.89 | 15.82  | 21.97   | 18.66   | 15.09  |
| Profit before tax to gross premium (%)   | 73.30 | 65.36 | 44.03 | 27.28 | 33.24  | 25.21 | 76.76  | (28.01) | (39.04) | 281.24 |
| Profit after tax to gross premium (%)    | 50.85 | 55.17 | 38.45 | 23.64 | 32.62  | 24.81 | 64.51  | 22.92   | (36.42) | 276.16 |
| Cost / income ratios (Times)             | 0.41  | 0.56  | 1.01  | 0.94  | 0.56   | 0.30  | (0.73) | (1.06)  | 0.10    |        |

## LIQUIDITY / PERFORMANCE RATIOS

|  |        |       |       |       |       |        |       |       |        |       |
|--|--------|-------|-------|-------|-------|--------|-------|-------|--------|-------|
| Equity / Total assets (%)                          | 69.99  | 83.69 | 79.69 | 82.62 | 82.47 | 82.99  | 89.32 | 88.64 | 82.17  | 79.94 |
| Financial leverage                                 | 0.20   | 0.01  | 0.07  | 0.03  | 0.06  | 0.05   | 0.03  | 0.05  | 0.13   | 0.14  |
| Paid up capital / Total assets (%)                 | 6.31   | 8.37  | 8.44  | 8.43  | 8.62  | 8.28   | 5.54  | 4.84  | 4.54   | 2.26  |
| Incurred loss ratio (%)                            | 50.54  | 52.27 | 56.84 | 71.87 | 62.08 | 62.24  | 50.56 | 41.83 | 44.41  | 57.34 |
| Total liabilities / Equity (Times)                 | 2.07   | 0.19  | 0.25  | 0.21  | 0.22  | 0.20   | 0.12  | 0.13  | 0.22   | 0.25  |
| Cash flow from operations to gross premium (Times) | (0.07) | 0.01  | 0.00  | 0.08  | 0.10  | (0.01) | 0.21  | 0.11  | (0.03) | 0.00  |
| Total assets turnover (Times)                      | 0.14   | 0.16  | 0.15  | 0.15  | 0.14  | 0.13   | 0.10  | 0.09  | 0.08   | 0.08  |
| Fixed assets turnover (Times)                      | 10.75  | 10.62 | 8.91  | 9.16  | 11.28 | 10.58  | 4.79  | 4.08  | 3.42   | 3.43  |

# Key Financial Data (for the year)

## PROFIT AND LOSS ACCOUNT

|                         | 2016               | 2015      |
|-------------------------|--------------------|-----------|
|                         | Rupees in thousand |           |
| Gross Written Premium   | 2,820,043          | 2,343,705 |
| Net Written Premium     | 1,499,439          | 1,195,375 |
| Net Premium Revenue     | 1,380,740          | 1,121,949 |
| Claims Incurred         | 1,546,877          | 1,077,525 |
| Net Claims Expenses     | 697,866            | 586,425   |
| Direct Expenses         | 408,633            | 369,515   |
| Commission Income       | 311,222            | 287,029   |
| Commission Expense      | 262,327            | 196,627   |
| Underwriting Profit     | 323,137            | 256,411   |
| Investment Income       | 2,128,713          | 1,445,480 |
| Return on Bank Balances | 8,297              | 19,391    |
| Profit Before Tax       | 2,067,126          | 1,531,753 |
| Profit After Tax        | 1,433,875          | 1,293,046 |

## TECHNICAL RESERVES COVER

|               |           |           |
|---------------|-----------|-----------|
| Fire          | 678,286   | 549,205   |
| Marine        | 152,146   | 165,301   |
| Motor         | 475,503   | 407,666   |
| Health        | 141,452   | 84,744    |
| Miscellaneous | 542,680   | 257,862   |
| Total         | 1,990,067 | 1,464,778 |

## CORPORATE ASSETS

|   |            |            |
|---|------------|------------|
| Investment Property                       | 171,147    | 190,569    |
| Investment in Fixed Assets                | 264,465    | 220,743    |
| Investment in subsidiary                  | 1,275,964  | 858,831    |
| Equity Investment in Associated Companies | 6,430,337  | 3,873,031  |
| Other Investments                         | 7,952,382  | 7,593,216  |
| Total Investments                         | 15,658,683 | 12,325,078 |
| Total Investments at Realizable Value     | 72,865,651 | 54,774,293 |

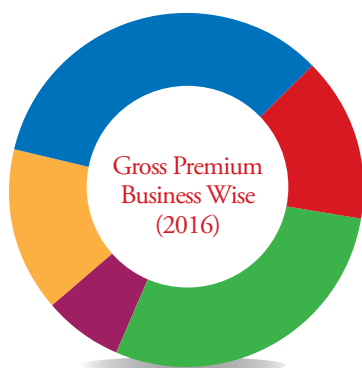
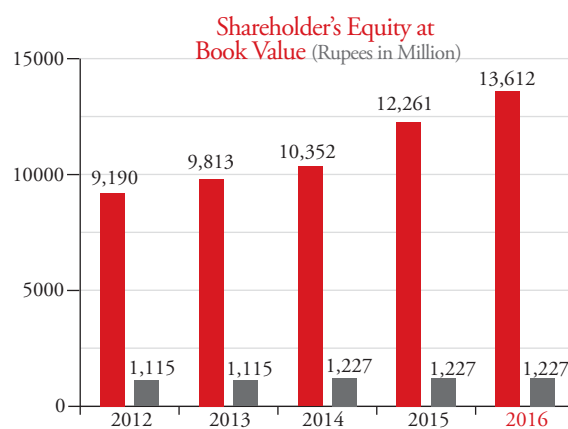
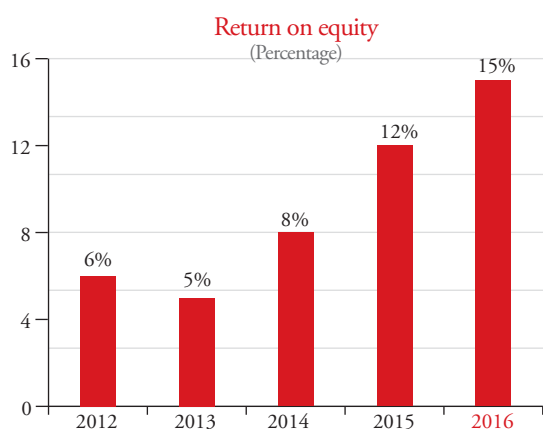
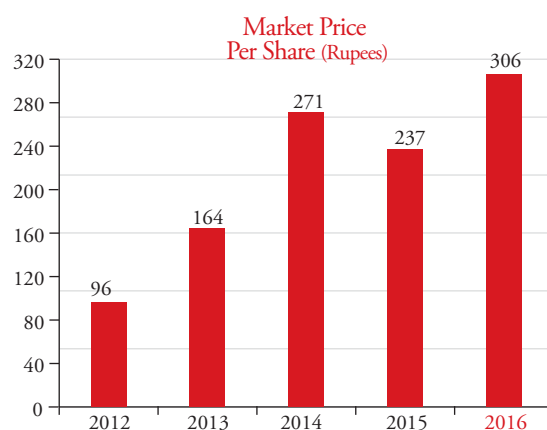
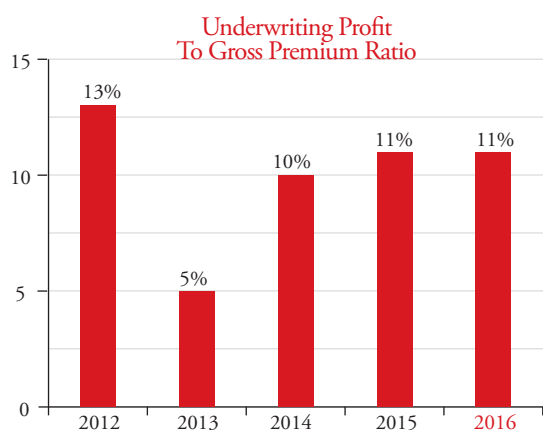
## NUMBER OF EMPLOYEES

|                          |     |     |
|--------------------------|-----|-----|
| Karachi Corporate Office | 58  | 59  |
| Lahore                   | 55  | 38  |
| Islamabad                | 15  | 13  |
| Faisalabad               | 7   | 4   |
| Multan                   | 4   | 3   |
| Sialkot                  | 4   | 3   |
| Gujranwala               | 3   | 2   |
| Peshawar                 | 2   | -   |
| Total                    | 148 | 122 |

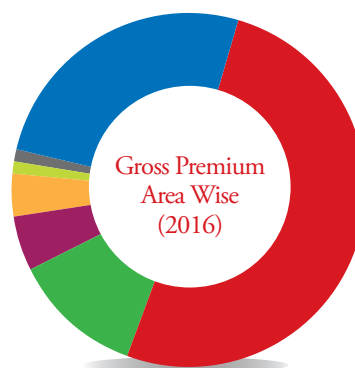
|  | 2016 |        |       |        |      | 2015 |        |       |        |      |
|--|------|--------|-------|--------|------|------|--------|-------|--------|------|
|  | Fire | Marine | Motor | Health | Misc | Fire | Marine | Motor | Health | Misc |
| Net Premium to Gross Premium             | 10%  | 48%    | 93%   | 81%    | 37%  | 10%  | 46%    | 91%   | 92%    | 38%  |
| Loss Ratio                               | 46%  | 31%    | 51%   | 89%    | 39%  | 72%  | 43%    | 51%   | 78%    | 37%  |
| Expense Ratio                            | 44%  | 0%     | 28%   | 23%    | 42%  | 29%  | -3%    | 30%   | 25%    | 38%  |
| Reserves to Net Premium                  | 723% | 76%    | 62%   | 89%    | 344% | 682% | 92%    | 65%   | 79%    | 210% |
| Policy Acquisition Cost to Gross Premium | 23%  | 23%    | 26%   | 19%    | 25%  | 22%  | 22%    | 27%   | 23%    | 25%  |



# Key Financial Data



|        |     |
|--------|-----|
| Fire   | 34% |
| Marine | 15% |
| Motor  | 29% |
| Health | 7%  |
| Misc   | 15% |



|            |     |            |    |
|------------|-----|------------|----|
| Karachi    | 26% | Multan     | 4% |
| Lahore     | 51% | Sialkot    | 1% |
| Islamabad  | 12% | Gujranwala | 1% |
| Faisalabad | 5%  | Peshawar   | 0% |

# Horizontal Analysis

As at December 31, 2017

|  | 2011       | 2012   | 2013     | 2014     | 2015     | 2016     |
|--|------------|--------|----------|----------|----------|----------|
|  | Percentage |        |          |          |          |          |
| Cash and bank deposits                                   | 100        | 3.05   | 330.10   | 406.62   | 473.67   | 937.23   |
| Investments  | 100        | 96.76  | 96.81    | 104.93   | 106.04   | 134.72   |
| Investment property                                      | 100        | 93.41  | 19.13    | 140.06   | 209.57   | 188.21   |
| Deferred tax   | 100        | 100.00 | 100.00   | -        | -        | 100.00   |
| Premiums due but unpaid - unsecured                      | 100        | 85.26  | 83.96    | 118.77   | 120.36   | 177.90   |
| Amounts due from other insurers / reinsurers - unsecured | 100        | 109.20 | 108.36   | 117.75   | 99.92    | 88.11    |
| Accrued investment income                                | 100        | 83.41  | 271.02   | 395.33   | 104.48   | 106.15   |
| Reinsurance recoveries against outstanding claims        | 100        | 69.97  | 64.73    | 63.54    | 74.06    | 122.80   |
| Prepaid reinsurance premium ceded                        | 100        | 108.20 | 119.31   | 119.77   | 129.01   | 162.28   |
| Prepayments- Others                                      | 100        | 109.99 | 146.98   | 152.09   | 156.82   | 161.41   |
| Taxation - payments less provision                       | 100        | 107.43 | 123.91   | 130.45   | 2.46     | 350.38   |
| Sundry receivables                                       | 100        | 42.27  | 50.91    | 66.24    | 101.47   | 305.88   |
| Fixed assets   | 100        | 100.69 | 139.71   | 151.90   | 140.97   | 168.93   |
| Capital work in progress                                 | -          | -      | -        | -        | -        | 100.00   |
| Intangible   | 100        | 75.69  | 52.32    | 43.91    | 18.86    | 1,678.44 |
| Total Assets   | 100        | 95.30  | 97.40    | 106.69   | 107.88   | 143.21   |
| Issued, subscribed and paid up share capital             | 100        | 100    | 100      | 110.00   | 110.00   | 110.00   |
| Proposed shares to be issued on amalgamation             | -          | -      | -        | -        | -        | 100.00   |
| (Accumulated losses) / Unappropriated profits            | 100        | 91.20  | 165.57   | 292.99   | 456.44   | 717.48   |
| Reserves   | 100        | 94.15  | 91.81    | 89       | 85       | 77.30    |
| Provision for outstanding claims [including IBNR]        | 100        | 74.47  | 79.63    | 88.06    |          | 129.92   |
| Provision for unearned premium                           | 100        | 105.26 | 110.53   | 113.68   | 130.75   | 166.66   |
| Premium deficiency reserve                               | -          | -      | 100.00   | (100.00) | -        | -        |
| Commission income unearned                               | 100        | 98.27  | 103.79   | 109.63   | 113.75   | 142.94   |
| Deferred tax   | 100        | -      | -        | 6.89     | 9.68     | -        |
| Premiums received in advance                             | 100        | 16.93  | 42.02    | 9.72     | 9.72     | 9.78     |
| Amounts due to other insurers / reinsurers               | 100        | 94.54  | 177.21   | 210.86   | 186.25   | 212.10   |
| Accrued expenses   | 100        | 121.32 | 177.40   | 205.03   | 187.49   | 368.82   |
| Sundry creditors   | 100        | 139.41 | 211.60   | 236.66   | 257.22   | 430.64   |
| Current position of long term liabilities                |            |        |          |          |          | 100.00   |
| Long term finance  | 100        | -      | -        | -        | -        | 100.00   |
| Short term finance                                       | 100        | 117.70 | 60.88    | 14.67    | 27.19    | 247.65   |
| Unclaimed dividend                                       | 100        | 110.20 | 136.59   | 133.89   | 215.73   | 217.65   |
| Liabilities against assets subject to finance lease      |            |        |          |          |          | 100.00   |
| Total Shareholders' Equity and Liabilities               | 100        | 95.30  | 97.40    | 106.69   | 107.88   | 143.21   |
| <b>Profit and Loss Account</b>                           |            |        |          |          |          |          |
| Net premium revenue                                      | 100        | 110.27 | 125.13   | 122.60   | 131.63   | 162.00   |
| Net claims   | 100        | 109.98 | 144.49   | 112.07   | 110.54   | 131.54   |
| Premium deficiency reserve                               | -          | -      | 100.00   | (100.00) | -        | -        |
| Expenses   | 100        | 149.97 | 158.55   | 185.51   | 204.09   | 225.69   |
| Net commission   | 100        | 219.28 | 136.80   | 139.69   | 134.86   | 72.94    |
| Investment income  | 100        | 81.66  | 140.37   | 191.03   | 293.48   | 432.20   |
| Other income   | 100        | 131.91 | 149.98   | 217.86   | 119.06   | 140.45   |
| Financial charges  | 100        | 144.24 | 99.84    | 181.40   | 62.23    | 265.41   |
| General and administration expenses                      | 100        | 116.88 | 182.66   | 144.43   | 135.52   | 239.23   |
| Profit before tax  | 100        | 81.44  | 100.13   | 169.90   | 276.24   | 372.79   |
| Taxation   | 100        | 160.60 | 1,070.36 | 1,721.75 | 3,445.04 | 9,139.14 |
| Profit after tax   | 100        | 80.44  | 87.85    | 150.26   | 236.14   | 261.86   |

# Vertical Analysis

As at December 31, 2017

## BALANCE SHEET ITEMS

|  | 2016       | 2015   | 2014   | 2013   | 2012   | 2011   |
|--|------------|--------|--------|--------|--------|--------|
|  | Percentage |        |        |        |        |        |
| Cash and bank deposits                                   | 3.7%       | 2.5%   | 2.2%   | 1.9%   | 0.0%   | 0.0%   |
| Investments  | 80.5%      | 84.1%  | 84.2%  | 85.1%  | 86.9%  | 91.9%  |
| Investment property                                      | 0.9%       | 1.3%   | 0.9%   | 0.1%   | 0.7%   | 0.7%   |
| Deferred tax   | 0.0%       | 0.0%   | 0.0%   | 0.1%   | 0.1%   | 0.0%   |
| Premiums due but unpaid - unsecured                      | 2.1%       | 1.9%   | 1.9%   | 1.5%   | 1.5%   | 1.0%   |
| Amounts due from other insurers / reinsurers - unsecured | 1.8%       | 2.7%   | 3.3%   | 3.3%   | 3.4%   | 1.6%   |
| Accrued investment income                                | 0.0%       | 0.1%   | 0.2%   | 0.1%   | 0.0%   | 0.1%   |
| Reinsurance recoveries against outstanding claims        | 3.3%       | 2.7%   | 2.3%   | 2.6%   | 2.9%   | 0.7%   |
| Prepaid reinsurance premium ceded                        | 2.2%       | 2.3%   | 2.1%   | 2.3%   | 2.2%   | 1.1%   |
| Others   | 0.1%       | 0.1%   | 0.1%   | 0.1%   | 0.1%   | 0.1%   |
| Taxation - payments less provision                       | 1.3%       | 0.0%   | 0.7%   | 0.7%   | 0.6%   | 0.6%   |
| Sundry receivables                                       | 1.7%       | 0.8%   | 0.5%   | 0.4%   | 0.4%   | 0.8%   |
| Fixed assets   | 1.3%       | 1.5%   | 1.6%   | 1.6%   | 1.2%   | 1.3%   |
| Capital work in progress                                 | 0.0%       | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   |
| Intangible   | 0.8%       | 0.0%   | 0.0%   | 0.0%   | 0.1%   | 0.1%   |
| Total Assets   | 100.0%     | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

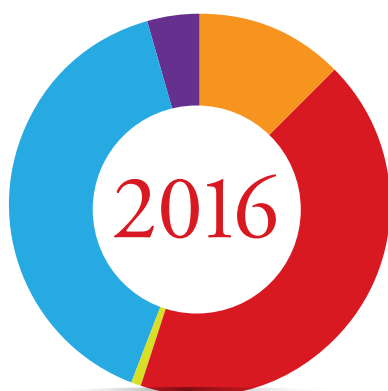
|   |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|
| Issued, subscribed and paid up share capital        | 6.3%   | 8.4%   | 8.5%   | 8.4%   | 8.6%   | 5.5%   |
| Proposed shares to be issued on amalgamation        | 2.1%   | -      | -      | -      | -      | -      |
| (Accumulated losses) / Unappropriated profits       | 23.7%  | 20.0%  | 13.0%  | 8.0%   | 4.5%   | 4.6%   |
| Reserves  | 37.9%  | 55.3%  | 58.5%  | 66.1%  | 69.3%  | 79.2%  |
| Provision for outstanding claims [including IBNR]   | 4.9%   | 4.4%   | 4.4%   | 4.4%   | 4.2%   | 1.8%   |
| Provision for unearned premium                      | 4.9%   | 5.1%   | 4.5%   | 4.8%   | 4.6%   | 3.3%   |
| Premium deficiency reserve                          | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   |
| Commission income unearned                          | 0.5%   | 0.5%   | 0.5%   | 0.5%   | 0.5%   | 0.4%   |
| Deferred tax  | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.5%   |
| Premiums received in advance                        | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   |
| Amounts due to other insurers / reinsurers          | 1.8%   | 2.1%   | 2.4%   | 2.2%   | 1.2%   | 0.6%   |
| Accrued expenses                                    | 1.1%   | 0.7%   | 0.8%   | 0.8%   | 0.5%   | 0.3%   |
| Taxation - payments less provision                  | 0.9%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   |
| Sundry creditors                                    | 3.0%   | 2.4%   | 2.2%   | 2.1%   | 1.4%   | 0.7%   |
| Current position of long term liabilities           | 0.4%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   |
| Long term finance                                   | 6.3%   | 0.0%   | 4.7%   | 0.0%   | 0.0%   | 0.0%   |
| Short term finance                                  | 6.9%   | 1.0%   | 0.6%   | 2.5%   | 5.0%   | 3.1%   |
| Unclaimed dividend                                  | 0.1%   | 0.1%   | 0.1%   | 0.1%   | 0.1%   | 0.0%   |
| Liabilities against assets subject to finance lease | 0.2%   | 0.0%   | 0.0%   | 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

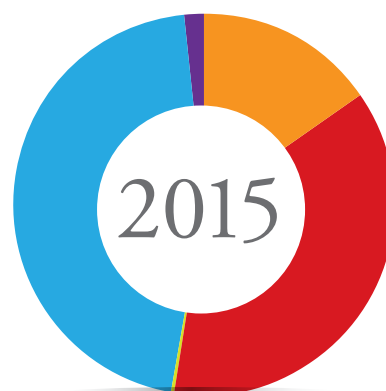
|                                     |          |          |         |         |          |          |
|-------------------------------------|----------|----------|---------|---------|----------|----------|
| Net premium revenue                 | 100.0%   | 100.0%   | 100.0%  | 100.0%  | 100.0%   | 100.0%   |
| Net claims                          | (50.5%)  | (52.3%)  | (56.9%) | (71.9%) | (62.1%)  | (50.6%)  |
| Premium deficiency reserve          | 0.0%     | 0.0%     | 0.0%    | 0.0%    | 0.0%     | 0.0%     |
| Expenses                            | (29.6%)  | (32.9%)  | (32.1%) | (26.9%) | (28.9%)  | (25.8%)  |
| Net commission                      | 3.5%     | 8.1%     | 9.0%    | 8.6%    | 15.6%    | 4.8%     |
| Investment income                   | 154.2%   | 128.8%   | 90.0%   | 64.8%   | 42.8%    | 128.9%   |
| Other income                        | 2.6%     | 2.7%     | 5.3%    | 3.6%    | 3.6%     | 3.9%     |
| Financial charges                   | (7.9%)   | (2.3%)   | (7.1%)  | (3.8%)  | (6.3%)   | (9.2%)   |
| General and administration expenses | (22.6%)  | (15.7%)  | (18.0%) | (22.3%) | (16.7%)  | (15.1%)  |
| Taxation                            | (45.9%)  | (21.3%)  | (11.4%) | (7.0%)  | (1.2%)   | (11.7%)  |
| (Profit) / loss after tax           | (103.8%) | (115.2%) | (78.7%) | (45.1%) | (46.9%)  | (116.1%) |
|                                     | 100.0%   | 100.1%   | 100.0%  | 100.0%  | (100.0%) | 100.0%   |

# Statement of Value Addition

|  | 2016             | 2015        |
|--|------------------|-------------|
|  | (Rupees in '000) |             |
| Gross Premium(including FED and FIF)   | 3,244,518        | 2,708,197   |
| <b>Add:</b>  |                  |             |
| Commission income from reinsurers  | 311,222          | 287,029     |
| Rental income  | 21,507           | 6,722       |
| Income from investment   | 2,152,285        | 1,474,510   |
| Other income   | 6,040            | 4,272       |
|  | 2,491,054        | 1,772,533   |
|  | 5,735,572        | 4,480,730   |
| Less: Claims, commission, management and other expenses<br>(excluding remuneration to employees, donations<br>& depreciation/ amortization expenses) | (2,738,315)      | (2,257,003) |
| Total value added  | 2,997,257        | 2,223,727   |
| <b>DISTRIBUTED AS FOLLOWS</b>  |                  |             |
| Employee remuneration  | 315,123          | 248,703     |
| <b>Government as:</b>  |                  |             |
| Company taxation   | 641,040          | 239,146     |
| Levies( including FIF and FED)   | 424,475          | 364,493     |
| To society:  | 20,666           | 1,579       |
| <b>To shareholders:</b>  |                  |             |
| Dividend   | 992,213          | 736,137     |
| <b>Retained in Business:</b>   |                  |             |
| Depreciation   | 56,348           | 49,285      |
| Net earnings   | 449,399          | 558,900     |
| Financial Charges  | 108,690          | 25,485      |
| Total  | 2,997,257        | 2,223,727   |



|                        |               |
|------------------------|---------------|
| Employee Remuneration  | Rs. 315,123   |
| National Exchequer     | Rs. 1,065,515 |
| To Society as Donation | Rs. 20,666    |
| To Shareholders        | Rs. 992,213   |
| Financial Charges      | Rs. 108,690   |



|                        |             |
|------------------------|-------------|
| Employee Remuneration  | Rs. 248,703 |
| National Exchequer     | Rs. 603,639 |
| To Society as Donation | Rs. 1,579   |
| To Shareholders        | Rs. 736,137 |
| Financial Charges      | Rs. 25,485  |

# Board Committees

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

- Audit Committee
- Human Resources and Compensation Committee
- Underwriting Committee
- Claims Committee
- Re-insurance & Co-insurance Committee
- Investment 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.

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. Faryal Jooma (Independent Director)
5. Sarwar Khan (Secretary to the Committee)  
(Subsequent to the year end Shahzeb Haider was appointed as Secretary)

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.

# Board Committees

## Human Resources & Compensation Committees

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.

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. Faryal Jooma (Independent Director)
5. Tahir Masaud (Chief Executive Officer)
6. Kaiffee Siddiqui (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;
- 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 benefits;
- 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.

The names of current members are:

1. Syed Hyder Ali (Non-Executive Director and Chairman)
2. Tahir Masaud (Chief Executive Officer)
3. Faisal Khan (Chief Technical Officer)
4. Haider Ali (DGM-Underwriting)
5. Jamshaid Hussain (Head of 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.

The names of current members are:

1. Shamim Ahmad Khan (Non-Executive Director and Chairman)
2. Tahir Masaud (Chief Executive Officer)

3. Zahid Mehmood (Head of Claims Fire & Marine)
4. Abdul Haseeb (Chief Financial Officer)  
(Subsequent to the year end Syed Awais Amjad was appointed as the CFO)
5. Asad Ali Siddiqui (Assistant General Manager, Claims)
6. Zahid Mehmood (Head of Claims Fire & Marine and Secretary to the Committee)

The Terms of Reference of the Committee are as follows:

- 1) To review the quarterly performance of Claims settlement;
  - i) To analyze the class wise aging of outstanding claims;
  - ii) To monitor class wise claims trend; and
  - iii) 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.

The names of current members are:

1. Syed Hyder Ali (Non-Executive Director and Chairman)
2. Tahir Masaud (Chief Executive Officer)
3. Faisal Khan (Chief Technical Officer 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 program for future reference.

#### **Investment Committee**

The Committee shall meet at least four times a year.

The names of current members are:

1. Syed Hyder Ali (Non-Executive Director and Chairman)
2. Shamim Ahmad Khan (Non-Executive Director)
3. Syed Yawar Ali (Non-Executive Director)
4. Osman Khalid Waheed (Independent Director)
5. Tahir Masaud (Chief Executive Officer)
6. Sajjad Ifikhar (Group Chief Investment Officer)
7. Abdul Haseeb (CFO and Secretary to the Committee)  
(Subsequent to the year end Syed Awais Amjad was appointed as Secretary)

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.

# Shareholder 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](http://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 # 92-21-32420755  
Fax# 92-21-32426752

## Listing on Stock Exchanges

IGI equity shares are listed on Pakistan Stock Exchange (PSX).

## Listing Fees

The annual listing fee and SECP supervisory fee for the financial year 2016-2017 has been paid to the stock exchange within the prescribed time limit.

## Stock Code

The stock code for dealing in equity shares of IGI at PSX is IGIL.

## Investor Service Centre

IGIL shares department is operated by FAMCO Associates (Pvt.) Ltd. Registrar Services. It also functions as an Investor Service Centre and has been servicing nearly 1,698 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 Registrar function. The team is headed by Mr. Owais Khan at Registrar Office and Mr. Yasir Ali Quraishi, Company Secretary at IGI Registered Office.

IGIL's shares department has online connectivity with Central Depository Company of Pakistan Limited (CDC). The shares 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. Yasir Ali Quraishi  
Phone: 111-234-234  
Email: [yasir.quraishi@igi.com.pk](mailto:yasir.quraishi@igi.com.pk)

Mr. Salman Rauf  
Tel#:(9221) -34380107  
(9221) -34380101-5



### 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<br>received through post | Over the counter      |
|--|--------------------------------------|-----------------------|
| Transfer of shares                     | 15 days after receipt                | 15 days after receipt |
| Transmission of shares                 | 15 days after receipt                | 15 days after receipt |
| Issue of duplicate share certificates  | 30 days after receipt                | 30 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 laws and provisions, filed all returns/ forms and furnished all the relevant information as required under the Companies Ordinance 1984 (Repealed), now Companies Act 2017 and allied laws and rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing Regulations of Pakistan Stock Exchange.

### Dematerialization of Shares

The equity shares of the Company are under the compulsory dematerialize category. As at December 31, 2016, 30.97% 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 80% (Rs.8/- per share), subject to approval by the shareholders of the Company at the Annual General Meeting (AGM).

### Book Closure Dates

The register of Members and share transfer books of the Company will remain closed from February 23, 2018 to March 02, 2018 both days inclusive.

### Dividend Remittance

Dividend declared and approved at the Annual General Meeting will be paid on or after March 02, 2018, but within the statutory time limit of 14 days as per the new Company Act 2017.

(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 vide 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-2015, whereby 15% and 20% 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 20% withholding tax deduction on dividend amount.

Those shareholders who did not provide their CNIC to the Company/Registrar to enable it to comply with directions issued by the Commission vide SRO 831 (1) 2012 dated July 5, 2012 read with SRO 19(1)2014 dated January 10, 2014.

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.igiinsurance.com.pk/investor-corner](http://www.igiinsurance.com.pk/investor-corner)

Zakat is also being deductible 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 (CZ-50) 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. This will assist the Company in clearing their unclaimed dividend account.

Under Section 250 of the Companies Ordinance, 1984 (Repealed), now section 242 of the new Companies Act 2017 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 (Repealed), now section 132 of the new Companies Act 2017, 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 or Nation wide.

Shareholders having a holding of at least 10% or more 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 it 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 at 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 the Company is "One Share-One Vote", voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by the poll is final, overruling any decision taken on a show of hands.

### Proxies

Pursuant to Section 161 of the Companies Ordinance, 1984 (Repealed), now section 137 of the new Companies Act 2017 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 and is entitled to appoint a proxy who need not be a member of the Company.

The instrument for appointing of 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 website, [www.igiinsurance.com.pk](http://www.igiinsurance.com.pk)

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

### Circulation of annual financial report through email

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. We have attached the request form in the Annual Report and also uploaded the same on our Company's websites [www.igiinsurance.com.pk/investor.html](http://www.igiinsurance.com.pk/investor.html). Members who want to avail this facility are requested to submit the request form dully filled to the Share Registrar.

## Categories of Shareholding

As at December 31, 2016

| S. No. | Shareholders Category   | No. of Shareholders | No. of Shares | Percentage |
|--------|---|---------------------|---------------|------------|
| 1      | Directors, Chief Executive Officer, and their Spouse(s) and minor children (to be confirm by Company) | 19                  | 38,953,091    | 31.75      |
| 2      | Associated Companies, Undertakings and Related Parties (to be confirm by Company)                     | 4                   | 38,506,598    | 31.39      |
| 3      | NIT and ICP   |                     |               |            |
| 4      | Banks, Development Financial Institutions, Non-Banking Financial Institutions                         | 7                   | 7,253,713     | 5.91       |
| 5      | Insurance Companies   | 7                   | 1,839,305     | 1.50       |
| 6      | Modarabas and Mutual Funds  | 9                   | 1,092,597     | 0.89       |
| 7      | Shareholders holding 10%  | 3                   | 61,259,168    | 49.93      |
| 8      | General Public :<br>a. local<br>b. Foreign  | 1,571               | 22,560,182    | 18.39      |
| 9      | Others  | 81                  | 12,484,046    | 10.18      |
|        | Total (excluding : shareholders holding 10%)  | 1,698               | 122,689,532   | 100.00     |

# Information as required

## *Under the Code of Corporate Governance-Categories of Shareholding*

As at December 31, 2016

|  | Number of<br>shareholders | Number of<br>shares held |
|--|---------------------------|--------------------------|
| <b>Associated Companies, Undertaking and Related Parties (name wise details)</b>   |                           |                          |
| BABAR ALI FOUNDATION   | 2                         | 4,630,539                |
| INDUSTRIAL TECHNICAL AND EDUCATIONAL INSTITUTE   | 1                         | 20,853,966               |
| PACKAGES LIMITED   | 1                         | 13,022,093               |
| <b>Mutual Funds (name wise details)</b>  |                           |                          |
| CDC - TRUSTEE AKD INDEX TRACKER FUND   | 1                         | 7,797                    |
| CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND   | 1                         | 1,000                    |
| CDC - TRUSTEE JS LARGE CAP. FUND   | 1                         | 110,000                  |
| CDC - TRUSTEE PICIC STOCK FUND   | 1                         | 15,000                   |
| CDC - TRUSTEE PIML ASSET ALLOCATION FUND   | 1                         | 20,000                   |
| CDC - TRUSTEE PIML VALUE EQUITY FUND   | 1                         | 15,000                   |
| CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND  | 1                         | 30,500                   |
| MC FSL - TRUSTEE JS GROWTH FUND  | 1                         | 793,300                  |
| CBFSL - TRUSTEE JS VALUE FUND  | 1                         | 100,000                  |
| <b>Directors and their spouse(s) and minor children (name wise details)</b>  |                           |                          |
| SYED BABAR ALI   | 2                         | 27,383,109               |
| SYED HYDER ALI   | 3                         | 6,447,629                |
| SYED SHAHID ALI  | 3                         | 1,159,844                |
| SYED YAWAR ALI   | 2                         | 1,249,996                |
| MRS. PERWIN BABAR ALI  | 3                         | 2,108,777                |
| MRS. AMINA HYDER ALI   | 1                         | 295,179                  |
| SYEDA NIGHAT ALI   | 1                         | 301,951                  |
| SHAMIM AHMAD KHAN  | 1                         | 6,306                    |
| FARYAL JOOMA   | 1                         | 100                      |
| OSMAN KHALID WAHEED  | 1                         | 100                      |
| TAHIR MASAUD   | 1                         | 100                      |
| <b>Executives</b>  |                           |                          |
| FAISAL KHAN  | 1                         | 204                      |
| M. NASIR IQBAL   | 2                         | 16                       |
| <b>Public Sector Companies and Corporations</b>  | 1                         | 1,214,475                |
| <b>Banks, Development Financial Institutions, Non-Banking Financial Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds</b> | 15                        | 8,515,819                |
| <b>Shareholder Holding five percent or more Voting Rights in the Listed Company (name-wise details)</b>  |                           |                          |
| INDUSTRIAL TECHNICAL AND EDUCATIONAL INSTITUTE   | 1                         | 20,853,966               |
| PACKAGES LIMITED   | 1                         | 13,022,093               |
| SYED BABAR ALI   | 2                         | 27,383,109               |
| SYED HYDER ALI   | 3                         | 6,447,629                |

# Distribution of Shareholding in CDC

As at December 31, 2016

| Shareholdings      |           |           |                              |
|--------------------|-----------|-----------|------------------------------|
| No. of Shareholder | From      | To        | Total Number of Shareholders |
| 253                | 1         | 100       | 8,346                        |
| 232                | 101       | 500       | 70,444                       |
| 116                | 501       | 1,000     | 93,805                       |
| 309                | 1,001     | 5,000     | 789,977                      |
| 119                | 5,001     | 10,000    | 904,918                      |
| 42                 | 10,001    | 15,000    | 544,785                      |
| 25                 | 15,001    | 20,000    | 450,200                      |
| 20                 | 20,001    | 25,000    | 458,924                      |
| 17                 | 25,001    | 30,000    | 478,101                      |
| 9                  | 30,001    | 35,000    | 287,850                      |
| 4                  | 35,001    | 40,000    | 148,463                      |
| 5                  | 40,001    | 45,000    | 213,520                      |
| 9                  | 45,001    | 50,000    | 432,399                      |
| 4                  | 50,001    | 55,000    | 213,039                      |
| 6                  | 55,001    | 60,000    | 350,046                      |
| 1                  | 60,001    | 65,000    | 62,000                       |
| 3                  | 65,001    | 70,000    | 205,664                      |
| 5                  | 70,001    | 75,000    | 361,713                      |
| 2                  | 90,001    | 95,000    | 181,100                      |
| 4                  | 95,001    | 100,000   | 399,400                      |
| 3                  | 100,001   | 105,000   | 309,072                      |
| 3                  | 105,001   | 110,000   | 325,131                      |
| 1                  | 115,001   | 120,000   | 118,468                      |
| 2                  | 120,001   | 125,000   | 248,022                      |
| 1                  | 125,001   | 130,000   | 127,100                      |
| 1                  | 135,001   | 140,000   | 136,840                      |
| 1                  | 155,001   | 160,000   | 158,830                      |
| 1                  | 160,001   | 165,000   | 164,852                      |
| 1                  | 165,001   | 170,000   | 165,600                      |
| 1                  | 170,001   | 175,000   | 175,000                      |
| 2                  | 195,001   | 200,000   | 395,600                      |
| 1                  | 215,001   | 220,000   | 220,000                      |
| 1                  | 235,001   | 240,000   | 237,000                      |
| 1                  | 250,001   | 255,000   | 252,799                      |
| 1                  | 280,001   | 285,000   | 283,266                      |
| 1                  | 295,001   | 300,000   | 300,000                      |
| 3                  | 300,001   | 305,000   | 907,897                      |
| 1                  | 305,001   | 310,000   | 307,500                      |
| 2                  | 320,001   | 325,000   | 645,565                      |
| 1                  | 360,001   | 365,000   | 364,000                      |
| 1                  | 440,001   | 445,000   | 440,485                      |
| 1                  | 485,001   | 490,000   | 488,678                      |
| 1                  | 500,001   | 505,000   | 503,649                      |
| 1                  | 530,001   | 535,000   | 531,100                      |
| 1                  | 580,001   | 585,000   | 580,176                      |
| 1                  | 665,001   | 670,000   | 667,142                      |
| 1                  | 700,001   | 705,000   | 700,200                      |
| 1                  | 730,001   | 735,000   | 733,700                      |
| 1                  | 755,001   | 760,000   | 759,000                      |
| 1                  | 790,001   | 795,000   | 793,300                      |
| 1                  | 860,001   | 865,000   | 862,830                      |
| 1                  | 995,001   | 1,000,000 | 997,720                      |
| 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                  | 1,645,001 | 1,650,000 | 1,650,000                    |
| 1                  | 1,910,001 | 1,915,000 | 1,911,740                    |
| 1                  | 2,405,001 | 2,410,000 | 2,407,100                    |
| 1                  | 3,995,001 | 4,000,000 | 4,000,000                    |
| 1                  | 4,515,001 | 4,520,000 | 4,518,465                    |
| 1,234              |           |           | 38,651,713                   |

# Pattern of Shareholding

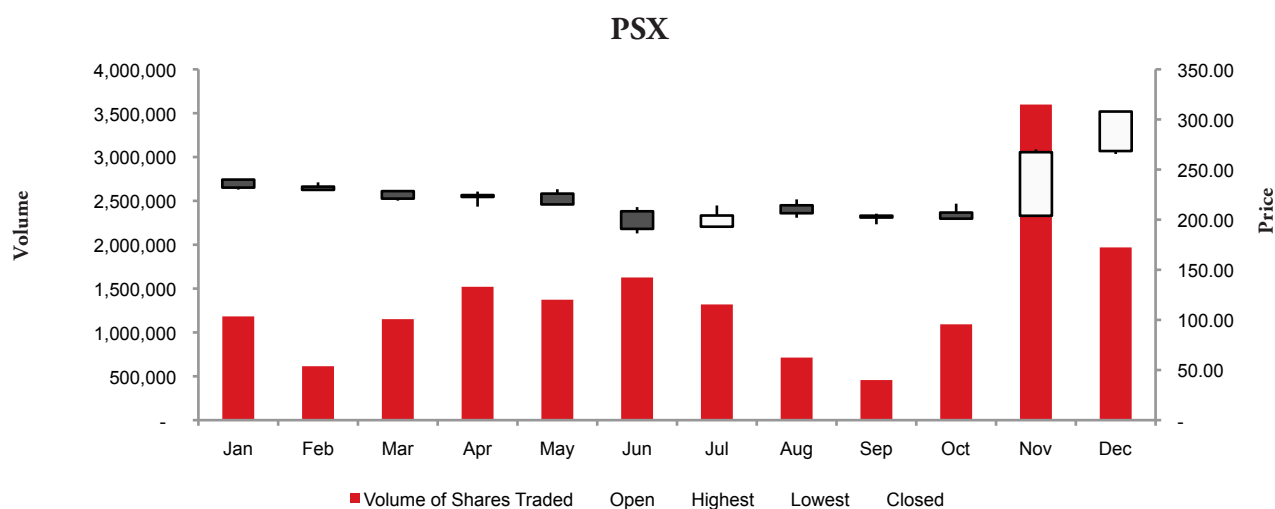
As at December 31, 2016

| No. of Shareholder | Size of Holding Rs. 10 Shares | Total Number of Shareholders |
|--------------------|-------------------------------|------------------------------|
| 358                | 1                             | 12,130                       |
| 338                | 101                           | 98,997                       |
| 168                | 501                           | 132,103                      |
| 388                | 1,001                         | 976,313                      |
| 176                | 5,001                         | 1,334,006                    |
| 51                 | 10,001                        | 649,872                      |
| 30                 | 15,001                        | 533,264                      |
| 23                 | 20,001                        | 525,268                      |
| 22                 | 25,001                        | 614,807                      |
| 9                  | 30,001                        | 287,850                      |
| 7                  | 35,001                        | 258,657                      |
| 7                  | 40,001                        | 302,453                      |
| 10                 | 45,001                        | 480,364                      |
| 4                  | 50,001                        | 213,039                      |
| 8                  | 55,001                        | 466,400                      |
| 1                  | 60,001                        | 62,000                       |
| 3                  | 65,001                        | 205,664                      |
| 7                  | 70,001                        | 506,101                      |
| 2                  | 80,001                        | 165,021                      |
| 1                  | 85,001                        | 88,600                       |
| 2                  | 90,001                        | 181,100                      |
| 8                  | 95,001                        | 799,400                      |
| 3                  | 100,001                       | 309,072                      |
| 3                  | 105,001                       | 325,131                      |
| 1                  | 110,001                       | 112,074                      |
| 1                  | 115,001                       | 118,468                      |
| 2                  | 120,001                       | 248,022                      |
| 1                  | 125,001                       | 127,100                      |
| 2                  | 135,001                       | 274,466                      |
| 1                  | 145,001                       | 148,415                      |
| 1                  | 150,001                       | 151,298                      |
| 1                  | 155,001                       | 158,830                      |
| 1                  | 160,001                       | 164,852                      |
| 1                  | 165,001                       | 165,600                      |
| 3                  | 170,001                       | 515,222                      |
| 2                  | 195,001                       | 395,600                      |
| 2                  | 220,000                       | 444,571                      |
| 1                  | 225,001                       | 226,235                      |
| 1                  | 235,001                       | 237,000                      |
| 2                  | 250,001                       | 507,082                      |
| 1                  | 280,001                       | 283,266                      |
| 1                  | 285,001                       | 285,489                      |
| 2                  | 295,001                       | 595,179                      |
| 3                  | 300,001                       | 907,897                      |
| 1                  | 305,001                       | 307,500                      |
| 2                  | 320,001                       | 645,565                      |
| 1                  | 330,001                       | 334,547                      |
| 1                  | 340,001                       | 343,500                      |
| 1                  | 360,001                       | 364,000                      |
| 1                  | 440,001                       | 440,485                      |
| 1                  | 485,001                       | 488,678                      |
| 1                  | 500,001                       | 503,649                      |
| 1                  | 530,001                       | 531,100                      |
| 2                  | 550,001                       | 1,101,498                    |
| 1                  | 580,001                       | 580,176                      |
| 1                  | 585,001                       | 585,457                      |
| 1                  | 620,001                       | 624,995                      |
| 1                  | 625,001                       | 625,001                      |
| 1                  | 665,001                       | 667,142                      |
| 1                  | 700,001                       | 700,200                      |
| 1                  | 730,001                       | 733,700                      |
| 1                  | 755,001                       | 759,000                      |
| 1                  | 790,001                       | 793,300                      |
| 1                  | 860,001                       | 862,830                      |
| 1                  | 995,001                       | 997,720                      |
| 1                  | 1,060,001                     | 1,063,207                    |
| 1                  | 1,165,001                     | 1,167,916                    |
| 1                  | 1,210,001                     | 1,214,475                    |
| 1                  | 1,225,001                     | 1,226,801                    |
| 1                  | 1,650,000                     | 1,650,000                    |
| 1                  | 1,675,001                     | 1,676,677                    |
| 1                  | 1,910,001                     | 1,911,740                    |
| 1                  | 1,945,001                     | 1,946,364                    |
| 1                  | 2,405,001                     | 2,407,100                    |
| 1                  | 4,000,000                     | 4,000,000                    |
| 1                  | 4,335,001                     | 4,336,828                    |
| 1                  | 4,515,001                     | 4,518,465                    |
| 1                  | 6,230,001                     | 6,230,119                    |
| 1                  | 13,020,001                    | 13,022,093                   |
| 1                  | 20,850,001                    | 20,853,966                   |
| 1                  | 26,875,001                    | 26,879,460                   |
| 1,698              |                               | 122,689,532                  |

# Share Price / Volume

| Month | Volume of Shares Traded | Open   | Height | Lowest | Closed |
|-------|-------------------------|--------|--------|--------|--------|
| Jan   | 1,182,800               | 240.00 | 236.88 | 230.04 | 232.00 |
| Feb   | 614,900                 | 233.00 | 237.24 | 232.92 | 229.72 |
| Mar   | 1,151,500               | 228.48 | 229.47 | 219.00 | 221.00 |
| Apr   | 1,520,600               | 222.86 | 228.04 | 213.00 | 224.53 |
| May   | 1,373,200               | 226.00 | 230.38 | 215.22 | 215.22 |
| Jun   | 1,626,700               | 208.39 | 212.55 | 186.31 | 190.82 |
| Jul   | 1,319,200               | 193.00 | 214.18 | 192.69 | 204.16 |
| Aug   | 713,500                 | 214.36 | 220.25 | 201.93 | 206.44 |
| Sep   | 457,100                 | 204.00 | 206.00 | 195.40 | 203.00 |
| Oct   | 1,092,700               | 207.10 | 215.97 | 200.01 | 201.00 |
| Nov   | 3,598,500               | 203.89 | 270.08 | 211.06 | 267.34 |
| Dec   | 1,969,400               | 268.48 | 307.89 | 265.56 | 307.89 |

## Pakistan Stock Exchange



# Directors' Report to the Shareholders

The Directors of IGI Insurance Limited (IGI Insurance) take pleasure in presenting the annual report of your Company, together with the audited financial statements for the year ended December 31, 2016.

Before discussing operating results for the period under review, it is important to brief you on the process of restructuring of your Company which was initiated in September 2016 and subsequently approved by you in February 2017. With the grace of Allah, the Honorable High Court of Sindh approved on December 16, 2017 the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited and subsequent demerger of the insurance business and certain investments held by IGI Insurance into two wholly owned subsidiaries i.e. IGI General Insurance and IGI Investments respectively.

The restructuring of IGI group's financial services businesses envisages creation of 'financial services holding company' of the group, in line with international practices, that owns subsidiaries for the respective businesses to enable management in a focused manner. The restructuring involved (i) merger of the entire undertaking of IGI Investment Bank Limited with and into IGI Insurance in terms of the swap ratio 92 : 1 (i.e. issuance of 1 (one) share of IGI Insurance for every 92 shares of IGI Investment Bank cancelled), to the shareholders of IGI Investment Bank except for IGI Insurance; and (ii) and subsequent to the merger, demerger of the insurance business and certain investments along with corresponding liabilities held by IGI Insurance into two wholly owned subsidiaries of IGI Insurance i.e. IGI General Insurance Limited and IGI Investments (Private) Limited respectively and the remaining assets and liabilities of IGI Insurance, if any, would be retained by IGI Insurance. The restructuring was carried out by way of court sanctioned Schemes of amalgamation and arrangement filed with the High Court of Sindh at Karachi under Sections 284 to 288 of the now repealed Companies Ordinance, 1984.

The schemes have been sanctioned by the Honorable Court on December 16, 2017 subject to completion of procedural requirements. In accordance with approved scheme, these financial statements have been prepared to reflect the merged results of IGI Insurance and IGI Investment Bank since the entire undertaking of IGI Investment Bank has been merged with and into IGI Insurance as of December 31, 2016 in terms of the court sanctioned scheme of Amalgamation.

With approval of merged financial statements by the board of IGI Insurance and completion of formalities, the net assets of insurance division and investments division of IGI Insurance would be transferred into two wholly owned subsidiaries as of January 31, 2017 as follows;

|   | Rupees in '000 |
|---|----------------|
| Net assets of Insurance Segment to IGI General      | 417,384        |
| Net assets of Investment Segment to IGI Investments | 11,881,095     |
| Residual net assets to be retained by IGI Insurance | 1,291,694      |

In accordance with approved scheme of arrangement, IGI Insurance Limited will also be renamed as IGI Holdings Limited. As part of the Scheme of Arrangement, your Company has also injected cash equity of Rs. 1,500 million in IGI General Insurance Limited to meet minimum capital and solvency requirements as applicable to general insurance company as per applicable laws.

The financial statements of IGI Insurance for the year ended December 31, 2016 and quarterly financial statements of IGI Insurance could not be published on due dates due to the pendency of the schemes of amalgamation and arrangement before the court.

## COMPANY PERFORMANCE REVIEW 2016

|                       | 2016           | 2015      | Variation   |
|-----------------------|----------------|-----------|-------------|
|                       | Rupees in '000 |           | %           |
| Gross written premium | 2,820,043      | 2,343,705 | 476,338 20% |
| Net premium           | 1,380,740      | 1,121,949 | 258,791 23% |
| Net claims            | 697,866        | 586,425   | 111,441 19% |
| Underwriting result   | 323,137        | 258,052   | 65,085 25%  |
| Investment income     | 2,128,713      | 1,445,480 | 683,233 47% |
| Profit before tax     | 2,067,126      | 1,531,753 | 535,373 35% |
| Profit after tax      | 1,433,875      | 1,293,046 | 140,829 11% |



Your Company achieved growth in gross written premium of 20%, up from Rs 2,344 billion in 2015 to Rs 2,820 billion in 2016 - Motor, Health and Miscellaneous business segments being the main drivers for this growth.

During the year, the company recorded a profit before tax of Rs 2,067 million compared to Rs 1,532 million reflecting an increase of 35%. The underwriting results increased to Rs. 323 million (2015: Rs 258 million).

Investment income of Rs 2,129 million as compared to Rs 1,445 million in 2015 also contributed substantially to the profitability of the Company. The Company achieved earnings per share of Rs 11.69 as compared to the last year's Rs 10.54.

The net retained premium represents 49% of the total gross written premium. Net claims registered during 2016 increased by 19% as compared to last year. The net incurred loss ratio decreased from 52% in 2015 to 51% in the current year. Consequently, the underwriting results for 2016 amounted to Rs 323 million as compared to Rs 256 million in 2015. The underwriting profitability ratio remained at 11% in line with 2015 ratio.

General and Administrative Expenses, registered an increase of 76% from Rs. 177 million in 2015 to Rs 312 million in 2016 due to one-off restructuring and compliance costs associated with the corporate restructuring. Financial charges increased by Rs 83 million mainly on account of the long term loan acquired by the Company for making strategic investment.

## SEGMENTS AT A GLANCE

### FIRE

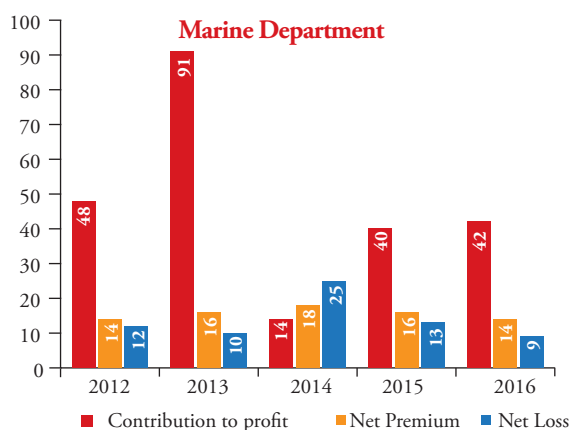
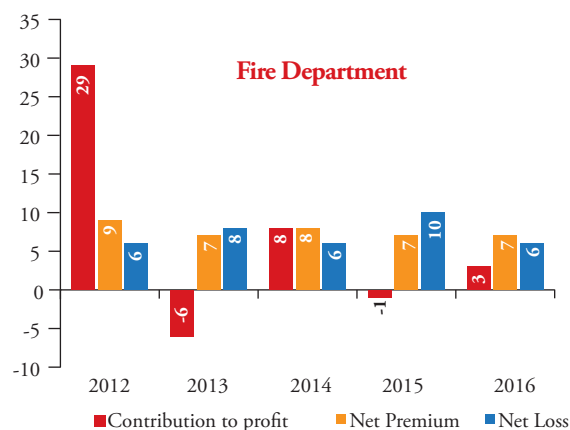
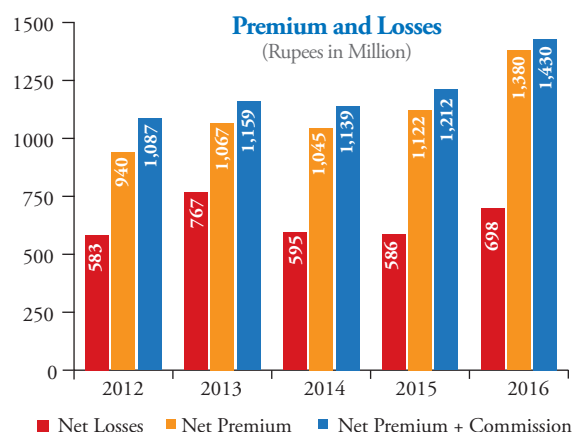
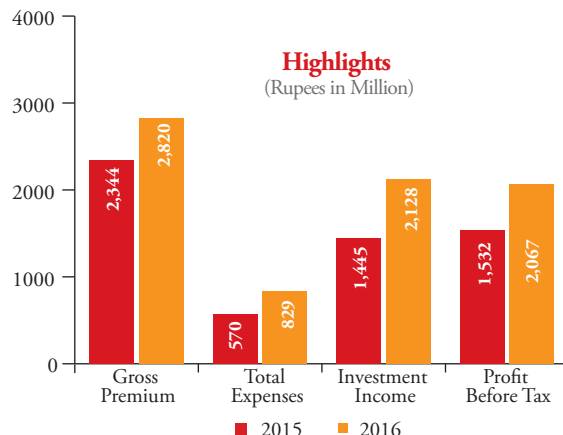
In 2016, Gross Premium increased to Rs 957 million as compared to Rs 826 million of 2015 representing an increase of 16%. Net Premium Earned increased to Rs 94 million from Rs 80 million. Net Claims decreased in 2016 to Rs 43 million from Rs 58 million in 2015. This resulted in underwriting profit of Rs 10 million against underwriting loss of Rs 0.471 million in 2015.

### MARINE, AVIATION AND TRANSPORT

Marine business increased by 7% from Rs 388 million in 2015 to Rs. 414 million in 2016 despite deflationary trend in import values off the back of low oil prices. Net Premium Earned increased from Rs 180 million to Rs 200 million. However, Net Claims decreased from Rs 78 million to Rs 62 million. Underwriting Profit increased from Rs 107 million to Rs 137 million.

### MOTOR

Gross Premium increased by 20% from Rs 693 million in 2015 to Rs 828 million in 2016 resulting in Net Premium Earned increasing from Rs 631 million to Rs 770 million. In line with a higher Earned Premium Income, Net Claims increased from Rs 322 million in 2015 to Rs 389 million in 2016. Despite increase in claims, underwriting Profit increased from Rs 122 million in 2015 to Rs 166 million in 2016.



## HEALTH

During the year, Gross Premium increased by 68% from Rs.117 million in 2015 to Rs. 196 million in 2016 in line with our strategy of targeting SME accounts. Net premium revenue increased from Rs. 107 million in 2015 to Rs. 160 million in 2016. As a result, Net Claims increased from Rs 83 million in 2015 to Rs 141 million in 2016.

## OTHERS (MISCELLANEOUS)

For Miscellaneous segment, which includes Engineering and Contractor's All Risk Insurance, Travel, Bond and Pecuniary lines business, Gross Written Premium increased from Rs 319 million in 2015 to Rs. 423 million in 2016. This significant increase was due to better sales in Travel & Bond business. Net Claims increased from Rs 45 million in 2015 to Rs 62 million in 2016. Underwriting Profit for the year 2016 was Rs 29 million in comparison to Rs. 31 million in the previous year.

## CLAIMS

Our focus is on swift and accurate claim settlement. This focus has led us to introduce many innovative procedures to further reduce the claims settlement turnaround time. Drawing on the continued success of decentralization of claims settlement, regions have been given a higher claims settlement authority, while the head office focuses on larger, complex claims along with monitoring the overall claims performance using analytics.

Incurred loss ratio was 52% in 2015 and 51% in 2016. Our claims settlement ratio also improved to 90% in 2016, as against 89% in 2015.

## RE-INSURANCE AND RISK MANAGEMENT

We follow a policy of risk optimization through a carefully designed program of re-insurance. We believe in forging partnerships with our clients to provide them a long term risk management solution by using our insurance expertise, a state of the art technology platform and a focused risk engineering service that helps our clients understand the hazards that may threaten their businesses and determine cost-effective loss prevention solutions.

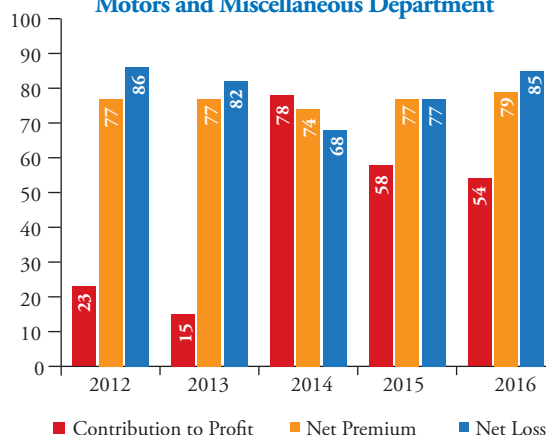
## INVESTMENTS

Our investment objective is to achieve an optimum return on the investment portfolio through prudent management. The Book Value of your Company's investments is Rs 15,659 million as at December 31, 2016 as compared to Rs 12,325 million for 2015.

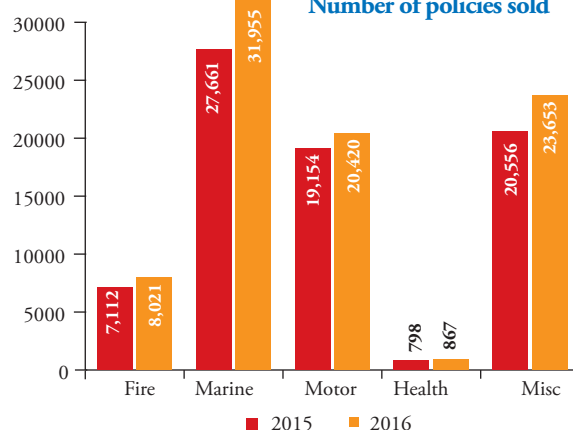
## CAPITAL MANAGEMENT AND LIQUIDITY

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.

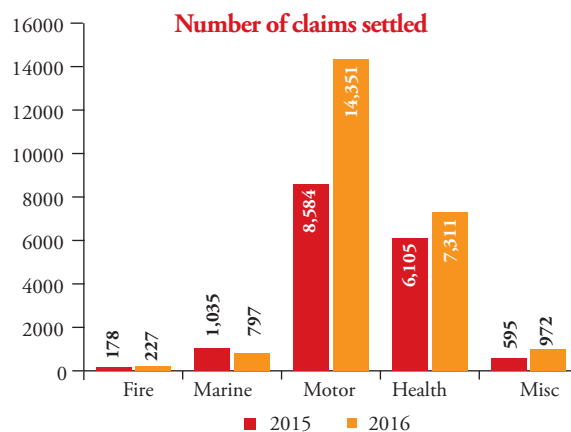
Motors and Miscellaneous Department



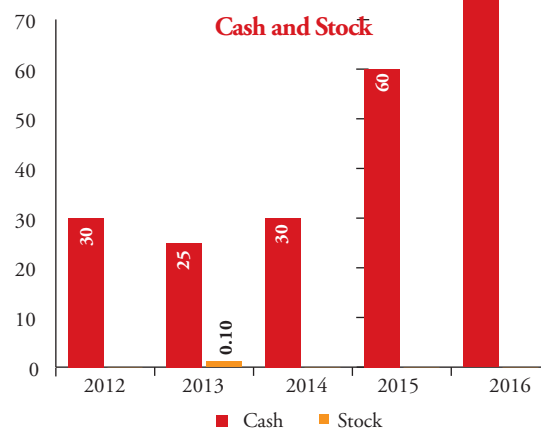
Number of policies sold



Number of claims settled



Cash and Stock



The Company's primary source of funds is cash provided by operating activities which includes premium and net investment income. 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 entered 2016 with new zest and enthusiasm to be more eco-friendly, energy efficient and productive. IGI has always been pioneer in adopting technology which leads to efficiency. When the government allowed online payments, IGI introduced online portal which enabled buying insurance online. Online claim portal and other online services are already in place.

Your Company now owns state of the art Data Centre with multi power source and environment control systems. Disaster Recovery Site has also been upgraded with immediate and seamless failover and fallback. We focused much on communication and all services were upgraded from analog to digital technologies.

## **HUMAN RESOURCE**

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

In line with this policy, we have taken further steps for human capital development during this year by providing international training and exposure in technical strategic management areas. Personal Development Plans for employees are a key priority for us and we continue to strive for inducting, retaining and developing the best talent in the industry who may deliver our vision and mission.

## **CODE OF CONDUCT**

Your Company has designed a Code of Conduct which is signed by all the employees to ensure that they subscribe to high ethical values. All our operational activities are carried out in a transparent manner strictly following the code of ethics.

## **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 has donated Rs 20.6 million in 2016. 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 general insurance Company in Pakistan to receive this certification.

## **INSURER'S FINANCIAL STRENGTH RATING**

Pakistan Credit Rating Agency (Private) Limited (PACRA) has, for the seventeenth consecutive year, assigned your Company an "Insurer Financial Strength" (IFS) Rating of "AA" (Double A), in December 2016.

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**

In view of the financial results of the Company for the year 2016, the Board of directors of the Company has recommended cash dividend of 80% (i.e. Rs. 8 per share). Accordingly, the Company has appropriated Rs. 992.213 million for the payment of final cash dividend out of total comprehensive income for the year 2016 of Rs. 1,430,915 million.

## **FUTURE OUTLOOK**

Moving forward, IGI Insurance will operate as a Holding Company as provided by the scheme of arrangement approved by the High Court of Sindh with its name changed to IGI Holdings Limited. The Company will derive value for its shareholders from its subsidiaries operating in financial services namely IGI General Insurance Limited, IGI Life Insurance Limited, IGI Investments (Private) Limited and IGI Finex Securities Limited.

The Board and the management of your Company are cognizant of the fact that we are operating in a highly competitive industry. We believe that we have the right professional team and a modern and efficient operational platform to deliver sustainable and profitable growth in the years to come.

## **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

Lahore: December 29, 2017

# Corporate Calendar

|  |                                    |                   |
|--|------------------------------------|-------------------|
| First quarter ended March 31, 2016     | Announced on                       | April 27, 2016    |
| Half year ended June 30, 2016          | Announced on                       | August 25, 2016   |
| Third quarter ended September 30, 2016 | Announced on                       | October 27, 2016  |
| Year ended December 31, 2016           | Announced on                       | December 29, 2017 |
| Final - Cash Dividend (2015)           | Announced on                       | February 29, 2016 |
|  | Entitlement date                   | April 10, 2016    |
|  | Statutory limit upto which payable | May 21, 2016      |
|  | Paid on                            | May 07, 2016      |
| Cash Dividend (2016)                   | Announced on                       | December 29, 2017 |
|  | Entitlement date                   | February 22, 2018 |
|  | Statutory limit upto which payable | March 16, 2018    |
|  | Expected to be paid on             | March 16, 2018    |

|                           |                   |
|---------------------------|-------------------|
| Issuance of Annual Report | February 09, 2018 |
|---------------------------|-------------------|

|                             |                |
|-----------------------------|----------------|
| 63rd Annual General Meeting | March 02, 2018 |
|-----------------------------|----------------|

# 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 in conformity with the Companies Ordinance, 1984 and the Insurance Ordinance, 2000 and present fairly the state of affairs, the result of its operations, cash flows and changes in equity of the Company.
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 therefrom 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 2016, 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, 2015 Rs. 64.45 million  
Gratuity Fund as at December 31, 2015 Rs. 39.67 million
11. The related party transactions are reviewed by the Audit Committee and subsequently approved by the Board of Directors on the recommendation of the Audit Committee.
12. The trades 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

Syed Babar Ali, Director purchased 2,404,200 shares.

Syed Babar Ali, Director donated 3,766,400 shares to Babar Ali Foundation.

Mrs. Perwin Babar Ali purchased 148,500 shares.

Syed Hyder Ali, Director purchased 640,600 shares.

Mrs. Syed Yawar Ali purchased 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 for approval.
14. At present, out of eight (8) members of the Board, four (4) Directors have acquired the formal Directors Training Certificates, while all the other directors possess sufficient skills and experience of Board room as described in the Code of Corporate Governance.
15. The aggregate remunerations of executives and non-executive directors including salary, fee, benefits, etc are Rs. 26.04 Mn and 5.23 Mn respectively.

## Insurance Ordinance, 2000

As required under the Insurance Ordinance, 2000 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, 2000 and any rules made there under;
- The Company has at all times in the year complied with the provisions of the said 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 said Ordinance and rules framed there under as mentioned above.

## BOARD & SUB COMMITTEE MEETINGS

Meetings of the Board of Directors, Audit, Underwriting, Reinsurance, Claims, Investment, Human Resources and Compensation Committee were held according to schedule. During the year, no causal vacancy occurred on the Board. The attendance of 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 |
|------------------------|---------------|-----------------|------------------------|-----------------------|------------------|----------------------|--|
| No of meeting held     | 5             | 4               | 4                      | 4                     | 4                | 4                    | 4  |
| ATTENDANCE             |               |                 |                        |                       |                  |                      |  |
| Syed Babar Ali         | 5             | -               | -                      | -                     | -                | -                    | -  |
| Shamim Ahmed Khan      | 5             | 4               | -                      | -                     | 4                | 4                    | -  |
| Syed Yawar Ali         | 5             | 4               | -                      | -                     | -                | 4                    | 4  |
| Syed Shahid Ali        | 2             | -               | -                      | -                     | -                | -                    | 1  |
| Syed Hyder Ali         | 5             | 4               | 4                      | 4                     | -                | 4                    | 4  |
| Faryal Jooma           | 5             | 4               | -                      | -                     | -                | -                    | 4  |
| Osman Khalid Waheed    | 2             | -               | -                      | -                     | -                | 3                    | -  |
| Tahir Masaud           | 5             | -               | 4                      | 4                     | 4                | 4                    | 4  |

### 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 2017, 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, 2016.

### 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

Lahore: December 29, 2017



# Statement of Compliance with the Code of Corporate Governance

for the year ended December 31, 2016

This statement is being presented in compliance with the Code of Corporate Governance contained in listing regulations of Pakistan Stock Exchange (PSX) and Code of Corporate Governance for Insurers, 2016 applicable to listed insurance companies as issued by Securities and Exchange Commission of Pakistan (SECP), for the purpose of establishing a framework of good governance, whereby a listed Insurance Company is managed in compliance with the best practices of corporate governance.

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

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

| Category             | Names                   |
|----------------------|-------------------------|
| Independent Director | Mr. Osman Khalid Waheed |
|                      | Ms. Faryal Jooma        |
| Executive            | Mr. Tahir Masaud        |
| Non-Executive        | Syed Babar Ali          |
|                      | Mr. Shamim Ahmad Khan   |
|                      | Syed Hyder Ali          |
|                      | Syed Yawar Ali          |
|                      | Syed Shahid Ali         |

Independent directors meet the criteria of independence as laid down under the Code of Corporate Governance for Insurers, 2016.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a Banking Company, Development Financial Institution, Non-Banking Financial Institution or has been declared as a defaulter by a stock exchange.
4. No casual vacancy occurred on the board during the year.
5. The Company has prepared a Code of Conduct, which has been disseminated among all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the

Company. A complete record of significant policies along with the dates on which they were approved or amended has been maintained.

7. All 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 Chief Executive Officer, other executive directors and the key officers, have been taken by the Board.
8. The meetings of the Board have been duly presided over by the Chairman and in his absence, by a director elected by the Board for this purpose and the Board met at least once every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven (7) days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
10. The Board arranged one (1) orientation course/ training program for its directors during the year to apprise them of their duties and responsibilities.
11. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms & conditions of employment.
12. The Directors' Report for this year has been prepared in compliance with the requirements of the Code of Corporate Governance for Insurers, 2016 and fully describes the salient matters required to be disclosed.
13. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
14. The Directors, Chief Executive Officer and other Executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance for Insurers, 2016.

16. The Board has formed the following Management Committees:

| Underwriting Committee |           |
|------------------------|-----------|
| Name of the Member     | Category  |
| Syed Hyder Ali         | Chairman  |
| Tahir Masaud           | Member    |
| Faisal Khan            | Member    |
| Haider Ali             | Member    |
| Jamshaid Hussain       | Secretary |

| Claim Settlement Committee |           |
|----------------------------|-----------|
| Name of the Member         | Category  |
| Shamim Ahmad Khan          | Chairman  |
| Tahir Masaud               | Member    |
| Syed Awais Amjad           | Member    |
| Asad Ali Siddiqui          | Member    |
| Kashif Qayyum              | Member    |
| Zahid Mehmood              | Secretary |

| Reinsurance & Co Insurance Committee |           |
|--------------------------------------|-----------|
| Name of the Member                   | Category  |
| Syed Hyder Ali                       | Chairman  |
| Tahir Masaud                         | Member    |
| Faisal Khan                          | Secretary |

17. The Board has formed the following Board Committees:

| Human Resource & Remuneration Committee |           |
|---|-----------|
| Name of the Member                      | Category  |
| Syed Yawar Ali                          | Chairman  |
| Syed Shahid Ali                         | Member    |
| Syed Hyder Ali                          | Member    |
| Faryal Jooma                            | Member    |
| Tahir Masaud                            | Member    |
| Kaifee Siddiqui                         | Secretary |

| Investment Committee |           |
|----------------------|-----------|
| Name of the Member   | Category  |
| Syed Hyder Ali       | Chairman  |
| Shamim Ahmad Khan    | Member    |
| Syed Yawar Ali       | Member    |
| Osman Khalid Waheed  | Member    |
| Tahir Masaud         | Member    |
| Sajjad Iftikhar      | Member    |
| Syed Awais Amjad     | Secretary |

The Board has evaluated the changes in the organization of management and board committees required by the Code

of Corporate Governance for Insurer, 2016 issued by SECP on 9th November 2016. The Board is aware of the changes required and will ensure that all the requirements in this regard are complied with before the implementation date.

18. The Board has formed an Audit Committee. It comprises of four (4) members, of whom one (1) is an independent director and three (3) are non-executive directors. The Chairman of the Committee is a Non-Executive Director. The composition of the Audit Committee is as follows:

| Audit Committee    |           |
|--------------------|-----------|
| Name of the Member | Category  |
| Shamim Ahmad Khan  | Chairman  |
| Syed Yawar Ali     | Member    |
| Syed Hyder Ali     | Member    |
| Faryal Jooma       | Member    |
| Shahzeb Haider     | Secretary |

19. The meetings of the Committees, including Human Resource Committee, were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code of Corporate Governance for Insurers, 2016. The terms of references of the Committees have been formed and advised to the Committees for compliance.

20. The Board has outsourced the internal audit function to a firm of Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and they are involved in the internal audit function on a regular basis.

21. The Chief Executive Officer, Chief Financial Officer, Company Secretary, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code of Corporate Governance for Insurers, 2016. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

| Name of the Person | Designation                                       |
|--------------------|---|
| Tahir Masaud       | Chief Executive Officer                           |
| Syed Awais Amjad   | Chief Financial Officer                           |
| Saira Shaikh       | Compliance Officer & Head of Grievance Department |
| Yasir Ali Quraishi | Company Secretary                                 |
| Shahzeb Haider     | Head of Internal Audit                            |
| Jamshaid Hussain   | Head of Underwriting                              |
| Zahid Mehmood      | Head of Claim                                     |
| Faisal Khan        | Head of Reinsurance & Risk Management             |



22. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan (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 the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. The 'closed period', prior to the announcement of interim/final results and business decision, which may materially affect the market price of company's securities was determined and intimated to directors, employees and stock exchange.
25. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
26. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
27. The Appointed Actuary of the Company has confirmed that he or his spouse and minor children do not hold shares of the Company.
28. The Board ensures that the Appointed Actuary complies with the requirements set out for him in the Code of Corporate Governance for Insurers, 2016.
29. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code of Corporate Governance for Insurers, 2016.
30. The Board ensures that the risk management system of the Company is in place as per the requirement of the Code of Corporate Governance for Insurers, 2016.
31. The Company has set up a risk management function, which carries out tasks as covered under the Code of Corporate Governance for Insurers, 2016. The risk Management function was established subsequent to the year ended December 31, 2016 within the timelines prescribed by the Code.
32. The Company has been rated by PACRA and the rating assigned was "AA" in December 2016.
33. The Board has set up a grievance department / function, which fully complies with the requirements of the Code of Corporate Governance for insurers, 2016.
34. We confirm that all other material principles contained in the Code of Corporate Governance for Insurers, 2016 as applicable for the year ended December 31, 2016 have been complied with.

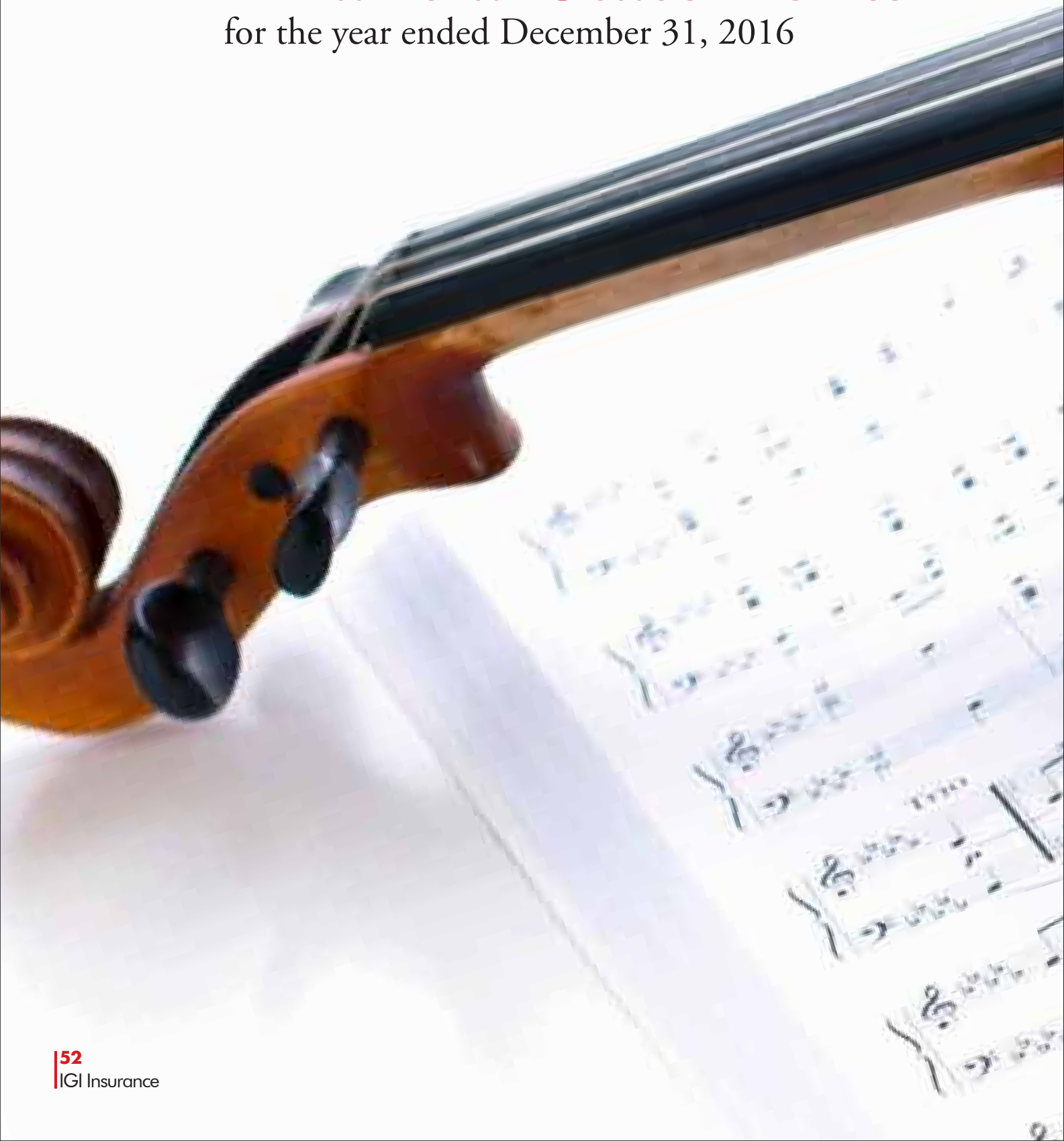


**Syed Babar Ali**  
Chairman

Lahore: December 29, 2017

# Unconsolidated Financial Statements

for the year ended December 31, 2016









*A. F. FERGUSON & CO.*

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of IGI Insurance Limited ('the Company') for the year ended December 31, 2016 to comply with the requirements of Rule 5.19 of the Pakistan Stock Exchange Regulations issued by the Pakistan Stock Exchange Limited and Code of Corporate Governance for Insurers, 2016 applicable to insurance companies as issued by the Securities and Exchange Commission of Pakistan (SECP).

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code 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 arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2016.

*Afferguonto*

Chartered Accountants

Dated: January 04, 2018

Karachi

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32423007/32427936/32424740; <www.pwc.com/pk>*

■ KARACHI ■ LAHORE ■ ISLAMABAD



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, 2016 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;
- (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, 2016, 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) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

*Afferguonto*

Chartered Accountants

Engagement Partner: Shahbaz Akbar

Dated: January 04, 2018

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
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# Unconsolidated Balance Sheet

|   | Note | 2016       | 2015       |
|---|------|------------|------------|
| (Rupees in '000)  |      |            |            |
| <b>Share capital and reserves</b>   |      |            |            |
| Authorised share capital 200,000,000 (2015: 200,000,000) ordinary shares of Rs. 10 each |      | 2,000,000  | 2,000,000  |
| Issued, subscribed and paid up share capital  | 6    | 1,226,895  | 1,226,895  |
| Proposed shares to be issued on amalgamation  | 7    | 411,659    | -          |
| Unappropriated profit   |      | 4,607,423  | 2,931,129  |
| Reserves  |      | 7,366,574  | 8,102,711  |
|   |      | 13,612,551 | 12,260,735 |
| <b>Underwriting provisions</b>  |      |            |            |
| Provision for outstanding claims (including IBNR)                                       |      | 944,954    | 643,816    |
| Provision for unearned premium  |      | 950,263    | 745,483    |
| Commission income unearned  |      | 94,850     | 75,479     |
|   |      | 1,990,067  | 1,464,778  |
| <b>Deferred liabilities</b>   |      |            |            |
| Deferred taxation   | 18   | -          | 1,728      |
| <b>Creditors and accruals</b>   |      |            |            |
| Premium received in advance   |      | 332        | 330        |
| Amounts due to other insurers / reinsurers  |      | 352,078    | 309,170    |
| Sundry creditors  | 8    | 576,533    | 344,361    |
| Accrued expenses  | 9    | 211,517    | 107,525    |
|   |      | 1,140,460  | 761,386    |
| <b>Borrowings</b>   |      |            |            |
| Current portion of long term liabilities  | 10   | 76,363     | -          |
| Short term finances   | 11   | 1,348,017  | 148,020    |
| Long term finances  | 12   | 1,231,000  | -          |
| Liabilities against assets subject to finance lease                                     | 13   | 36,477     | -          |
|   |      | 2,691,857  | 148,020    |
| <b>Other liabilities</b>  |      |            |            |
| Unclaimed dividend  |      | 14,104     | 13,979     |
| <b>TOTAL LIABILITIES</b>  |      |            |            |
|   |      | 5,836,488  | 2,389,891  |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |      |            |            |
|   |      | 19,449,039 | 14,650,626 |
| <b>CONTINGENCIES AND COMMITMENTS</b>  |      |            |            |

14

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.



Chairman



Director



Director



Principal Officer and  
Chief Executive

## As at December 31, 2016

|  | Note | 2016              | 2015              |
|--|------|-------------------|-------------------|
|  |      | (Rupees in '000)  |                   |
| <b>Cash and bank deposits</b>                            |      |                   |                   |
| Cash and other equivalents                               | 15   | 374               | 90                |
| Current and other accounts                               | 16   | 26,138            | 17,084            |
| Deposits maturing within 12 months                       |      | 700,000           | 350,000           |
|  |      | 726,512           | 367,174           |
| Investments  | 17   | 15,658,683        | 12,325,078        |
| Investment property                                      | 26   | 171,147           | 190,569           |
| Deferred taxation  | 18   | 7,391             | -                 |
| <b>Current assets - others</b>                           |      |                   |                   |
| Premiums due but unpaid - unsecured                      | 19   | 412,117           | 278,831           |
| Amounts due from other insurers / reinsurers - unsecured | 20   | 355,249           | 402,885           |
| Accrued income on investments and deposits               |      | 7,460             | 7,343             |
| Reinsurance recoveries against outstanding claims        |      | 649,453           | 391,659           |
| Prepayments:   |      |                   |                   |
| - prepaid reinsurance premium ceded                      |      | 419,825           | 333,744           |
| - others   |      | 20,716            | 20,126            |
| Taxation - payments less provision                       |      | 256,376           | 1,801             |
| Sundry receivables                                       | 21   | 333,614           | 110,673           |
|  |      | 2,454,810         | 1,547,062         |
| <b>Fixed assets</b>                                      |      |                   |                   |
| Capital work in progress                                 |      | 3,007             | -                 |
| <b>Tangible operating fixed assets</b>                   | 24   |                   |                   |
| Furniture, fixtures and office equipments                |      | 46,732            | 47,881            |
| Buildings  |      | 121,441           | 108,448           |
| Motor vehicles- Own                                      |      | 50,051            | 62,558            |
| Motor vehicles- Leased                                   |      | 44,074            | -                 |
|  |      | 262,298           | 218,887           |
| <b>Intangibles</b>                                       | 25   |                   |                   |
| Computer software  |      | 2,167             | 1,856             |
| Goodwill   | 4    | 163,024           | -                 |
| <b>TOTAL ASSETS</b>                                      |      | <b>19,449,039</b> | <b>14,650,626</b> |



Chairman



Director



Director



Principal Officer and  
Chief Executive

## Unconsolidated Profit and Loss Account For the year ended December 31, 2016

|  |      | Fire and<br>property<br>damage | Marine,<br>aviation and<br>transport | Motor          | Health          | Miscel-<br>la-neous | 2016<br>Aggregate | 2015<br>Aggregate |
|--|------|--------------------------------|--------------------------------------|----------------|-----------------|---------------------|-------------------|-------------------|
| <b>Revenue account</b>   | Note | <b>(Rupees in ‘000)</b>        |                                      |                |                 |                     |                   |                   |
| Net premium revenue  |      | 93,768                         | 199,944                              | 769,725        | 159,646         | 157,657             | 1,380,740         | 1,121,949         |
| Net claims   |      | (43,075)                       | (62,209)                             | (389,056)      | (141,368)       | (62,158)            | (697,866)         | (586,425)         |
| Management expenses  | 27   | (126,801)                      | (54,902)                             | (139,610)      | (31,216)        | (56,103)            | (408,632)         | (367,874)         |
| Net commission   |      | 85,939                         | 54,424                               | (75,448)       | (5,589)         | (10,431)            | 48,895            | 90,402            |
| Underwriting result  |      | <u>9,831</u>                   | <u>137,257</u>                       | <u>165,611</u> | <u>(18,527)</u> | <u>28,965</u>       | <u>323,137</u>    | <u>258,052</u>    |
| Investment income  |      |                                |                                      |                |                 |                     | 2,128,713         | 1,445,480         |
| Rental income  |      |                                |                                      |                |                 |                     | 21,507            | 6,722             |
| Return on bank balances  |      |                                |                                      |                |                 |                     | 8,297             | 19,391            |
| Other income   | 28   |                                |                                      |                |                 |                     | 6,040             | 4,272             |
| Financial charges  | 29   |                                |                                      |                |                 |                     | (108,690)         | (25,485)          |
| General and administrative expenses  | 30   |                                |                                      |                |                 |                     | (311,878)         | (176,679)         |
|  |      |                                |                                      |                |                 |                     | <u>1,743,989</u>  | <u>1,273,701</u>  |
| <b>Profit before taxation</b>  |      |                                |                                      |                |                 |                     | 2,067,126         | 1,531,753         |
| Taxation   | 31   |                                |                                      |                |                 |                     | (633,251)         | (238,707)         |
| <b>Profit after taxation</b>   |      |                                |                                      |                |                 |                     | <u>1,433,875</u>  | <u>1,293,046</u>  |
| <b>Other comprehensive income / (loss) - not reclassified to profit and loss</b> |      |                                |                                      |                |                 |                     |                   |                   |
| - Re-measurement of post employment benefit obligations - net of tax             |      |                                |                                      |                |                 |                     | (2,960)           | 1,991             |
| <b>Total comprehensive income</b>  |      |                                |                                      |                |                 |                     | <u>1,430,915</u>  | <u>1,295,037</u>  |
| <b>Profit and loss appropriation account</b>                                     |      |                                |                                      |                |                 |                     |                   |                   |
| Balance of unappropriated profit at commencement of the year                     |      |                                |                                      |                |                 |                     | 2,931,129         | 1,881,471         |
| Profit after taxation  |      |                                |                                      |                |                 |                     | 1,433,875         | 1,293,046         |
| Other comprehensive income / (loss)  |      |                                |                                      |                |                 |                     | (2,960)           | 1,991             |
| Transferred from general reserve   |      |                                |                                      |                |                 |                     | 736,137           | 368,069           |
| Final dividend for the year ended December 31,                                   |      |                                |                                      |                |                 |                     | (490,758)         | (368,069)         |
| 2015 :Rs. 4 per share (2014: Rs. 3 per share)                                    |      |                                |                                      |                |                 |                     |                   |                   |
| Interim dividend for the year ended December 31,                                 |      |                                |                                      |                |                 |                     | -                 | (245,379)         |
| 2016 : Nil (2015: Rs. 2 per share)   |      |                                |                                      |                |                 |                     |                   |                   |
|  |      |                                |                                      |                |                 |                     | <u>1,676,294</u>  | <u>1,049,658</u>  |
| Balance of unappropriated profit at end of the year                              |      |                                |                                      |                |                 |                     | <u>4,607,423</u>  | <u>2,931,129</u>  |
|  |      |                                |                                      |                |                 |                     |                   |                   |
| Earnings per share - basic and diluted   | 32   |                                |                                      |                |                 |                     | 11.69             | 10.54             |

The annexed notes 1 to 42 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 December 31, 2016

|  | Issued,<br>Subscribed<br>and<br>Paid-up<br>Shares<br>Capital | Proposed<br>shares to be<br>issued on<br>amalgama-<br>tion | RESERVES                         |                                   |                              |                    | Unappropri-<br>ated<br>profit | TOTAL      |
|--|--|--|----------------------------------|-----------------------------------|------------------------------|--------------------|-------------------------------|------------|
|  |  |  | CAPITAL RESERVE                  |                                   |                              | REVENUE            |                               |            |
|  |  |  | Premium<br>on issue<br>of shares | Reserve<br>for<br>bonus<br>shares | Other<br>capital<br>reserves | reserve            |                               |            |
|  |  |  |                                  |                                   |                              | General<br>reserve |                               |            |
| (Rupees in ‘000)   |  |  |                                  |                                   |                              |                    |                               |            |
| Balance as at January 1, 2015  | 1,226,895  | -  | 35,762                           | -                                 | 33,267                       | 8,401,751          | 1,881,471                     | 11,579,146 |
| <b>Total comprehensive income for the year ended December 31, 2015</b>                                       |  |  |                                  |                                   |                              |                    |                               |            |
| Profit after taxation for the year ended December 31, 2015   | -  | -  | -                                | -                                 | -                            | -                  | 1,293,046                     | 1,293,046  |
| Other comprehensive income for the year - Re-measurement of post employment benefit obligations - net of tax | -  | -  | -                                | -                                 | -                            | -                  | 1,991                         | 1,991      |
|  | -  | -  | -                                | -                                 | -                            | -                  | 1,295,037                     | 1,295,037  |
| <b>Transfer from general reserves to unappropriated profit</b>   | -  | -  | -                                | -                                 | -                            | (368,069)          | 368,069                       | -          |
| Transactions with owners, recorded directly in equity  |  |  |                                  |                                   |                              |                    |                               |            |
| Final dividend for the year ended December 31, 2014 - Rs. 3 per share  | -  | -  | -                                | -                                 | -                            | -                  | (368,069)                     | (368,069)  |
| Interim dividend for the year ended December 31, 2015 - Rs. 2 per share                                      | -  | -  | -                                | -                                 | -                            | -                  | (245,379)                     | (245,379)  |
|  | -  | -  | -                                | -                                 | -                            | -                  | (613,448)                     | (613,448)  |
| <b>Balance as at December 31, 2015</b>   | 1,226,895  | -  | 35,762                           | -                                 | 33,267                       | 8,033,682          | 2,931,129                     | 12,260,735 |
| <b>Total comprehensive income for the year ended December 31, 2016</b>                                       |  |  |                                  |                                   |                              |                    |                               |            |
| Profit after taxation for the year ended December 31, 2016   | -  | -  | -                                | -                                 | -                            | -                  | 1,433,875                     | 1,433,875  |
| Other comprehensive loss for the year - Re-measurement of post employment benefit obligations - net of tax   | -  | -  | -                                | -                                 | -                            | -                  | (2,960)                       | (2,960)    |
|  | -  | -  | -                                | -                                 | -                            | -                  | 1,430,915                     | 1,430,915  |
| Further issue of share capital in lieu of business combination (note 4)                                      | -  | 411,659  | -                                | -                                 | -                            | -                  | -                             | 411,659    |
| Transfer from general reserves to unappropriated profit  | -  | -  | -                                | -                                 | -                            | (736,137)          | 736,137                       | -          |
| <b>Transactions with owners, recorded directly in equity</b>   |  |  |                                  |                                   |                              |                    |                               |            |
| Final dividend for the year ended December 31, 2015 - Rs. 4 per share  | -  | -  | -                                | -                                 | -                            | -                  | (490,758)                     | (490,758)  |
| Balance as at December 31, 2016  | 1,226,895  | 411,659  | 35,762                           | -                                 | 33,267                       | 7,297,545          | 4,607,423                     | 13,612,551 |

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.



Chairman



Director



Director



Principal Officer and  
Chief Executive

# Unconsolidated Statement of Cash Flows

|   | 2016               | 2015               |
|---|--------------------|--------------------|
|   | (Rupees in '000)   |                    |
| <b>OPERATING CASH FLOWS</b>   |                    |                    |
| <b>Underwriting activities</b>  |                    |                    |
| Premiums received   | 2,686,759          | 2,340,013          |
| Reinsurance premiums paid   | (1,230,060)        | (1,117,306)        |
| Claims paid   | (1,245,739)        | (1,074,221)        |
| Reinsurance and other recoveries received                             | 591,217            | 435,481            |
| Commissions paid  | (319,731)          | (194,025)          |
| Commissions received  | 330,593            | 289,758            |
| <b>Net cash generated from underwriting activities</b>                | <b>813,039</b>     | <b>679,700</b>     |
| <b>Other operating activities</b>                                     |                    |                    |
| Income tax paid   | (469,550)          | (145,497)          |
| Contribution to defined benefit plan                                  | (7,733)            | (6,962)            |
| General and management expenses paid                                  | (434,931)          | (408,294)          |
| Operating payments - net  | (87,004)           | (84,468)           |
| Net cash used in other operating activities                           | (999,218)          | (645,221)          |
| <b>Total cash (used in) / generated from all operating activities</b> | <b>(186,179)</b>   | <b>34,479</b>      |
| <b>INVESTMENT ACTIVITIES</b>  |                    |                    |
| Profit / return received  | 24,020             | 59,164             |
| Dividends received  | 1,898,895          | 1,041,828          |
| Payments for investments  | (2,961,056)        | (711,587)          |
| Net cash inflow on amalgamation of IGI Investment Bank Limited        | 4,527              | -                  |
| Proceeds from disposal of investments                                 | 10,962             | 977,012            |
| Fixed capital expenditure- own use and intangible assets              | (41,944)           | (106,142)          |
| Proceeds from disposal of fixed assets- own use                       | 14,421             | 17,091             |
| Proceeds from disposal of fixed assets- lease asset                   | 1,887              | -                  |
| <b>Total cash generated (used in) / from investing activities</b>     | <b>(1,048,288)</b> | <b>1,277,366</b>   |
| <b>FINANCING ACTIVITIES</b>   |                    |                    |
| Dividends paid  | (490,938)          | (608,145)          |
| Loan (paid) / received  | 1,000,000          | (675,000)          |
| Repayment of liability against assets subject to finance lease        | (6,564)            | -                  |
| Lease finance charges   | (917)              | -                  |
| Financial charges paid  | (107,773)          | (44,915)           |
| <b>Total cash generated from / (used in) financing activities</b>     | <b>393,808</b>     | <b>(1,328,060)</b> |
| <b>Net cash used in all activities</b>                                | <b>(840,659)</b>   | <b>(16,215)</b>    |
| Cash at beginning of the year   | 219,154            | 235,369            |
| <b>Cash at end of the year</b>  | <b>(621,505)</b>   | <b>219,154</b>     |

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.



Chairman



Director



Director



Principal Officer and  
Chief Executive

For the year ended December 31, 2016

|   | 2016             | 2015      |
|---|------------------|-----------|
|   | (Rupees in '000) |           |
| <b>Reconciliation to profit and loss account</b>  |                  |           |
| Operating cash flows  | (186,179)        | 34,479    |
| Depreciation expense- own use   | (52,834)         | (49,285)  |
| Depreciation expense- lease assets  | (3,514)          | -         |
| Financial charges   | (107,773)        | (25,485)  |
| Lease finance charges   | (917)            | -         |
| Donations   | (650)            | -         |
| Gain on disposal of fixed assets-own use  | 5,523            | 4,005     |
| Loss on disposal of fixed assets- lease asset   | (69)             | -         |
| Increase in other assets  | 452,542          | (45,294)  |
| Increase in liabilities other than term finances  | (824,539)        | (99,884)  |
| (Provision for) / reversal of impairment in the value of available for sale investments | 218,291          | (84,163)  |
| <b>Others</b>   |                  |           |
| Gain on disposal of investments   | 10,962           | 478,122   |
| Dividend and other investment income  | 1,923,032        | 1,080,551 |
| Profit after tax  | 1,433,875        | 1,293,046 |
| <b>Definition of cash</b>   |                  |           |
| Cash comprises of cash in hand, policy stamps, bank balances and short term finance.    |                  |           |
| <b>Cash for the purposes of the Statement of Cash Flows consists of:</b>                |                  |           |
| Cash and other equivalents  |                  |           |
| - Cash in hand  | -                | -         |
| - Policy stamps in hand   | 374              | 90        |
|   | 374              | 90        |
| Current and other accounts  |                  |           |
| - Current accounts  | 21,565           | 6,496     |
| - Savings accounts  | 4,573            | 10,588    |
|   | 26,138           | 17,084    |
| Deposits maturing within 12 months  | 700,000          | 350,000   |
| Short term finances   | (1,348,017)      | (148,020) |
|   | (621,505)        | 219,154   |

The annexed notes 1 to 42 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 December 31, 2016

## 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 |                     | 2016                | 2015      |
|                                | (Rupees in '000) |                          |         |                 |                   |                                   |         |                     |                     |           |
| Direct and facultative         |                  |                          |         |                 |                   |                                   |         |                     |                     |           |
| Fire and property damage       | 957,205          | 276,743                  | 343,166 | 890,782         | 850,659           | 250,309                           | 303,954 | 797,014             | 93,768              | 80,549    |
| Marine, aviation and transport | 414,453          | 24,623                   | 22,473  | 416,603         | 215,314           | 13,215                            | 11,870  | 216,659             | 199,944             | 180,177   |
| Motor                          | 828,398          | 286,815                  | 340,941 | 774,272         | 4,558             | 179                               | 190     | 4,547               | 769,725             | 631,062   |
| Health                         | 196,470          | 50,038                   | 86,862  | 159,646         | -                 | -                                 | -       | -                   | 159,646             | 107,359   |
| Miscellaneous                  | 423,517          | 107,264                  | 156,821 | 373,960         | 250,073           | 70,041                            | 103,811 | 216,303             | 157,657             | 122,802   |
| Total                          | 2,820,043        | 745,483                  | 950,263 | 2,615,263       | 1,320,604         | 333,744                           | 419,825 | 1,234,523           | 1,380,740           | 1,121,949 |

The annexed notes 1 to 42 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 December 31, 2016

## 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 |  | 2016               | 2015    |
|                                | (Rupees in '000) |                    |         |                |   |   |         |  |                    |         |
| Direct and facultative         |                  |                    |         |                |   |   |         |  |                    |         |
| Fire and property damage       | 363,062          | 217,148            | 267,736 | 413,650        | 308,885                                   | 184,148   | 245,838 | 370,575                                  | 43,075             | 57,670  |
| Marine, aviation and transport | 163,255          | 135,313            | 124,848 | 152,790        | 107,039                                   | 80,498  | 64,040  | 90,581                                   | 62,209             | 78,230  |
| Motor                          | 375,395          | 120,843            | 134,562 | 389,114        | 58  | 14,687  | 14,687  | 58                                       | 389,056            | 322,039 |
| Health                         | 121,484          | 34,706             | 54,590  | 141,368        | -   | -   | -       | -  | 141,368            | 83,606  |
| Miscellaneous                  | 222,543          | 135,806            | 363,218 | 449,955        | 175,235                                   | 112,326   | 324,888 | 387,797                                  | 62,158             | 44,880  |
| Total                          | 1,245,739        | 643,816            | 944,954 | 1,546,877      | 591,217                                   | 391,659   | 649,453 | 849,011                                  | 697,866            | 586,425 |

The annexed notes 1 to 42 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 December 31, 2016

## 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 |                        |                           |                      |                             | 2016                     | 2015    |
| (Rupees in '000)               |                             |                     |         |                        |                           |                      |                             |                          |         |
| Direct and facultative         |                             |                     |         |                        |                           |                      |                             |                          |         |
| Fire and property damage       | 89,579                      | -                   | -       | 89,579                 | 126,801                   | 216,380              | 175,518                     | 40,862                   | 23,350  |
| Marine, aviation and transport | 40,446                      | -                   | -       | 40,446                 | 54,902                    | 95,348               | 94,870                      | 478                      | (4,995) |
| Motor                          | 75,456                      | -                   | -       | 75,456                 | 139,610                   | 215,066              | 8                           | 215,058                  | 187,058 |
| Health                         | 5,589                       | -                   | -       | 5,589                  | 31,216                    | 36,805               | -                           | 36,805                   | 27,175  |
| Miscellaneous                  | 51,257                      | -                   | -       | 51,257                 | 56,103                    | 107,360              | 40,826                      | 66,534                   | 46,525  |
| Total                          | 262,327                     | -                   | -       | 262,327                | 408,632                   | 670,959              | 311,222                     | 359,737                  | 279,113 |

The annexed notes 1 to 42 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 December 31, 2016

|   | 2016             | 2015      |
|---|------------------|-----------|
|   | (Rupees in '000) |           |
| <b>Income from non-trading investments</b>                    |                  |           |
| Return on government securities                               | 15,840           | 19,332    |
| Dividend income on available for sale investments             | 1,527,334        | 851,630   |
| Dividend income on investment in associates                   | 330,572          | 190,198   |
| Dividend income on investment in subsidiaries                 | 40,989           | -         |
| Gain on sale of available for sale investments                | 10,962           | 478,122   |
| Reversal / (provision for) impairment in value of investments | 218,291          | (84,163)  |
| Less: Investment related expenses                             | (15,275)         | (9,639)   |
| Net investment income   | 2,128,713        | 1,445,480 |

The annexed notes 1 to 42 form an integral part of these unconsolidated financial statements.



Chairman



Director



Director



Principal Officer and  
Chief Executive

# Notes to and Forming Part of the Unconsolidated Financial Statements

## 1 STATUS AND NATURE OF BUSINESS

- 1.1** IGI Insurance Limited (“the Company”), a Packages Group Company, was incorporated as a public limited company in 1953 under Companies Ordinance, 1984 and is quoted on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited) 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.

During the year ended December 31, 2015, the Board of Directors of the Company had passed a resolution to commence Window Takaful Operations under the provisions of Takaful Rules, 2012. The Company is in the process of completing legal formalities including amendment in Memorandum of Association of the Company which has been approved by the shareholders in the Extra Ordinary General Meeting (EOGM) held on February 19, 2016. The Company intends to complete other formalities in this respect in the first half of year ending December 31, 2017.

- 1.2** During the year, under the Scheme of Amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited under section 284 to 288 of the Companies Ordinance, 1984, (hereinafter referred to as “the Scheme”), IGI Investment Bank Limited has been amalgamated with and into the Company with effect from December 31, 2016. The proposal for the amalgamation and the scheme of amalgamation were approved by the shareholders of both the Companies in their meetings held on February 22, 2017 and the Honorable Sindh High Court, through its order, under Companies Ordinance, 1984 sanctioned the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited.

- 1.3** Further, a Scheme of Arrangement of IGI Insurance Limited, after amalgamation of IGI Investment Bank Limited with IGI Insurance Limited, under sections 284 to 288 of the Companies Ordinance, 1984 has been sanctioned by the High Court of Sindh through its order dated December 16, 2017. The Scheme of Arrangement is effective from January 31, 2017 and essentially entails the following:

- (i) The separation of the Insurance Segment and Investment Segment from IGI Insurance Limited;
- (ii) The transfer to, and vesting in IGI General Insurance Limited (a newly incorporated subsidiary company of IGI Insurance Limited), of the Insurance Segment against the issue of ordinary shares of IGI General Insurance Limited to IGI Insurance Limited;
- (iii) The transfer to, and vesting into IGI Investments (Pvt.) Limited (a newly incorporated subsidiary company of IGI Insurance Limited), of the Investment Segment against the issue of ordinary shares of IGI Investments (Pvt.) Limited to IGI Insurance Limited;
- (iv) The retention of the Retained Undertaking as part of IGI Insurance Limited; and
- (v) Change of name of IGI Insurance Limited to IGI Holdings Limited with effect from date of filing of the certified copy of the order of the Court sanctioning the Scheme of Arrangement with the Registrar of Companies at SECP.

## 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, 2016 but are considered not to be 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:

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

| Standard, Interpretations or Amendments | Effective date (annual periods beginning on or after) |
|---|---|
| - IFRS 9 - Financial Instruments        | July 01, 2018   |
| - IFRS 15 - Revenue from contracts      | July 01, 2018   |

In addition to the above, The Securities and Exchange Commission of Pakistan (SECP) through SRO 88(I)/2017 dated February 9, 2017 has issued Insurance Accounting Regulations, 2017. The Insurance Accounting Regulations are applicable from April 1, 2017. However, the SECP on application of the Company has allowed to apply insurance Accounting Regulation, 2017 effective from the accounting year commencing from January 1, 2018.

The management is in the process of assessing the impact of these standards on the financial statements of the Company.

There are certain new and amended standards and interpretations that are mandatory for the Company's accounting periods beginning on or after 1 January 2017 but are not considered to be relevant or do not have any significant effect on the Company's operations and, therefore, not detailed in these 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 5.3.3)
- Provision for taxation and deferred tax (note 5.5)
- Defined benefit plan (note 5.11.2)
- Useful lives and residual values of fixed assets (note 5.10)
- Premium deficiency reserve (note 5.3.6)
- Classification of investments and its impairment (note 5.7)
- Reinsurance recoveries against outstanding claims (note 5.3.4)

# Notes to and Forming Part of the Unconsolidated Financial Statements

## 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 BUSINESS COMBINATION

### Amalgamation of IGI investment Bank Limited

During the current year, under the 'Scheme of Amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited under section 284 to 288 of the Companies Ordinance, 1984 (the "Ordinance"), hereinafter referred to as 'The Scheme', IGI Investment Bank Limited has been amalgamated with and into the Company with effect from the close of business on December 31, 2016.

The proposal for the amalgamation and the scheme of amalgamation were approved by the shareholders of both the Companies in their meetings held on February 22, 2017 and the Honorable Sindh High Court, through its order, under Companies Ordinance, 1984 sanctioned the amalgamation scheme of IGI Investment Bank Limited with and into IGI Insurance Limited.

IGI Investment Bank Limited as per the Scheme means the business and all assets and liabilities, of the then IGI Investment Bank Limited of whatsoever nature and wherever situated.

IGI Investment Bank Limited at the time of acquisition by the Company had a wholly owned subsidiary namely IGI Finex Securities Limited which by virtue of amalgamation has now become a subsidiary of the Company.

International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", requires that all identified assets and liabilities acquired in a business combination should be carried at fair values in the acquirer's balance sheet and any intangible assets acquired in the business combination are required to be separately recognised and carried at fair values.

Subsequent to the amalgamation, the Company has incorporated the balances relating to IGI Investment Bank Limited at their carrying values as appearing in the audited financial statements of IGI Investment Bank Limited as at the close of business on December 31, 2016. These balances are detailed below:

|   | IGI Investment Bank's carrying amounts as at December 31, 2016 (based on audited financial statements) | Fair value adjustments | Fair values as at December 31, 2016 |
|---|--|------------------------|-------------------------------------|
|   | (Rupees in '000)   |                        |                                     |
| <b>ASSETS</b>                               |  |                        |                                     |
| Fixed assets                                | 3,671  | -                      | 3,671                               |
| Long-term investments                       | 223,957  | 211,050                | 435,007                             |
| Long-term deposits                          | 4,414  | -                      | 4,414                               |
| Current maturity of non-current assets      | 221,313  | -                      | 221,313                             |
| Short-term investments                      | 9,702  | -                      | 9,702                               |
| Taxation - net                              | 146,915  | -                      | 146,915                             |
| Prepayments and other receivables           | 5,899  | -                      | 5,899                               |
| Cash and bank balances                      | 4,527  | -                      | 4,527                               |
| Total Assets                                | 620,398  | 211,050                | 831,448                             |
| <b>LIABILITIES</b>                          |  |                        |                                     |
| Long-term loans                             | 300,860  | -                      | 300,860                             |
| Current maturity of non-current liabilities | 216,110  | -                      | 216,110                             |
| Interest and mark-up accrued                | 9,671  | -                      | 9,671                               |
| Trade and other payables                    | 44,871   | -                      | 44,871                              |
| Total Liabilities                           | 571,512  | -                      | 571,512                             |
| NET ASSETS                                  | 48,886   | 211,050                | 259,936                             |

IFRS - 3 allows the acquirer a period of one year from the date of acquisition to finalize the determination of the fair values of the assets and liabilities and to determine the value of any intangibles separately identified. The fair valuation exercise of the recorded assets and liabilities will be completed within the period specified under IFRS - 3.

In accordance with IFRS 3, the Company has initially recognised Goodwill of Rs. 163.024 million representing the excess of the consideration paid over the carrying values of the net identifiable assets acquired. The identification and valuation of intangible assets is currently in progress and will be completed within the period specified under IFRS - 3, subsequent to which they will be recognised separately from Goodwill.

In accordance with the Scheme, every 92 ordinary shares of Rs. 10 each in IGI Investment Bank Limited shall be allotted one ordinary share of IGI Insurance Limited. Accordingly, the Company intends to issue 1,337,033 shares to the shareholders of IGI Investment Bank Limited. Further, 42.01% equity interest of IGI Insurance Limited in IGI Investment Bank Limited has been remeasured at fair value and has been adjusted in the calculation of goodwill.

|  | (Rupees in '000) |
|--|------------------|
| Consideration paid                                 | 411,659          |
| Fair value of previously held equity interest      | 290,451          |
| Carrying value of net identifiable assets acquired | (259,936)        |
| Tax Synergies                                      | (279,150)        |
| Goodwill   | 163,024          |

The figures pertaining to post combination reserve and profit or loss pertaining to the operations of IGI Investment Bank Limited have not been disclosed as the business combination was effective as at the close of business on December 31, 2016.

## 5 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 unless stated otherwise.

### 5.1 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.

### 5.2 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.

### 5.3 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.

## Notes to and Forming Part of the Unconsolidated Financial Statements

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).

### 5.3.1 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.

### 5.3.2 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.

### 5.3.3 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.

During the year, the Company has revised the method for determination of provision for Incurred But Not Reported (IBNR) claims as required under circular No. 9 of 2016 issued by the SECP. As per SECP circular No. 9 of 2016 an insurer shall estimate IBNR claims reserve based on the prescribed method provided in the guidelines. Guidelines also allows the use of any other alternative method of determining IBNR, if found more suitable for the risk class, provided that the amount estimated under the alternative method shall not be less than the amount calculated under prescribed method. The prescribed method for estimating IBNR claim reserve is the chain ladder method based on paid claims hereinafter called 'Incurred But Not Paid' or 'IBNP'. The Basic Chain Ladder (BCL) method uses a run off triangle to estimate the development factors for each accident period which are further used to estimate the ultimate paid claims. Data from settlement registers are used in the BCL models. Lags are determined to be the difference between the 'date of loss' and 'date of claim payment'. Monthly lags are used since it reflects the claim development pattern within a given year and the back testing supports the same. Once IBNP has been determined using BCL, the outstanding claims are deducted to arrive at IBNR on paid basis.

Under alternative method IBNR is determined on reported basis. IBNR (reported basis) is much similar to IBNR (paid basis) but is calculated using a different methodology. It does not use either IBNP or outstanding claims to estimate IBNR rather, is determined using BCL method. Development factors are determined for each accident period to estimate the ultimately reported claims directly. Intimation registers are used in the BCL model where lags are calculated as the difference between the 'date of loss' and 'date of intimation'.

The analysis is carried out separately for each class of business and results determined through this alternative method are compared to the results of prescribed method and higher of the two are set as the final reserve.

Previously provision for IBNR was based on the management's best estimate which took into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date. Had the method for estimating IBNR claims, not been changed, the provision for claims and reinsurance recoveries against outstanding claims would have been lower by Rs. 12.96 million and Rs. 7.88 million respectively and the profit after taxation for the year would have been higher by Rs. 3.51 million.

#### **5.3.4 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.

#### **5.3.5 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.

#### **5.3.6 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.

## Notes to and Forming Part of the Unconsolidated Financial Statements

At each balance sheet date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in force at balance sheet date with the carrying amount of unearned premium liability. Any deficiency is recognised by establishing a provision (premium deficiency reserve) to meet the deficit. The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable. The movement in the premium deficiency reserve is recognised as an expense or income in the profit and loss account for the year. The expected ultimate net claim ratios for the unexpired periods of policies in force at balance sheet date for each class of business is as follows:

|                                |     |
|--------------------------------|-----|
| Fire and property damage       | 67% |
| Marine, aviation and transport | 56% |
| Motor                          | 71% |
| Health                         | 0%  |
| Miscellaneous                  | 54% |

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 required as per the advice of appointed actuary. Hence, no reserve for the same has been made in these unconsolidated financial statements.

### 5.4 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.

### 5.5 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.

## **5.6 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.

## **5.7 Investments**

**5.7.1** 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
- Investment at fair value through profit and loss - held for trading
- Held to maturity
- Available for sale

### **5.7.1.1 Investment in subsidiaries**

Investments in subsidiaries are stated at cost less accumulated impairment losses, if any.

### **5.7.1.2 Investment in associates**

Investments in associates are presented in the unconsolidated 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.

### **5.7.1.3 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.

### **5.7.1.4 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.

### **5.7.1.5 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 amortised and taken to the profit and loss account over the term of the investment.



## Notes to and Forming Part of the Unconsolidated Financial Statements

### 5.7.1.6 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. 38,655 million at December 31, 2016.

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

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

### 5.7.2 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 unrealised 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 is included in investment income.

### 5.7.3 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.

### 5.8 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.

### 5.9 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.

### 5.10 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 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.

#### *Leased Assets*

Asset subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

#### *Finance leases*

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.

#### *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.

### **5.11 Staff retirement benefits**

#### **5.11.1 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.

#### **5.11.2 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, 2016 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.

#### **5.11.3 Accumulating compensated absences**

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

## Notes to and Forming Part of the Unconsolidated Financial Statements

### 5.12 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 finance, long term finance and unclaimed dividend. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 5.13 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.

### 5.14 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.

### 5.15 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.

#### **5.16 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.

#### **5.17 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.

#### **5.18 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 profit and loss account over the period of the borrowings using the effective interest method.

#### **5.19 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.

#### **5.20 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.

#### **5.21 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.

#### **5.22 Dividends and appropriations to reserves**

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

#### **5.23 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.

# Notes to and Forming Part of the Unconsolidated Financial Statements

## 6 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

| 2016             | 2015        |  | 2016             | 2015      |
|------------------|-------------|--|------------------|-----------|
| Number of shares |             |  | (Rupees in '000) |           |
| 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      | 120,747,345 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | 1,207,473        | 1,207,473 |
| 122,689,532      | 122,689,532 |  | 1,226,895        | 1,226,895 |

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

|  | 2016             | 2015       |
|--|------------------|------------|
|  | Number of shares |            |
| Packages Limited                               | 13,022,093       | 13,022,093 |
| Babar Ali Foundation                           | 4,630,539        | 4,630,539  |
| Industrial Technical and Educational Institute | 20,853,966       | 20,853,966 |
|  | 38,506,598       | 38,506,598 |

## 7 PROPOSED SHARES TO BE ISSUED ON AMALGAMATION

As explained in note 1.2 of these unconsolidated financial statement, IGI Investment Bank Limited was amalgamated with and into IGI Insurance Limited with effect from the close of business on December 31, 2016 under a Scheme of Amalgamation duly sanctioned by the High Court of Sindh. In accordance with the Scheme of Amalgamation every 92 ordinary shares of Rs. 10 each in IGI Investment Bank Limited shall be allotted one ordinary share of IGI Insurance Limited. Accordingly, the Company intends to issue 1,337,033 shares to the shareholders of IGI Investment Bank Limited.

## 8 SUNDRY CREDITORS

|                                | Note | 2016             | 2015    |
|--------------------------------|------|------------------|---------|
|                                |      | (Rupees in '000) |         |
| Federal excise duty            |      | 6,264            | 16,007  |
| Federal insurance fee          |      | 893              | 1,139   |
| Agent commission payable       |      | 110,298          | 167,702 |
| Cash margin                    |      | 169,534          | 115,314 |
| Withholding tax payable        |      | 206              | -       |
| Certificates of deposit        | 8.1  | 6,082            | -       |
| Deposits under lease contracts | 8.2  | 210,028          | -       |
| Others                         |      | 73,228           | 44,199  |
|                                |      | 576,533          | 344,361 |

- 8.1 These certificates of deposit have been acquired by IGI Insurance Limited as part of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from close of business on December 31, 2016. IGI Investment Bank Limited (IGIBL) had made repayment of all deposits along with mark-up, except for five depositors with aggregate deposits amounting to Rs.6.082 million since they were either untraceable or their deposit was under lien as per court order for payment of FED / CED. These Certificates of Deposit have already matured and mark-up payable on these till maturity is Rs.0.205 million. In order to secure the amount for repayment of such deposits till the time parties are traced or lien matter settled, the Investment Bank has placed an amount of Rs.6.422 million in Market Treasury Bills. The Securities and Exchange Commission of Pakistan (SECP), while granting No Objection Certificate (NOC) to the amalgamation of IGI Insurance Limited and IGI Investment Bank Limited has advised the Company to form a trust, appoint Central Depository Company (CDC) as the trustee to invest the outstanding deposits amounting to Rs. 6.082 million in PIBs and transfer the same in the name of trustee for onward payment to depositors of IGI Investment Bank Limited as and when the depositors are traced after due verification.

For the year ended December 31, 2016

- 8.2** This represents security deposits held by IGI Investment Bank Limited under lease contracts acquired as part of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from close of business on December 31, 2016 against which an equivalent amount of residual value is receivable.

## 9 ACCRUED EXPENSES

This includes interest amounting to Rs. 9.466 million accrued on loan from IGI Finex Securities Limited as disclosed in note 12.3

## 10 CURRENT PORTION OF LONG TERM LIABILITIES

| 10               | CURRENT PORTION OF LONG TERM LIABILITIES                               | Note | 2016   | 2015 |
|------------------|--|------|--------|------|
| (Rupees in '000) |  |      |        |      |
| 10.1             | Current portion of liabilities against assets subject to finance lease | 13   | 6,503  | -    |
| 10.2             | Current portion of long term finances from subsidiary (Unsecured)      | 12.3 | 69,860 | -    |
|                  |  |      | 76,363 | -    |

## 11 SHORT TERM FINANCES

### Secured

|                  |      |           |         |
|------------------|------|-----------|---------|
| Running finances | 11.1 | 48,017    | 23,020  |
| Term finances    |      | 1,300,000 | 125,000 |
|                  |      | 1,348,017 | 148,020 |

- 11.1** Short term financing facilities available from various commercial banks under mark-up arrangements amount to Rs. 3,250 million (2015: Rs. 2,550 million). The rates of mark-up on these facilities range from 5.99% to 6.55% per annum (2015: 6.70% to 7.85% per annum) and are payable latest by April 30, 2017. The short term finances are secured against pledge of shares held by the Company.

## 12 LONG TERM FINANCES

|   | Note | 2016      | 2015 |
|---|------|-----------|------|
| (Rupees in '000)  |      |           |      |
| <b>Secured</b>  |      |           |      |
| Long term loan  | 12.1 | 1,000,000 | -    |
| <b>Unsecured</b>  |      |           |      |
| Local currency - from sponsor                               | 12.2 | 231,000   | -    |
| Local currency - from subsidiary                            | 12.3 | 69,860    | -    |
| Less: Current portion of long term finances from subsidiary | 10.2 | (69,860)  | -    |
|   |      | 1,231,000 | -    |

- 12.1** The Company obtained a long term finance facility amounting to Rs. 1,000 million from Allied Bank Limited during 2015 for the purpose of participation in equity investment in Packages Construction (Private) Limited i.e. Packages Mall project, which was fully availed during the year ended December 31, 2016. The loan carries markup rate at 6 month KIBOR + 0.3% per annum. Principal repayment is to be made in 6 equal semi-annual installments starting from the 30th month after the first disbursement and subsequently, every six months thereafter. The first disbursement was made on May 6, 2016. The facility is secured against pledge of shares held by the Company.

- 12.2** This represents long-term financing acquired by the Company as part of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from December 31, 2016.

During 2013-2014, IGI Investment Bank Limited (the Investment Bank) received a sum of Rs.285 million by way of a loan from Syed Babar Ali, Chairman and a sponsor of the Investment Bank. In this connection, the Investment Bank and Syed Babar Ali had entered into a Loan Agreement dated March 31, 2014. The loan is interest/profit/mark-up free and repayable at the earlier of the expiry of ten (10) years from the date of the Loan

## Notes to and Forming Part of the Unconsolidated Financial Statements

Agreement or upon occurrence of any change in the shareholding of the Investment Bank or the board of directors of the Investment Bank that would result in change of control of the Investment Bank from the persons in whose hands it vests as of the date of the Loan Agreement ('the Due Date'), as the case may be. Under the terms of the Loan Agreement, the Investment Bank may, at its discretion, prepay all or any portion of the aforesaid loan at any time prior to the Due Date, provided that the Certificates of Deposit issued by the Investment Bank have been completely and finally settled.

Upto December 31, 2016, the Investment Bank has made repayment of all deposits along with mark-up, except for five depositors with aggregate deposits amounting to Rs.6.082 million since they are either untraceable or their deposit was under lien as per court order for payment of FED / CED. These Certificates of Deposit have already matured and mark-up payable on these till maturity is Rs.0.205 million. In order to secure the amount for repayment of such deposits till the time parties are traced or lien matter settled, the Investment Bank has placed an amount of Rs.6.422 million in Market Treasury Bills.

In light of the above, the Investment Bank has made prepayment of Rs.54 million against the aforesaid loan till December 31, 2016 which includes prepayment of Rs.5 million during the period from July 01, 2016 to December 31, 2016.

- 12.3** This represents long-term financing acquired by the Company as part of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from December 31, 2016.

During the previous year, the IGI Investment Bank Limited (the Investment Bank) had entered into a long term loan agreement with its wholly owned subsidiary (IGI Finex Securities Limited) for Rs.85 million. Under the terms of the Loan Agreement, the loan was to be disbursed in multiple tranches, on such dates and in such amount as may be mutually agreed by the parties to the agreement. The loan carries markup rate at 1 month KIBOR + 2% and is repayable at the earlier of the expiry of 36 months from the date of disbursement of first tranche i.e. November 2014 of the loan or upon occurrence of any change in the shareholding of the Investment Bank or the board of directors of the Investment Bank that would result in change of control of the Investment Bank from the persons in whose hands it vests as of the date of the Loan Agreement ('the Due Date'), as the case may be. The Investment Bank may, at its discretion, prepay all or any portion of the aforesaid loan at any time prior to the Due Date. As at December 31, 2016, the Investment Bank had received Rs.69.860 million out of the total amount of the loan i.e. Rs.85 million.

### 13 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

|  | Note | 2016             | 2015 |
|--|------|------------------|------|
|  |      | (Rupees in '000) |      |
| Present value of minimum lease payments                |      | 42,980           | -    |
| Less: Current maturity shown under current liabilities | 10   | (6,503)          | -    |
|  |      | 36,477           | -    |

The Company has entered into lease agreements with various leasing companies for lease of motor vehicles. The liabilities under these agreements are payable by the year 2017 - 2021 and are subject to finance charge at rates ranging from 3.89% - 4.13% per annum (December 31, 2015: Nil).

The Company intends to exercise its option to purchase these assets upon the termination of the lease term. The cost of operating and maintaining the leased assets is borne by the Company.

The amount of future payments for the finance lease and the period in which these payments will become due are as follows:

|   | Minimum Lease Payments | Future Finance Charges | 2016                             | 2015 |
|---|------------------------|------------------------|----------------------------------|------|
|   |                        |                        | Present value of lease liability |      |
| Not later than one year                           | 8,106                  | 1,603                  | 6,503                            | -    |
| Later than one year and not later than five years | 39,941                 | 3,464                  | 36,477                           | -    |
|   | 48,047                 | 5,067                  | 42,980                           | -    |

## 14 CONTINGENCIES AND COMMITMENTS

| 14.1 | Commitments in respect of capital expenditure   | 2016             | 2015   |
|------|---|------------------|--------|
|      |   | (Rupees in '000) |        |
|      | Not later than one year   | 6,955            | 14,031 |
| 14.2 | 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.  |                  |        |
| 14.3 | 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. The management, based on advice of the legal counsel, is hopeful that the outcome of the case will be decided in favor of the Company.   |                  |        |
| 14.4 | 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 in respect of re-insurance accepted transactions 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 was also decided against the Company. The Company has filed an appeal in the Honourable High Court which is pending adjudication.   |                  |        |
| 14.5 | Company has filed Suit 1249 of 2016 before the Honourable High Court of Sindh at Karachi. Through this Suit, the Company has impugned Show Cause Notice dated 26.04.2016 issued by the Assistant Commissioner-2 SRB alleging that that the Company has received reinsurance services amounting to Rs. 2,717 millions from foreign reinsurance companies for the period July 2011 to December 2014 and demanding Sindh Sales Tax on Services thereon under Tariff Heading 98.13.1000 and its sub-heading 98.13.6000 in the Second Schedule read with Section 3(2) and Section 9(2) of the Sindh Sales Tax on Services Act, 2011. The Company has prayed, inter alia, that it is not liable to pay Sindh Sales Tax on Services on the reinsurance services it receives from foreign reinsurance companies and that the Show Cause Notice dated 26.04.2016 is ultra vires the Constitution and the Sindh Sales Tax on Services Act, 2011. In addition, the Company has also challenged the constitution of the Sindh Revenue Board and the appointment of its Chairman. On 23.05.2016, the Honorable Sindh High Court was pleased to pass an interim Order suspending the operation of the Show Cause Notice and restraining coercive action against the Company in pursuance thereof. Such interim Order continues to hold field. |                  |        |
| 14.6 | As per the Sale Purchase Agreement (SPA) signed by IGI Investment Bank Limited (now amalgamated with and into the Company as at December 31, 2016) and Al-Falah GHP Investment Management Limited (AGIML), the Investment Bank had agreed to indemnify AGIML against any unrecognised Workers Welfare Fund contribution exposure not exceeding Rs.48.381 million in the collective investment schemes managed by IGI Funds Limited (previously a wholly owned subsidiary of the Investment Bank) on the closure date i.e. October 14, 2013 of above SPA.  |                  |        |
| 14.7 | A suit has been filed against the IGI Investment Bank Limited (now amalgamated with and into the Company as at December 31, 2016) before the High Court of Sindh (the Court) for declaration, damages for Rs. 81.570 million and recovery of Rs. 1 million along with interest, markup in connection with the transaction of asset backed securitisation between the parties. Issues have been framed for determination by the Court and the matter is at the stage of the evidence of the parties. The management, based on the advice of its legal advisor is confident that the matters will be decided in favour of the Investment Bank.  |                  |        |
| 14.8 | A suit has been filed against the IGI Investment Bank Limited (now amalgamated with and into the Company as at December 31, 2016) impleaded as defendant No. 6 before the High Court of Sindh for declaration, permanent injunctions, specific performance, settlement and/or rendition of accounts and/or cancellation of cheques and damages of Rs.100 million. The Bank arranged lease finance for buses which were given on lease to a customer. The Court granted leave to defend the suit to all the defendants and the matter is at the stage of evidence of the parties. The management, based on the advice of its legal advisor is confident that the matters will be decided in favour of the Investment Bank.   |                  |        |



## Notes to and Forming Part of the Unconsolidated Financial Statements

### 15 CASH AND OTHER EQUIVALENTS

| Note                  | 2016             | 2015 |
|-----------------------|------------------|------|
|                       | (Rupees in '000) |      |
| Cash                  | -                | -    |
| Policy stamps in hand | 374              | 90   |
|                       | 374              | 90   |

### 16 CURRENT AND OTHER ACCOUNTS

|                      |        |        |
|----------------------|--------|--------|
| Current accounts     | 21,565 | 6,496  |
| PLS savings accounts | 4,573  | 10,588 |
|                      | 26,138 | 17,084 |

16.1 The balances in PLS savings accounts carry mark-up ranging between 3.5% to 4.5% (December 31, 2015: 4%) per annum.

### 17 INVESTMENTS

| Note                                       | 2016             | 2015       |
|--|------------------|------------|
|  | (Rupees in '000) |            |
| The investments comprise of the following: |                  |            |
| Investments in subsidiaries                | 1,275,964        | 858,831    |
| Investments in associates                  | 6,430,337        | 3,873,031  |
| Held for trading                           | 6,422            | -          |
| Held to maturity investments               | 125,072          | 124,558    |
| Available for sale investments             | 7,820,888        | 7,468,658  |
|  | 15,658,683       | 12,325,078 |

#### 17.1 Investments in subsidiaries

##### Quoted

IGI Life Insurance Limited  
49,593,895 (2015:40,986,690) fully paid shares of Rs. 10 each  
Equity held 81.967% (2015: 81.967%)  
Market value Rs. 85.92 per share (2015 : Rs 138.13 per share)

##### Unquoted

IGI Finex Securities Limited  
52,000,000 (2015: Nil) fully paid shares of Rs. 10 each  
Equity held 100% (2015: Nil)  
-

##### IGI General Insurance Limited

100,000 (2015: Nil) fully paid shares of Rs. 10 each  
Equity held 100% (2015: Nil)

##### IGI Investments (Private) Limited

10,000 (2015: Nil) fully paid shares of Rs. 100 each  
Equity held 100% (2015: Nil)

|        |           |         |
|--------|-----------|---------|
| 17.1.1 | 858,831   | 858,831 |
| 17.1.2 | 415,133   | -       |
| 17.1.3 | 1,000     | -       |
| 17.1.4 | 1,000     | -       |
|        | 417,133   | -       |
|        | 1,275,964 | 858,831 |

17.1.1 During the year, the Company received 8,607,205 shares as a result of a bonus issue made by IGI Life Insurance Limited. Out of these 449,833 shares were withheld by IGI Life Insurance Limited during the period as issuance of bonus shares has been made taxable through Finance Act, 2014.



The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001. As a result of these amendments, companies are liable to withheld bonus shares at the rate of 5 percent. In accordance with the requirements of the Ordinance these shares shall only be released if the Company deposits tax equivalent to 5% of the value of the bonus shares issued. The value of tax is computed on the basis of day-end price on the first day of book closure. In this regard, a constitutional petition has been filed by the Company in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by the Company, which is pending adjudication. A stay order has been granted by the High Court of Sindh in favour of the Company.

As at December 31, 2016, the Company has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the Company.

**17.1.2** The Company has acquired IGI Finex Securities Limited as a result of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited as at December 31, 2016.

**17.1.3** During the year, the Company has incorporated a wholly owned subsidiary namely IGI General Insurance Limited on 18 November, 2016. The objective of this company is to carry on all kinds of general insurance business (excluding life insurance) and General Takaful (Islamic Insurance) as Window Takaful Operator. As more fully explained in note 1.3 of these financial statements, the Insurance segment of the Company will be transferred to this subsidiary company with effect from close of business on January 31, 2017 in accordance with the Scheme of Arrangement sanctioned by the High Court of Sindh.

**17.1.4** During the year, the Company has incorporated a wholly owned subsidiary namely IGI Investments (Pvt.) Limited on 31 October, 2016. The objective of this company is to act as an investment holding Company and for that purpose invest, acquire, sell and hold investments. As more fully explained in note 1.3 of these financial statements, the Investment segment of the Company will be transferred to this subsidiary company with effect from close of business on January 31, 2017 in accordance with the Scheme of Arrangement sanctioned by the High Court of Sindh.

## 17.2 Investments in associates

|   | Note   | 2016             | 2015      |
|---|--------|------------------|-----------|
|   |        | (Rupees in '000) |           |
| <b>Quoted</b>   |        |                  |           |
| <b>Packages Limited</b>   | 17.2.1 |                  |           |
| 24,309,601 (2015: 21,522,101) fully paid ordinary shares of Rs. 10 each |        | 5,430,337        | 3,733,151 |
| Equity held 27.51% (2015: 24.35%)                                       |        |                  |           |
| Market value Rs. 850.05 per share (2015 : Rs. 582.110 per share)        |        |                  |           |
| <b>IGI Investment Bank Limited</b>                                      | 17.2.2 |                  |           |
| Nil (2015: 89,095,494) fully paid ordinary shares of Rs. 10 each        |        | -                | 890,117   |
| Equity held Nil (2015: 42.01%)  |        |                  |           |
| Market value Rs. 3.26 per share (2015 : Rs 1.57 per share)              |        |                  |           |
|   |        | 5,430,337        | 4,623,268 |
| Provision for diminution in value of investments                        |        | -                | (750,237) |
|   |        | 5,430,337        | 3,873,031 |
| <b>Unquoted</b>   |        |                  |           |
| <b>Dane Foods Limited</b>   |        |                  |           |
| 2,643,161 (2015: 2,643,161) fully paid ordinary shares of Rs. 10 each   |        | 26,432           | 26,432    |
| Equity held 30.62% (2015: 30.62%)                                       |        |                  |           |
| <b>Packages Construction (Private) Limited</b>                          | 17.2.3 |                  |           |
| 100,000,000 (2015: Nil) fully paid ordinary shares of Rs. 10 each       |        | 1,000,000        | -         |
| Equity held 24.84% (2015: Nil)  |        | 1,026,432        | 26,432    |
|   |        | (26,432)         | (26,432)  |
| Provision for diminution in value                                       |        | 1,000,000        | -         |
|   |        | 6,430,337        | 3,873,031 |

## Notes to and Forming Part of the Unconsolidated Financial Statements

- 17.2.1** Further investment in Packages Limited was approved by the shareholders in the annual general meeting held on April 26, 2012 and Extra Ordinary General Meeting held on March 31, 2016.
- 17.2.2** As more fully explained in note 4 to these unconsolidated financial statements, IGI Investment Bank Limited has been amalgamated with and into the Company w.e.f December 31, 2016.
- 17.2.3** During the year, the Company has invested an amount of Rs. 1,000 million in Packages Construction (Private) Limited which is a subsidiary of Packages Limited. The Company's stake in Packages Construction in 24.84% and has been classified as associate of the Company. Investment in Packages Construction Private Limited was approved by the shareholders in annual general meeting held on April 21, 2015.
- 17.2.4** Investment in unquoted associates does not include any goodwill as the investment was made when these associates were incorporated.

### 17.3 Held for trading

Government securities - Market Treasury Bills

| Particulars           | Maturity year | Effective yield % per annum | 2016             | 2015 |
|-----------------------|---------------|-----------------------------|------------------|------|
|                       |               |                             | (Rupees in '000) |      |
| Market Treasury Bills | 2017          | 5.80%                       | 6,422            | -    |

### 17.4 Held to maturity

Government securities

| Note   | 2016             | 2015    |
|--------|------------------|---------|
|        | (Rupees in '000) |         |
| 17.4.1 | 125,072          | 124,558 |

#### 17.4.1 Government securities

| Particulars               | Maturity year | Effective yield % per annum | Profit payment | 2016             | 2015    |
|---------------------------|---------------|-----------------------------|----------------|------------------|---------|
|                           |               |                             |                | (Rupees in '000) |         |
| <b>Held to maturity</b>   |               |                             |                |                  |         |
| Pakistan Investment Bonds | 2019          | 13.22%                      | Half yearly    | 14,594           | 14,476  |
| Pakistan Investment Bonds | 2021          | 13.08%                      | Half yearly    | 14,452           | 14,366  |
| Pakistan Investment Bonds | 2020          | 13.98%                      | Half yearly    | 23,604           | 23,332  |
| Pakistan Investment Bonds | 2022          | 12.00%                      | Half yearly    | 60,519           | 60,516  |
| Pakistan Investment Bonds | 2022          | 11.25%                      | Half yearly    | 1,032            | 1,036   |
| Pakistan Investment Bonds | 2022          | 12.76%                      | Half yearly    | 10,871           | 10,832  |
|                           |               |                             |                | 125,072          | 124,558 |

**17.4.1.1** 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.

**17.4.1.2** Market value of Pakistan Investment Bonds carried at amortised cost amounts to Rs. 150.594 million (2015: Rs. 146.503 million) at December 31, 2016.

### 17.5 Available for sale

#### Related parties

- Quoted

#### Others

- Listed Term Finance Certificates (TFCs)
- Unlisted Term Finance Certificates (TFCs)
- Quoted equity instruments
- Unquoted equity instruments

| Note   | 2016             | 2015      |
|--------|------------------|-----------|
|        | (Rupees in '000) |           |
| 17.5.1 | 564,610          | 264,985   |
| 17.5.2 | -                | -         |
|        | 3,280            | -         |
|        | 7,103,080        | 7,087,909 |
|        | 149,918          | 115,764   |
|        | 7,256,278        | 7,203,673 |
|        | 7,820,888        | 7,468,658 |

For the year ended December 31, 2016

### 17.5.1 Related parties

#### Quoted

| 2016               | 2015      | Percentage equity held | Face value per share (Rupees) | Company name                       | 2016             | 2015    |
|--------------------|-----------|------------------------|-------------------------------|------------------------------------|------------------|---------|
| (Number of shares) |           |                        |                               |                                    | (Rupees in '000) |         |
| 3,750,417          | 1,353,416 | 9.67%                  | 10                            | Tri-Pack Films Limited (note 17.7) | 564,610          | 264,985 |
|                    |           |                        |                               | Provision for diminution in value  | -                | -       |
|                    |           |                        |                               |                                    | 564,610          | 264,985 |
|                    |           |                        |                               | Market value as at December 31     | 1,101,272        | 333,861 |

### 17.5.2 Others

| 2016                                      | 2015 | Issue date         | Company name  | 2016             | 2015 |
|---|------|--------------------|---|------------------|------|
| (Number of certificates)                  |      |                    |   | (Rupees in '000) |      |
| <b>Quoted</b>                             |      |                    |   |                  |      |
| <b>Listed term finance certificates</b>   |      |                    |   |                  |      |
| 5,000                                     | -    | September 20, 2005 | Azgard Nine Limited II* (note 17.9)                                       | -                | -    |
| <b>Unquoted</b>                           |      |                    |   |                  |      |
| <b>Unlisted term finance certificates</b> |      |                    |   |                  |      |
| 4,000                                     | -    | November 30, 2007  | Agritech Limited I* (note 17.10)  | -                | -    |
| 861                                       | -    | July 01, 2011      | Agritech Limited IV* (note 17.11)   | -                | -    |
| 13,000                                    | -    | December 04, 2007  | Azgard Nine Limited IV* (note 17.12)                                      | -                | -    |
| 5,348                                     | -    | March 31, 2012     | Azgard Nine Limited V** (note 17.13)                                      | -                | -    |
| 3,000                                     | -    | December 31, 2007  | Eden Housing Limited* (note 17.14)  | 3,280            | -    |
| 10,000                                    | -    | December 03, 2007  | New Allied Electronics Industries (Private) Limited - Sukuk* (note 17.15) | -                | -    |
|   |      |                    |   | 3,280            | -    |

#### Quoted

| 2016                       | 2015      | Percentage equity held | Face value per share / units (Rupees) | Company name                                 | Note | 2016             | 2015       |
|----------------------------|-----------|------------------------|---------------------------------------|--|------|------------------|------------|
| (Number of shares / units) |           |                        |                                       |  |      | (Rupees in '000) |            |
| 70,031                     | 70,031    | 0.85%                  | 10                                    | Siemens Pakistan Engineering Company Limited |      | 125,442          | 125,442    |
| 4,364,666                  | 4,364,666 | 9.62%                  | 10                                    | Nestle Pakistan Limited                      | 17.6 | 6,472,825        | 6,472,825  |
| 1,841,739                  | 1,841,739 | 19.10%                 | 10                                    | Sanofi Aventis Pakistan Limited              |      | 391,348          | 391,348    |
| 458,611                    | 458,611   | 0.38%                  | 10                                    | International Industries Limited             |      | 37,395           | 37,395     |
| 292,738                    | 292,738   | 3.72%                  | 10                                    | Mitchell's Fruit Farms Limited               |      | 21,437           | 21,437     |
| 4,188,033                  | 4,188,033 | 3.78%                  | 10                                    | Systems Limited                              |      | 45,532           | 45,532     |
| 1,352,992                  | -         | 0.34%                  | 10                                    | Agritech Limited                             |      | 17,156           | -          |
| 199,169                    | 199,169   | 3.25%                  | 10                                    | Zulfikar Industries Limited                  |      | 19,561           | 19,561     |
|                            |           |                        |                                       |  |      | 7,130,696        | 7,113,540  |
| -                          | 234,868   |                        | 100                                   | AGHP Stock Fund                              |      | -                | 25,000     |
| -                          | 250,000   |                        | 100                                   | AGHP Capital Preservation Fund               |      | -                | 25,000     |
| -                          |           |                        |                                       | Provision for diminution in value            |      | -                | 50,000     |
|                            |           |                        |                                       |  |      | (27,616)         | (75,631)   |
|                            |           |                        |                                       |  |      | 7,103,080        | 7,087,909  |
|                            |           |                        |                                       | Market value as at December 31               |      | 45,233,771       | 35,826,206 |

## Notes to and Forming Part of the Unconsolidated Financial Statements

### Unquoted

| 2016                       | 2015       | Percentage  | Face value        | Company name  | 2016             | 2015     |
|----------------------------|------------|-------------|-------------------|---|------------------|----------|
| (Number of shares / units) |            | equity held | per share / units |   | (Rupees in '000) |          |
|                            |            |             | (Rupees)          |   |                  |          |
| 12,433,934                 | 12,433,934 | 0.46%       | 10                | Coca Cola Beverages Pakistan Limited<br>Chief Executive: Mr. Nusret Orhun Kostem<br>Break-up value is Rs. 9.65 per share<br>based on audited financial statements<br>for the period ended December 31, 2016 |                  |          |
|                            |            |             |                   | Cost  | 134,665          | 134,665  |
|                            |            |             |                   | Provision for diminution in value   | (14,725)         | (34,429) |
|                            |            |             |                   |   | 119,940          | 100,236  |
| 843,975                    | -          | 0.66%       | 10                | LSE Financial Services Limited<br>Break-up value is Rs. 17.65 per share<br>based on audited financial statements<br>for the year ended June 30, 2016  | 11,732           | -        |
| 44                         | 44         | 4.87%       | 100               | Kissan Fruit Growers (Private) Limited<br>Break-up value is Rs. 559.23 per share<br>based on audited financial statements<br>for the year ended September 30, 2006  | 4                | 4        |
| 32                         | 32         | 4.83%       | 100               | Punjab Fruit Growers (Private) Limited<br>Break-up value is Rs.107.09 per share<br>based on audited financial statements<br>for the year ended September 30, 2006   | 3                | 3        |

\* These represent Term Finance Certificates acquired under business combination at nil value.

\*\* This represents zero coupon Term Finance Certificates (TFCs) having a face value of Rs.26.740 million, issued in lieu of outstanding mark-up on non-performing TFCs of Azgard Nine Limited and have been recorded at Rs.Nil. These TFCs were acquired as part of the business combination disclosed in note 1 of these unconsolidated financial statements.

| 2016                       | 2015  | Percentage  | Face value        | Company name  | Note | 2016             | 2015 |
|----------------------------|-------|-------------|-------------------|---|------|------------------|------|
| (Number of shares / units) |       | equity held | per share / units |   |      | (Rupees in '000) |      |
|                            |       |             | (Rupees)          |   |      |                  |      |
| 1,705                      | 1,705 | 4.87%       | 10                | Haider Fruit Growers (Private) Limited<br>Break-up value is Rs. 9.71 per share<br>based on audited financial statements<br>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  | 17.8 | 1                | 1    |
| 500                        | 500   | -           | 100               | National Steel of Pakistan Limited  | 17.8 | 1                | 1    |

For the year ended December 31, 2016

| 2016                       | 2015      | Percentage  | Face value        | Company name   | 2016             | 2015     |
|----------------------------|-----------|-------------|-------------------|--|------------------|----------|
| (Number of shares / units) |           | equity held | per share / units |  | (Rupees in '000) |          |
|                            |           |             | (Rupees)          |  |                  |          |
| 649,998                    | 422,499   | 0.65%       | 10                | Central Depository Company of Pakistan<br>Chief Executive: Aftab Ahmed Diwan<br>Break-up value is Rs. 36.43 per share<br>based on audited financial statements<br>for the year ended June 30, 2016 | 9,110            | 9,110    |
| 9,500,000                  | 1,900,000 | 3.35%       | 10                | DHA Cogen Limited<br>Chief Executive: Mr. Siraj ul Haq<br>Break-up value is Rs. (29.10) per share<br>based on audited financial statements<br>for the year ended December 31, 2014                 |                  |          |
|                            |           |             |                   | Cost   | 19,125           | 19,125   |
|                            |           |             |                   | Provision for diminution in value  | (19,125)         | (19,125) |
| -                          | -         |             |                   |  | -                | -        |
| 1,497,758                  | 374,440   | 1.48%       | 10                | Techlogix International Limited<br>Chief Executive: Mr. Kawan Khawaja<br>Break-up value is Rs. 4.11 per share<br>based on audited financial statements<br>for the period ended December 31, 2015   |                  |          |
|                            |           |             |                   | Cost   | 6,979            | 4,261    |
|                            |           |             |                   | Provision for diminution in value  | (3,291)          | (3,291)  |
|                            |           |             |                   |  | 3,688            | 970      |
| 464,827                    | 73,962    | 4.55%       |                   | Visionet Systems Inc.<br>Chief Executive: Arshad Masood<br>Break-up value is Rs.160.56 per share<br>based on unaudited financial statements<br>for the period ended December 31, 2013              |                  |          |
|                            |           |             |                   | Cost   | 5,423            | 5,423    |
|                            |           |             |                   | Provision for diminution in value  | -                | -        |
|                            |           |             |                   |  | 5,423            | 5,423    |
|                            |           |             |                   |  | 149,918          | 115,764  |
|                            |           |             |                   | Breakup value as at 31 December  | 239,349          | 133,962  |

**17.6** 730,000 shares of Nestle Pakistan Limited with a book value of Rs. 1,082.594 million are pledged as security against short term and long term finances as referred to in note 11 and 12.1 to these unconsolidated financial statements.

**17.7** During the year, the Company subscribe upto 2,397,002 rights shares of Tri-Pack Films Limited (including the right shares offered by Tri-Pack Films Limited to the Company and the right shares renounced by an other shareholder in favour of the Company) at a subscription price of Rs 125 per share of which approval was given by the shareholders in the annual general meeting held on April 26, 2012.

**17.8** These represent investments in Bangladesh.

## Notes to and Forming Part of the Unconsolidated Financial Statements

|   | Particulars   | Certificates denomination | Profit rate per annum  | Profit payment | Maturity date      | Redemption   |
|---|---|---------------------------|--|----------------|--------------------|--|
| <b>Listed Term Finance Certificates</b>           |   |                           |  |                |                    |  |
| 17.9  | Azgard Nine Limited II                                      | 5,000                     | 2010-2011: 6 month KIBOR plus 1%,<br>2012-2015: 6 month KIBOR plus 1.25%, 2016-2017: 6 months KIBOR plus 1.75%   | Semi-annually  | September 20, 2017 | 12 semi-annual installments with stepped up repayment plan, 2012-2015: 47% (Rs.699 million), 2016-2017: 53% (Rs.799 million).  |
| <b>Unlisted Term Finance Certificates / Sukuk</b> |   |                           |  |                |                    |  |
| 17.10   | Agritech Limited I  | 5,000                     | Average ask rate of six months KIBOR plus 1.75%  | Semi-annually  | November 29, 2019  | 12 semi-annual installments with stepped up repayment plan, 2012-2014: 35% (Rs.524.580,000), 2015-2017: 65% (Rs.974,220,000).  |
| 17.11   | Agritech Limited IV   | 5,000                     | Zero Coupon  | -              | January 01, 2015   | Principal to be repaid in 6 semi-annual installments as per schedule, commencing from July 01, 2012.   |
| 17.12   | Azgard Nine Limited IV                                      | 5,000                     | 2010-2011: 6 month KIBOR plus 1%,<br>2012-2015: 6 month KIBOR plus 1.25%,<br>2016-2017: 6 months KIBOR plus 1.75%  | Semi-annually  | December 04, 2017  | 12 semi-annual installments with stepped up repayment plan, 2012-2015: 47% (Rs.1,166 million), 2016-2017: 53% (Rs.1,332 million).  |
| 17.13   | Azgard Nine Limited V                                       | 5,000                     | Zero Coupon  | -              | March 31, 2017     | Principal to be repaid in 7 semi-annual installments as per schedule, commencing from March 31, 2014.  |
| 17.14   | Eden Housing Limited  | 5,000                     | Average ask rate of three months KIBOR plus 2.5% per annum from December 31, 2007 to June 29, 2013 (floor 7% and cap 20%)<br><br>Average ask rate of three months KIBOR plus 3% per annum from June 30, 2013 to June 29, 2014 (floor 7% and cap 20%) | Quarterly      | June 29, 2014      | Principal to be redeemed in unequal quarterly installments as per schedule.  |
| 17.15   | New Allied Electronics Industries (Private) Limited - Sukuk | 5,000                     | Average ask rate of three months KIBOR plus 2.2% (floor 7% and cap 20%)  | Semi-annually  | December 03, 2012  | Principal redemption will take place in six equal semi annual installments. This will commence from the 30th month of the date of public subscription after a grace period of 24 months. |

## 18 DEFERRED TAXATION

### Deferred tax asset arising on deductible temporary difference:

- Provision for doubtful receivables
- Defined benefit plan
- Liabilities against assets subject to finance lease

### Deferred tax liabilities arising on taxable temporary differences:

- Accelerated tax depreciation
- Assets subject to finance lease
- Defined benefit plan

| Note | 2016             | 2015     |
|------|------------------|----------|
|      | (Rupees in '000) |          |
|      | 40,914           | 37,409   |
|      | 2,972            | -        |
|      | 13,324           | -        |
|      | 57,210           | 37,409   |
|      | (36,156)         | (39,016) |
|      | (13,663)         | -        |
|      | -                | (121)    |
|      | (49,819)         | (39,137) |
|      | 7,391            | (1,728)  |

## 19 PREMIUMS DUE BUT UNPAID

### Unsecured

- Considered good
- Considered doubtful

Provision for doubtful receivables

19.3

|          |          |
|----------|----------|
| 412,117  | 278,831  |
| 83,894   | 77,666   |
| 496,011  | 356,497  |
| (83,894) | (77,666) |
| 412,117  | 278,831  |

**19.1** This includes an amount of Rs 18.673 million receivable from related parties out of which an amount of Rs 6.128 million has been considered doubtful.

**19.2** The aggregate amount due by directors, chief executive and executives of the Company amounts to Rs. 0.678 million (2015: Rs 0.189 million).

### 19.3 Provision for doubtful receivables

| Note                           | 2016             | 2015   |
|--------------------------------|------------------|--------|
|                                | (Rupees in '000) |        |
| Balance as at January 1        | 77,666           | 68,053 |
| Provision made during the year | 12,891           | 9,613  |
| Write off                      | (6,663)          | -      |
| Balance as at December 31      | 83,894           | 77,666 |

## 20 AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

### Unsecured

- Considered good
- Considered doubtful

Provision for doubtful receivables

20.1

|          |          |
|----------|----------|
| 355,249  | 402,885  |
| 41,423   | 39,236   |
| 396,672  | 442,121  |
| (41,423) | (39,236) |
| 355,249  | 402,885  |

### 20.1 Provision for doubtful receivables

Balance as at January 1  
Provision made during the year  
Balance as at December 31

|        |        |
|--------|--------|
| 39,236 | 39,236 |
| 2,187  | -      |
| 41,423 | 39,236 |

# Notes to and Forming Part of the Unconsolidated Financial Statements

## 21 SUNDRY RECEIVABLES

|   | Note | 2016             | 2015           |
|---|------|------------------|----------------|
|   |      | (Rupees in '000) |                |
| Advances - considered good                          |      | 4,641            | 4,688          |
| Security deposits                                   |      | 31,889           | 38,641         |
| Agent balances                                      |      | -                | 461            |
| (Payable to) / receivable from defined benefit plan | 21.1 | (9,588)          | 378            |
| Sales tax recoverable                               |      | 15,703           | 18,357         |
| Salvage recoverable                                 |      | 27,438           | 7,900          |
| Excise duty paid on behalf of customers             |      | 3,652            | -              |
| Net investment in finance lease                     | 21.2 | 221,313          | -              |
| Others  | 21.3 | 38,566           | 40,248         |
|   |      | <u>333,614</u>   | <u>110,673</u> |

### 21.1 Defined benefit plan - approved gratuity fund

#### 21.1.1 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.

#### Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

#### 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.



## 21.1.2 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, 2016. The information provided in notes 21.1.3 to 21.1.14 has been obtained from the actuarial valuation carried out as at December 31, 2016. The following significant assumptions have been used for valuation of this scheme:

|   | 2016      | 2015  |
|---|-----------|-------|
|   | Per annum |       |
| a) Expected rate of increase in salary level  | 9.5%      | 10.0% |
| b) Discount rate  | 9.5%      | 10.0% |
| c) Expected return on plan assets   | 9.5%      | 10.0% |
| d) Normal retirement age (years)  | 58        | 58    |
| e) Assumptions regarding future mortality experience are based on actuarial recommendations and published statistics. |           |       |

## 21.1.3 Amounts recognised in the balance sheet:

|   | Note   | 2016             | 2015     |
|---|--------|------------------|----------|
|   |        | (Rupees in '000) |          |
| Present value of defined benefit obligation         | 21.1.5 | 68,205           | 54,384   |
| Less: Fair value of plan assets                     | 21.1.5 | (58,617)         | (54,762) |
| Payable / (receivable from) to defined benefit plan |        | 9,588            | (378)    |

## 21.1.4 Movement in liability / (asset) during the year

|   |         |         |
|---|---------|---------|
| (Asset) / obligation at the beginning of the year | (378)   | 1,832   |
| Charge to profit and loss account                 | 13,409  | 7,680   |
| Other comprehensive loss / (income)               | 4,290   | (2,928) |
| Contribution to the fund during the year          | (7,733) | (6,962) |
| Obligation at the end of the year                 | 9,588   | (378)   |

## 21.1.5 Movement in defined benefit obligation

|  | 2016                        |                           |         |
|--|-----------------------------|---------------------------|---------|
|  | Present value of obligation | Fair value of plan assets | Total   |
|  | (Rupees in '000)            |                           |         |
| As at January 1                              | 54,384                      | (54,762)                  | (378)   |
| Current service cost                         | 8,634                       | -                         | 8,634   |
| Past Service Cost                            | 5,199                       | -                         | 5,199   |
| Interest expense / (income)                  | 5,003                       | (5,427)                   | (424)   |
|  | 73,220                      | (60,189)                  | 13,031  |
| <b>Remeasurements:</b>                       |                             |                           |         |
| - Gain from change in financial assumptions  | (463)                       | -                         | (463)   |
| - Loss from change in financial assumptions  | -                           | -                         | -       |
| - Loss on actual salary increase             | 2,168                       | -                         | 2,168   |
| - Loss from change in experience adjustments | 1,994                       | 591                       | 2,585   |
|  | 3,699                       | 591                       | 4,290   |
| Contributions during the year                | -                           | (7,733)                   | (7,733) |
| Benefit payments                             | (8,714)                     | 8,714                     | -       |
| As at December 31                            | 68,205                      | (58,617)                  | 9,588   |

## Notes to and Forming Part of the Unconsolidated Financial Statements

|  | 2015                        |                           |         |
|--|-----------------------------|---------------------------|---------|
|  | Present value of obligation | Fair value of plan assets | Total   |
|  | (Rupees in '000)            |                           |         |
| As at January 1  | 45,053                      | (43,221)                  | 1,832   |
| Current service cost   | 7,865                       | -                         | 7,865   |
| Interest expense / (income)  | 4,919                       | (5,104)                   | (185)   |
|  | 57,837                      | (48,325)                  | 9,512   |
| <b>Remeasurements:</b>   |                             |                           |         |
| - Return on plan assets, excluding amounts included in interest income | (4,654)                     | -                         | (4,654) |
| - Loss on actual salary increase                                       | 185                         | (1,309)                   | (1,124) |
| - Gain from change in financial assumptions                            | 2,858                       | -                         | 2,858   |
| - Gain from change in experience adjustments                           | 825                         | (833)                     | (8)     |
|  | (786)                       | (2,142)                   | (2,928) |
| Contributions during the year  | -                           | (6,962)                   | (6,962) |
| Benefit payments   | (2,667)                     | 2,667                     | -       |
| As at December 31  | 54,384                      | (54,762)                  | (378)   |

### 21.1.6 Amounts recognised in the profit and loss account:

|                                | 2016             | 2015    |
|--------------------------------|------------------|---------|
|                                | (Rupees in '000) |         |
| Current service cost           | 8,634            | 7,865   |
| Interest cost                  | 5,003            | 4,919   |
| Past service cost              | 5,199            | -       |
| Expected return on investments | (5,427)          | (5,104) |
| Expense for the year           | 13,409           | 7,680   |

### 21.1.7 Actual return on plan assets

|                           |       |       |
|---------------------------|-------|-------|
| Expected return on assets | 5,427 | 5,104 |
| Actuarial (loss) / gain   | (591) | 2,142 |
|                           | 4,836 | 7,246 |

### 21.1.8 Analysis of present value of defined benefit obligation

|                              |        |        |
|------------------------------|--------|--------|
| Split by vested / non-vested |        |        |
| (i) Vested benefits          | 68,205 | 54,384 |
| (ii) Non-vested benefits     | -      | -      |
|                              | 68,205 | 54,384 |

**21.1.9 Sensitivity analysis**

| Particulars                       | As at December 31, 2016 |   |                | As at December 31, 2015 |   |                |
|-----------------------------------|-------------------------|---|----------------|-------------------------|---|----------------|
|                                   | Change in assumption    | Increase /(decrease) in present value of defined benefit obligation |                | Change in assumption    | Increase /(decrease) in present value of defined benefit obligation |                |
|                                   |                         | %   | Rupees in '000 |                         | %   | Rupees in '000 |
| Discount rate                     | +1%                     | -10.44%   | (7,122)        | +1%                     | -11.01%   | (5,986)        |
|                                   | -1%                     | 12.28%  | 8,377          | -1%                     | 13.03%  | 7,085          |
| Salary increase rate              | +1%                     | 12.67%  | 8,640          | +1%                     | 13.40%  | 7,289          |
|                                   | -1%                     | -10.94%   | (7,459)        | -1%                     | -11.50%   | (6,252)        |
| Life expectancy / withdrawal rate | +1%                     | 0.00%   | -              | +1%                     | -0.24%  | (129)          |
|                                   | -1%                     | 0.00%   | -              | -1%                     | 0.24%   | 130            |

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.

**21.1.10 Plan assets comprise of the following:**

|                           | 2016             | Percentage composition | 2015             | Percentage composition |
|---------------------------|------------------|------------------------|------------------|------------------------|
|                           | (Rupees in '000) |                        | (Rupees in '000) |                        |
| Equity investments        | 4,939            | 8.43%                  | 4,104            | 7.49%                  |
| Cash and bank deposits    | 5,557            | 9.48%                  | 9,802            | 17.90%                 |
| Government Securities     | 48,121           | 82.09%                 | 40,856           | 74.61%                 |
| Fair value of plan assets | 58,617           | 100.00%                | 54,762           | 100.00%                |

**21.1.11** As per the actuarial recommendations, the expected return on plan assets was taken as 9.50% (2015: 10%), 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.

**21.1.12** Based on actuarial advice, the Company intends to charge an amount of Rs 9.323 million in the financial statements for the year ending December 31, 2017.

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

| At December 31, 2016 | Less than one year | Between 1-2 Years | Between 2-5 Years | Over 5 Years | Total   |
|----------------------|--------------------|-------------------|-------------------|--------------|---------|
|                      | (Rupees in '000)   |                   |                   |              |         |
| Gratuity             | 1,386              | 4,351             | 4,030             | 235,119      | 244,886 |

**21.1.14 5 year data on the deficit / (surplus) of the plan is as follows:**

|   | 2016             | 2015     | 2014     | 2013     | 2012     |
|---|------------------|----------|----------|----------|----------|
|   | (Rupees in '000) |          |          |          |          |
| Present value of defined benefit obligation | 68,205           | 54,384   | 45,053   | 28,040   | 21,362   |
| Fair value of plan assets                   | (58,617)         | (54,762) | (43,221) | (31,661) | (26,759) |
| Deficit / (surplus)                         | 9,588            | (378)    | 1,832    | (3,621)  | (5,397)  |

**21.2** This represents residual values relating to net investment in finance lease of IGI Investment Bank acquired as part of the amalgamation scheme.

**21.3** This includes an amount of Rs. 32.182 million (2015: Rs. 31.546 million) receivable from related parties under group shared services.

## Notes to and Forming Part of the Unconsolidated Financial Statements

### 22 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, 2016 was Rs. 9.827 million (2015: Rs. 8.977 million). The audit of the provident fund for the year ended June 30, 2016 is in progress. The net assets based on audited financial statements of Provident Fund as at June 30, 2015 are Rs. 80.819 million out of which 88% 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 and carrying value of investments of the provident fund as at June 30, 2015 were Rs. 76.276 million and Rs. 71.369 million respectively. 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

|                       | 2015             |                           |
|-----------------------|------------------|---------------------------|
|                       | (Rupees in '000) | % of the size of the fund |
| Government securities | 60,030           | 78.70%                    |
| Listed securities     | 9,328            | 12.23%                    |
| Bank deposits         | 6,918            | 9.07%                     |
| Total                 | 76,276           |                           |

### 23 STAFF STRENGTH

|   | 2016                  | 2015 |
|---|-----------------------|------|
|   | (Number of employees) |      |
| Number of employees as at December 31       | 148                   | 122  |
| Average number of employees during the year | 130                   | 122  |

### 24 TANGIBLE OPERATION FIXED ASSETS

|   | Furniture, fixtures and office equipment |                  |                    |           | Buildings | Motor vehicles | Motor vehicles | Total     |
|---|--|------------------|--------------------|-----------|-----------|----------------|----------------|-----------|
|   | Furniture and fixtures                   | Office equipment | Computer equipment | Sub total |           | Own            | Leased         |           |
| (Rupees in '000)                            |  |                  |                    |           |           |                |                |           |
| <b>As at January 1, 2015</b>                |  |                  |                    |           |           |                |                |           |
| 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 January 1, 2015        | 14,554                                   | 5,856            | 5,058              | 25,468    | 157,055   | 53,333         | -              | 235,856   |
| <b>For the year ended December 31, 2015</b> |  |                  |                    |           |           |                |                |           |
| Opening net book value                      | 14,554                                   | 5,856            | 5,058              | 25,468    | 157,055   | 53,333         | -              | 235,856   |
| Additions                                   | 8,797                                    | 17,124           | 8,409              | 34,330    | -         | 37,454         | -              | 71,784    |
| Disposals / Transfer *                      |  |                  |                    |           |           |                |                |           |
| - Cost                                      | (12,601)                                 | (578)            | (305)              | (13,484)  | (53,242)* | (25,042)       | -              | (91,768)  |
| - Accumulated depreciation                  | 8,876                                    | 356              | 285                | 9,517     | 16,228 *  | 15,923         | -              | 41,668    |
|   | (3,725)                                  | (222)            | (20)               | (3,967)   | (37,014)  | (9,119)        | -              | (50,100)  |
| Depreciation charge                         | (2,570)                                  | (2,077)          | (3,303)            | (7,950)   | (11,593)  | (19,110)       | -              | (38,653)  |
| Net book value as at December 31, 2015      | 17,056                                   | 20,681           | 10,144             | 47,881    | 108,448   | 62,558         | -              | 218,887   |
| <b>As at January 1, 2016</b>                |  |                  |                    |           |           |                |                |           |
| Cost  | 28,163                                   | 42,965           | 40,192             | 111,320   | 183,595   | 110,601        | -              | 405,516   |
| Accumulated depreciation                    | (11,107)                                 | (22,284)         | (30,048)           | (63,439)  | (75,147)  | (48,043)       | -              | (186,629) |
| Net book value as at January 1, 2016        | 17,056                                   | 20,681           | 10,144             | 47,881    | 108,448   | 62,558         | -              | 218,887   |

For the year ended December 31, 2016

| Furniture, fixtures and office equipment |                  |                    |           | Buildings | Motor vehicles | Motor vehicles | Total |
|--|------------------|--------------------|-----------|-----------|----------------|----------------|-------|
| Furniture and fixtures                   | Office equipment | Computer equipment | Sub total |           | Own            | Leased         |       |
| (Rupees in '000)                         |                  |                    |           |           |                |                |       |

#### For the year ended

#### December 31, 2016

|  |         |         |         |          |           |          |         |          |
|--|---------|---------|---------|----------|-----------|----------|---------|----------|
| Opening net book value                                 | 17,056  | 20,681  | 10,144  | 47,881   | 108,448   | 62,558   | -       | 218,887  |
| Additions / Transfer *<br>(note 24.2)                  |         |         |         |          |           |          |         |          |
| - Cost   | 9,810   | 2,955   | 778     | 13,543   | 33,311*   | 9,856    | 49,544  | 106,254  |
| - Accumulated depreciation                             | -       | -       | -       | -        | (11,167)* | -        | -       | (11,167) |
|  | 9,810   | 2,955   | 778     | 13,543   | 22,144    | 9,856    | 49,544  | 95,087   |
| Assets acquired as part of<br>business combination-net | 289     | 37      | 52      | 378      | 760       | 2,529    | -       | 3,667    |
| Disposals / Transfer *                                 |         |         |         |          |           |          |         |          |
| - Cost   | (5,052) | (712)   | (460)   | (6,224)  | -         | (22,082) | (2,059) | (30,365) |
| - Accumulated depreciation                             | 1,513   | 575     | 440     | 2,528    | -         | 16,230   | 103     | 18,861   |
|  | (3,539) | (137)   | (20)    | (3,696)  | -         | (5,852)  | (1,956) | (11,504) |
| Depreciation charge                                    | (2,859) | (4,465) | (4,050) | (11,374) | (9,911)   | (19,040) | (3,514) | (43,839) |
| Net book value as at<br>December 31, 2016              | 20,757  | 19,071  | 6,904   | 46,732   | 121,441   | 50,051   | 44,074  | 262,298  |

#### As at December 31, 2016

|   |          |          |          |          |          |          |         |           |
|---|----------|----------|----------|----------|----------|----------|---------|-----------|
| Cost                                      | 33,210   | 45,245   | 40,562   | 119,017  | 217,666  | 100,904  | 47,485  | 485,072   |
| Accumulated depreciation                  | (12,453) | (26,174) | (33,658) | (72,285) | (96,225) | (50,853) | (3,411) | (222,774) |
| Net book value as at<br>December 31, 2016 | 20,757   | 19,071   | 6,904    | 46,732   | 121,441  | 50,051   | 44,074  | 262,298   |

|                             |     |        |        |        |     |     |
|-----------------------------|-----|--------|--------|--------|-----|-----|
| Annual rate of depreciation | 10% | 10-20% | 33.33% | 5%-33% | 20% | 20% |
|-----------------------------|-----|--------|--------|--------|-----|-----|

**24.1** The cost of fully depreciated property and equipment still in use amounts to Rs. 58.611 million (2015: Rs. 57.966 million).

**24.2** This includes transfer from investment property to buildings having cost and accumulated depreciation of Rs. 18.973 million and Rs. 11.167 million.

#### 24.3 Disposal of operating fixed assets

| Particulars of the assets                      | Cost  | Accumulated depreciation | Book value | Sales proceeds | Mode of disposal | Particulars of buyer       |
|--|-------|--------------------------|------------|----------------|------------------|----------------------------|
| (Rupees in '000)                               |       |                          |            |                |                  |                            |
| Assets with book value of more than Rs. 50,000 |       |                          |            |                |                  |                            |
| <b>Motor Vehicles- Leased</b>                  |       |                          |            |                |                  |                            |
| Toyota Corolla Gli                             | 2,059 | 103                      | 1,956      | 1,887          | Lease Settlement | Bank Al Habib Limited      |
| <b>Motor Vehicles- Own</b>                     |       |                          |            |                |                  |                            |
| Toyota Corolla Gli                             | 1,885 | 31                       | 1,854      | 1,845          | Company policy   | Employees / Agents         |
| Suzuki Cultus                                  | 1,071 | 874                      | 197        | 559            | Company policy   | Tariq Mahmood Qureshi      |
| Toyota Corolla Gli                             | 2,085 | 1,182                    | 903        | 1,081          | Company policy   | Asad Ali Siddique          |
| Honda Civic Prosmatic                          | 2,254 | 1,273                    | 981        | 1,774          | Company policy   | Khurram Ikram              |
| Suzuki Cultus                                  | 958   | 607                      | 351        | 428            | Company policy   | Ali Hassan                 |
| Toyota Corolla Gli                             | 1,674 | 1,116                    | 558        | 748            | Company policy   | Suhail Mustafa             |
| Toyota Vitz                                    | 1,094 | 911                      | 183        | 714            | Company policy   | Faisal Younus Bawani       |
| Suzuki Alto                                    | 807   | 565                      | 242        | 299            | Company policy   | Simra Atif                 |
| Honda Civic Prosmatic                          | 2,474 | 1,895                    | 579        | 1,900          | Company policy   | Mamoon Irshad              |
|  |       |                          |            |                |                  | Agha Shahbaz Haider        |
| <b>Furniture and Fixtures</b>                  |       |                          |            |                |                  |                            |
| Herman Miller Station                          | 3,818 | 891                      | 2,927      | 615            | Negotiation      | Packages Limited           |
| Chairs   | 536   | 475                      | 61         | -              | Donation**       | Naqash School System       |
| Various Assets                                 | 673   | 124                      | 549        | -              | Donation**       | Syedaa Wala Village School |

## Notes to and Forming Part of the Unconsolidated Financial Statements

| Particulars of the assets                                   | Cost   | Accumulated depreciation | Book value | Sales proceeds | Mode of disposal | Particulars of buyer        |
|---|--------|--------------------------|------------|----------------|------------------|-----------------------------|
| (Rupees in '000)  |        |                          |            |                |                  |                             |
| <b>Other assets with book value of less than Rs. 50,000</b> |        |                          |            |                |                  |                             |
| <b>Computers</b>  |        |                          |            |                |                  |                             |
| Computer Equipments   | 460    | 440                      | 20         | 75             | Negotiation      | Various                     |
| <b>Motor Vehicles- Own</b>                                  | 7,780  | 7,776                    | 4          | 4,340          | Company policy   | Various                     |
| Office and electrical equipments                            | 659    | 564                      | 95         | 43             | Negotiation      | Various                     |
|   | 53     | 11                       | 42         | -              | Donation**       | Syedaan Wala Village School |
|   | 712    | 575                      | 137        | 43             |                  |                             |
| Furniture and Fixture                                       | 25     | 23                       | 2          | -              | Write off        | Not applicable              |
| <b>2016</b>   | 30,365 | 18,861                   | 11,504     | 16,308         |                  |                             |
| <b>2015</b>   | 38,526 | 25,440                   | 13,086     | 17,091         |                  |                             |

\*\* These assets were charged off as donation expense during the year.

## 25 INTANGIBLES

| <b>2016</b>             |           |                    |                          |              |                    |                        |             |            |
|-------------------------|-----------|--------------------|--------------------------|--------------|--------------------|------------------------|-------------|------------|
| Cost                    |           |                    | Accumulated Amortisation |              |                    | WDV as at Dec 31, 2016 | Useful life |            |
| As at Jan 01, 2016      | Additions | As at Dec 31, 2016 | As at Jan 01, 2016       | For the year | As at Dec 31, 2016 |                        |             |            |
| (Rupees in '000)        |           |                    |                          |              |                    |                        |             |            |
| Goodwill (Refer note 4) | -         | 163,024            | 163,024                  | -            | -                  | -                      | 163,024     | Indefinite |
| Computer Software       | 13,900    | 1,204              | 15,104                   | 12,044       | 893                | 12,937                 | 2,167       | 5 years    |
|                         | 13,900    | 164,228            | 178,128                  | 12,044       | 893                | 12,937                 | 165,191     |            |
| <b>2015</b>             |           |                    |                          |              |                    |                        |             |            |
| Cost                    |           |                    | Accumulated Amortisation |              |                    | WDV as at Dec 31, 2015 | Useful life |            |
| As at Jan 01, 2015      | Additions | As at Dec 31, 2015 | As at Jan 01, 2015       | For the year | As at Dec 31, 2015 |                        |             |            |
| (Rupees in '000)        |           |                    |                          |              |                    |                        |             |            |
| Computer Software       | 13,900    | -                  | 13,900                   | 9,578        | 2,466              | 12,044                 | 1,856       | 5 years    |

### 25.1 Movement in net book value

|   | <b>2016</b>      | <b>2015</b> |
|---|------------------|-------------|
|   | (Rupees in '000) |             |
| Net book value as at January 1                      | 1,856            | 4,322       |
| Addition  | 1,200            | -           |
| Assets acquired as part of business combination-net | 4                | -           |
| Goodwill  | 163,024          | -           |
| Amortisation  | (893)            | (2,466)     |
| Net book value as at December 31                    | 165,191          | 1,856       |

The cost of fully amortised intangibles still in use amounts to Rs. 11.953 million (2015: Rs. 3.197 million).

For the year ended December 31, 2016

## 26 INVESTMENT PROPERTY

| 2016               |                      |                    |                          |                         |                    |                        |             |          |
|--------------------|----------------------|--------------------|--------------------------|-------------------------|--------------------|------------------------|-------------|----------|
| Cost               |                      |                    | Accumulated Depreciation |                         |                    | WDV as at Dec 31, 2016 | Useful life |          |
| As at Jan 01, 2016 | Additions / transfer | As at Dec 31, 2016 | As at Jan 01, 2016       | For the year / transfer | As at Dec 31, 2016 |                        |             |          |
| (Rupees in '000)   |                      |                    |                          |                         |                    |                        |             |          |
| Building           | 232,330              | -                  | 213,357                  | 41,761                  | 11,616             | 42,210                 | 171,147     | 20 years |
|                    | (18,973)*            |                    |                          | (11,167)*               |                    |                        |             |          |
|                    |                      |                    |                          |                         |                    |                        |             |          |
| 2015               |                      |                    |                          |                         |                    |                        |             |          |
| Cost               |                      |                    | Accumulated Depreciation |                         |                    | WDV as at Dec 31, 2015 | Useful life |          |
| As at Jan 01, 2015 | Additions / transfer | As at Dec 31, 2015 | As at Jan 01, 2015       | For the year / transfer | As at Dec 31, 2015 |                        |             |          |
| (Rupees in '000)   |                      |                    |                          |                         |                    |                        |             |          |
| Building           | 144,730              | 34,358             | 232,330                  | 17,367                  | 8,166              | 41,761                 | 190,569     | 20 years |
|                    | 53,242 *             |                    |                          | 16,228*                 |                    |                        |             |          |

26.1 The market value of the investment properties is Rs. 254.547 million as per recent valuation carried out by various independent professional valuers.

## 27 MANAGEMENT EXPENSES

|                                     | Note        | 2016    | 2015    |
|-------------------------------------|-------------|---------|---------|
| (Rupees in '000)                    |             |         |         |
| Salaries, wages and benefits        | 27.1 & 30.4 | 302,427 | 248,703 |
| Rent, rates and taxes               |             | 28,175  | 29,538  |
| Utilities                           |             | 10,314  | 10,305  |
| Repairs and maintenance             |             | 5,604   | 9,494   |
| Education and training              |             | 2,756   | 5,489   |
| Computer expenses                   |             | 2,843   | 3,147   |
| Communication                       |             | 8,773   | 8,733   |
| Provision for doubtful debts        | 19.3 & 20.1 | 15,078  | 9,613   |
| Inspection fee                      |             | 2,790   | 2,194   |
| Health Plan Administrative Services |             | -       | 8,000   |
| Security expenses                   |             | 29,872  | 32,658  |
|                                     |             | 408,632 | 367,874 |

27.1 This includes charge for defined benefit and defined contribution plans amounting to Rs. 13.409 million (2015: Rs. 7.680 million) and Rs. 9.827 million (2015: Rs. 8.977 million) respectively.

## 28 OTHER INCOME

|   | 2016  | 2015  |
|---|-------|-------|
| (Rupees in '000)                        |       |       |
| <b>Income from financial assets</b>     |       |       |
| Income on NCCPL Deposit                 | 586   | 152   |
| <b>Income from non-financial assets</b> |       |       |
| Gain on disposal of fixed assets        | 5,523 | 4,005 |
| Loss on disposal of leased assets       | (69)  | -     |
| Gain tendered by directors              | -     | 115   |
|   | 6,040 | 4,272 |

# Notes to and Forming Part of the Unconsolidated Financial Statements

## 29 FINANCIAL CHARGES

|                               | Note | 2016             | 2015          |
|-------------------------------|------|------------------|---------------|
|                               |      | (Rupees in '000) |               |
| Markup on long term finances  |      | 39,892           | 23,220        |
| Markup on short term finances |      | 66,488           | 1,374         |
| Markup on lease vehicle       |      | 917              | -             |
| Bank charges                  |      | 1,393            | 891           |
|                               |      | <u>108,690</u>   | <u>25,485</u> |

## 30 GENERAL AND ADMINISTRATIVE EXPENSES

|                               |             |                |                |
|-------------------------------|-------------|----------------|----------------|
| Salaries, wages and benefits  |             | 12,696         | -              |
| Repairs and maintenance       |             | 3,211          | 1,641          |
| General office premium        |             | 7,074          | 7,232          |
| Motor car expenses            |             | 20,053         | 16,782         |
| Tour and travelling           |             | 23,630         | 15,151         |
| Representation expenses       |             | 5,196          | 2,289          |
| Stationery and printing       |             | 7,583          | 6,380          |
| Depreciation and amortisation | 24, 25 & 26 | 56,348         | 49,285         |
| Donations                     | 30.1        | 20,666         | 1,579          |
| Auditors remuneration         | 30.2        | 64,641         | 3,365          |
| Advertisement expenses        |             | 14,821         | 6,708          |
| Legal and professional        |             | 61,222         | 38,728         |
| Workers' Welfare Fund         |             | 12,330         | 23,418         |
| Sundry expenses               |             | 2,407          | 4,121          |
|                               |             | <u>311,878</u> | <u>176,679</u> |

**30.1** Donations amounting to Rs. 20.652 million (2015: 1.339 million) were made to following institutes in which the directors of the Company had interest during the year:

|  | Note | 2016             | 2015        |
|--|------|------------------|-------------|
| Name of the Institute                    |      | (Rupees in '000) |             |
| Lahore University of Management Sciences |      | 20,000           | 1,339       |
| Naqash School System                     |      | 61               | -           |
| Syedaan Wala Village School              |      | 591              | -           |
|  |      | <u>20,652</u>    | <u>1339</u> |

### 30.2 Auditors remuneration

|  |        |               |              |
|--|--------|---------------|--------------|
| Fee for statutory audit                            |        | 1,000         | 1,000        |
| Fee for interim review                             |        | 400           | 400          |
| Fee for audit of consolidated financial statements |        | 750           | 750          |
| Fee for audit of regulatory return                 |        | 350           | 350          |
| Special certifications and sundry services         |        | 8,405         | 615          |
| Other advisory services                            | 30.2.1 | 53,486        | -            |
| Out of pocket expenses                             |        | 250           | 250          |
|  |        | <u>64,641</u> | <u>3,365</u> |

**30.2.1** This represents fee charged for providing permitted services essentially in connection with review of valuation / impairment assessment working of intangible assets recognised in respect of acquisition of IGI Life, assistance in evaluation of proposed options for reorganisation of the Company under the Scheme of Amalgamation and Scheme of Arrangement as more fully explained in notes 1.2 and 1.3 of these financial statements and other taxation related services.



For the year ended December 31, 2016

- 30.3** Administration expenses and management expenses include an amount of Rs. 17.696 million (2015: 8 million) on account of group shared services cost charged to the Company under group shared services agreement between the company and other group companies.

### 31 TAXATION

|              | 2016             | 2015           |
|--------------|------------------|----------------|
|              | (Rupees in '000) |                |
| For the year |                  |                |
| - Current    | 584,932          | 177,676        |
| - Deferred   | (7,789)          | (439)          |
| Prior year   | 56,108           | 61,470         |
|              | <u>633,251</u>   | <u>238,707</u> |

#### 31.1 Tax charge reconciliation

|   |                |                |
|---|----------------|----------------|
| Profit before tax                         | 2,067,126      | 1,531,753      |
| Tax calculation at the rate of 31% / 32%  | 640,809        | 490,161        |
| Prior year                                | 56,108         | 61,470         |
| Effect of items taxable under lower rates | (54)           | (340,401)      |
| Effect of permanent differences           | (63,848)       | 27,437         |
| Others                                    | 236            | 40             |
|   | <u>633,251</u> | <u>238,707</u> |

- 31.2** The income tax assessments of the Company have been finalised up to and including the tax year 2016. 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 Honorable 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 favor 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 Honorable 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 was heard by Honorable High Court and the judgment has been passed in favour of the Company.
- 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.

## Notes to and Forming Part of the Unconsolidated Financial Statements

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 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. 18.030 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 141 million 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 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 was filed before honorable Sindh High Court where the IBNR issue has been decided in favor of the Company whereas remaining issue are pending adjudication.

The Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend income, commission income and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. As a result of the amended assessment demand of Rs.31.420 million was created. The company paid an amount of Rs.10 million and obtained stay from the Commissioner Inland Revenue till 31 August 2015 in respect of payment of the remaining tax demand of Rs.21.420 million. Further, against the above treatment meted out by the ACIR, the company has filed an appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication. The Company also filed a petition against the said order before the Honorable Sindh High Court which was disposed off with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.

- In case of tax year 2010, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has disallowed provision of IBNR under section 34(3) of the Ordinance. As a result of the amended assessment demand of Rs.93.445 million has been created. The Company has filed appeal and application for stay of tax demand before the CIR(A) against the above assessment order. The Company has also filed a petition against the said order before the Honorable Sindh High Court which is pending adjudication.

Pursuant to the appeal, the learned CIR(A) vide combined appellate order No.21 and 22/A-1 dated 10 March 2016 has decided all issues in favor of the company. The tax department has filed further appeal before the Appellate Tribunal Inland Revenue(ATIR) in respect of the issues on which relief was allowed by the CIR(A) which is pending adjudication.

- In case of tax year 2011, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR, claim of brought forward loss for the tax year 2008 and refund adjustments for tax years 2004 and 2009 in the amended assessment order. Moreover, Workers' Welfare Fund @ 2% of the accounting profit for the year has

also been levied. As a result of the amended assessment demand of Rs.142.414 million has been created. The company has filed appeal and application for stay of tax demand before the CIR(A) against the above assessment order. The Company has also filed a petition against the said order before the Honorable Sindh High Court which is pending adjudication.

Pursuant to the appeal, the learned CIR(A) vide combined appellate order No. 21 & 22/A-1 dated 10 March 2016 has decided the following issues in favor of the company-

- (a) Chargeability of tax on dividend income and property income at corporate tax rate;
- (b) Provision for IBNR;
- (c) Levy of Workers' welfare fund for the year.

As regards, credit/adjustment of refunds available to the company, the CIR(A) has remanded back the issue with the directions to verify the claim of refunds and allow the adjustment as per law. The tax department has filed further appeal before the Appellate Tribunal Inland Revenue(ATIR) in respect of the issues on which relief was allowed by the CIR(A) which is pending adjudication.

- In case of tax year 2012, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR amounting to Rs. 33 million in the amended assessment order. As a result of the amended assessment, demand of Rs. 106.563 million was created. The company has obtained stay from the Honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, the company also filed an appeal before CIR(A) which is pending adjudication. The stay from the Honorable Sindh High Court has been disposed off subsequently with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.
- In case of tax year 2013, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR, claim of brought forward loss for the tax year 2012 and has also made an addition on account of disposal of fixed assets at less than fair market value(FMV) in the amended assessment order. As a result of the amended assessment, demand of Rs. 95.008 million was created. Against the aforesaid order, the company has filed an appeal before CIR(A). Pursuant to the appeal, the learned CIR(A) vide appellate order No. 10/A-1 dated 05 October 2016 has decided the following issues in favor of the company:
  - (a) Chargeability of tax on dividend income and property income at corporate tax rate;
  - (b) Provision for IBNR amounting to Rs. 33 million;
  - (c) Addition on account of disposal of fixed assets.

Further the CIR(A) has remanded back the issues in respect of adjustment of brought forward loss for the tax year 2012 and credit of workers' welfare fund paid with the return of income. The tax department has filed further appeal before the Appellate Tribunal Inland Revenue(ATIR) in respect of the issues on which relief was allowed by the CIR(A) which is pending adjudication.

- In case of tax year 2014, case of the company was selected for audit under section 177 of the ordinance and subsequently, the Deputy Commissioner Inland Revenue (DCIR) has passed an amended assessment order under section 122(1) of the Ordinance wherein tax on dividend income has been charged at corporate tax rate (i.e. 34% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR and has also made an addition on account of disposal of fixed assets at less than Fair Market Value(FMV) and motor car expenses paid in cash under section 21(l) in the amended assessment order. As a result of the amended assessment, demand of Rs. 148.444 million was created. The company has obtained stay from the honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, the company has also filed an appeal before CIR(A) which is pending adjudication.

## Notes to and Forming Part of the Unconsolidated Financial Statements

- In case of tax year 2015, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 33% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has levied Super tax under section 4B of the ordinance amounting to Rs. 27.743 million and Workers' Welfare Fund for the year. As a result of the amended assessment, demand of Rest. 234.287 million was created. The company has obtained stay from the honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, the company has also filed an appeal before CIR(A) which is pending adjudication. The stay from the Honorable Sindh High Court has been disposed off subsequently with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.
- In case of tax year 2016, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend income has been charged at corporate tax rate (i.e. 32% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has disallowed the claim of expense on account of health administrative services under section 21(c) of the ordinance and has also made an addition on account of disposal of fixed assets at less than Fair Market Value(FMV) in the amended assessment order. As a result of the amended assessment, demand of Rs. 206.542 was created. The company has filed stay application in respect of the above tax demand in the Honorable High Court of Sindh and also filed an appeal against the aforesaid order before the CIR(A) which are pending adjudication.

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.

### 31.3 Income tax contingencies acquired in connection with amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from December 31, 2016.

- Income tax returns for the tax years 2011, 2012, 2013, 2014 and 2015 have been filed by the Investment Bank on due dates that are deemed to be assessed under the provisions of section 120 of the Income Tax Ordinance, 2001.
- For the assessment / tax years of 1998-99 to 2016, the Company has an aggregate tax liability of Rs. 111.896 million and aggregate tax deductions and credits claimed of Rs. 352.935 million as declared in the original or revised returns of income filed by the Company with the tax authorities resulting in an aggregate refund of Rs. 241.040 million as per original returns or revised returns.
- For the same period as aforesaid, as per latest Assessment Orders issued by the tax authorities with respect to the respective assessment / tax years, aggregate tax liability of Rs.164.409 million has been assessed and aggregate tax deductions and credits of Rs.338.734 million have been allowed and Rs. 90.081 million has been refunded by the tax authorities leading to an aggregate assessed refund (after prior year adjustments etc.) of Rs.80.406 million, subject to verification which is currently underway.

#### **Matters that are being contested mainly include the following:**

- (a) The rate of tax applied in computing the tax liability of the Bank was the one applicable to a banking company instead of the rate applicable for a public company (Assessment years 1991-92 to 2000-01). The Lahore High Court, Lahore vide orders in CTR No.04 of 2005 and CTR No. 02 of 2008 for the assessment years 1993-1994 to 1997-98 has decided this issue in favour of the Company by rejecting the Reference Application filed by the tax department.
- (b) The tax payer company is a non banking company in accordance with the provisions of section 2(10) of Income Tax Ordinance, 1979 read with Section 5(b) & 5(c) of the Banking Companies Ordinance, 1962. In light of said provisions the taxpayer company is an investment finance company, so its dividend income should be taxed as a separate block of income at reduced rate. The above mentioned issue is decided in favour of the taxpayer Company by The Lahore High Court, Lahore vide orders in CTR No.04 of 2005 and CTR No. 02 of 2008 for the assessment years 1993-1994 to 1997-98.
- (c) Addition on account of depreciation as a result of restricting the claim of depreciation upto net income from leased assets (Tax year 2003).
- (d) Disallowance of certain expenses and additions to taxable income on account of lease key money, lease rentals, excess perquisites and miscellaneous expenses relating to various assessment years (Assessment years 1995-96 to 2000-01).
- (e) Charging minimum tax under section 113 of the Ordinance without allowing adjustment of tax paid under final tax regime (Tax years 2008 and 2010).
- (f) Disallowance of initial depreciation on leased commercial vehicles (Tax years 2004, 2005, 2006 and 2007).

For the year ended December 31, 2016

- (g) Addition as a result of proration of expenses between exempt income (capital gains), dividend income and business income (Assessment / Tax years 2002-03, 2003, 2004, 2005, 2006 and 2007).
- (h) Addition on account of allocation of finance cost to brokerage and commission income amounting to Rs.18.445 million (Tax Year 2009).
- (i) Addition on account of specific provisions of Rs.117.639 million (Tax Year 2009).

## 32 EARNINGS PER SHARE

### 32.1 Basic earnings per share

|  | 2016               | 2015        |
|--|--------------------|-------------|
|  | (Rupees in '000)   |             |
| Profit for the year                        | 1,433,875          | 1,293,046   |
|  | (Number of shares) |             |
| Weighted average number of ordinary shares | 122,689,532        | 122,689,532 |
|  | 2016               | 2015        |
|  | (Rupees)           |             |
| Earnings per share                         | 11.69              | 10.54       |

### 32.2 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, 2016 and December 31, 2015 which would have any effect on the earnings per share if the option to convert is exercised.

## 33 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* |         |
|---|------------------|--------|-----------|----------|-------------|---------|
|   | 2016             | 2015   | 2016      | 2015     | 2016        | 2015    |
|   | (Rupees in '000) |        |           |          |             |         |
| Fee for attending board meeting                   | -                | -      | 3,425 **  | 2,850 ** | -           | -       |
| Managerial remuneration                           | 9,278            | 8,030  | 1,800     | 1,867    | 66,400      | 63,077  |
| Bonus   | 6,420            | 2,250  | -         | -        | 16,197      | 6,771   |
| Retirement benefits<br>(including provident fund) | 1,610            | 1,393  | -         | -        | 11,520      | 10,944  |
| Housing and utilities                             | 5,228            | 4,778  | -         | 213      | 37,970      | 36,039  |
| Medical expenses                                  | 928              | -      | -         | -        | 4,448       | 4,057   |
| Conveyance allowance                              | 431              | 373    | -         | -        | 7,665       | 7,433   |
| Others  | 2,151            | 5,857  | -         | -        | 4,332       | 1,484   |
|   | 26,046           | 22,681 | 5,225     | 4,930    | 148,532     | 129,805 |
| Number of persons                                 | 1                | 1      | 1         | 2        | 55          | 45      |

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

## Notes to and Forming Part of the Unconsolidated Financial Statements

\* The above includes an aggregate amount of Rs 66.244 million (2015: 52.25 million) in respect of remuneration of key management personnel.

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

### 34 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of subsidiaries, associates, 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 33. Amounts due to / from and other significant transactions, other than those disclosed else where in these unconsolidated financial statements, are as follows:

|   | Subsidiaries |         | Associates |           | Post employment benefit plans |         | Directors |         | Key Management personnel |        | Other related parties |           |
|---|--------------|---------|------------|-----------|-------------------------------|---------|-----------|---------|--------------------------|--------|-----------------------|-----------|
|   | 2016         | 2015    | 2016       | 2015      | 2016                          | 2015    | 2016      | 2015    | 2016                     | 2015   | 2016                  | 2015      |
| (Rupees in '000)  |              |         |            |           |                               |         |           |         |                          |        |                       |           |
| <b>Transactions</b>   |              |         |            |           |                               |         |           |         |                          |        |                       |           |
| Premium Underwritten  | 4,577        | 1,882   | 87,785     | 89,822    | -                             | -       | 644       | 864     | 93                       | 316    | 167,894               | 131,550   |
| Premium Collected   | 5,539        | 1,121   | 118,288    | 82,719    | -                             | -       | 156       | 1,109   | 93                       | 297    | 278,947               | 147,618   |
| Claims Expense  | 1,480        | 687     | 16,888     | 5,164     | -                             | -       | 134       | 948     | -                        | -      | 58,676                | 21,173    |
| Commission Expense  | -            | -       | 4,966      | 4,420     | -                             | -       | -         | -       | -                        | -      | 11,298                | 8,982     |
| Commission Paid   | -            | -       | 5,232      | 4,849     | -                             | -       | -         | -       | -                        | -      | 12,893                | 6,564     |
| Rental Income   | 17,204       | 5,146   | -          | 354       | -                             | -       | -         | -       | -                        | -      | 3,433                 | 1,815     |
| Fixed Assets Purchased  | -            | -       | -          | -         | -                             | -       | -         | -       | -                        | -      | -                     | 69        |
| Fixed Assets Disposed   | -            | 89      | 615        | 658       | -                             | -       | -         | -       | 1,779                    | 7,566  | -                     | 23        |
| Dividend Received   | 40,989       | -       | 330,572    | 190,198   | -                             | -       | -         | -       | -                        | -      | 6,767                 | -         |
| Dividend Paid   | -            | -       | 52,088     | 65,110    | -                             | -       | 155,513   | 177,662 | 1                        | 31     | -                     | -         |
| Rent Expense  | -            | -       | -          | -         | -                             | -       | -         | -       | -                        | -      | -                     | 21,461    |
| Rent Paid   | -            | -       | -          | -         | -                             | -       | -         | -       | -                        | -      | -                     | 21,735    |
| Security Deposits   | -            | -       | -          | -         | -                             | -       | -         | -       | -                        | -      | -                     | 659       |
| Gain on Disposal of right letters                                       | -            | -       | -          | -         | -                             | -       | -         | -       | -                        | -      | -                     | 105,735   |
| Investment/ (Disinvestment) in Shares - Net of Provision for Impairment | 417,133      | 128,985 | 2,697,185  | 162,076   | -                             | -       | -         | -       | -                        | -      | 299,625               | (150,035) |
| Brokerage Commission  | 8,527        | -       | -          | -         | -                             | -       | -         | -       | -                        | -      | -                     | 4,688     |
| Donations Paid  | -            | -       | -          | -         | -                             | -       | -         | -       | -                        | -      | -                     | 1,339     |
| Charge in respect of Gratuity Fund                                      | -            | -       | -          | -         | 13,409                        | 7,680   | -         | -       | -                        | -      | -                     | -         |
| Charge in respect of Provident Fund                                     | -            | -       | -          | -         | 9,827                         | 8,977   | -         | -       | -                        | -      | -                     | -         |
| Contribution to Gratuity Fund   | -            | -       | -          | -         | 7,733                         | 6,962   | -         | -       | -                        | -      | -                     | -         |
| Contribution to Provident Fund  | -            | -       | -          | -         | 9,045                         | 6,358   | -         | -       | -                        | -      | -                     | -         |
| Charge for Administrative Services                                      | -            | 8,000   | -          | -         | -                             | -       | -         | -       | -                        | -      | -                     | -         |
| Insurance Premium Paid  | 2,930        | 3,376   | -          | -         | -                             | -       | -         | -       | -                        | -      | -                     | -         |
| Consultancy Charges   | -            | -       | -          | -         | -                             | -       | -         | -       | -                        | -      | -                     | 3,500     |
| Key Management Personnel Compensation                                   | -            | -       | -          | -         | -                             | -       | -         | -       | 66,244                   | 52,250 | -                     | -         |
| Receipts against group shared services provided                         | 35,412       | 11,825  | 2,722      | 5,492     | -                             | -       | -         | -       | -                        | -      | -                     | 9,074     |
| <b>Balances</b>   |              |         |            |           |                               |         |           |         |                          |        |                       |           |
| Premium Receivable  | 1,132        | 776     | 5,704      | 14,009    | -                             | -       | 678       | 189     | -                        | -      | 9,459                 | 23,798    |
| Commission Payable  | -            | -       | 226        | 1,107     | -                             | -       | -         | -       | -                        | -      | 4,071                 | 4,106     |
| Investment in Shares  | 1,275,964    | 858,831 | 6,430,337  | 3,873,031 | -                             | -       | -         | -       | -                        | -      | 564,610               | 264,985   |
| Other Receivable  | 30,279       | 2,205   | 1,903      | 23,296    | -                             | -       | -         | -       | -                        | -      | -                     | 6,045     |
| Security Deposits   | -            | -       | -          | -         | -                             | -       | -         | -       | -                        | -      | -                     | 6,948     |
| Prepaid Rent  | -            | -       | -          | -         | -                             | -       | -         | -       | -                        | -      | -                     | 10,867    |
| (Payable to)/ receivable from Gratuity Fund                             | -            | -       | -          | -         | (9,588)                       | 378     | -         | -       | -                        | -      | -                     | -         |
| (Payable to)/ receivable from Provident Fund                            | -            | -       | -          | -         | (1,942)                       | (1,167) | -         | -       | -                        | -      | -                     | -         |



During the year, the management has carried out an exercise to re-evaluate the Company's related party relationships in the context of related party relationships as defined under IAS 24, "Related Party Disclosures". As a result of this re-assessment, the management have concluded that two entities are not related simply because of common directorship. Previously, the Company was also considering all associated companies defined under the Companies Ordinance, 1984 (which included companies having common directorship) as related parties. Accordingly, the disclosures above only represent transactions with and balances due to / from related parties as defined under IAS 24 and the related comparative information has been re-classified to facilitate comparison.

## 35 OPERATING SEGMENT

**35.1** 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.

**35.2** 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.

|                                       | 2016                     |                                |         |         |               |            |
|---------------------------------------|--------------------------|--------------------------------|---------|---------|---------------|------------|
|                                       | Fire and property damage | Marine, aviation and transport | Motor   | Health  | Miscellaneous | Total      |
|                                       | (Rupees in '000)         |                                |         |         |               |            |
| Segment assets                        | 832,867                  | 198,477                        | 259,859 | 58,102  | 553,944       | 1,903,249  |
| Unallocated assets                    | -                        | -                              | -       | -       | -             | 17,545,790 |
| <b>Consolidated total assets</b>      | -                        | -                              | -       | -       | -             | 19,449,039 |
| Segment liabilities                   | 835,342                  | 220,149                        | 611,425 | 173,688 | 781,704       | 2,622,308  |
| Unallocated liabilities               | -                        | -                              | -       | -       | -             | 3,214,180  |
| <b>Consolidated total liabilities</b> | -                        | -                              | -       | -       | -             | 5,836,488  |

|                                       | 2015                     |                                |         |         |               |            |
|---------------------------------------|--------------------------|--------------------------------|---------|---------|---------------|------------|
|                                       | Fire and property damage | Marine, aviation and transport | Motor   | Health  | Miscellaneous | Total      |
|                                       | (Rupees in '000)         |                                |         |         |               |            |
| Segment assets                        | 702,645                  | 219,711                        | 239,840 | 37,983  | 286,068       | 1,486,247  |
| Unallocated assets                    | -                        | -                              | -       | -       | -             | 13,164,379 |
| <b>Consolidated total assets</b>      | -                        | -                              | -       | -       | -             | 14,650,626 |
| Segment liabilities                   | 717,413                  | 244,327                        | 548,770 | 108,567 | 438,217       | 2,057,294  |
| Unallocated liabilities               | -                        | -                              | -       | -       | -             | 332,597    |
| <b>Consolidated total liabilities</b> | -                        | -                              | -       | -       | -             | 2,389,891  |

# Notes to and Forming Part of the Unconsolidated Financial Statements

## 36 FINANCIAL INSTRUMENTS BY CATEGORY

|  | 2016             | 2015      |
|--|------------------|-----------|
|  | (Rupees in '000) |           |
| <b>Financial assets and financial liabilities</b>        |                  |           |
| <b>Financial assets</b>                                  |                  |           |
| <b>Loans and receivables - amortised cost</b>            |                  |           |
| <b>Cash and bank deposits</b>                            |                  |           |
| Cash and other equivalents                               | 374              | 90        |
| Current and other accounts                               | 26,138           | 17,084    |
| Deposits maturing within 12 months                       | 700,000          | 350,000   |
|  | 726,512          | 367,174   |
| <b>Current assets - others</b>                           |                  |           |
| Premiums due but unpaid - unsecured                      | 412,117          | 278,831   |
| Amounts due from other insurers / reinsurers - unsecured | 355,249          | 402,885   |
| Accrued income on investments and deposits               | 7,460            | 7,343     |
| Reinsurance recoveries against outstanding claims        | 649,453          | 391,659   |
| Sundry receivables                                       | 333,614          | 110,673   |
|  | 1,757,893        | 1,191,391 |
| Investments - held to maturity                           | 125,072          | 124,558   |
| Investments - held for trading                           | 6,422            | -         |
| Investments - available for sale                         | 7,820,888        | 7,468,658 |
| <b>Financial Liabilities</b>                             |                  |           |
| <b>Amortised cost</b>                                    |                  |           |
| Provision for outstanding claims (including IBNR)        | 944,954          | 643,816   |
| Amounts due to other insurers / reinsurers               | 352,078          | 309,170   |
| Accrued expenses   | 211,517          | 107,525   |
| Sundry creditors   | 567,030          | 326,080   |
| Short term finances - secured                            | 1,348,017        | 148,020   |
| Long term finances - secured                             | 1,300,860        | -         |
| Liabilities against assets subject to finance lease      | 42,980           | -         |
| Unclaimed dividend                                       | 14,104           | 13,979    |
|  | 4,781,540        | 1,548,590 |

## 37 RISK MANAGEMENT

### 37.1 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 minimise 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.

## **37.2 Insurance risks**

### **37.2.1 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.

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

To optimise 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 an 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.

## Notes to and Forming Part of the Unconsolidated Financial Statements

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 Standardising 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 visualise 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.

### 37.2.2 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:

|                                | 2016                |                   |                       |
|--------------------------------|---------------------|-------------------|-----------------------|
|                                | Maximum sum insured | Reinsurance cover | Highest net liability |
|                                | (Rupees in '000)    |                   |                       |
| Fire and property damage       | 31,967,718          | 31,923,718        | 44,000                |
| Marine, aviation and transport | 10,600,479          | 8,480,383         | 2,120,096             |
| Motor                          | 27,000              | -                 | 27,000                |
| Health                         | 1,000               | -                 | 1,000                 |
| Miscellaneous                  | 26,646,410          | 265,44,370        | 102,040               |
|                                | 69,242,607          | 66,948,471        | 2,294,136             |

|                                | 2015                |                   |                       |
|--------------------------------|---------------------|-------------------|-----------------------|
|                                | Maximum sum insured | Reinsurance cover | Highest net liability |
|                                | (Rupees in '000)    |                   |                       |
| Fire and property damage       | 32,598,319          | 32,510,319        | 88,000                |
| Marine, aviation and transport | 11,425,142          | 9,140,114         | 2,285,028             |
| Motor                          | 23,850              | 10,733            | 13,117                |
| Health                         | 1,000               | -                 | 1,000                 |
| Miscellaneous                  | 18,540,000          | 18,538,435        | 1565                  |
|                                | 62,588,311          | 60,199,601        | 2,388,710             |

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

|                                | 2016              |              |                            |
|--------------------------------|-------------------|--------------|----------------------------|
|                                | Gross liabilities | Gross assets | Net liabilities / (assets) |
|                                | (Rupees in '000)  |              |                            |
| Fire and property damage       | 835,342           | 832,867      | 2,475                      |
| Marine, aviation and transport | 220,149           | 198,477      | 21,672                     |
| Motor                          | 611,425           | 259,859      | 351,566                    |
| Health                         | 173,688           | 58,102       | 115,586                    |
| Miscellaneous                  | 781,704           | 553,944      | 227,760                    |
|                                | 2,622,308         | 1,903,249    | 719,059                    |

|                                | 2015              |              |                            |
|--------------------------------|-------------------|--------------|----------------------------|
|                                | Gross liabilities | Gross assets | Net liabilities / (assets) |
|                                | (Rupees in '000)  |              |                            |
| Fire and property damage       | 717,413           | 702,645      | 14,768                     |
| Marine, aviation and transport | 244,327           | 219,711      | 24,616                     |
| Motor                          | 548,770           | 239,840      | 308,930                    |
| Health                         | 108,567           | 37,983       | 70,584                     |
| Miscellaneous                  | 438,217           | 286,068      | 152,149                    |
|                                | 2,057,294         | 1,486,247    | 571,047                    |

### 37.2.3 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 actuarial advice as more fully explained in note 5.3.3 to these unconsolidated financial statements.

There are several variable factors which affect the amount and timing of recognised 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.

### 37.2.4 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.

### 37.2.5 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:

## Notes to and Forming Part of the Unconsolidated Financial Statements

|                                | Effect of 10% increase in claims |          | Effect of 10% decrease in claims |        |
|--------------------------------|----------------------------------|----------|----------------------------------|--------|
|                                | Profit and Loss                  | Equity   | Profit and Loss                  | Equity |
|                                | (Rupees in '000)                 |          |                                  |        |
| Fire and property damage       | (2,973)                          | (2,973)  | 2,973                            | 2,973  |
| Marine, aviation and transport | (4,292)                          | (4,292)  | 4,292                            | 4,292  |
| Motor                          | (26,845)                         | (26,845) | 26,845                           | 26,845 |
| Health                         | (9,755)                          | (9,755)  | 9,755                            | 9,755  |
| Miscellaneous                  | (4,289)                          | (4,289)  | 4,289                            | 4,289  |
|                                | (48,154)                         | (48,154) | 48,154                           | 48,154 |

### 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

|   | 2012             | 2013      | 2014      | 2015      | 2016      | Total       |
|---|------------------|-----------|-----------|-----------|-----------|-------------|
| <b>Estimate of ultimate claims cost:</b>  | (Rupees in '000) |           |           |           |           |             |
| At end of accident year                   | 228,529          | 322,760   | 232,592   | 324,613   | 332,103   | 1,440,597   |
| One year later                            | 215,891          | 321,070   | 216,453   | 371,882   | -         | 1,125,296   |
| Two years later                           | 191,334          | 315,575   | 220,697   | -         | -         | 727,606     |
| Three years later                         | 191,319          | 316,198   | -         | -         | -         | 507,517     |
| Four years later                          | 195,250          | -         | -         | -         | -         | 195,250     |
| Estimate of cumulative claims             | 195,250          | 316,198   | 220,697   | 371,882   | 332,103   | 1,436,130   |
| Cumulative payments to date               | (190,446)        | (315,366) | (215,109) | (273,566) | (273,748) | (1,268,235) |
| Liability recognised in the balance sheet | 4,804            | 832       | 5,588     | 98,316    | 58,355    | 167,895     |

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

### 37.3 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:

For the year ended December 31, 2016

| 2016   |                            |                         |           |                                |                         |           |           |            |
|--|----------------------------|-------------------------|-----------|--------------------------------|-------------------------|-----------|-----------|------------|
| 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 '000)   |                            |                         |           |                                |                         |           |           |            |
| Financial assets   |                            |                         |           |                                |                         |           |           |            |
| Cash and bank deposits                                   | 3.5% - 7.20%               | 704,573                 | -         | 704,573                        | 21,939                  | -         | 21,939    | 726,512    |
| Investments  | 5.80% - 13.98%             | 6,422                   | 125,072   | 131,494                        | 7,820,888               | -         | 7,820,888 | 7,952,382  |
| Premium due but unpaid                                   |                            | -                       | -         | -                              | 412,117                 | -         | 412,117   | 412,117    |
| Amounts due from other insurers / reinsurers - unsecured |                            | -                       | -         | -                              | 355,249                 | -         | 355,249   | 355,249    |
| Accrued income on investments and deposits               |                            | -                       | -         | -                              | 7,460                   | -         | 7,460     | 7,460      |
| Reinsurance recoveries against outstanding claims        |                            | -                       | -         | -                              | 649,453                 | -         | 649,453   | 649,453    |
| Sundry receivables                                       |                            | -                       | -         | -                              | 333,614                 | -         | 333,614   | 333,614    |
|  |                            | 710,995                 | 125,072   | 836,067                        | 9,600,720               | -         | 9,600,720 | 10,436,787 |
| Financial liabilities                                    |                            |                         |           |                                |                         |           |           |            |
| Provision for outstanding claims [including IBNR]        |                            | -                       | -         | -                              | 944,954                 | -         | 944,954   | 944,954    |
| Amounts due to other insurers / reinsurers               |                            | -                       | -         | -                              | 352,078                 | -         | 352,078   | 352,078    |
| Accrued expenses   |                            | -                       | -         | -                              | 211,517                 | -         | 211,517   | 211,517    |
| Sundry creditors   |                            | -                       | -         | -                              | 567,030                 | -         | 567,030   | 567,030    |
| Short term finances - secured                            | 5.99% to 6.55%             | 1,348,017               | -         | 1,348,017                      | -                       | -         | -         | 1,348,017  |
| Long term finances - secured                             | 6.36% to 8.99%             | 69,860                  | 1,000,000 | 1,069,860                      | -                       | 231,000   | 231,000   | 1,300,860  |
| Liabilities against assets subject to finance lease      | 3.89% - 4.13%              | 6,503                   | 36,477    | 42,980                         | -                       | -         | -         | 42,980     |
| Unclaimed dividend                                       |                            | -                       | -         | -                              | 14,104                  | -         | 14,104    | 14,104     |
|  |                            | 1,424,380               | 1,036,477 | 2,460,857                      | 2,089,683               | 231,000   | 2,320,683 | 4,781,540  |
|  |                            | (713,385)               | (911,405) | (1,624,790)                    | 7,511,037               | (231,000) | 7,280,037 | 5,655,247  |

## Notes to and Forming Part of the Unconsolidated Financial Statements

| 2015   |                 |                            |                         |           |                                |                         |           |           |
|--|-----------------|----------------------------|-------------------------|-----------|--------------------------------|-------------------------|-----------|-----------|
| 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 '000)   |                 |                            |                         |           |                                |                         |           |           |
| Financial assets   |                 |                            |                         |           |                                |                         |           |           |
| Cash and bank deposits                                   | 4.00% - 11.50%  | 360,588                    | -                       | 360,588   | 6,586                          | -                       | 6,586     | 367,174   |
| Investments  | 11.25% - 13.98% | -                          | 124,558                 | 124,558   | 7,468,658                      | -                       | 7,468,658 | 7,593,216 |
| Premium due but unpaid                                   |                 | -                          | -                       | -         | 278,831                        | -                       | 278,831   | 278,831   |
| Amounts due from other insurers / reinsurers - unsecured |                 | -                          | -                       | -         | 402,885                        | -                       | 402,885   | 402,885   |
| Accrued income on investments and deposits               |                 | -                          | -                       | -         | 7,343                          | -                       | 7,343     | 7,343     |
| Reinsurance recoveries against outstanding claims        |                 | -                          | -                       | -         | 391,659                        | -                       | 391,659   | 391,659   |
| Sundry receivables                                       |                 | -                          | -                       | -         | 110,673                        | -                       | 110,673   | 110,673   |
|  |                 | 360,588                    | 124,558                 | 485,146   | 8,666,635                      | -                       | 8,666,635 | 9,151,781 |
| Financial liabilities                                    |                 |                            |                         |           |                                |                         |           |           |
| Provision for outstanding claims [including IBNR]        |                 | -                          | -                       | -         | 643,816                        | -                       | 643,816   | 643,816   |
| Amounts due to other insurers / reinsurers               |                 | -                          | -                       | -         | 309,170                        | -                       | 309,170   | 309,170   |
| Accrued expenses   |                 | -                          | -                       | -         | 107,525                        | -                       | 107,525   | 107,525   |
| Sundry creditors   |                 | -                          | -                       | -         | 326,080                        | -                       | 326,080   | 326,080   |
| Short term finance - secured                             | 6.70% - 8.41%   | 148,020                    | -                       | 148,020   | -                              | -                       | -         | 148,020   |
| Long term finances - secured                             |                 | -                          | -                       | -         | -                              | -                       | -         | -         |
| Unclaimed dividend                                       |                 | -                          | -                       | -         | 13,979                         | -                       | 13,979    | 13,979    |
|  |                 | 148,020                    | -                       | 148,020   | 1,400,570                      | -                       | 1,400,570 | 1,548,590 |
|  |                 | 212,568                    | 124,558                 | 337,126   | 7,266,065                      | -                       | 7,266,065 | 7,603,191 |

### 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 summarises Company's interest rate risk as of December 31, 2016 and 2015 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 '000) |          |
| <b>As at December 31, 2016</b>                            |                  |          |
| Cash flow sensitivity-Variable rate financial liabilities | (2,843)          | 2,843    |
| <b>As at December 31, 2015</b>                            |                  |          |
| Cash flow sensitivity-Variable rate financial liabilities | (166)            | 166      |

### (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.

### (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.13,957 million (2015: Rs. 11,226 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 summarises Company's equity price risk as of December 31, 2016 and 2015 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.

## Notes to and Forming Part of the Unconsolidated Financial Statements

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 2016 | 46,335,043 | 10% increase              | 50,968,547   | 4,633,504   | -  |
|             |            | 10% decrease              | 41,701,539   | (4,633,504)   | -  |
| 31 Dec 2015 | 36,160,067 | 10% increase              | 39,776,074   | 3,616,007   | -  |
|             |            | 10% decrease              | 32,544,060   | (3,616,007)   | -  |

### (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.

| 2016  |                 |                       |               |                    |
|---|-----------------|-----------------------|---------------|--------------------|
|   | Carrying amount | Contractual cash flow | Upto one year | More than one year |
| (Rupees in '000)                                    |                 |                       |               |                    |
| Provision for outstanding claims                    | 944,954         | 944,954               | 944,954       | -                  |
| Amount due to other insurers / reinsurers           | 352,078         | 352,078               | 352,078       | -                  |
| Accrued expenses                                    | 211,517         | 211,517               | 211,517       | -                  |
| Unclaimed dividend                                  | 14,104          | 14,104                | 14,104        | -                  |
| Short term finance                                  | 1,348,017       | 1,348,017             | 1,348,017     | -                  |
| Long term finances                                  | 1,300,860       | 1,300,860             | 69,860        | 1,231,000          |
| Liabilities against assets subject to finance lease | 42,980          | 42,980                | 6,503         | 36,477             |
| Sundry creditors                                    | 567,030         | 567,030               | 567,030       | -                  |
|   | 4,781,540       | 4,781,540             | 3,514,063     | 1,267,477          |

| 2015                                      |                 |                       |               |                    |
|---|-----------------|-----------------------|---------------|--------------------|
|   | Carrying amount | Contractual cash flow | Upto one year | More than one year |
| (Rupees in '000)                          |                 |                       |               |                    |
| Provision for outstanding claims          | 643,816         | 643,816               | 643,816       | -                  |
| Amount due to other insurers / reinsurers | 309,170         | 309,170               | 309,170       | -                  |
| Accrued expenses                          | 107,525         | 107,525               | 107,525       | -                  |
| Unclaimed dividend                        | 13,979          | 13,979                | 13,979        | -                  |
| Short term finance                        | 148,020         | 148,020               | 148,020       | -                  |
| Sundry creditors                          | 326,080         | 326,080               | 326,080       | -                  |
|   | 1,548,590       | 1,548,590             | 1,548,590     | -                  |



(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.

|   | 2016             | 2015             |
|---|------------------|------------------|
|   | (Rupees in '000) |                  |
| Bank deposits                                     | 26,138           | 17,084           |
| Deposits maturing within 12 months                | 700,000          | 350,000          |
| Premiums due but unpaid                           | 412,117          | 278,831          |
| Amount due from other insurers / reinsurers       | 355,249          | 402,885          |
| Accrued income on investments and deposits        | 7,460            | 7,343            |
| Prepaid reinsurance premium ceded                 | 419,825          | 333,744          |
| Reinsurance recoveries against outstanding claims | 649,453          | 391,659          |
| Sundry receivables                                | 333,614          | 110,673          |
|   | <u>2,903,856</u> | <u>1,892,219</u> |

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. 15,078 million were further impaired. The movement in the provision for doubtful debt account is shown in note 19.3 and 20.1. 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 Agency | Rating     |           |
|---------------------------------|---------------|------------|-----------|
|                                 |               | Short Term | Long Term |
| <b>Bank deposits</b>            |               |            |           |
| Bank Alfalah Limited            | PACRA         | A1+        | AA        |
| Bank Islami Pakistan Limited    | PACRA         | A1         | A+        |
| Habib Metropolitan Bank Limited | PACRA         | A1+        | AA+       |
| MCB Bank Limited                | PACRA         | A1+        | AAA       |
| National Bank of Pakistan       | PACRA         | A1+        | AAA       |
| JS Bank Limited                 | PACRA         | A1+        | AA-       |
| Soneri Bank Limited             | PACRA         | A1+        | AA-       |
| NIB Bank Limited                | PACRA         | A1+        | AA-       |
| United Bank Limited             | JCR-VIS       | A1+        | AAA       |
| Habib Bank Limited              | JCR-VIS       | A1+        | AAA       |
| Faysal Bank Limited             | PACRA         | A1+        | AA        |
| Standard Chartered Bank         | PACRA         | A1+        | AAA       |
| Bank Al Habib Limited           | PACRA         | A1+        | AA+       |
| Allied Bank Limited             | PACRA         | A1+        | AA+       |
| <b>Certificate of Deposits</b>  |               |            |           |
| Soneri Bank Limited             | PACRA         | A1+        | AA-       |
| Habib Metropolitan Bank Limited | PACRA         | A1+        | AA+       |

## Notes to and Forming Part of the Unconsolidated Financial Statements

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

|              | 2016             | 2015           |
|--------------|------------------|----------------|
|              | (Rupees in '000) |                |
| Upto 1 year  | 676,933          | 554,058        |
| 1-2 years    | 73,977           | 59,613         |
| 2-3 years    | 26,220           | 38,882         |
| Over 3 years | 115,553          | 146,065        |
|              | <u>892,683</u>   | <u>798,618</u> |

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

|                        | 2016             | 2015           |
|------------------------|------------------|----------------|
|                        | (Rupees in '000) |                |
| Foods and beverages    | 20,777           | 40,875         |
| Financial services     | 23,573           | 22,071         |
| Pharmaceuticals        | 58,741           | 32,850         |
| Textile and composites | 97,061           | 49,540         |
| Plastic industries     | 388              | 273            |
| Engineering            | 36,051           | 20,458         |
| Other manufacturing    | 12,779           | 9,920          |
| Miscellaneous          | 246,641          | 180,510        |
|                        | <u>496,011</u>   | <u>356,497</u> |

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 | 2016             | 2015             |
|------------------|---|---|-----------------------------------|------------------|------------------|
|                  | (Rupees in '000)                            |   |                                   |                  |                  |
| A- or above      |   |   |                                   |                  |                  |
| (including PRCL) | 377,684                                     | 636,589   | 407,860                           | 1,422,133        | 913,864          |
| BBB and B+       | 7,223                                       | 11,228  | 9,941                             | 28,392           | 113,691          |
| Others           | 11,765                                      | 1,636   | 2,024                             | 15,425           | 139,969          |
| Total            | <u>396,672</u>                              | <u>649,453</u>                                    | <u>419,825</u>                    | <u>1,465,950</u> | <u>1,167,524</u> |

### 38 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.

For the year ended December 31, 2016

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 5.7.1.6).

### 39 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.

### 40 CORRESPONDING FIGURES

Corresponding figures have been reclassified, wherever necessary, to facilitate comparison. No significant reclassification / restatement was made during the current year.

### 41 DATE OF AUTHORISATION FOR ISSUE

These unconsolidated financial statements were authorised for issue on December 29, 2017 by the Board of Directors of the Company.

### 42 EVENTS AFTER BALANCE SHEET DATE

The Board of Directors has proposed a final dividend for the year ended December 31, 2016 of Rs. 8 per share (2015: Rs. 4.0 per share), amounting to Rs 992.213 million (2015: Rs 490.758 million) in its meeting held on December 29, 2017 for the approval of the members at the annual general meeting to be held on March 02, 2018. The financial statements for the year ended December 31, 2016 do not include the effect of these appropriations.



Chairman



Director



Director



Principal Officer and  
Chief Executive



# Consolidated Financial Statements

for the year ended December 31, 2016



# Directors' Report to the Shareholders on Consolidated Financial Statements for the year ended December 31, 2016

On behalf of the Board, I am pleased to present the consolidated financial statements of IGI Insurance Limited and its subsidiaries, IGI Life Insurance Limited, IGI General Insurance Limited, IGI Investments (Pvt.) Limited and IGI Finex Securities Limited ('the Group') for the year ended December 31, 2016.

The Board would like to inform you that the Honorable High Court of Sindh approved on December 16, 2017 the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited and subsequent demerger of the insurance business and certain investments held by IGI Insurance into two wholly owned subsidiaries i.e. IGI General Insurance and IGI Investments respectively. Please note that the restructuring process was initiated in September 2016 and was approved by you in February 2017.

The restructuring of IGI group's financial services businesses envisages creation of 'financial services holding company' of the group, in line with international practices, that owns subsidiaries for the respective businesses to enable management in a focused manner. The restructuring involved (i) merger of the entire undertaking of IGI Investment Bank Limited with and into IGI Insurance in terms of the swap ratio 92 : 1 (i.e issuance of 1 (one) share of IGI Insurance for every 92 shares of IGI Investment Bank cancelled), to the shareholders of IGI Investment Bank except for IGI Insurance; and (ii) and subsequent to the merger, demerger of the insurance business and certain investments along with corresponding liabilities held by IGI Insurance into two wholly owned subsidiaries of IGI Insurance i.e. IGI General Insurance Limited and IGI Investments (Private) Limited respectively and the remaining assets and liabilities of IGI Insurance, if any, would be retained by IGI Insurance. The restructuring was carried out by way of court sanctioned Schemes of amalgamation and arrangement filed with the High Court of Sindh at Karachi under Sections 284 to 288 of the now repealed Companies Ordinance, 1984.

In accordance with approved scheme of arrangement, IGI Insurance Limited will also be renamed as IGI Holdings Limited. As part of the Scheme of Arrangement, IGI Insurance Limited has also injected cash equity of Rs. 1,500 million in IGI General Insurance Limited to meet minimum capital and solvency requirements as applicable to general insurance company as per applicable laws. The financial results of the Group for the year ended December 31, 2016 are as follows:

|  | 2016             | 2015      |
|--|------------------|-----------|
|  | (Rupees in '000) |           |
| Profit before tax                            | 3,342,440        | 2,351,127 |
| Taxation                                     | (872,372)        | (375,833) |
| Profit after tax                             | 2,470,068        | 1,975,294 |
| Other comprehensive Income                   | 24,347           | (81,783)  |
| Total comprehensive Income                   | 2,494,415        | 1,893,511 |
| Profit attribute to non-controlling interest | (17,207)         | (18,585)  |
| Profit attribute to ordinary shareholders    | 2,477,208        | 1,874,926 |
| Earnings per share                           | 20.13            | 16.10     |

For and on behalf of the Board



**Syed Babar Ali**

Chairman

Lahore: December 29, 2017



**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 companies, IGI Life Insurance Limited, IGI Finex Securities Limited, IGI General Insurance Limited and IGI Investments (Pvt.) Limited (here-in-after referred to as 'the Group') as at December 31, 2016 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 opinions on the financial statements of the Holding Company and its subsidiary companies, IGI Life Insurance Limited, IGI General Insurance Limited and IGI Investments (Pvt.) Limited and have expressed a separate review conclusion on the financial statements of IGI Finex Securities Limited. 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 companies as at December 31, 2016 and the results of their operations for the year then ended.

**Afferguanto**

Chartered Accountants  
Engagement Partner: Shahbaz Akbar  
Dated: January 04, 2018  
Karachi

*A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
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# Consolidated Balance Sheet

|   | Note | 2016       | 2015       |
|---|------|------------|------------|
| (Rupees in '000)  |      |            |            |
| <b>Share capital and reserves</b>   |      |            |            |
| Authorised share capital<br>[200,000,000 (December 31, 2015: 200,000,000)<br>Ordinary shares of Rs.10/- each] |      | 2,000,000  | 2,000,000  |
| Issued, subscribed and paid up share capital  | 6    | 1,226,895  | 1,226,895  |
| Proposed shares to be issued on amalgamation  |      | 411,659    | -          |
| Unappropriated profit   |      | 6,612,573  | 3,889,986  |
| Reserves  |      | 7,366,574  | 8,102,711  |
| <b>Equity Attributable to the equity holders of the parent</b>  |      | 15,617,701 | 13,219,592 |
| Non-controlling interest  | 8    | 263,962    | 255,766    |
| <b>TOTAL EQUITY</b>   |      | 15,881,663 | 13,475,358 |
| Balance of Statutory Funds  | 9    | 16,939,441 | 11,504,253 |
| <b>Underwriting provisions</b>  |      |            |            |
| Provision for outstanding claims (including IBNR)   |      | 1,210,466  | 858,847    |
| Provision for unearned premium  |      | 950,263    | 745,483    |
| Commission income unearned  |      | 94,850     | 75,479     |
|   |      | 2,255,579  | 1,679,809  |
| <b>Creditors and accruals</b>   |      |            |            |
| Premium received in advance   |      | 144,585    | 69,846     |
| Amounts due to other insurers / reinsurers  |      | 365,526    | 348,028    |
| Experience refund payable   |      | 36,831     | 39,576     |
| Accrued expenses  |      | 316,649    | 219,015    |
| Sundry creditors  | 11   | 1,367,711  | 565,263    |
|   |      | 2,231,302  | 1,241,728  |
| <b>Deferred liabilities</b>   |      |            |            |
| Deferred taxation   | 20   | 378,179    | 251,328    |
| <b>Borrowings</b>   |      |            |            |
| Current portion of long term liabilities  | 12   | 7,786      | -          |
| Short term finances - secured   | 13   | 1,348,017  | 148,020    |
| Long term finances - secured  | 14   | 1,231,000  | -          |
| Liabilities against assets subject to finance lease   | 15   | 41,537     | -          |
|   |      | 2,628,340  | 148,020    |
| <b>Other liabilities</b>  |      |            |            |
| Unclaimed dividend  |      | 14,251     | 14,006     |
| <b>TOTAL LIABILITIES</b>  |      | 24,447,092 | 14,839,144 |
| <b>TOTAL EQUITY AND LIABILITIES</b>   |      | 40,328,755 | 28,314,502 |
| <b>CONTINGENCIES AND COMMITMENTS</b>  |      |            |            |

16



Chairman



Director



Director



Principal Officer and  
Chief Executive



As at December 31, 2016

|  | Note | 2016             | 2015       |
|--|------|------------------|------------|
|  |      | (Rupees in '000) |            |
| <b>Cash and bank deposits</b>                            |      |                  |            |
| Cash and other equivalents                               | 17   | 2,703            | 584        |
| Current and other accounts                               | 18   | 1,095,780        | 449,792    |
| Deposits maturing within 12 months                       |      | 1,100,000        | 350,000    |
|  |      | 2,198,483        | 800,376    |
| Loans secured against life insurance policies            |      | 153,456          | 146,947    |
| Loans secured against other assets                       |      |                  |            |
| - To agents  |      | 630              | 734        |
| <b>Investments</b>                                       | 19   | 33,351,891       | 24,328,125 |
| <b>Investment property</b>                               | 27   | 77,304           | 105,632    |
| <b>Current assets - others</b>                           |      |                  |            |
| Premiums due but unpaid                                  | 21   | 519,916          | 397,319    |
| Amounts due from other insurers / reinsurers - unsecured | 22   | 444,731          | 422,023    |
| Accrued income on investments and deposits               |      | 380,669          | 421,599    |
| Reinsurance recoveries against outstanding claims        |      | 649,453          | 391,659    |
| Prepayments:   |      |                  |            |
| - prepaid reinsurance premium ceded                      |      | 419,825          | 333,744    |
| - others   |      | 78,841           | 42,086     |
| Taxation - payments less provision                       |      | 614,429          | 210,668    |
| Experience refund receivable                             |      | 12,306           | 9,029      |
| Sundry receivables                                       | 23   | 650,473          | 176,639    |
|  |      | 3,770,643        | 2,404,766  |
| <b>Fixed assets</b>                                      |      |                  |            |
| <b>Tangible operating fixed assets</b>                   | 26   |                  |            |
| Furniture, fixtures and office equipments                |      | 86,402           | 74,058     |
| Buildings  |      | 231,430          | 205,189    |
| Motor vehicles-Owned                                     |      | 77,691           | 89,136     |
| Motor vehicles-Leased                                    |      | 52,483           | -          |
| Capital work in progress                                 |      | 10,843           | 7,938      |
|  |      | 458,849          | 376,321    |
| <b>Intangibles</b>                                       | 26   | 317,499          | 151,601    |
| <b>TOTAL ASSETS</b>                                      |      | 40,328,755       | 28,314,502 |

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.



Chairman



Director



Director



Principal Officer and  
Chief Executive

# Consolidated Profit and Loss Account For the year ended December 31, 2016

| Note   | NON-LIFE INSURANCE       |                                |           |           |               | LIFE INSURANCE     |                        |           |                            |                              |           |                       |                   |              |              | Year ended   |              |
|--|--------------------------|--------------------------------|-----------|-----------|---------------|--------------------|------------------------|-----------|----------------------------|------------------------------|-----------|-----------------------|-------------------|--------------|--------------|--------------|--------------|
|  | Fire and property damage | Marine, aviation and transport | Motor     | Health    | Miscellaneous | Life Participating | Life Non-Participating |           | Investment Linked Business | Accident and Health Business |           | Pension Business Fund | Takaful Window    |              |              | 2016         | 2015         |
|  |                          |                                |           |           |               |                    | Individual             | Group     |                            | Individual                   | Group     |                       | Individual family | Group family | Group health | Aggregate    | Aggregate    |
| (Rupees in '000)   |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
| Revenue account  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  | 93,683                   | 199,938                        | 767,622   | 159,646   | 157,160       | 48,477             | 840,485                | 164,020   | 5,291,197                  | 7,758                        | 685,482   | 6,330                 | 381,805           | 1,114        | 6,644        | 8,811,361    | 4,948,530    |
|  | (43,062)                 | (62,209)                       | (388,361) | (141,368) | (62,158)      | (104,028)          | (608,218)              | (119,184) | (1,763,426)                | (3,686)                      | (503,725) | (67,074)              | (12,964)          | (650)        | (4,025)      | (3,884,138)  | (3,183,828)  |
| 28   | (126,801)                | (54,903)                       | (139,610) | (26,026)  | (56,103)      | (2,748)            | (95,655)               | (43,644)  | (160,756)                  | (8,760)                      | (97,109)  | -                     | (46,671)          | (35)         | (209)        | (859,030)    | (759,177)    |
|  | 85,939                   | 54,424                         | (75,448)  | (5,589)   | (10,431)      | (2,077)            | (124,889)              | 958       | (351,709)                  | (12,753)                     | (30,061)  | -                     | (146,935)         | (52)         | (500)        | (619,123)    | (516,155)    |
| Net Investment Income -  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  | -                        | -                              | -         | -         | -             | 414,488            | 1,181,475              | 49,467    | 634,552                    | 7,584                        | 26,917    | 17,074                | 18,270            | -            | -            | 2,349,827    | 1,274,695    |
|  | -                        | -                              | -         | -         | -             | 8,323              | 16,404                 | 1,255     | 40,635                     | 375                          | 20,102    | 510                   | 5,278             | -            | -            | 92,882       | 62,142       |
| Add: Policyholders' liabilities at the beginning of the year           |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  | -                        | -                              | -         | -         | -             | 1,140,823          | 4,623,900              | 69,789    | 4,878,865                  | 16,027                       | 176,391   | 99,599                | 22,772            | 278          | 1,651        | 11,030,095   | 9,594,542    |
| Less: Policyholders' liabilities at the end of the year                |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
| 10   | -                        | -                              | -         | -         | -             | (1,367,408)        | (5,701,085)            | (77,320)  | (8,695,395)                | (9,337)                      | (212,747) | (55,878)              | (239,008)         | (573)        | (3,114)      | (16,361,865) | (11,030,095) |
|  | -                        | -                              | -         | -         | -             | (135,850)          | -                      | -         | -                          | -                            | -         | -                     | -                 | -            | -            | (135,850)    | (67,599)     |
|  | -                        | -                              | -         | -         | -             | 32,432             | -                      | -         | -                          | -                            | -         | -                     | -                 | -            | -            | 32,432       | -            |
| Underwriting Result  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  | 9,759                    | 137,250                        | 164,203   | (13,337)  | 28,468        | 32,432             | 132,417                | 45,341    | (126,037)                  | (2,792)                      | 65,250    | 561                   | (17,453)          | 82           | 447          | 456,591      | 323,055      |
| Gain on re-measurement of previously held equity interest of associate |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 290,451      | -            |
| Investment income  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 1,713,487    | 1,432,137    |
| Rental income  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 4,303        | 1,576        |
| Return on bank balances  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 8,297        | 23,293       |
| 29   |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 6,040        | 4,272        |
| 30   |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | (108,689)    | (25,485)     |
| 31   |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | (335,356)    | (198,305)    |
| Share of profit of associates  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 1,578,533    | 1,237,488    |
| Profit before taxation   |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 1,307,316    | 790,584      |
| 32   |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 3,342,440    | 2,351,127    |
| Taxation   |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | (872,372)    | (375,833)    |
| Profit after taxation  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 2,470,068    | 1,975,294    |
| Other comprehensive income - reclassifiable to profit and loss         |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
| - Share of other comprehensive income of associate - net of tax        |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 31,630       | (67,901)     |
| Other comprehensive income - not reclassifiable to profit and loss     |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
| - Share of other comprehensive income of associate - net of tax        |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | (4,323)      | (15,873)     |
| - Re-measurement of post employment benefit obligations - net of tax   |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | (2,960)      | 1,991        |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | (7,283)      | (13,882)     |
| Total comprehensive income   |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 2,494,415    | 1,893,511    |
| Total comprehensive income attributable to:                            |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
| Equity holders of the parent   |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 2,477,208    | 1,874,926    |
| Non-controlling interest   |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 17,207       | 18,585       |
| Earnings per share - basic and diluted                                 |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              |              |              |
| 33   |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | (Rupees)     |              |
|  |                          |                                |           |           |               |                    |                        |           |                            |                              |           |                       |                   |              |              | 20.13        | 16.10        |

The annexed notes 1 to 43 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 December 31, 2016

|  | Issued,<br>subscribed and<br>paid-up share<br>capital | Proposed shares<br>to be issued on<br>amalgamation | Reserves                      |                             |                             |                     | Unappropri-<br>ated profit | Equity<br>Attributable to<br>equity holders<br>of the parent | Non-<br>controlling<br>Interest | Total      |
|--|---|--|-------------------------------|-----------------------------|-----------------------------|---------------------|----------------------------|--|---------------------------------|------------|
|  |   |  | Capital reserves              |                             |                             | Revenue<br>reserves |                            |  |                                 |            |
|  |   |  | Premium on<br>issue of shares | Reserve for<br>bonus shares | Other capi-<br>tal reserves | General<br>reserve  |                            |  |                                 |            |
| (Rupees in '000)   |   |  |                               |                             |                             |                     |                            |  |                                 |            |
| Balance as at January 01, 2015   | 1,226,895   | -  | 35,762                        | -                           | 33,267                      | 8,401,751           | 2,220,320                  | 11,917,995   | 406,285                         | 12,324,280 |
| Transfer from general reserves<br>to unappropriated profit                             | -   | -  | -                             | -                           | -                           | (368,069)           | 368,069                    | -  | -                               | -          |
| Profit after taxation for the<br>year ended December 31, 2015                          | -   | -  | -                             | -                           | -                           | -                   | 1,956,709                  | 1,956,709  | 18,585                          | 1,975,294  |
| Other comprehensive income -<br>reclassifiable to profit and loss                      |   |  |                               |                             |                             |                     |                            |  |                                 |            |
| - Share of other comprehensive<br>income of associate - net of tax                     | -   | -  | -                             | -                           | -                           | -                   | (67,901)                   | (67,901)   | -                               | (67,901)   |
| Other comprehensive income -<br>not reclassifiable to profit and loss                  |   |  |                               |                             |                             |                     |                            |  |                                 |            |
| - Share of other comprehensive<br>income of associate - net of tax                     | -   | -  | -                             | -                           | -                           | -                   | (15,873)                   | (15,873)   | -                               | (15,873)   |
| - Re-measurement of post<br>employment benefit<br>obligations - net of tax             | -   | -  | -                             | -                           | -                           | -                   | 1,991                      | 1,991  | -                               | 1,991      |
|  | -   | -  | -                             | -                           | -                           | -                   | (13,882)                   | (13,882)   | -                               | (13,882)   |
| Total comprehensive<br>income for the year<br>ended December 31, 2015                  | -   | -  | -                             | -                           | -                           | -                   | 1,874,926                  | 1,874,926  | 18,585                          | 1,893,511  |
| Transactions with owners,<br>recorded directly in equity                               |   |  |                               |                             |                             |                     |                            |  |                                 |            |
| Further acquisition of shares<br>of IGI Life Insurance Limited                         | -   | -  | -                             | -                           | -                           | -                   | 40,119                     | 40,119   | (169,104)                       | (128,985)  |
| Final dividend for the year<br>ended December 31,<br>2014 - Rs. 3 per share            | -   | -  | -                             | -                           | -                           | -                   | (368,069)                  | (368,069)  | -                               | (368,069)  |
| Interim dividend for the year<br>ended December 31,<br>2015 - Rs. 2 per share          | -   | -  | -                             | -                           | -                           | -                   | (245,379)                  | (245,379)  | -                               | (245,379)  |
|  | -   | -  | -                             | -                           | -                           | -                   | (573,329)                  | (573,329)  | (169,104)                       | (742,433)  |
| Balance as at December 31, 2015  | 1,226,895   | -  | 35,762                        | -                           | 33,267                      | 8,033,682           | 3,889,986                  | 13,219,592   | 255,766                         | 13,475,358 |
| Transfer from general reserves to<br>unappropriated profit                             | -   | -  | -                             | -                           | -                           | (736,137)           | 736,137                    | -  | -                               | -          |
| Profit after taxation for the<br>year ended December 31, 2016                          | -   | -  | -                             | -                           | -                           | -                   | 2,452,861                  | 2,452,861  | 17,207                          | 2,470,068  |
| Other comprehensive income -<br>reclassifiable to profit and loss                      |   |  |                               |                             |                             |                     |                            |  |                                 |            |
| - Share of other comprehensive<br>income of associate - net of tax                     | -   | -  | -                             | -                           | -                           | -                   | 31,630                     | 31,630   | -                               | 31,630     |
| Other comprehensive income -<br>not reclassifiable to profit and loss                  |   |  |                               |                             |                             |                     |                            |  |                                 |            |
| - Share of other comprehensive<br>income of associate - net of tax                     | -   | -  | -                             | -                           | -                           | -                   | (4,323)                    | (4,323)  | -                               | (4,323)    |
| - Re-measurement of post<br>employment benefit<br>obligations - net of tax             | -   | -  | -                             | -                           | -                           | -                   | (2,960)                    | (2,960)  | -                               | (2,960)    |
|  | -   | -  | -                             | -                           | -                           | -                   | (7,283)                    | (7,283)  | -                               | (7,283)    |
| Total comprehensive income for<br>the year ended December 31, 2016                     | -   | -  | -                             | -                           | -                           | -                   | 2,477,208                  | 2,477,208  | 17,207                          | 2,494,415  |
| Proposed further issue of<br>share capital in lieu<br>of business combination (note 5) | -   | 411,659  | -                             | -                           | -                           | -                   | -                          | 411,659  | -                               | 411,659    |
| Transactions with owners,<br>recorded directly in equity                               |   |  |                               |                             |                             |                     |                            |  |                                 |            |
| Final dividend for the year ended<br>December 31, 2015                                 | -   | -  | -                             | -                           | -                           | -                   | (490,758)                  | (490,758)  | (9,011)                         | (499,769)  |
| Balance as at December 31, 2016  | 1,226,895   | 411,659  | 35,762                        | -                           | 33,267                      | 7,297,545           | 6,612,573                  | 15,617,701   | 263,962                         | 15,881,663 |

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.

Chairman

Director

Director

Principal Officer and  
Chief Executive

# Consolidated Statement of Cash Flows

| Note   | 2016             | 2015        |
|--|------------------|-------------|
|  | (Rupees in '000) |             |
| <b>OPERATING ACTIVITIES</b>                                    |                  |             |
| a) Underwriting activities                                     |                  |             |
| Premiums received  | 10,355,904       | 6,333,237   |
| Reinsurance premiums paid                                      | (1,480,992)      | (1,289,688) |
| Claims paid  | (1,953,254)      | (1,646,850) |
| Surrenders paid  | (2,461,455)      | (2,022,443) |
| Reinsurance and other recoveries received                      | 547,322          | 480,834     |
| Commissions paid   | (811,536)        | (623,915)   |
| Commissions received   | 430,966          | 363,138     |
| Net cash generated from underwriting activities                | 4,626,955        | 1,594,313   |
| b) Other operating activities                                  |                  |             |
| Income tax paid  | (613,699)        | (251,779)   |
| General management expenses and operating payments - net       | (1,219,632)      | (1,008,669) |
| Contribution to gratuity fund                                  | (7,733)          | (6,962)     |
| Loans advanced   | 104              | (47,916)    |
| Loan repayments received                                       | (6,509)          | 34,946      |
| Interfund transaction  | -                | -           |
| Net cash used in other operating activities                    | (1,847,469)      | (1,280,380) |
| Total cash generated from operating activities                 | 2,779,486        | 313,933     |
| <b>INVESTMENT ACTIVITIES</b>                                   |                  |             |
| Profit / return received                                       | 1,244,260        | 1,075,321   |
| Dividends received   | 1,923,219        | 1,041,828   |
| Payments for investments                                       | (18,050,582)     | (4,388,782) |
| Proceeds from redemption of investments                        | 11,553,783       | 3,243,747   |
| Fixed capital expenditure                                      | (80,216)         | (157,569)   |
| Proceeds from disposal of owned and leased fixed assets        | 18,613           | 19,971      |
| Cash acquired in business combination                          | 463,618          | -           |
| Total cash (used in) / generated from investing activities     | (2,927,305)      | 834,516     |
| <b>FINANCING ACTIVITIES</b>                                    |                  |             |
| Dividends paid   | (540,818)        | (608,145)   |
| Financial charges paid   | (107,772)        | (44,915)    |
| Loan received / (repaid)                                       | 1,000,000        | (675,000)   |
| Repayment of liability against assets subject to finance lease | (6,564)          | -           |
| Lease finance charges  | (917)            | -           |
| Total cash generated from / (used in) financing activities     | 343,929          | (1,328,060) |
| Net cash generated from / (used in) all activities             | 196,110          | (179,611)   |
| Cash at the beginning of the year                              | 654,356          | 831,967     |
| Cash at the end of the year                                    | 850,466          | 652,356     |



Chairman



Director



Director



Principal Officer and  
Chief Executive

## For the year ended December 31, 2016

|  | 2016             | 2015             |
|--|------------------|------------------|
|  | (Rupees in '000) |                  |
| <b>Reconciliation to profit and loss account</b>   |                  |                  |
| Operating cash flows   | 2,779,486        | 313,933          |
| Depreciation / amortisation  | (96,376)         | (84,555)         |
| Financial charges  | (107,772)        | (25,485)         |
| Gain on disposal of owned fixed assets and leased assets   | 7,633            | 6,318            |
| Lease finance charges  | (650)            | -                |
| Donations  | (917)            | -                |
| Increase in assets other than cash   | 678,222          | 21,202           |
| Increase in liabilities  | (6,419,181)      | (1,750,687)      |
| Reversal of provision for impairment in the value of available for sale investments  | 48,015           | (12,941)         |
| <b>Others</b>  |                  |                  |
| Surplus of Statutory funds   | (180,167)        | (117,249)        |
| Surplus of statutory funds transferred to profit and loss account  | 92,155           | 49,650           |
| Dividend and other investment income   | 4,019,123        | 2,748,791        |
| Share of profit of associates  | 1,307,316        | 790,584          |
| Return on bank balances  | 52,730           | 35,733           |
| Gain on re-measurement of previously held equity interest of associates  | 290,451          | -                |
| <b>Profit after taxation</b>   | <b>2,470,068</b> | <b>1,975,294</b> |
| <b>Definition of cash</b>  |                  |                  |
| Cash comprises of cash in hand and at banks, stamps in hand, short term placements with banks and short term running finance |                  |                  |
| <b>Cash for the purpose of statement of cash flows consists of:</b>  |                  |                  |
| Cash and other equivalents   | 2,703            | 584              |
| Current and other accounts   | 1,095,780        | 449,792          |
| Deposits maturing within 12 months   | 1,100,000        | 350,000          |
| Short term running finance   | (1,348,017)      | (148,020)        |
|  | <b>850,466</b>   | <b>652,356</b>   |

The annexed notes 1 to 43 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 December 31, 2016

## 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 |                     | 2016                | 2015      |
| (Rupees in '000)                    |                  |                          |         |                 |                   |                                   |         |                     |                     |           |
| Non-Life Insurance                  |                  |                          |         |                 |                   |                                   |         |                     |                     |           |
| Direct and facultative              |                  |                          |         |                 |                   |                                   |         |                     |                     |           |
| Fire and property damage            | 957,120          | 276,743                  | 343,166 | 890,697         | 850,659           | 250,309                           | 303,954 | 797,014             | 93,683              | 80,495    |
| Marine, aviation and transport      | 414,447          | 24,623                   | 22,473  | 416,597         | 215,314           | 13,215                            | 11,870  | 216,659             | 199,938             | 180,133   |
| Motor                               | 826,295          | 286,815                  | 340,941 | 772,169         | 4,558             | 179                               | 190     | 4,547               | 767,622             | 629,674   |
| Health                              | 196,470          | 50,038                   | 86,862  | 159,646         | -                 | -                                 | -       | -                   | 159,646             | 107,359   |
| Miscellaneous                       | 423,020          | 107,264                  | 156,821 | 373,463         | 250,073           | 70,041                            | 103,811 | 216,303             | 157,160             | 122,406   |
| Total                               | 2,817,352        | 745,483                  | 950,263 | 2,612,572       | 1,320,604         | 333,744                           | 419,825 | 1,234,523           | 1,378,049           | 1,120,067 |
| Life Insurance                      |                  |                          |         |                 |                   |                                   |         |                     |                     |           |
| Conventional:                       |                  |                          |         |                 |                   |                                   |         |                     |                     |           |
| Life Participating                  | 56,348           | -                        | -       | 56,348          | 7,871             | -                                 | -       | 7,871               | 48,477              | 54,761    |
| Life Non-Participating (Individual) | 872,552          | -                        | -       | 872,552         | 32,067            | -                                 | -       | 32,067              | 840,485             | 1,001,978 |
| Life Non-Participating (Group)      | 239,674          | -                        | -       | 239,674         | 75,654            | -                                 | -       | 75,654              | 164,020             | 180,731   |
| Investment Linked Business          | 5,312,529        | -                        | -       | 5,312,529       | 21,332            | -                                 | -       | 21,332              | 5,291,197           | 1,961,324 |
| Accident and health (Individual)    | 16,278           | -                        | -       | 16,278          | 8,520             | -                                 | -       | 8,520               | 7,758               | 15,648    |
| Accident and health (Group)         | 686,212          | -                        | -       | 686,212         | 730               | -                                 | -       | 730                 | 685,482             | 515,028   |
| Pension business fund               | 6,330            | -                        | -       | 6,330           | -                 | -                                 | -       | -                   | 6,330               | 45,726    |
| Takaful:                            |                  |                          |         |                 |                   |                                   |         |                     |                     |           |
| Individual family                   | 383,456          | -                        | -       | 383,456         | 1,651             | -                                 | -       | 1,651               | 381,805             | 50,794    |
| Group family                        | 1,114            | -                        | -       | 1,114           | -                 | -                                 | -       | -                   | 1,114               | 285       |
| Group health                        | 6,644            | -                        | -       | 6,644           | -                 | -                                 | -       | -                   | 6,644               | 2,188     |
| Total                               | 7,581,137        | -                        | -       | 7,581,137       | 147,825           | -                                 | -       | 147,825             | 7,433,312           | 3,828,463 |
| Grand Total                         | 10,398,489       | 745,483                  | 950,263 | 10,193,709      | 1,468,429         | 333,744                           | 419,825 | 1,382,348           | 8,811,361           | 4,948,530 |

The annexed notes 1 to 43 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 December 31, 2016

## Business underwritten inside Pakistan

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 |  | 2016               | 2015      |
| (Rupees in '000)                    |             |                    |           |                |   |   |         |  |                    |           |
| Non-Life Insurance:-                |             |                    |           |                |   |   |         |  |                    |           |
| Direct and facultative              |             |                    |           |                |   |   |         |  |                    |           |
| Fire and property damage            | 363,049     | 217,148            | 267,736   | 413,637        | 308,885                                   | 184,148   | 245,838 | 370,575                                  | 43,062             | 57,670    |
| Marine, aviation and transport      | 163,255     | 135,313            | 124,848   | 152,790        | 107,039                                   | 80,498  | 64,040  | 90,581                                   | 62,209             | 78,230    |
| Motor                               | 374,700     | 120,843            | 134,562   | 388,419        | 58  | 14,687  | 14,687  | 58                                       | 388,361            | 321,371   |
| Health                              | 121,484     | 34,706             | 54,590    | 141,368        | -   | -   | -       | -  | 141,368            | 83,606    |
| Miscellaneous                       | 222,543     | 135,806            | 363,218   | 449,955        | 175,235                                   | 112,326   | 324,888 | 387,797                                  | 62,158             | 44,861    |
| Total                               | 1,245,031   | 643,816            | 944,954   | 1,546,169      | 591,217                                   | 391,659   | 649,453 | 849,011                                  | 697,158            | 585,738   |
| Life Insurance                      |             |                    |           |                |   |   |         |  |                    |           |
| Conventional:                       |             |                    |           |                |   |   |         |  |                    |           |
| Life Participating                  | 112,761     | 18,346             | 13,488    | 107,903        | 3,875                                     | -   | -       | 3,875                                    | 104,028            | 85,771    |
| Life Non-Participating (Individual) | 613,486     | 65,174             | 68,853    | 617,165        | 8,947                                     | -   | -       | 8,947                                    | 608,218            | 406,957   |
| Life Non-Participating (Group)      | 106,088     | 107,410            | 124,002   | 122,680        | 3,496                                     | -   | -       | 3,496                                    | 119,184            | 110,486   |
| Investment Linked Business          | 1,744,209   | 19,031             | 46,759    | 1,771,937      | 8,511                                     | -   | -       | 8,511                                    | 1,763,426          | 1,560,490 |
| Accident and health (Individual)    | (1,453)     | 4,219              | 10,978    | 5,306          | 1,620                                     | -   | -       | 1,620                                    | 3,686              | 7,131     |
| Accident and health (Group)         | 503,326     | 851                | 1,250     | 503,725        | -   | -   | -       | -  | 503,725            | 400,671   |
| Pension business fund               | 67,074      | -                  | -         | 67,074         | -   | -   | -       | -  | 67,074             | 26,230    |
| Takaful:                            |             |                    |           |                |   |   |         |  |                    |           |
| Individual family                   | 12,832      | -                  | 132       | 12,964         | -   | -   | -       | -  | 12,964             | -         |
| Group family                        | 600         | -                  | 50        | 650            | -   | -   | -       | -  | 650                | -         |
| Group health                        | 4,025       | -                  | -         | 4,025          | -   | -   | -       | -  | 4,025              | 354       |
| Total                               | 3,162,948   | 215,031            | 265,512   | 3,213,429      | 26,449                                    | -   | -       | 26,449                                   | 3,186,980          | 2,598,090 |
| Grand Total                         | 4,407,979   | 858,847            | 1,210,466 | 4,759,598      | 617,666                                   | 391,659   | 649,453 | 875,460                                  | 3,884,138          | 3,183,828 |

The annexed notes 1 to 43 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 December 31, 2016

## 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 |                        |                           |                      |                              | 2016                     | 2015      |
| (Rupees in '000)                    |                             |                     |         |                        |                           |                      |                              |                          |           |
| Non-Life Insurance:                 |                             |                     |         |                        |                           |                      |                              |                          |           |
| Direct and facultative              |                             |                     |         |                        |                           |                      |                              |                          |           |
| Fire and property damage            | 89,579                      | -                   | -       | 89,579                 | 126,801                   | 216,380              | 175,518                      | 40,862                   | 23,350    |
| Marine, aviation and transport      | 40,446                      | -                   | -       | 40,446                 | 54,903                    | 95,349               | 94,870                       | 479                      | (4,995)   |
| Motor                               | 75,456                      | -                   | -       | 75,456                 | 139,610                   | 215,066              | 8                            | 215,058                  | 187,058   |
| Health                              | 5,589                       | -                   | -       | 5,589                  | 26,026                    | 31,615               | -                            | 31,615                   | 19,175    |
| Miscellaneous                       | 51,257                      | -                   | -       | 51,257                 | 56,103                    | 107,360              | 40,826                       | 66,534                   | 46,525    |
| Total                               | 262,327                     | -                   | -       | 262,327                | 403,443                   | 665,770              | 311,222                      | 354,548                  | 271,113   |
| Life Insurance                      |                             |                     |         |                        |                           |                      |                              |                          |           |
| Conventional:                       |                             |                     |         |                        |                           |                      |                              |                          |           |
| Life Participating                  | 2,077                       | -                   | -       | 2,077                  | 2,748                     | 4,825                | -                            | 4,825                    | 32,783    |
| Life Non-Participating (Individual) | 125,495                     | -                   | -       | 125,495                | 95,655                    | 221,150              | 606                          | 220,544                  | 420,858   |
| Life Non-Participating (Group)      | 15,957                      | -                   | -       | 15,957                 | 43,644                    | 59,601               | 16,915                       | 42,686                   | 65,986    |
| Investment Linked Business          | 356,137                     | -                   | -       | 356,137                | 160,756                   | 516,893              | 4,428                        | 512,465                  | 310,176   |
| Accident and health (Individual)    | 12,753                      | -                   | -       | 12,753                 | 8,760                     | 21,513               | -                            | 21,513                   | 11,261    |
| Accident and health (Group)         | 30,087                      | -                   | -       | 30,087                 | 97,109                    | 127,196              | 26                           | 127,170                  | 111,727   |
| Pension business fund               | -                           | -                   | -       | -                      | -                         | -                    | -                            | -                        | 657       |
| Takaful:                            |                             |                     |         |                        |                           |                      |                              |                          |           |
| Individual family                   | 147,636                     | -                   | -       | 147,636                | 46,671                    | 194,307              | 701                          | 193,606                  | 49,890    |
| Group family                        | 52                          | -                   | -       | 52                     | 35                        | 87                   | -                            | 87                       | 93        |
| Group health                        | 500                         | -                   | -       | 500                    | 209                       | 709                  | -                            | 709                      | 788       |
| Total                               | 690,694                     | -                   | -       | 690,694                | 455,587                   | 1,146,281            | 22,676                       | 1,123,605                | 1,004,219 |
| Grand Total                         | 953,021                     | -                   | -       | 953,021                | 859,030                   | 1,812,051            | 333,898                      | 1,478,153                | 1,275,332 |

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

The annexed notes 1 to 43 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 December 31, 2016

## Non-Life Insurance:

### Income from non-trading investments

|  |           |           |
|--|-----------|-----------|
| Return on government securities  | 15,840    | 19,332    |
| Dividend income on available for sale investments                          | 1,527,334 | 851,630   |
| Gain on sale of available for sale investments                             | 10,962    | 478,122   |
| Reversal of provision / (Provision) for diminution in value of investments | 67,719    | (12,941)  |
| Less: Investment related expenses  | (15,275)  | (9,639)   |
|  | 1,606,580 | 1,326,504 |

## Life Insurance:

### Shareholders' fund

|   |         |         |
|---|---------|---------|
| Return on government securities                                   | 62,858  | 69,492  |
| Realised gain on sale of investments held as 'available for sale' | 41,251  | 34,196  |
| Interest income on loans to employees / agents                    | 44      | 12      |
| Dividend income on available for sale investments                 | 2,754   | 1,933   |
|   | 106,907 | 105,633 |

## Statutory Funds

### Life Participating

|  |         |         |
|--|---------|---------|
| Return on government securities                                  | 152,114 | 150,339 |
| Unrealised gain on revaluation of available-for-sale investments | -       | 1,557   |
| Dividend Income  | 5,295   | 3,542   |
| Gain on sale of investments classified as available-for-sale     | 257,079 | 10,742  |
|  | 414,488 | 166,180 |

### Life Non-Participating (Individual)

|  |           |         |
|--|-----------|---------|
| Return on government securities                                  | 455,354   | 447,185 |
| Unrealised gain on revaluation of available-for-sale investments | -         | (899)   |
| Dividend Income  | 14,393    | 10,283  |
| Gain on sale of investments classified as available-for-sale     | 711,728   | 54,372  |
|  | 1,181,475 | 510,941 |

### Life Non-Participating (Group)

|  |        |        |
|--|--------|--------|
| Return on government securities                              | 22,430 | 21,571 |
| Dividend Income  | 873    | 613    |
| Gain on sale of investments classified as available-for-sale | 26,164 | 5,440  |
|  | 49,467 | 27,624 |

## Investment Linked

|  |         |         |
|--|---------|---------|
| Return on government securities                                  | 429,295 | 288,297 |
| Unrealised gain on revaluation of available-for-sale investments | 128,572 | 134,097 |
| Dividend Income  | 506     | 1,371   |
| Gain on sale of investments classified as available-for-sale     | 76,179  | 105,378 |
|  | 634,552 | 529,143 |

## Accident and Health (Individual)

|  |       |       |
|--|-------|-------|
| Return on government securities                              | 3,353 | 3,846 |
| Dividend Income  | 130   | 91    |
| Gain on sale of investments classified as available-for-sale | 4,101 | 1,013 |
|  | 7,584 | 4,950 |

## Accident and Health (Group)

|  |        |        |
|--|--------|--------|
| Return on government securities                              | 19,653 | 19,229 |
| Dividend Income  | 373    | 262    |
| Gain on sale of investments classified as available-for-sale | 6,891  | 7,057  |
|  | 26,917 | 26,548 |

## Pension Business Fund

|  |        |       |
|--|--------|-------|
| Return on government securities                              | 9,690  | 9,274 |
| Gain on sale of investments classified as available-for-sale | 7,384  | -     |
|  | 17,074 | 9,274 |

## Takaful - Individual Fund

|  |        |    |
|--|--------|----|
| Unrealised gain on revaluation of available-for-sale investments | 15,852 | 35 |
| Gain on sale of investments classified as available-for-sale     | 2,418  | -  |
|  | 18,270 | 35 |

## Net investment income

|                                       |           |           |
|---------------------------------------|-----------|-----------|
|                                       | 4,063,314 | 2,706,832 |
| Net investment income-statutory funds | 2,349,827 | 1,274,695 |
| Net investment income-other           | 1,713,487 | 1,432,137 |
|                                       | 4,063,314 | 2,706,832 |

The annexed notes 1 to 43 form an integral part of these consolidated financial statements.



Chairman



Director



Director



Principal Officer and  
Chief Executive

# Notes to and Forming Part of the Consolidated Financial Statements

## 1 STATUS AND NATURE OF BUSINESS

### 1.1 The “Group” consist of:

- (i) IGI Insurance Limited - Holding Company
- (ii) IGI Life Insurance Limited - Subsidiary Company
- (iii) IGI Finex Securities Limited- Subsidiary Company
- (iv) IGI General Insurance Limited- Subsidiary Company
- (v) IGI Investment (Pvt.) Limited- Subsidiary Company

### 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 and is quoted on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited) and is engaged in providing general insurance services in spheres of Fire, Marine, Motor, Health and Miscellaneous. The registered office of the Holding Company is situated at 7th floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi.

During the year, under the ‘Scheme of Amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited under section 284 to 288 of the Companies Ordinance, 1984 (the “Ordinance”), hereinafter referred to as ‘The Scheme’, IGI Investment Bank Limited has been amalgamated with and into the Holding Company with effect from December 31, 2016. The proposal for the amalgamation and the scheme of amalgamation were approved by the shareholders of both the Companies in their meetings held on February 22, 2017 and the Honorable Sindh High Court, through its order, under Companies Ordinance, 1984 sanctioned the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited.

Further, a Scheme of Arrangement of IGI Insurance Limited, after amalgamation of IGI Investment Bank Limited with IGI Insurance Limited, under sections 284 to 288 of the Companies Ordinance, 1984 has been sanctioned by the High Court of Sindh through its order dated December 16, 2017. The Scheme of Arrangement is effective from January 31, 2017 and essentially entails the following:

- (i) The separation of the Insurance Segment and Investment Segment from IGI Insurance Limited;
- (ii) The transfer to, and vesting in IGI General Insurance Limited (a newly incorporated subsidiary company of IGI Insurance Limited), of the Insurance Segment against the issue of ordinary shares of IGI General Insurance Limited to IGI Insurance Limited;
- (iii) The transfer to, and vesting in IGI Investments (Pvt.) Limited (a newly incorporated subsidiary company of IGI Insurance Limited), of the Investment Segment against the issue of ordinary shares of IGI Investments (Pvt.) Limited to IGI Insurance Limited;
- (iv) The retention of the Retained Undertaking as part of IGI Insurance Limited; and
- (v) Change of name of IGI Insurance Limited to IGI Holdings Limited with effect from date of filing of the certified copy of the order of the Court sanctioning the Scheme of Arrangement with the Registrar of Companies at SECP.

### 1.3 Subsidiary Companies

- 1.3.1** IGI Life Insurance Limited (“IGI Life”) was incorporated in Pakistan on October 9, 1994 as a public limited company under the Companies Ordinance, 1984. Its shares are quoted on the Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). 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 7th Floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi which is also the principal office of the IGI Life.

IGI Life is engaged in life insurance business, carrying on both participating and non-participating businesses. The Company is an approved Window Takaful Operator and is also engaged in providing Shariah compliant takaful products. The Statutory Funds established by IGI Life 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
- Individual Family Takaful
- Group Family Takaful
- Group Health Takaful

**1.3.2** IGI Finex Securities Limited (“IGI Finex”) has been acquired as part of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from December 31, 2016. IGI Finex was incorporated in Pakistan on June 28, 1994 as a public limited company under the Companies Ordinance, 1984. The registered office of IGI Finex is situated at Suite No. 701-713, 7th Floor, the Forum, G-20, Khayaban-e-Jami, Block-9, Clifton, Karachi. The Company has a Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited) and is a corporate member of Pakistan Mercantile Exchange Limited. The principal activities of IGI Finex include shares and commodities brokerage, money market and foreign exchange brokerage and advisory and consulting services.

**1.3.3** IGI General Insurance Limited (“IGI General”) was incorporated as a public limited company on November 18, 2016 under the Companies Ordinance, 1984. 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. The objects of the Company (subject to approval from the concerned authorities) include providing general insurance services (in spheres of Fire, Marine, Motor, Health and Miscellaneous) and general takaful services. IGI General has been formed for the transfer of general insurance segment of IGI Insurance Limited to IGI General as envisaged under the Scheme of Arrangement sanctioned by the Honorable High Court of Sindh (SHC).

**1.3.4** IGI Investment (Pvt.) Limited (“IGI Investment”) was incorporated as a private limited company on October 31, 2016 under Companies Ordinance, 1984. 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. The objects of the Company (subject to approval from the concerned authorities) include investing, acquiring, selling and holding of debt / equity securities. IGI Investment has been formed for the transfer of investment segment of IGI Insurance Limited to IGI Investment as envisaged under the Scheme of Arrangement sanctioned by the Honorable High Court of Sindh (SHC).

## **2 BASIS OF PREPARATION**

These consolidated financial statements are being submitted to the shareholders in accordance with the listing regulations of the Pakistan Stock Exchange 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, Takaful Rules, 2012 and directives issued by the SECP. Wherever the requirements of the Companies Ordinance, 1984, the Insurance Ordinance, 2000 the SEC (Insurance) Rules, 2002, Takaful Rules, 2012 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, Takaful Rules, 2012 or the said directives prevail.

## Notes to and Forming Part of the Consolidated Financial Statements

### 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, 2016 but are considered not to be 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 The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard, amendments or interpretation:

| Standard, Interpretations or Amendments | Effective date (annual periods beginning on or after) |
|---|---|
| - IFRS 9 - Financial Instruments        | July 01, 2018   |
| - IFRS 15 - Revenue from contracts      | July 01, 2018   |

In addition to the above, the Securities and Exchange Commission of Pakistan (SECP) through SRO 88(I)/2017 dated February 9, 2017 has issued Insurance Accounting Regulations, 2017. The Insurance Accounting Regulations are applicable from April 1, 2017. However, the SECP on application of the Company has allowed to apply Insurance Accounting Regulation, 2017 effective from the accounting year commencing from January 1, 2018.

The management is in the process of assessing the impact of these standards on the consolidated financial statements.

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, 2017 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 companies have been consolidated on a line by line basis and the carrying value of investments held by the Holding Company is eliminated against the Holding Company's share in paid up capital of the subsidiary companies.

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 companies attributable to interest which are not owned by the Holding Company. Non-controlling interests are presented as a separate item in the consolidated financial statements.

## 3 BASIS OF MEASUREMENT

At the acquisition date all the assets and liabilities of the subsidiary companies 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 as applicable in Pakistan 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:

- Business combination (note 4.1 and 5)
- Provision for outstanding claims including IBNR (note 4.6)
- Reinsurance recoveries against outstanding claims (note 4.7)
- Premium deficiency reserve (note 4.9)
- Provision for taxation and deferred tax (note 4.13, 20 and 32)
- Classification of investments and its impairment (note 4.15 and 19)
- Useful lives and residual values of fixed assets (note 4.16 and 26)
- Staff retirement benefits (note 4.19 and 23)
- Policyholders' liabilities (note 3.1.1, 4.10 and 10)

#### 3.1.1 Policyholders' liabilities

##### **Mortality, Morbidity and Interest Bases adopted**

SECP vide its circular 17/2013 dated September 13, 2013 has stipulated that SLIC(2001-05) Individual Life Mortality Table published by Pakistan Society of Actuaries be used as the minimum valuation basis prescribed under SECP's notification S.R.O 16(1)/2012. A test was previously conducted to compare the existing valuation basis i.e. EFU (1961-66) mortality table with the minimum valuation basis SLIC (2001-05) for the relevant reserves. The test revealed that the existing valuation basis was more prudent than the minimum valuation basis and therefore it was considered to be more appropriate to continue with the existing valuation basis.

The rate of discount was taken as 3.75% in line with the requirements under SECP's notification S.R.O 16(1)/2012, for determining reserves of traditional products and supplementary coverage. Any differential between the assumed rate and the actual rate is intended to be available to the Company for meeting its administrative expenses.

##### **General Principles adopted for valuation**

The general principles adopted in the actuarial valuation to estimate policyholders' liabilities as at December 31, 2016 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%.

## Notes to and Forming Part of the Consolidated Financial Statements

- f) Loyalty Bonus Reserves have been valued by Net Single Premium Method at 3.75% for active policies.
- 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) An 'Asset Liability mismatch reserve' has been kept in the Individual Life Non - Participating Fund as a result of the ALM exercise carried out to assess the interest rate risk, credit risk and equity risk.
- j) Group Life Insurance, Individual Accident & Health Insurance and Group Accident & Health have been valued using Unearned Gross Premium.
- k) Pension business has been valued using full Account values.
- l) 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%.
- m) Reinsurance premium reserves have been maintained on an unearned premium basis.
- n) Reserves have been maintained for Incurred But Not Reported (IBNR) claims which were determined using the Chain-Ladder method based on the claims lag pattern experienced over the past few years.
- o) Reserves for claims payable in instalments have been kept at 3.75%.
- p) 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.
- q) 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.
- r) The Company does not have any insurance policy which is denominated in foreign currency.

With the exception of the basis used for the calculation of reserves for IBNR claims, the principles adopted in this valuation were same as those followed in previous valuation as at December 31, 2015.

### 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 which were determined using the Chain and Ladder Method.

## **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. These policies are consistently applied.

### **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 Group'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 / Takaful contracts**

#### **4.3.1 Conventional Business**

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.

#### **4.3.1.1 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.

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



# Notes to and Forming Part of the Consolidated Financial Statements

## 4.3.1.2 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, 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 thereagainst. This business is written through direct sales force as well as bancassurance.

## 4.3.2 Takaful Business

The takaful contracts are based on the principles of Wakala Waqf Model. Takaful is a programme based on Shariah compliant, approved concept funded on the principles of mutual cooperation, solidarity and brotherhood. The obligation of Waqf for Waqf participants' liabilities is limited to the amount available in the Waqf fund. In the event where there are insufficient funds in Waqf to meet their current payments less receipts, the deficit is funded by way of an interest free loan (Qard-e-Hasna) from the operators' sub fund to the statutory fund (Takaful Business Statutory Funds). The amount of Qard-e-Hasna is refundable to the operators' sub fund.

Technical reserves are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

### *Group Takaful Contracts*

The Group offers Group Family, Group Accident and Health takaful policies to its clients. The group takaful contracts are issued typically on yearly renewable term basis.

### *Individual Family Takaful Contracts*

The Group offers Unit Linked Takaful Plans which provide Shariah compliant financial protection and investment vehicle to individual participants. These plans carry cash value which is determined as per the underlying asset's value. The death benefit design is based on Constant Sum Risk approach i.e. the sum cover is paid in addition to the cash value. The plans offer investment choices to the customer to direct their investment related contribution based on their risk / return objectives. No investment guarantees are offered. The investment risk is borne by the participants. Various type of supplemental benefits (accidental death, disability, income benefit, etc) are also sold along with basic policies.

## 4.4 Premiums / Contributions

### 4.4.1 Conventional Business

#### 4.4.1.1 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.

#### **4.4.1.2 Life Business**

- First year individual life 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). Single premiums and top-up premiums are recognised once the related policies are issued against the receipt of premium.
- Group premiums are recognised when due.

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.

#### **4.4.2 Takaful Business**

- First year individual life contribution is recognised when the policy is issued after receipt of that contribution. Subsequent contributions falling due under the policy are recognised if received before expiry of the grace period, or if advanced by the Group under the Automatic Contribution Loan (ACL). Single contributions and top-up contributions are recognised once the related policies are issued against the receipt of contribution.
- Group contributions are recognised when due.

Receivables under takaful 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 / Retakaful ceded**

#### **4.5.1 Conventional Business**

##### **4.5.1.1 Non-life Business**

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.

## Notes to and Forming Part of the Consolidated Financial Statements

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 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.

### 4.5.1.2 Life Business

Reinsurance premiums are recognised in accordance with pattern of recognition of related premium. It is measured in line with the terms and condition of the reinsurance treaty.

Reinsurance liabilities represent balances due to reinsurance companies. Balances 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 contract are not offset against expenses or income from related insurance assets as required by Insurance Ordinance, 2000.

The Group assesses its reinsurance assets for impairment on balance sheet 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 it as impairment loss.

### 4.5.2 Takaful Business

These contracts are entered into by the Group with retakaful operator under which the “Waqf Fund” cedes the takaful risk assumed during normal course of its business and according to which Waqf is compensated for losses on contracts issued by it are classified as retakaful contracts held.

#### *Retakaful Contribution*

Retakaful contribution is recorded at the time the retakaful is ceded. Surplus from retakaful operator is recognised in the revenue account / profit and loss account.

#### *Retakaful Expenses*

Retakaful expenses are recognised as a liability in accordance with the pattern of recognition of related contribution.

#### *Retakaful Assets and Liabilities*

Retakaful assets represent balances due from retakaful operator. Recoverable amounts are estimated in a manner consistent with the associated retakaful treaties.

Retakaful liabilities represent balances due to retakaful operator. Amounts payable are calculated in a manner consistent with the associated retakaful treaties.

Retakaful assets are not offset against related retakaful liabilities. Income or expenses from retakaful contract are not offset against expenses or income from related retakaful contracts as required by Insurance Ordinance, 2000.

## 4.6 Claims Expense

### 4.6.1 Conventional Business

#### 4.6.1.1 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.

During the year, the Holding Company has revised the method for determination of provision for Incurred But Not Reported (IBNR) claims as required under circular No. 9 of 2016 issued by the SECP. As per SECP circular No. 9 of 2016 an insurer shall estimate IBNR claims reserve based on the prescribed method provided in the guidelines. Guidelines also allows the use of any other alternative method of determining IBNR, if found more suitable for the risk class, provided that the amount estimated under the alternative method shall not be less than the amount calculated under prescribed method. The prescribed method for estimating IBNR claim reserve is the chain ladder method based on paid claims hereinafter called 'Incurred But Not Paid' or 'IBNP'. The Basic Chain Ladder (BCL) method uses a run off triangle to estimate the development factors for each accident period which are further used to estimate the ultimate paid claims. Data from settlement registers are used in the BCL models. Lags are determined to be the difference between the 'date of loss' and 'date of claim payment'. Monthly lags are used since it reflects the claim development pattern within a given year and the back testing supports the same. Once IBNP has been determined using BCL, the outstanding claims are deducted to arrive at IBNR on paid basis.

Under alternative method IBNR is determined on reported basis. IBNR (reported basis) is much similar to IBNR (paid basis) but is calculated in using a different methodology. It does not use either IBNP or outstanding claims to estimate IBNR rather, is determined using BCL method. Development factors are determined for each accident period to estimate the ultimately reported claims directly. Intimation registers are used in the BCL model where lags are calculated as the difference between the 'date of loss' and 'date of intimation'.

The analysis is carried out separately for each class of business and results determined through this alternative method are compared to the results of prescribed method and higher of the two are set as the final reserve.

Previously provision for IBNR was based on the management's best estimate which took into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date. Had the method for estimating IBNR claims, not been changed, the provision for claims and reinsurance recoveries against outstanding claims would have been lower by Rs. 12.96 million and Rs. 7.88 million respectively and the profit after taxation for the year would have been higher by Rs. 3.51 million.

#### 4.6.1.2 Life Business

##### *Claim expense*

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 at the earlier of when the policy ceases to participate in the earnings of the fund or insured event occurs.

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.

# Notes to and Forming Part of the Consolidated Financial Statements

## *Experience refund of premium*

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

### **4.6.2 Takaful Business**

Claims expense include all claims occurring during the year, whether reported or not, internal and external claim handling costs that are directly related to the processing and settlement of claims and other recoveries, and any adjustments to claims outstanding from previous years.

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 technical reserves.

### **4.7 Reinsurance / Retakaful recoveries against claims**

Claim recoveries receivable from the reinsurer / retakaful company 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 Conventional and Takaful Business**

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

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 those 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**

At each balance sheet date, liability adequacy tests are performed separately for each class of business to ensure the adequacy of the unearned premium liability for that class. It is performed by comparing the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after balance sheet date in respect of policies in force at balance sheet date with the carrying amount of unearned premium liability. Any deficiency is recognised by establishing a provision (premium deficiency reserve) to meet the deficit. The expected future liability is estimated with reference to the experience during the expired period of the contracts, adjusted for significant individual losses which are not expected to recur during the remaining period of the policies, and expectations of future events that are believed to be reasonable. The movement in the premium deficiency reserve is recognised as an expense or income in the profit and loss account for the year. The expected ultimate net claim ratios for the unexpired periods of policies in force at balance sheet date for each class of business is as follows:

|                                |     |
|--------------------------------|-----|
| Fire and property damage       | 67% |
| Marine, aviation and transport | 56% |
| Motor                          | 71% |
| Health                         | 0%  |
| Miscellaneous                  | 54% |

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 required as per the advice of appointed actuary. Hence, no reserve for the same has been made in these consolidated financial statements.

#### **Life Conventional and Takaful 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**

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.

## Notes to and Forming Part of the Consolidated Financial Statements

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 except for investments designated at fair value through profit and loss under which transaction cost is charged to profit and loss account.

#### 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 amortised 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. 38,655 million at December 31, 2016.

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**

##### *Shareholder's fund and statutory funds other than investment linked fund and Individual Family Takaful Fund*

Investments classified as available-for-sale are subsequently measured at lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the Securities and Exchange Commission (Insurance) Rules, 2002 and the difference if any, is recognised as provision for impairment in value of investment. Any change in the provision for impairment in value of an investment is recognised in the profit and loss account / revenue account.

##### *Investment linked fund and Individual Family Takaful Fund*

Investments classified as available for sale are marked to their market values. Any gain or loss on such available-for-sale investments is recognised in revenue account / profit and loss account.

International Accounting Standard - 39 (IAS-39) "Financial Instruments - Recognition and Measurement" had 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 had been deleted and all such gain / loss was to be taken to equity. Further, after revision of IAS-1, this unrealised gain / loss is to be routed through Other Comprehensive Income (OCI). 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 or OCI accounts. Resultantly, the changes in IAS-39 and IAS-1 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 investments in Government securities, fair / market value is determined by reference to quotations obtained from Financial Market Association of Pakistan (FMAP) (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.



# Notes to and Forming Part of the Consolidated Financial Statements

## 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 / available for sale investments is recognised using effective interest method. The difference between the redemption value and the purchase price of the held to maturity investments is amortised 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 investments 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 / 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.
- Revaluation gain / loss on investment held 'at fair value through profit and loss' in statutory fund is recognised as income / expense in the profit and loss account and revenue account, for measurements relating to shareholder fund and statutory funds respectively.

## 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 25 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.

### *Leased Assets*

Asset subject to finance lease are initially recognised at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

### *Finance leases*

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit over the lease term.



### *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 Capital work in progress**

Capital work in progress is stated at cost less any impairment in value. It includes advances to suppliers in respect of tangible fixed assets.

#### **4.18 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.

#### **4.19 Staff retirement benefits**

##### **4.19.1 Non-Life Business**

###### **4.19.1.1 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.

###### **4.19.1.2 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, 2016 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.

###### **4.19.1.3 Accumulating compensated absences**

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

##### **4.19.2 Life Business**

###### **4.19.2.1 Defined benefit plan**

IGI Life 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, 2016 using the Projected Unit Credit Method.

Actuarial gains and losses, past service costs, gains or losses on settlements, and net interest income (expense) are recognised in revenue account in the period in which they occur. The measurement differences representing actuarial gains and losses, the difference between actual investment returns and the return implied by the net interest cost / income are recognized immediately with a charge or credit to revenue account. The accounting standards requires these to be recognized in Other Comprehensive Income (OCI). However, the format of presentation and disclosure of financial statements notified by the SECP does not require presentation of statement of Comprehensive income, resultantly the charge / credit has been taken to the revenue account.

## Notes to and Forming Part of the Consolidated Financial Statements

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.

### 4.19.2.2 Defined contribution plan

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

### 4.19.2.3 Employees' compensated absences

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

## 4.20 Financial instruments

Financial assets and financial liabilities within the scope of IAS 39 are recognised at the time when the Group becomes a party to the contractual provisions of the instrument and are de-recognised when the Group 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.

## 4.21 Offsetting of financial assets and financial liabilities

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

## 4.22 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.

## 4.23 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 Group 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.

### 4.23.1 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.

#### 4.23.2 Life Business

The Group presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002 and the Takaful Rules, 2012. The Group has 8 Operating segments for reporting purposes namely; a) Individual Life participating business, b) Individual Life non-participating business, c) Accidental & health d) Group Life, e) Group health, f) Individual family takaful, g) Group family takaful and h) Accident & health family takaful.

- 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.

#### *Family Takaful*

- The individual family takaful business segment provides family takaful coverage to individuals under unit-linked policies issued by the Group.
- The Group Family Takaful business segments provides family takaful coverage to members of business enterprises, corporate entities and common interest groups under group family takaful scheme operated by the Group.
- The Group Health Takaful 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.

## Notes to and Forming Part of the Consolidated Financial Statements

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 as at December 31, 2016.

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.

### 4.24 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.

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

### 4.25 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.

### 4.26 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.

#### **4.27 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.

#### **4.28 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.

#### **4.29 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.

#### **4.30 Dividends and appropriations to reserves**

Dividend and appropriation to reserve except appropriations required by the law or determined by the appointed actuary or allowed by the Insurance Ordinance 2000, are recognised in the year in which these are approved.

### **5 BUSINESS COMBINATION**

#### **5.1 Amalgamation of IGI investment Bank Limited**

During the current year, under the 'Scheme of Amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited under section 284 to 288 of the Companies Ordinance, 1984 (the "Ordinance"), hereinafter referred to as 'The Scheme', IGI Investment Bank Limited has been amalgamated with and into the Holding Company with effect from December 31, 2016.

The proposal for the amalgamation and the scheme of amalgamation were approved by the shareholders of both the Companies in their meetings held on February 22, 2017 and the Honorable Sindh High Court, through its order, under Companies Ordinance, 1984 sanctioned the amalgamation scheme of IGI Investment Bank Limited with and into IGI Insurance Limited.

IGI Investment Bank Limited as per the Scheme means the business and all assets and liabilities, of the then IGI Investment Bank Limited of whatsoever nature and wherever situated.

IGI Investment Bank Limited at the time of acquisition by the Company had a wholly owned subsidiary namely IGI Finex Securities Limited which by virtue of amalgamation has now become a subsidiary of the holding Company.

International Financial Reporting Standard 3, (IFRS 3) "Business Combinations", requires that all identified assets and liabilities acquired in a business combination should be carried at fair values in the acquirer's balance sheet and any intangible assets acquired in the business combination are required to be separately recognised and carried at fair values.

## Notes to and Forming Part of the Consolidated Financial Statements

Subsequent to the amalgamation, the Holding Company has incorporated the balances relating to IGI Investment Bank Limited at their carrying values as appearing in the audited financial statements of IGI Investment Bank Limited as at the close of business on December 31, 2016. These balances are detailed below:

| <b>IGI Investment Bank Limited</b><br><b>(Other than IGI Finex Securities which is being consolidated on a line by line basis)</b> | <b>IGI Investment Bank's carrying amounts as at December 31, 2016</b> | <b>Fair value adjustment</b> | <b>Provisional Fair values as at December 31, 2016</b> |
|--|---|------------------------------|--|
|  | <b>(Rupees in '000)</b>   |                              |  |
| <b>ASSETS</b>  |   |                              |  |
| Fixed assets   | 3,671   | -                            | 3,671  |
| Long-term investments  | 19,874  | -                            | 19,874   |
| Long-term deposits   | 4,414   | -                            | 4,414  |
| Current maturity of non-current assets   | 221,313   | -                            | 221,313  |
| Short-term investments   | 9,702   | -                            | 9,702  |
| Taxation - net   | 146,915   | -                            | 146,915  |
| Prepayments and other receivables  | 5,899   | -                            | 5,899  |
| Cash and bank balances   | 4,527   | -                            | 4,527  |
| <b>Total Assets</b>  | <b>416,315</b>  | <b>-</b>                     | <b>416,315</b>   |
| <b>LIABILITIES</b>   |   |                              |  |
| Long-term loans  | 300,860   | -                            | 300,860  |
| Current maturity of non-current liabilities  | 216,110   | -                            | 216,110  |
| Interest and mark-up accrued   | 9,671   | -                            | 9,671  |
| Trade and other payables   | 44,871  | -                            | 44,871   |
| <b>Total Liabilities</b>   | <b>571,512</b>  | <b>-</b>                     | <b>571,512</b>   |
| <b>Fair value of net assets assumed - provisional</b>  | <b>(155,197)</b>  | <b>-</b>                     | <b>(155,197)</b>                                       |
| <b>IGI Finex Securities Limited</b>  | <b>IGI Finex Securities' carrying amounts as at December 31, 2016</b> | <b>Fair value adjustment</b> | <b>Provisional Fair values as at December 31, 2016</b> |
|  | <b>(Rupees in '000)</b>   |                              |  |
| <b>ASSETS</b>  |   |                              |  |
| Fixed assets   |   |                              |  |
| - Property and equipment   | 16,320  | -                            | 16,320   |
| - Intangible assets  | 15,329  | -                            | 15,329   |
| Long-term investments  | 60,264  | -                            | 60,264   |
| Long-term loan   | 69,860  | -                            | 69,860   |
| Long-term deposits   | 4,451   | -                            | 4,451  |
| Deferred tax asset-net   | 62,501  | -                            | 62,501   |
| Trade debts  | 106,142   | -                            | 106,142  |
| Short-term investments   | 40,722  | -                            | 40,722   |
| Loans and advances   | 3,977   | -                            | 3,977  |
| Trade deposits and short-term prepayments  | 176,599   | -                            | 176,599  |
| Accrued mark-up  | 19,236  | -                            | 19,236   |
| Other receivables  | 661   | -                            | 661  |
| Taxation recoverable   | 45,687  | -                            | 45,687   |
| Cash and bank balances   | 459,091   | -                            | 459,091  |
| <b>Total Assets</b>  | <b>1,080,840</b>  | <b>-</b>                     | <b>1,080,840</b>                                       |
| Trade and other payables   | 665,707   | -                            | 665,707  |
| <b>Total Liabilities</b>   | <b>665,707</b>  | <b>-</b>                     | <b>665,707</b>   |
| <b>Fair value of net assets assumed - provisional</b>  | <b>415,133</b>  | <b>-</b>                     | <b>415,133</b>   |

IFRS - 3 allows the acquirer a period of one year from the date of acquisition to finalize the determination of the fair values of the assets and liabilities and to determine the value of any intangibles separately identified. The fair valuation exercise of the recorded assets and liabilities will be completed within the period specified under IFRS - 3.

In accordance with IFRS 3, the Holding Company has initially recognised Goodwill of Rs. 163.024 million representing the excess of the consideration paid over the carrying values of the net identifiable assets acquired. The identification and valuation of intangible assets is currently in progress and will be completed within the period specified under IFRS - 3, subsequent to which they will be recognised separately from Goodwill.

In accordance with the Scheme, every 92 ordinary shares of Rs. 10 each in IGI Investment Bank Limited shall be allotted one ordinary share of IGI Insurance Limited. Accordingly, the Holding Company intends to issue 1,337,033 shares to the shareholders of IGI Investment Bank Limited. Further, 42.01% equity interest of IGI Insurance Limited in IGI Investment Bank Limited has been remeasured at fair value and has been adjusted in the calculation of goodwill.

|  | (Rupees in '000) |
|--|------------------|
| Consideration paid                                 | 411,659          |
| Fair value of previously held equity interest      | 290,451          |
| Carrying value of net identifiable assets acquired | (259,936)        |
| Tax synergies                                      | (279,150)        |
| <b>Goodwill</b>                                    | <b>163,024</b>   |

The figures pertaining to post combination reserve and profit or loss pertaining to the operations of IGI Investment Bank Limited have not been disclosed as the business combination was effective as at the close of business on December 31, 2016.

## 6 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

| 2016               | 2015               |  | 2016             | 2015             |
|--------------------|--------------------|--|------------------|------------------|
| Number of shares   |                    |  | (Rupees in '000) |                  |
| 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        | 120,747,345        | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | 1,207,473        | 1,207,473        |
| <b>122,689,532</b> | <b>122,689,532</b> |  | <b>1,226,895</b> | <b>1,226,895</b> |

### 6.1 Ordinary shares of the Company held by associated undertakings:

|  | 2016              | 2015              |
|--|-------------------|-------------------|
|  | Number of shares  |                   |
| Packages Limited                               | 13,022,093        | 13,022,093        |
| Babar Ali Foundation                           | 4,630,539         | 4,630,539         |
| Industrial Technical and Educational Institute | 20,853,966        | 20,853,966        |
|  | <b>38,506,598</b> | <b>38,506,598</b> |

## 7 PROPOSED SHARES TO BE ISSUED ON AMALGAMATION

As explained in note 1.2 of these consolidated financial statement, IGI Investment Bank Limited was amalgamated with and into IGI Insurance Limited with effect from the close of business on December 31, 2016 under a Scheme of Amalgamation duly sanctioned by the High Court of Sindh. In accordance with the Scheme of Amalgamation every 92 ordinary shares of Rs. 10 each in IGI Investment Bank Limited shall be allotted one ordinary share of IGI Insurance Limited. Accordingly, the Holding Company intends to issue 1,337,033 shares to the shareholders of IGI Investment Bank Limited.

## 8 NON CONTROLLING INTEREST (NCI)

|                                       | 2016             | 2015           |
|---------------------------------------|------------------|----------------|
|                                       | (Rupees in '000) |                |
| Opening balance                       | 255,766          | 406,285        |
| Share of NCI acquired during the year | -                | (169,104)      |
| Profit for the year                   | 17,207           | 18,585         |
| Dividend paid to NCI                  | (9,011)          | -              |
|                                       | <b>263,962</b>   | <b>255,766</b> |



# Notes to and Forming Part of the Consolidated Financial Statements

## 9 MOVEMENT IN EQUITY OF STATUTORY FUNDS

|  | STATUTORY FUNDS         |                          |                |                  |                   |                |                             |                 |                      |                 | AGGREGATE         |                   |
|--|-------------------------|--------------------------|----------------|------------------|-------------------|----------------|-----------------------------|-----------------|----------------------|-----------------|-------------------|-------------------|
|  | Life<br>(Participating) | Life (Non-participating) |                | Investment       | Accident & Health |                | Pension<br>Business<br>Fund | Takaful window  |                      |                 | 2016              | 2015              |
|  |                         | Individual               | Group          |                  | Linked            | Individual     |                             | Group           | Individual<br>Family | Group<br>Family |                   |                   |
| (Rupees in '000)   |                         |                          |                |                  |                   |                |                             |                 |                      |                 |                   |                   |
| <b>Policyholders' liabilities</b>  |                         |                          |                |                  |                   |                |                             |                 |                      |                 |                   |                   |
| Balance at the beginning of the year   | 1,140,823               | 4,623,900                | 69,789         | 4,878,865        | 16,027            | 176,391        | 99,599                      | 22,772          | 278                  | 1,651           | 11,030,095        | 9,594,542         |
| Increase/(decrease) during the year  | 226,585                 | 1,077,185                | 7,531          | 3,816,530        | (6,690)           | 36,356         | (43,721)                    | 216,236         | 295                  | 1,463           | 5,331,770         | 1,435,553         |
| <b>Balance at end of the year</b>  | <b>1,367,408</b>        | <b>5,701,085</b>         | <b>77,320</b>  | <b>8,695,395</b> | <b>9,337</b>      | <b>212,747</b> | <b>55,878</b>               | <b>239,008</b>  | <b>573</b>           | <b>3,114</b>    | <b>16,361,865</b> | <b>11,030,095</b> |
| <b>Retained earnings on participating business attributable to participating policyholders - Ledger Account A</b>        |                         |                          |                |                  |                   |                |                             |                 |                      |                 |                   |                   |
| Balance at the beginning of the year   | 431,102                 | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | 431,102           | 363,503           |
| Surplus allocated during the year (Note 9.1)   | 427,740                 | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | 427,740           | 166,579           |
| Surplus Adjustment   | -                       | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | -                 | -                 |
| 10% surplus transfer to Ledger Account B   | (42,774)                | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | (42,774)          | -                 |
| Bonus allocated during the year  | (291,890)               | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | (291,890)         | (98,980)          |
| <b>Closing balance at end of the year</b>  | <b>524,178</b>          | <b>-</b>                 | <b>-</b>       | <b>-</b>         | <b>-</b>          | <b>-</b>       | <b>-</b>                    | <b>-</b>        | <b>-</b>             | <b>-</b>        | <b>524,178</b>    | <b>431,102</b>    |
| <b>Retained earnings on participating business attributable to shareholders but not distributable - Ledger Account B</b> |                         |                          |                |                  |                   |                |                             |                 |                      |                 |                   |                   |
| Balance at the beginning of the year   | 43,056                  | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | 43,056            | 43,056            |
| Surplus adjustment   | -                       | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | -                 | -                 |
| 10% surplus transfer from Ledger Account A   | 42,774                  | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | 42,774            | -                 |
| Transfer to Ledger Account C   | (32,432)                | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | (32,432)          | -                 |
| <b>Closing balance at end of the year</b>  | <b>53,398</b>           | <b>-</b>                 | <b>-</b>       | <b>-</b>         | <b>-</b>          | <b>-</b>       | <b>-</b>                    | <b>-</b>        | <b>-</b>             | <b>-</b>        | <b>53,398</b>     | <b>43,056</b>     |
| <b>Retained earnings participating business distributable to shareholders - Ledger Account C</b>                         |                         |                          |                |                  |                   |                |                             |                 |                      |                 |                   |                   |
| Balance at the beginning of the year   | -                       | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | -                 | -                 |
| Transfer from ledger Account B   | 32,432                  | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | 32,432            | -                 |
| Surplus appropriated to shareholders' Fund   | (32,432)                | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | (32,432)          | -                 |
| <b>Closing balance at end of the year</b>  | <b>-</b>                | <b>-</b>                 | <b>-</b>       | <b>-</b>         | <b>-</b>          | <b>-</b>       | <b>-</b>                    | <b>-</b>        | <b>-</b>             | <b>-</b>        | <b>-</b>          | <b>-</b>          |
| <b>Retained earnings on other than participating business - Ledger Account D</b>   |                         |                          |                |                  |                   |                |                             |                 |                      |                 |                   |                   |
| Balance at the beginning of the year   | -                       | (67,582)                 | 51,362         | 20,485           | 10,320            | 35,057         | (2,495)                     | (21,317)        | (86)                 | (605)           | 25,139            | (16,700)          |
| (Deficit) / surplus allocated during the year  | -                       | 132,417                  | 45,341         | (126,037)        | (2,792)           | 65,250         | 561                         | (17,453)        | 82                   | 447             | 97,816            | 59,839            |
| Surplus appropriated to shareholders' Fund   | -                       | -                        | (10,000)       | -                | -                 | -              | -                           | -               | -                    | -               | (10,000)          | (18,000)          |
| <b>Closing balance at end of the year</b>  | <b>-</b>                | <b>64,835</b>            | <b>86,703</b>  | <b>(105,552)</b> | <b>7,528</b>      | <b>100,307</b> | <b>(1,934)</b>              | <b>(38,770)</b> | <b>(4)</b>           | <b>(158)</b>    | <b>112,955</b>    | <b>25,139</b>     |
| <b>Capital contributed by shareholders' fund</b>   |                         |                          |                |                  |                   |                |                             |                 |                      |                 |                   |                   |
| <b>Balance at the beginning of the year</b>  | <b>-</b>                | <b>257,552</b>           | <b>-</b>       | <b>117,100</b>   | <b>-</b>          | <b>79,300</b>  | <b>6,000</b>                | <b>22,500</b>   | <b>200</b>           | <b>1,000</b>    | <b>483,652</b>    | <b>471,452</b>    |
| Capital contributed during the year  | -                       | -                        | -              | 125,000          | -                 | -              | -                           | 24,000          | 1,000                | 1,000           | 151,000           | 23,200            |
| Cede money - Waqf  | -                       | -                        | -              | -                | -                 | -              | -                           | -               | -                    | -               | -                 | 500               |
| Qard-e-Hasna from Operators' Sub Fund to PTF -   | -                       | -                        | -              | -                | -                 | -              | -                           | -               | (100)                | (600)           | (700)             | -                 |
| Qard-e-Hasna received from Operators' Sub Fund to PTF  | -                       | -                        | -              | -                | -                 | -              | -                           | -               | 100                  | 600             | 700               | -                 |
| Capital withdrawn during the year  | -                       | (60,000)                 | -              | -                | -                 | (15,000)       | -                           | -               | -                    | -               | (75,000)          | (11,500)          |
|  | -                       | (60,000)                 | -              | 125,000          | -                 | (15,000)       | -                           | 24,000          | 1,000                | 1,000           | 76,000            | 12,200            |
| Balance at end of the year   | -                       | 197,552                  | -              | 242,100          | -                 | 64,300         | 6,000                       | 46,500          | 1,200                | 2,000           | 559,652           | 483,652           |
| <b>Balance of statutory fund at year</b>   | <b>1,944,984</b>        | <b>5,963,472</b>         | <b>164,023</b> | <b>8,831,943</b> | <b>16,865</b>     | <b>377,354</b> | <b>59,944</b>               | <b>246,738</b>  | <b>1,769</b>         | <b>4,956</b>    | <b>17,612,048</b> | <b>12,013,044</b> |

9.1 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.



For the year ended December 31, 2016

## 9.2 Balance of statutory funds other than that attributable to Shareholders

|   | 2016             | 2015       |
|---|------------------|------------|
|   | (Rupees in '000) |            |
| Total balance of Statutory funds                        | 17,612,048       | 12,013,044 |
| Balance of Statutory funds attributable to shareholders |                  |            |
| Opening balance at beginning of year                    | 508,791          | 454,752    |
| Unappropriated surplus for the year                     | 87,816           | 41,839     |
| Capital Contribution during the year                    | 76,000           | 12,200     |
|   | 672,607          | 508,791    |
|   | 16,939,441       | 11,504,253 |

## 10 POLICYHOLDERS' LIABILITIES

As per actuary's advice, the policyholders' liabilities as at December 31, 2016 are as follows:

|   | STATUTORY FUNDS      |                          |                |                  |                   |                |                       |                   |              |              | AGGREGATE         |                   |
|---|----------------------|--------------------------|----------------|------------------|-------------------|----------------|-----------------------|-------------------|--------------|--------------|-------------------|-------------------|
|   | Life (Participating) | Life (Non-participating) |                | Investment       | Accident & Health |                | Pension Business Fund | Takaful window    |              |              | 2016              | 2015              |
|   | Individual           | Group                    | Linked         | Individual       | Group             |                |                       | Individual Family | Group Family | Group Health |                   |                   |
|   | (Rupees in '000)     |                          |                |                  |                   |                |                       |                   |              |              |                   |                   |
| <b>Gross of reinsurance</b>   |                      |                          |                |                  |                   |                |                       |                   |              |              |                   |                   |
| Actuarial liability relating to future events   | 1,364,137            | 5,700,448                | 59,919         | 8,688,825        | 9,581             | 149,307        | 55,878                | 237,943           | 467          | 2,188        | 16,268,693        | 10,942,898        |
| Provision for outstanding reported claims payable over a period exceeding twelve months | 3,681                | 10,694                   | 7,072          | -                | 2,409             | 623            | -                     | -                 | -            | -            | 24,479            | 19,025            |
| Provision for incurred but not reported claims  | 3,291                | 3,463                    | 34,191         | 7,274            | 835               | 63,072         | -                     | 1,104             | 107          | 926          | 114,263           | 120,558           |
| <b>Total</b>  | <b>1,371,109</b>     | <b>5,714,605</b>         | <b>101,182</b> | <b>8,696,099</b> | <b>12,825</b>     | <b>213,002</b> | <b>55,878</b>         | <b>239,047</b>    | <b>574</b>   | <b>3,114</b> | <b>16,407,435</b> | <b>11,082,481</b> |
| <b>Net of reinsurance</b>   |                      |                          |                |                  |                   |                |                       |                   |              |              |                   |                   |
| Actuarial liability relating to future events   | 1,360,940            | 5,687,667                | 36,057         | 8,688,121        | 6,119             | 149,052        | 55,878                | 237,904           | 467          | 2,188        | 16,224,393        | 10,901,778        |
| Provision for outstanding reported claims payable over a period exceeding twelve months | 3,681                | 10,694                   | 7,072          | -                | 2,409             | 623            | -                     | -                 | -            | -            | 24,479            | 19,025            |
| Provision for incurred but not reported claims  | 2,787                | 2,724                    | 34,191         | 7,274            | 809               | 63,072         | -                     | 1,104             | 106          | 926          | 112,993           | 109,292           |
| <b>Total</b>  | <b>1,367,408</b>     | <b>5,701,085</b>         | <b>77,320</b>  | <b>8,695,395</b> | <b>9,337</b>      | <b>212,747</b> | <b>55,878</b>         | <b>239,008</b>    | <b>573</b>   | <b>3,114</b> | <b>16,361,865</b> | <b>11,030,095</b> |

|   | Note | 2016             | 2015    |
|---|------|------------------|---------|
|   |      | (Rupees in '000) |         |
| Federal excise duty                           |      | 6,264            | 16,007  |
| Federal insurance fee                         |      | 893              | 1,139   |
| Agent commission payable                      |      | 182,175          | 231,595 |
| Cash margin                                   |      | 184,035          | 115,314 |
| Certificates of deposit                       | 11.1 | 6,082            | -       |
| Deposit under lease contracts                 | 11.2 | 210,028          | -       |
| Payable against sale of marketable securities |      | 614,438          | -       |
| Payable against profit on unutilised funds    | 11.3 | 7,338            | -       |
| Others  |      | 156,458          | 201,208 |
|   |      | 1,367,711        | 565,263 |

- 11.1** These certificates of deposit have been acquired by IGI Insurance Limited as part of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from December 31, 2016. IGI Investment Bank (IGIBL) had made repayment of all deposits along with mark-up, except for five depositors with aggregate deposits amounting to Rs.6.082 million since they were either untraceable or their deposit was under lien as per court

## Notes to and Forming Part of the Consolidated Financial Statements

order for payment of FED / CED. These Certificates of Deposit have already matured and mark-up payable on these till maturity is Rs.0.205 million. In order to secure the amount for repayment of such deposits till the time parties are traced or lien matter settled, the Investment Bank has placed an amount of Rs.6.422 million in Market Treasury Bills. The Securities and Exchange Commission of Pakistan (SECP), while granting No Objection Certificate (NOC) to the amalgamation of IGI Insurance Limited and IGI Investment Bank Limited has, advised to form a trust, appointed Central Depository Company (CDC) as the trustee to invest the outstanding deposits amounting to Rs. 6.082 million in PIBs and transfer the same in the name of trustee for onward payment to depositors of IGI Investment Bank Limited as and when the depositors are traced after due verification.

**11.2** This represents security deposits held by IGI Investment Bank Limited under lease contracts acquired as part of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from close of business on December 31, 2016 against which an equivalent amount of residual value is receivable.

**11.3** With effect from March 2015, IGI Finex (subsidiary acquired as a result of amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited) had been mandated by the Stock Exchange to pass on profit earned on unutilised funds of clients to the respective clients out of total profit accrued on such funds as may be mutually agreed in writing between the Company and its clients. IGI Finex has revised its account opening forms which includes an agreement on the profit earned on unutilised funds on clients' assets from new clients. Further, the management is in process of agreeing the same with its existing clients. The Group has recorded a liability based on management's best estimate of amount that may be eventually passed on to its clients.

### 12 CURRENT PORTION OF LONG TERM LIABILITIES

|  | Note | 2016             | 2015 |
|--|------|------------------|------|
|  |      | (Rupees in '000) |      |
| Current portion of liabilities against assets subject to finance lease | 15   | 7,786            | -    |

### 13 SHORT TERM FINANCES - SECURED

|                  |      |           |         |
|------------------|------|-----------|---------|
| Running finances | 13.1 | 48,017    | 23,020  |
| Term finances    | 13.1 | 1,300,000 | 125,000 |
|                  |      | 1,348,017 | 148,020 |

**13.1** Short term finances available from various commercial banks under mark-up arrangements amount to Rs. 3,250 million (2015: Rs. 2,550 million). The rates of mark-up on these facilities range from 5.99% to 6.55% per annum (2015: 6.70% to 7.85% per annum) and are payable latest by April 30, 2017. Short term finances are secured against pledge of shares held by the Holding Company.

### 14 LONG TERM FINANCES

|                               | Note | 2016             | 2015 |
|-------------------------------|------|------------------|------|
|                               |      | (Rupees in '000) |      |
| <b>Secured</b>                |      |                  |      |
| Long term loan                | 14.1 | 1,000,000        | -    |
| <b>Unsecured</b>              |      |                  |      |
| Local currency - from sponsor | 14.2 | 231,000          | -    |
|                               |      | 1,231,000        | -    |

**14.1** The Holding Company obtained a long term finance facility amounting to Rs. 1,000 million from Allied Bank Limited during 2015 for the purpose of participation in equity investment in Packages Construction (Private) Limited i.e. Packages Mall project, which was fully availed during the year ended December 31, 2016. The loan carries markup rate at 6 month KIBOR + 0.3%. Principal repayment is to be made in 6 equal semi-annual installments starting from the 30th month after the first disbursement and subsequently, six months thereafter. The first disbursement was made on May 6, 2016. The facility is secured against pledge of shares held by the Holding Company.

**14.2** This represents long-term financing acquired by the Group as part of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from December 31, 2016.

During 2013-2014, IGI Investment Bank (the Investment Bank) received a sum of Rs.285 million by way of a loan from Syed Babar Ali, Chairman and a sponsor of the Investment Bank. In this connection, the Investment Bank and Syed Babar Ali have entered into a Loan Agreement dated March 31, 2014. The loan is interest/profit/mark-up free and repayable at the earlier of the expiry of ten (10) years from the date of the Loan Agreement or upon occurrence of any change in the shareholding of the Investment Bank or the board of directors of the Investment Bank that would result in change of control of the Investment Bank from the persons in whose hands it vests as of the date of the Loan Agreement ('the Due Date'), as the case may be. Under the terms of the Loan Agreement, the Investment Bank may, at its discretion, prepay all or any portion of the aforesaid loan at any time prior to the Due Date, provided that the Certificates of Deposit issued by the Investment Bank have been completely and finally settled.

Upto December 31, 2016, the Investment Bank had made repayment of all deposits along with mark-up, except for five depositors with aggregate deposits amounting to Rs.6.082 million since they were either untraceable or their deposit was under lien as per court order for payment of FED / CED. These Certificates of Deposit have already matured and mark-up payable on these till maturity is Rs.0.205 million. In order to secure the amount for repayment of such deposits till the time parties are traced or lien matter settled, the Investment Bank has placed an amount of Rs.6.422 million in Market Treasury Bills.

In light of the above, the Investment Bank has made prepayment of Rs.54 million against the aforesaid loan till December 31, 2016 which includes prepayment of Rs.5 million during the period from July 01, 2016 to December 31, 2016.

## 15 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

|  | Note | 2016   | 2015 |
|--|------|--------|------|
| (Rupees in '000)                                       |      |        |      |
| Present value of minimum lease payments                |      | 49,323 | -    |
| Less: Current maturity shown under current liabilities | 12   | 7,786  | -    |
|  |      | 41,537 | -    |

The Group has entered into lease agreements with various leasing companies and Bank Al-Habib for lease of motor vehicles. The liabilities under these agreements are payable by the year 2017 - 2021 and are subject to finance charge at rates ranging from 3.89% - 6.35% per annum (December 31, 2015: Nil).

The Group intends to exercise its option to purchase these assets upon the termination of the lease term. The cost of operating and maintaining the leased assets is borne by the Group.

The amount of future payments for the finance lease and the period in which these payments will become due are as follows:

|   | Minimum Lease Payments | Future Finance Charges | 2016   | 2015 |
|---|------------------------|------------------------|--------|------|
| Present value of lease liability                  |                        |                        |        |      |
| Not later than one year                           | 9,713                  | 1,927                  | 7,786  | -    |
| Later than one year and not later than five years | 45,718                 | 4,181                  | 41,537 | -    |
|   | 55,431                 | 6,108                  | 49,323 | -    |

## 16 CONTINGENCIES AND COMMITMENTS

### 16.1 Commitments in respect of capital expenditure

|                         | 2016  | 2015   |
|-------------------------|-------|--------|
| (Rupees in '000)        |       |        |
| Not later than one year | 9,060 | 17,681 |

### 16.2 Holding Company

- 16.2.1 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.

## Notes to and Forming Part of the Consolidated Financial Statements

- 16.2.2** 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.
- 16.2.3** 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 was also decided against the Holding Company. The Holding Company has filed an appeal in the Honorable High Court which is pending adjudication.
- 16.2.4** The Holding Company has filed Suit 1249 of 2016 before the Honorable High Court of Sindh at Karachi. Through this Suit, the Holding Company has impugned Show Cause Notice dated 26.04.2016 issued by the Assistant Commissioner-2 SRB alleging that the Holding Company has received reinsurance services amounting to Rs. 2,717 million from foreign reinsurance companies for the period July 2011 to December 2014 and demanding Sindh Sales Tax on Services thereon under Tariff Heading 98.13.1000 and its sub-heading 98.13.6000 in the Second Schedule read with Section 3(2) and Section 9(2) of the Sindh Sales Tax on Services Act, 2011. The Holding Company has prayed, inter alia, that it is not liable to pay Sindh Sales Tax on Services on the reinsurance services it receives from foreign reinsurance companies and that the Show Cause Notice dated 26.04.2016 is ultra vires the Constitution and the Sindh Sales Tax on Services Act, 2011. In addition, the Holding Company has also challenged the constitution of the Sindh Revenue Board and the appointment of its Chairman. On 23.05.2016, the Honorable Sindh High Court was pleased to pass an interim Order suspending the operation of the Show Cause Notice and restraining coercive action against the Holding Company in pursuance thereof. Such interim Order continues to hold field.
- 16.2.5** As per the Sale Purchase Agreement (SPA) signed by the IGI Investment Bank Limited (now amalgamated with and into Holding Company as at December 31, 2016) and Al-Falah GHP Investment Management Limited (AGIML), the Investment Bank had agreed to indemnify AGIML against any unrecognised Workers Welfare Fund contribution exposure not exceeding Rs.48.381 million in the collective investment schemes managed by IGI Funds Limited (previously a wholly owned subsidiary of the Investment Bank) on the closure date i.e. October 14, 2013 of above SPA.
- 16.2.6** A suit has been filed against the IGI Investment Bank Limited (now amalgamated with and into the Holding Company as at December 31, 2016) before the High Court of Sindh (the Court) for declaration, damages for Rs. 81.570 million and recovery of Rs. 1 million along with interest, markup in connection with the transaction of asset backed securitisation between the parties. Issues have been framed for determination by the Court and the matter is at the stage of the evidence of the parties.
- 16.2.7** A suit has been filed against the IGI Investment Bank Limited (now amalgamated with and into the Holding Company as at December 31, 2016) impleaded as defendant No. 6 before the High Court of Sindh for declaration, permanent injunctions, specific performance, settlement and/or rendition of accounts and/or cancellation of cheques and damages of Rs.100 million. The Bank arranged lease finance for buses which were given on lease to a customer. The Court granted leave to defend the suit to all the defendants and the matter is at the stage of evidence of the parties.
- 16.3 IGI Finex**
- 16.3.1** During the financial year ended June 30, 2012, a brokerage house filed a lawsuit against IGI Finex in the High Court of Sindh for recovery of Rs. 18.433 million together with mark-up on debit balances outstanding in its books and records on account of various transactions. Initially, IGI Finex had filed a counter affidavit against the application filed by the Complainant to seek an interim order. During the financial year ended June 30, 2013, IGI Finex filed a written Statement in this lawsuit, while the Plaintiff has filed a rejoinder to the counter affidavit filed by IGI Finex. IGI Finex has also filed a lawsuit against the same brokerage house and an ex-official of IGI Finex in the High Court of Sindh to recover the outstanding balance appearing in the Group's books of account before provision. The court has issued notices to the defendants.

- 16.3.2** During the financial year ended June 30, 2010, one of the customers of IGI Finex filed a lawsuit against the group before the High Court of Sindh for the recovery of Rs. 3.5 million along with damages of Rs. 100 million. The said lawsuit is counterblast to IGI Finex's suit for recovery of Rs. 0.97 million along with liquidated damages at the rate of 24%, filed during the financial year ended June 30, 2010 before the Senior Civil Judge Karachi, South, which was subsequently transferred to the Honorable High Court of Sindh at Karachi, on IGI Finex's a civil transfer application, moved under section 24 read with section 151 of Civil Procedure Code.
- 16.3.3** During the financial year ended June 30, 2010, one of the customers of IGI Finex had filed a lawsuit against the group in the Court of Senior Civil Judge Karachi, South for the recovery of Rs. 12.6 million along with mark-up thereon. The said lawsuit is counterblast to IGI Finex's suit for recovery of money, declaration and permanent injunction for recovery of Rs. 3.3 million along with liquidated damages at the rate of 24%, filed during the financial year ended June 30, 2009 before the Honorable High Court of Sindh.
- 16.3.4** During the year ended June 30, 2009, a brokerage house filed suit before the Honorable Civil Judge, Lahore for declaration and permanent injunction against The Group. The brokerage house filed a contempt petition and a petition under section 33 of the Arbitration Act against The Group before the Honorable Civil Judge, Lahore. Furthermore the brokerage house also filed a civil revision before the Honorable Lahore High Court, Lahore Bench against order passed by the learned Civil Judge wherein the learned Civil Judge was pleased to dismiss the temporary injunction granted to the brokerage house, the said order was also affirmed in appeal. Further, The Group has filed a suit for recovery for Rs. 53.062 million along with liquidated damages and a petition before National Accountability Bureau (NAB) against the brokerage house.

The lawsuits are pending litigations and both the management and legal counsel are of the view that the outcome of the cases will be decided in favor of the respective entities of the group.

## 17 CASH AND OTHER EQUIVALENTS

|                       | Note | 2016             | 2015       |
|-----------------------|------|------------------|------------|
|                       |      | (Rupees in '000) |            |
| Cash                  |      | 329              | 310        |
| Policy stamps in hand |      | 374              | 274        |
| Cheques in hand       |      | 2,000            | -          |
|                       |      | <u>2,703</u>     | <u>584</u> |

## 18 CURRENT AND OTHER ACCOUNTS

|                           |      |                  |                |
|---------------------------|------|------------------|----------------|
| In Current accounts with: |      |                  |                |
| State Bank of Pakistan    |      | 572              | -              |
| Others                    |      | 52,512           | 6,496          |
| PLS savings accounts      | 18.1 | <u>1,042,696</u> | <u>443,296</u> |
|                           |      | <u>1,095,780</u> | <u>449,792</u> |

- 18.1** The balances in PLS savings accounts carry mark-up ranging between 3.5% to 6.5% (2015: 4.0%) per annum.

## 19 INVESTMENTS

|  | Note | 2016              | 2015              |
|--|------|-------------------|-------------------|
|  |      | (Rupees in '000)  |                   |
| The investments comprise of the following: |      |                   |                   |
| Investments in associates                  | 19.1 | 8,342,136         | 4,640,899         |
| Held for trading                           | 19.2 | 6,422             | -                 |
| Held to maturity investments               | 19.3 | 125,072           | 124,558           |
| Available for sale investments             | 19.4 | 24,878,261        | 18,843,414        |
| At fair value through profit or loss       | 19.5 | -                 | 719,254           |
|  |      | <u>33,351,891</u> | <u>24,328,125</u> |

## Notes to and Forming Part of the Consolidated Financial Statements

### 19.1 Investments in associates

|   | Note                              | 2016             | 2015      |
|---|-----------------------------------|------------------|-----------|
| <b>Quoted</b>   |                                   | (Rupees in '000) |           |
| <b>Packages Limited</b>   |                                   |                  |           |
| 24,309,601 (2015: 21,522,101) fully paid ordinary shares of Rs. 10 each | 19.1.1, 19.1.2<br>19.1.4 & 19.1.5 | 7,365,790        | 4,640,899 |
| Equity held 27.51% (2015: 24.35%)                                       |                                   |                  |           |
| Market value Rs. 850.05 per share (2015 : Rs. 582.110 per share)        |                                   |                  |           |
| <b>IGI Investment Bank Limited</b>                                      |                                   |                  |           |
| Nil (2015: 89,095,494) fully paid ordinary shares of Rs. 10 each        |                                   | -                | -         |
| Equity held Nil (2015: 42.01%)  |                                   |                  |           |
| Market value Rs. 3.26 per share (2015 : Rs 1.57 per share)              |                                   |                  |           |
|   |                                   | 7,365,790        | 4,640,899 |
| <b>Unquoted</b>   |                                   |                  |           |
| <b>Dane Foods Limited</b>   | 19.1.2                            |                  |           |
| 2,643,161 (2015: 2,643,161) fully paid ordinary shares of Rs. 10 each   |                                   |                  |           |
| Equity held 30.62% (2015: 30.62%)                                       |                                   |                  |           |
| Cost  |                                   | 26,432           | 26,432    |
| Provision for diminution in value of investments                        |                                   | (26,432)         | (26,432)  |
|   |                                   | -                | -         |
| <b>Packages Construction (Private) Limited</b>                          |                                   |                  |           |
| 100,000,000 (2015: Nil) fully paid ordinary shares of Rs. 10 each       | 19.1.3 & 19.1.5                   | 976,346          | -         |
| Equity held 24.84% (2015: Nil)  |                                   |                  |           |
|   |                                   | 8,342,136        | 4,640,899 |

- 19.1.1 Further investment in Packages limited was approved by the shareholders in the annual general meeting held on April 26, 2012 and Extra Ordinary General Meeting held on March 31, 2016.
- 19.1.2 Investment in unquoted associate does not include any goodwill as the investment was made when this associate was incorporated.
- 19.1.3 Packages Limited ("The Company") is a public limited Company incorporated in Pakistan and is listed on Pakistan Stock Exchange. It is principally engaged in the manufacture and sale of paper, paperboard, packaging materials and tissue products.
- 19.1.4 During the year, the Holding Company has invested an amount of Rs. 1,000 million in Packages Construction (Private) Limited which is a subsidiary of Packages Limited. The Holding Company's stake in Packages Construction in 24.84% and has been classified as associate of the Holding Company. It is principally engaged in carrying on the business of all types of construction activities and development of real estate. Investment in Packages Construction Private Limited was approved by the shareholders in annual general meeting held on April 21, 2015.
- 19.1.5 The summarised financial information of Packages Limited and Packages Construction (Private) Limited is as follows:

|   | Country of incorporation | 2016             |             |            |           |
|---|--------------------------|------------------|-------------|------------|-----------|
|   |                          | Assets           | Liabilities | Revenues   | Profit    |
|   |                          | (Rupees in '000) |             |            |           |
| Packages Limited                        | Pakistan                 | 62,147,841       | 9,363,371   | 16,839,320 | 5,595,729 |
| Packages Construction (Private) Limited | Pakistan                 | 11,030,559       | 5,641,691   | -          | (95,225)  |
|   | Country of incorporation | 2015             |             |            |           |
|   |                          | Assets           | Liabilities | Revenues   | Profit    |
|   |                          | (Rupees in '000) |             |            |           |
| Packages Limited                        | Pakistan                 | 56,935,500       | 9,149,127   | 16,024,977 | 3,295,416 |
| Packages Construction (Private) Limited | Pakistan                 | 5,107,501        | 2,158,367   | -          | (72,279)  |

For the year ended December 31, 2016

**19.1.6** These have been accounted for under the equity method of accounting as per the requirement of IAS 28. The Group has recognised share of profits of Rs. 1,330.970 million from Packages Limited and share of loss of Rs. 23.654 million with respect to Packages Construction (Private) Limited during the year ended December 31, 2016.

| 19.2 | Held for trading                              | Note | 2016             | 2015 |
|------|---|------|------------------|------|
|      |   |      | (Rupees in '000) |      |
|      | Government securities - Market Treasury Bills |      | 6,422            | -    |

| Particulars           | Maturity year | Effective yield % per annum | 2016             | 2015 |
|-----------------------|---------------|-----------------------------|------------------|------|
|                       |               |                             | (Rupees in '000) |      |
| Market Treasury Bills | 2017          | 5.80%                       | 6,422            | -    |

| 19.3 | Held to maturity      | Note   | 2016             | 2015    |
|------|-----------------------|--------|------------------|---------|
|      |                       |        | (Rupees in '000) |         |
|      | Government securities | 19.3.1 | 125,072          | 124,558 |

**19.3.1 Government securities**

| Particulars               | Maturity year | Effective yield % per annum | Profit payment | 2016             | 2015    |
|---------------------------|---------------|-----------------------------|----------------|------------------|---------|
|                           |               |                             |                | (Rupees in '000) |         |
| Pakistan Investment Bonds | 2019          | 13.22%                      | Half yearly    | 14,594           | 14,476  |
| Pakistan Investment Bonds | 2021          | 13.08%                      | Half yearly    | 14,452           | 14,366  |
| Pakistan Investment Bonds | 2020          | 13.98%                      | Half yearly    | 23,604           | 23,332  |
| Pakistan Investment Bonds | 2022          | 12.00%                      | Half yearly    | 60,519           | 60,516  |
| Pakistan Investment Bonds | 2022          | 11.25%                      | Half yearly    | 1,032            | 1,036   |
| Pakistan Investment Bonds | 2022          | 12.76%                      | Half yearly    | 10,871           | 10,832  |
|                           |               |                             |                | 125,072          | 124,558 |

**19.3.1.1** 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.

**19.3.1.2** Market value of Pakistan Investment Bonds carried at amortised cost amounts to Rs. 150.594 million (2015: Rs. 146.503 million) as at December 31, 2016.

| 19.4          | Available for sale investments                               | Note     | 2016             | 2015       |
|---------------|--|----------|------------------|------------|
|               |  |          | (Rupees in '000) |            |
| <b>19.4.1</b> | <b>Available for sale - at lower of cost or market value</b> |          |                  |            |
|               | <b>Related parties</b>                                       |          |                  |            |
|               | - Quoted equity instruments                                  | 19.4.2.1 | 564,610          | 264,985    |
|               | <b>Others</b>  | 19.4.2.2 |                  |            |
|               | - Listed Term Finance Certificates (TFCs)                    |          | -                | -          |
|               | - Unlisted Term Finance Certificates (TFCs)                  |          | 3,280            | -          |
|               | - Quoted equity instruments and units of mutual funds        |          | 7,629,284        | 7,321,663  |
|               | - Unquoted equity instruments                                |          | 149,918          | 115,764    |
|               | - Government Securities                                      |          | 8,270,159        | 6,493,366  |
|               |  |          | 16,052,641       | 13,930,793 |



## Notes to and Forming Part of the Consolidated Financial Statements

### 19.4.2 Available for sale - at fair value

#### Quoted

- Units of Mutual Funds

#### Unquoted

- Government Securities

- Equity Investments

| Note     | 2016             | 2015       |
|----------|------------------|------------|
|          | (Rupees in '000) |            |
| 19.4.2.3 | 2,062,623        | 1,569,109  |
| 19.4.2.3 | 6,097,401        | 3,078,527  |
|          | 100,986          | -          |
|          | 6,198,387        | 3,078,527  |
|          | 24,878,261       | 18,843,414 |

### 19.4.2.1 Related parties

#### Quoted

| 2016               | 2015      | Percentage equity held | Face value per share | Company name                      | Note | 2016             | 2015    |
|--------------------|-----------|------------------------|----------------------|-----------------------------------|------|------------------|---------|
| (Number of shares) |           |                        | (Rupees)             |                                   |      | (Rupees in '000) |         |
| 3,750,417          | 1,353,416 | 9.67%                  | 10                   | Tri-Pack Films Limited            | 19.7 | 564,610          | 264,985 |
|                    |           |                        |                      | Provision for diminution in value |      | -                | -       |
|                    |           |                        |                      |                                   |      | 564,610          | 264,985 |
|                    |           |                        |                      | Market value as at December 31    |      | 1,101,272        | 333,861 |

### 19.4.2.2 Others

#### Quoted

#### Term finance certificates

| 2016               | 2015 | Issue date         | Company name            | Note  | 2016             | 2015 |
|--------------------|------|--------------------|-------------------------|-------|------------------|------|
| (Number of shares) |      |                    |                         |       | (Rupees in '000) |      |
| 5,000              | -    | September 20, 2005 | Azgard Nine Limited II* | 19.10 | -                | -    |
|                    |      |                    |                         |       | -                | -    |

### Equity Investments

| 2016               | 2015      | Percentage equity held | Face value per share | Company name                                 | Note | 2016             | 2015      |
|--------------------|-----------|------------------------|----------------------|--|------|------------------|-----------|
| (Number of shares) |           |                        | (Rupees)             |  |      | (Rupees in '000) |           |
| 70,031             | 70,031    | 0.85%                  | 10                   | Siemens Pakistan Engineering Company Limited |      | 125,442          | 125,442   |
| 4,364,666          | 4,364,666 | 9.62%                  | 10                   | Nestle Pakistan Limited                      | 19.6 | 6,472,825        | 6,472,825 |
| 1,841,739          | 1,841,739 | 19.10%                 | 10                   | Sanofi Aventis Pakistan Limited              |      | 391,348          | 391,348   |
| 458,611            | 458,611   | 0.38%                  | 10                   | International Industries Limited             |      | 37,395           | 37,395    |
| 292,738            | 292,738   | 3.72%                  | 10                   | Mitchell's Fruit Farms Limited               |      | 21,437           | 21,437    |
| 4,188,033          | 3,824,688 | 3.78%                  | 10                   | Systems Limited                              |      | 45,532           | 45,532    |
| 199,169            | 199,169   | 3.25%                  | 10                   | Zulfiqar Industries Limited                  |      | 19,561           | 19,561    |
| 1,352,992          | -         | 0.34%                  | 10                   | Agritech Limited                             |      | 17,156           | -         |
|                    |           |                        |                      |  |      | 7,130,696        | 7,113,540 |



For the year ended December 31, 2016

#### Units of Mutual Funds

| 2016               | 2015      | Percentage equity held | Face value per share | Company name                                      | 2016             | 2015       |
|--------------------|-----------|------------------------|----------------------|---|------------------|------------|
| (Number of shares) |           |                        | (Rupees)             |   | (Rupees in '000) |            |
| 37,820             | 481,431   |                        | 100                  | AGHP Stock Fund                                   | 23,730           | 55,055     |
| -                  | 431,292   |                        | 100                  | AGHP Capital Preservation Fund                    | -                | 43,158     |
| -                  | 264,733   |                        | 100                  | Al Ameen Islamic Principal Preservation Fund - IV | -                | 27,517     |
| -                  | 513,092   |                        | 50                   | Al Meezan Principal Preservation Fund - MCPPI     | -                | 26,008     |
| 2,245,408          | 1,917,800 |                        | 10                   | NAFA Stock Fund                                   | 100,000          | 24,600     |
| 348,820            | 542,997   |                        | 50                   | MCB Pakistan Stock Market Fund                    | 56,385           | 45,032     |
| 1,004,936          | 294,359   |                        | 100                  | Meezan Islamic Fund                               | 107,141          | 18,361     |
| 2,104,901          | 3,206,038 |                        | 100                  | ABL Stock Fund                                    | 67,000           | 44,023     |
| 157,124            | -         |                        | 100                  | Al- Ameen Shariah Stock Fund                      | 25,000           | -          |
| 4,741              | -         |                        | 50                   | Alfalah GHP Alpha Fund                            | 12,395           | -          |
| 79,070             | -         |                        | 50                   | Alfalah GHP Cash Fund                             | 42,606           | -          |
| 38,032             | -         |                        | 100                  | Atlas Stock Fund                                  | 25,520           | -          |
| 584,673            | -         |                        | 100                  | HBL Money Market Fund                             | 60,487           | -          |
| 16,437             | -         |                        | 100                  | United Stock Advantage Fund                       | 5,940            | -          |
|                    |           |                        |                      |   | 526,204          | 283,754    |
|                    |           |                        |                      | Provision for diminution in value                 | (27,616)         | (75,631)   |
|                    |           |                        |                      |   | 7,629,284        | 7,321,663  |
|                    |           |                        |                      | Market value as at December 31                    | 45,842,184       | 36,059,818 |

#### Unquoted

##### Term finance certificates

| 2016               | 2015 | Issue date        | Company name   | Note  | 2016             | 2015 |
|--------------------|------|-------------------|--|-------|------------------|------|
| (Number of shares) |      |                   |  |       | (Rupees in '000) |      |
| 4,000              | -    | November 30, 2007 | Agritech Limited I*  | 19.11 | -                | -    |
| 861                | -    | July 01, 2011     | Agritech Limited IV*   | 19.12 | -                | -    |
| 13,000             | -    | December 04, 2007 | Azgard Nine Limited IV*                                      | 19.13 | -                | -    |
| 5,348              | -    | March 31, 2012    | Azgard Nine Limited V**                                      | 19.14 | -                | -    |
| 3,000              | -    | December 31, 2007 | Eden Housing Limited*  | 19.15 | 3,280            | -    |
| 10,000             | -    | December 03, 2007 | New Allied Electronics Industries (Private) Limited - Sukuk* | 19.16 | -                | -    |
|                    |      |                   |  |       | 3,280            | -    |

\* These represent Term Finance Certificates acquired under business combination at nil value.

\*\* This represents zero coupon Term Finance Certificates (TFCs) having a face value of Rs.26.740 million, issued in lieu of outstanding mark-up on non-performing TFCs of Azgard Nine Limited and have been recorded at Rs. Nil. These TFCs were acquired as part of the business combination disclosed in note 5 of these consolidated financial statements.

# Notes to and Forming Part of the Consolidated Financial Statements

## Equity Investments

| 2016<br>(Number of shares) | 2015       | Percentage<br>equity held | Face value<br>per share<br>(Rupees) | Company name  | Note | 2016<br>(Rupees in '000) | 2015     |
|----------------------------|------------|---------------------------|-------------------------------------|---|------|--------------------------|----------|
| 12,433,934                 | 12,433,934 | 0.46%                     | 10                                  | Coca Cola Beverages Pakistan Limited<br>Chief Executive: Mr. Nusret Orhun Kostem<br>Break-up value is Rs. 9.65 per share<br>based on audited financial statements<br>for the year ended December 31, 2016 |      |                          |          |
|                            |            |                           |                                     | Cost  |      | 134,665                  | 134,665  |
|                            |            |                           |                                     | Provision for diminution in value   |      | (14,725)                 | (34,429) |
|                            |            |                           |                                     |   |      | 119,940                  | 100,236  |
| 843,975                    | -          | 0.66%                     | 10                                  | LSE Financial Services Limited<br>Break-up value is Rs. 17.65 per share<br>based on audited financial statements<br>for the year ended June 30, 2016  |      | 11,732                   | -        |
| 44                         | 44         | 4.87%                     | 100                                 | Kissan Fruit Growers (Private) Limited<br>Break-up value is Rs. 559.23 per share<br>based on audited financial statements<br>for the year ended September 30, 2006  |      | 4                        | 4        |
| 32                         | 32         | 4.83%                     | 100                                 | Punjab Fruit Growers (Private) Limited<br>Break-up value is Rs.107.09 per share<br>based on audited financial statements<br>for the year ended September 30, 2006   |      | 3                        | 3        |
| 1,705                      | 1,705      | 4.87%                     | 10                                  | Haider Fruit Growers (Private) Limited<br>Break-up value is Rs. 9.71 per share<br>based on audited financial statements<br>for the year ended June 30, 2006   |      |                          |          |
|                            |            |                           |                                     | Cost  |      | 17                       | 17       |
|                            |            |                           |                                     | Provision for diminution in value   |      | (1)                      | (1)      |
|                            |            |                           |                                     |   |      | 16                       | 16       |
| 350                        | 350        | -                         | 100                                 | Petroleum Development<br>Pakistan Limited   | 19.8 | 1                        | 1        |
| 500                        | 500        | -                         | 100                                 | National Steel of Pakistan Limited  | 19.8 | 1                        | 1        |
| 649,998                    | 422,499    | 0.65%                     | 10                                  | Central Depository Company of Pakistan<br>Chief Executive: Aftab Ahmed Diwan<br>Break-up value is Rs. 36.43 per share<br>based on audited financial statements<br>for the year ended June 30, 2016        |      | 9,110                    | 9,110    |
| 9,500,000                  | 1,900,000  | 3.35%                     | 10                                  | DHA Cogen Limited<br>Chief Executive: Mr. Siraj ul Haq<br>Break-up value is Rs. (29.10) per share<br>based on audited financial statements<br>for the year ended December 31, 2014                        |      |                          |          |

For the year ended December 31, 2016

| 2016                            | 2015    | Percentage equity held | Face value per share | Company name   | Note | 2016             | 2015     |
|---------------------------------|---------|------------------------|----------------------|--|------|------------------|----------|
| (Number of shares)              |         |                        | (Rupees)             |  |      | (Rupees in '000) |          |
| 1,497,758                       | 374,440 | 1.48%                  | 10                   | Cost   |      | 19,125           | 19,125   |
|                                 |         |                        |                      | Provision for diminution in value  |      | (19,125)         | (19,125) |
|                                 |         |                        |                      |  |      | -                | -        |
|                                 |         |                        |                      | Techlogix International Limited<br>Chief Executive: Mr. Kawan Khawaja<br>Break-up value is Rs. 2.58 per share based on audited financial statements for the period ended December 31, 2012 |      |                  |          |
| 464,827                         | 73,962  | 4.55%                  | -                    | Cost   |      | 6,979            | 4,261    |
|                                 |         |                        |                      | Provision for diminution in value  |      | (3,291)          | (3,291)  |
|                                 |         |                        |                      |  |      | 3,688            | 970      |
|                                 |         |                        |                      | Visionet Systems Inc.<br>Chief Executive: Arshad Masood<br>Break-up value is Rs.160.56 per share based on unaudited financial statements for the period ended December 31, 2013            |      |                  |          |
|                                 |         |                        |                      | Cost   |      | 5,423            | 5,423    |
|                                 |         |                        |                      | Provision for diminution in value  |      | -                | -        |
|                                 |         |                        |                      |  |      | 5,423            | 5,423    |
|                                 |         |                        |                      |  |      | 149,918          | 115,764  |
| Breakup value as at 31 December |         |                        |                      |  |      | 239,349          | 133,962  |

| Government Securities     | Maturity<br>year | Effective yield<br>% per annum | Profit<br>payment | 2016<br>(Rupees in '000) | 2015      |
|---------------------------|------------------|--------------------------------|-------------------|--------------------------|-----------|
| Pakistan Investment Bonds | 2021             | 10.00%                         | Half Yearly       | 263,887                  | 734,778   |
| Pakistan Investment Bonds | 2019             | 12.00%                         | Half Yearly       | 333,187                  | 331,218   |
| Pakistan Investment Bonds | 2020             | 12.00%                         | Half Yearly       | 524,645                  | 519,526   |
| Pakistan Investment Bonds | 2020             | 9.25%                          | Half Yearly       | 1,250,728                | 895,716   |
| Pakistan Investment Bonds | 2019             | 9.00%                          | Half Yearly       | 43,638                   | 42,919    |
| Pakistan Investment Bonds | 2019             | 11.50%                         | Half Yearly       | 421,992                  | 429,378   |
| Pakistan Investment Bonds | 2024             | 12.00%                         | Half Yearly       | 43,636                   | 2,936,092 |
| Pakistan Investment Bonds | 2021             | 7.75%                          | Half Yearly       | 204,274                  | -         |
| Pakistan Investment Bonds | 2018             | 11.50%                         | Half Yearly       | 216,150                  | -         |
| Pakistan Investment Bonds | 2021             | 12.00%                         | Half Yearly       | -                        | 497,605   |
| Pakistan Investment Bonds | 2019             | 7.00%                          | Half Yearly       | 4,561,721                | -         |
| Pakistan Investment Bonds | 2023             | 12.50%                         | Half Yearly       | -                        | 33,829    |
| Pakistan Investment Bonds | 2031             | 13.00%                         | Half Yearly       | -                        | 42,724    |
| Pakistan Investment Bonds | 2019             | 6.25%                          | Half Yearly       | 406,301                  | -         |
| Treasury Bills            | 2016             | 6.37%                          | On maturity       | -                        | 29,581    |
|                           |                  |                                |                   | 8,270,159                | 6,493,366 |

## Notes to and Forming Part of the Consolidated Financial Statements

As per the Group's accounting policy and SECP's accounting regulations for the group, certain available-for-sale investments are stated at lower of cost or market value (market value being taken as lower if the reduction is other than temporary). However, International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurements" dealing with the recognition and measurement of financial instruments requires that these instruments should be measured at fair value. Accordingly, had these investments been measured at fair value, their carrying value as on December 31, 2016 would have been higher by Rs. 272.783 million (2015: Rs. 851.797 million).

### 19.4.2.3 Available for sale investments - at fair value

#### Quoted

#### Units of Mutual Funds

| 2016               | 2015       | Face value per share | Investee   | 2016             | 2015    |
|--------------------|------------|----------------------|--|------------------|---------|
| (Number of shares) |            | (Rupees)             |  | (Rupees in '000) |         |
| 4,064,515          | -          | 10                   | ABL Cash Fund                                    | 41,856           | -       |
| 1,369,191          | 2,290,019  | 10                   | ABL Government Securities Fund                   | 14,001           | 23,930  |
| 5,994,886          | 16,643,607 | 10                   | ABL Income Fund                                  | 61,453           | 173,079 |
| 6,991,532          | 5,478,692  | 10                   | ABL Stock Fund                                   | 131,674          | 72,581  |
| 650,782            | 418,922    | 100                  | Al Ameen Islamic Aggressive Income Fund          | 66,475           | 42,248  |
| 311,538            | 283,413    | 100                  | Al Ameen Islamic Cash Fund                       | 42,162           | 29,091  |
| 176,582            | 74,340     | 100                  | Al Ameen Islamic Sovereign Fund                  | 33,890           | 7,641   |
| 126,885            | 51,216     | 100                  | Al Ameen Islamic Shariah Stock Fund              | 20,470           | 5,992   |
| 170,516            | -          | 50                   | Alfalah GHP Cash Fund Class B-Growth Units       | 974              | -       |
| 409,071            | -          | 50                   | Alfalah GHP Income Fund                          | 46,392           | -       |
| 1,249,035          | -          | 50                   | Alfalah GHP Income Multiplier Fund Class B Units | 67,999           | -       |
| 257,877            | -          | 50                   | Alfalah GHP Islamic Stock Fund                   | 20,275           | -       |
| 751,447            | 593,213    | 50                   | Alfalah GHP Stock Fund                           | 118,745          | 73,153  |
| 453,322            | -          | 50                   | Alfalah GHP Alpha Fund                           | 52,857           | -       |
| 16,708             | -          | 100                  | Atlas Islamic Stock Fund                         | 10,152           | -       |
| 45,416             | -          | 100                  | Atlas Stock Market Fund                          | 30,350           | -       |
| 838,451            | -          | 100                  | Faysal Income & Growth Fund                      | 89,538           | -       |
| 651,545            | 161,840    | 100                  | Faysal Islamic Savings Growth Fund               | 42,815           | 16,885  |
| -                  | 958,331    | 10                   | Faysal Money Market Fund                         | -                | 99,590  |
| -                  | 292,013    | 100                  | Faysal Savings Growth Fund                       | -                | 30,997  |
| 916,427            | -          | 100                  | HBL Money Market Fund                            | 95,286           | -       |
| -                  | 220,320    | 100                  | HBL Income Fund                                  | -                | 23,904  |
| 52,864             | -          | 100                  | MCB Arif Habib Savings Fund                      | 2,901            | -       |
| -                  | 91,397     | 50                   | MCB Pakistan Income Fund                         | -                | 5,055   |
| -                  | 753,305    | 100                  | MCB Cash Management Optimizer                    | -                | 77,668  |
| -                  | 507,881    | 100                  | MCB DCF Income Fund                              | -                | 55,522  |
| 372,412            | 2,124,778  | 50                   | MCB Pakistan Sovereign Fund                      | 20,222           | 117,415 |
| 1,141,427          | 993,543    | 50                   | MCB Pakistan Stock Market Fund                   | 130,452          | 79,831  |
| 485,192            | -          | 100                  | Meezan Islamic Fund                              | 40,407           | -       |
| 322,094            | 592,680    | 100                  | Meezan Cash Fund                                 | 16,526           | 30,381  |
| 6,984,205          | 4,295,267  | 10                   | NAFA Islamic Aggressive Income Fund              | 70,805           | 42,305  |
| 837,607            | -          | 10                   | NAFA Islamic Stock Fund                          | 27,438           | -       |
| 1,068,509          | -          | 10                   | NAFA Riba-Free Savings Fund                      | 696              | -       |
| 12,379,221         | 4,991,838  | 10                   | NAFA Income Opportunity Fund                     | 136,812          | 55,628  |
| 5,099,817          | -          | 10                   | NAFA Money Market Fund                           | 53,742           | -       |

For the year ended December 31, 2016

| 2016               | 2015      | Face value per share | Investee                       | 2016             | 2015      |
|--------------------|-----------|----------------------|--------------------------------|------------------|-----------|
| (Number of shares) |           | (Rupees)             |                                | (Rupees in '000) |           |
| 12,154,421         | 5,871,488 | 10                   | NAFA Stock Fund                | 183,810          | 72,811    |
| 187,930            | 1,569,756 | 100                  | UBL Money Market Fund          | 19,311           | 161,695   |
| 876,118            | 1,386,670 | 100                  | UBL Government Securities Fund | 94,367           | 155,013   |
| -                  | -         | 100                  | UBL Income Opportunity Fund    | -                | -         |
| 831,340            | -         | 100                  | UBL Liquidity Plus Fund        | 85,649           | -         |
| 1,153,524          | 23,190    | 100                  | United Growth & Income Fund    | 101,359          | 1,968     |
| 1,159,606          | 1,900,063 | 100                  | United Stock Advantage Fund    | 90,762           | 114,726   |
|                    |           |                      |                                | 2,062,623        | 1,569,109 |

#### Unquoted

| Government Securities     | Maturity year | Effective yield % per annum | Profit payment | 2016             | 2015      |
|---------------------------|---------------|-----------------------------|----------------|------------------|-----------|
|                           |               |                             |                | (Rupees in '000) |           |
| Pakistan Investment Bonds | 2019          | 12.00%                      | Half Yearly    | 141,287          | 142,194   |
| Pakistan Investment Bonds | 2020          | 12.00%                      | Half Yearly    | 1,012,522        | 1,002,641 |
| Pakistan Investment Bonds | 2018          | 11.50%                      | Half Yearly    | 1,184,477        | 1,212,432 |
| Pakistan Investment Bonds | 2020          | 9.25%                       | Half Yearly    | 1,723,328        | 470,843   |
| Pakistan Investment Bonds | 2019          | 7.00%                       | Half Yearly    | 1,339,965        | -         |
| Pakistan Investment Bonds | 2019          | 11.50%                      | Half Yearly    | 222,889          | -         |
| Pakistan Investment Bonds | 2016          | 11.25%                      | Half Yearly    | -                | 61,544    |
| Pakistan Investment Bonds | 2024          | 12.00%                      | Half Yearly    | -                | 138,506   |
| Pakistan Investment Bonds | 2021          | 7.75%                       | Half Yearly    | 472,933          | -         |
| Treasury Bills            | 2016          | 6.37%                       | On maturity    | -                | 50,367    |
|                           |               |                             |                | 6,097,401        | 3,078,527 |

#### Equity Investment

| 2016               | 2015 | Percentage equity held | Face value per share | Company name   | Note | 2016             | 2015      |
|--------------------|------|------------------------|----------------------|--|------|------------------|-----------|
| (Number of shares) |      |                        | (Rupees)             |  |      | (Rupees in '000) |           |
| 4,007,383          | 0    | 0.50%                  | 10                   | Pakistan Stock Exchange Limited (formerly: Karachi Stock Exchange Limited) | 19.9 | 100,986          | -         |
|                    |      |                        |                      |  |      | 6,198,387        | 3,078,527 |

#### 19.5 At fair value through profit or loss

- Units of Mutual Funds

19.5.1

- 719,254

#### 19.5.1 At fair value through profit or loss

Units of Mutual Funds

| 2016               | 2015      | Face value per share | Investee  | 2016             | 2015    |
|--------------------|-----------|----------------------|---|------------------|---------|
| (Number of shares) |           | (Rupees)             |   | (Rupees in '000) |         |
| -                  | 1,262,515 | 100                  | Al Ameen Islamic Principal Preservation Fund - IV | -                | 133,891 |
| -                  | 2,447,034 | 50                   | Al Meezan Principal Preservation Fund - MCPPI     | -                | 134,733 |
| -                  | 864,585   | 100                  | Alfalah GHP Capital Preservation Fund             | -                | 92,273  |
| -                  | 1,278,533 | 10                   | NAFA Stock Fund                                   | -                | 15,855  |
| -                  | 1,344,328 | 50                   | Pakistan Stock Market Fund                        | -                | 108,017 |
| -                  | 376,629   | 100                  | Alfalah GHP Stock Fund                            | -                | 46,444  |
| -                  | 1,403,802 | 50                   | Meezan Islamic Fund                               | -                | 84,158  |
| -                  | 7,841,513 | 10                   | ABL Stock Fund                                    | -                | 103,883 |
|                    |           |                      |   | -                | 719,254 |

**19.6** 730,000 shares of Nestle Pakistan Limited with a book value of Rs. 1,082.594 million are pledged as security against short term finances as referred to in note 13 and 14.1 to these consolidated financial statements.

## Notes to and Forming Part of the Consolidated Financial Statements

**19.7** During the year, the Holding Company subscribe upto 2,397,002 rights shares of Tri-Pack Films Limited (including the right shares offered by Tri-Pack Films Limited to the Holding Company and the right shares renounced by an other shareholder in favour of the Holding Company) at a subscription price of Rs 125 per share of which approval was given by the shareholders in the annual general meeting held on April 26, 2012.

**19.8** These represent investments in Bangladesh.

**19.9** Pursuant to the promulgation of Stock Exchanges (Corporatisation, Demutualization and Integration) Act, 2012 (The Act) during financial year ended June 30, 2013, IGI Finex was allotted 4,007,383 shares of Karachi Stock Exchange Limited (KSE). 40% of the allotted shares were received by IGI Finex and remaining 60% were kept in a blocked CDC account maintained by KSE. Pursuant to the integration, the name of KSE had been changed to Pakistan Stock Exchange Limited (PSX).

During December 2016, Divestment Committee of the PSX had issued an invitation for Expression of Interest for acquiring upto 40% equity stake in PSX held blocked CDC Account. Thereafter bids were submitted by interested parties and as a result of bidding process, share price of Rs 28 per share has been offered by the anchor investor / successful investor. Sale proceeds of the shares sold, after retaining 10% of the sale price for one year to settle any outstanding liabilities of PSX in terms of Share Purchase Agreement (SPA), shall be remitted to PSX's designated bank account by the anchor investor whereby, PSX shall transfer the same to the respective TRE Certificate holders.

The SPA between PSX, Divestment Committee of PSX and the anchor investor has been signed. However the SPA is subject to fulfilment / completion of certain conditions and formalities and until these conditions are fulfilled, the SPA shall not be considered as consummated. As per the SPA executed with the successful investor, the Divestment Committee had to transfer the entire 40% shares of PSX in March 2017. However, due to freezing orders by courts, NAB and FBR, shares of certain initial shareholders held in blocked accounts were not available for the purpose. Therefore, in order to resolve this matter and to ensure that the sale transaction is successfully concluded without any delay, the Divestment Committee proposed that all initial shareholders to contribute 13,000 PSX shares equally out of their freely held shares to bridge this shortfall.

Based on the above, the Group has carried its entire shareholding in PSX at Rs. 25.2 per share [i.e. the share price of Rs. 2.8 per share after deducting 10% retention (i.e. Rs. 2.8 per share) as stated above].

|   | Particulars            | Certificates denomination | Profit rate per annum   | Profit payment | Maturity date      | Redemption  |
|---|------------------------|---------------------------|---|----------------|--------------------|---|
| <b>Listed Term Finance Certificates</b>           |                        |                           |   |                |                    |   |
| <b>19.10</b>                                      | Azgard Nine Limited II | 5,000                     | 2010-2011: 6 month KIBOR plus 1%,<br>2012-2015: 6 month KIBOR plus 1.25%,<br>2016-2017: 6 months KIBOR plus 1.75% | Semi-annually  | September 20, 2017 | 12 semi-annual installments with stepped up repayment plan, 2012-2015: 47% (Rs.699 million), 2016-2017: 53% (Rs.799 million).     |
| <b>Unlisted Term Finance Certificates / Sukuk</b> |                        |                           |   |                |                    |   |
| <b>19.11</b>                                      | Agritech Limited I     | 5,000                     | Average ask rate of six months KIBOR plus 1.75  | Semi-annually  | November 29, 2019  | 12% semi-annual installments with stepped up repayment plan, 2012-2014: 35% (Rs. 524,580,000), 2015-2017: 65% (Rs. 974,220,000).  |
| <b>19.12</b>                                      | Agritech Limited IV    | 5,000                     | Zero Coupon   | -              | January 01, 2015   | Principal to be repaid in 6 semi-annual installments as per schedule, commencing from July 01, 2012.                              |
| <b>19.13</b>                                      | Azgard Nine Limited IV | 5,000                     | 2010-2011: 6 month KIBOR plus 1%,<br>2012-2015: 6 month KIBOR plus 1.25%,<br>2016-2017: 6 months KIBOR plus 1.75% | Semi-annually  | December 04, 2017  | 12 semi-annual installments with stepped up repayment plan, 2012-2015: 47% (Rs.1,166 million), 2016-2017: 53% (Rs.1,332 million). |

For the year ended December 31, 2016

|       | Particulars   | Certificates denomination | Profit rate per annum  | Profit payment | Maturity date     | Redemption   |
|-------|---|---------------------------|--|----------------|-------------------|--|
| 19.14 | Azgard Nine Limited V                                       | 5,000                     | Zero Coupon  | -              | March 31, 2017    | Principal to be repaid in 7 semi-annual installments as per schedule, commencing from March 31, 2014.  |
| 19.15 | Eden Housing Limited  | 5,000                     | Average ask rate of three months KIBOR plus 2.5% per annum from December 31, 2007 to June 29, 2013 (floor 7% and cap 20%)<br><br>Average ask rate of three months KIBOR plus 3% per annum from June 30, 2013 to June 29, 2014 (floor 7% and cap 20%) | Quarterly      | June 29, 2014     | Principal to be redeemed in unequal quarterly installments as per schedule.  |
| 19.16 | New Allied Electronics Industries (Private) Limited - Sukuk | 5,000                     | Average ask rate of three months KIBOR plus 2.2% (floor 7% and cap 20%)  | Semi-annually  | December 03, 2012 | Principal redemption will take place in six equal semi annual installments. This will commence from the 30th month of the date of public subscription after a grace period of 24 months. |

## 20 DEFERRED TAXATION

Deferred tax debits / (credits) have arisen in respect of:

Accelerated tax depreciation

Investment in associate

Investment classified as available for sale

Provision for doubtful receivables

Unused tax losses

Provision for leave encashment

Defined benefit plan

Liabilities against assets subject to finance lease

Assets subject to finance lease

Tax effects of intangibles

Surplus of statutory funds

Note

| 2016             | 2015      |
|------------------|-----------|
| (Rupees in '000) |           |
| (36,461)         | (39,016)  |
| (247,975)        | (122,469) |
| (20,651)         | -         |
| 93,439           | 37,409    |
| 30,083           | -         |
| 849              | -         |
| 2,972            | (121)     |
| 13,324           | -         |
| (13,663)         | -         |
| (46,265)         | (50,552)  |
| (153,831)        | (76,579)  |
| (378,179)        | (251,328) |

## 21 PREMIUMS DUE BUT UNPAID

Unsecured

- Considered good

- Considered doubtful

Provision for doubtful receivables

21.3

|          |          |
|----------|----------|
| 519,916  | 397,319  |
| 83,894   | 77,666   |
| 603,810  | 474,985  |
| (83,894) | (77,666) |
| 519,916  | 397,319  |



## Notes to and Forming Part of the Consolidated Financial Statements

21.1 This includes an amount of Rs 21.445 million receivable from related parties out of which an amount of Rs 6.128 million have been considered doubtful.

21.2 The aggregate amount due by directors, chief executive and executives of the Holding Company amounts to Rs. 0.678 million (2015: Rs 0.189 million).

|      | Note                                      | 2016             | 2015   |
|------|---|------------------|--------|
| 21.3 | <b>Provision for doubtful receivables</b> | (Rupees in '000) |        |
|      |   | 77,666           | 68,053 |
|      | Balance as at January 1                   | 12,891           | 9,613  |
|      | Provision made during the year            | (6,663)          | -      |
|      | Write off                                 | 83,894           | 77,666 |
|      | Balance as at December 31                 |                  |        |

### 22 AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

|  |                                    |          |          |
|--|------------------------------------|----------|----------|
|  | Unsecured                          |          |          |
|  | - Considered good                  | 444,731  | 422,023  |
|  | - Considered doubtful              | 41,423   | 39,236   |
|  |                                    | 486,154  | 461,259  |
|  | Provision for doubtful receivables | (41,423) | (39,236) |
|  |                                    | 444,731  | 422,023  |

#### 22.1 Provision for doubtful receivables

|  |                                |        |        |
|--|--------------------------------|--------|--------|
|  | Balance as at January 1        | 39,236 | 39,236 |
|  | Provision made during the year | 2,187  | -      |
|  | Balance as at December 31      | 41,423 | 39,236 |

### 23 SUNDRY RECEIVABLES

|  |   |          |         |
|--|---|----------|---------|
|  | Advances - considered good  | 8,618    | 4,688   |
|  | Security deposits   | 44,528   | 45,525  |
|  | Agent balances  | 3,198    | 1,450   |
|  | (Payable to) / receivable from defined benefit plan                                       | (32,807) | 5,921   |
|  | Sales tax recoverable   | 15,703   | 18,357  |
|  | Salvage recoverable   | 27,438   | 7,900   |
|  | Advances to employees against expenses  |          |         |
|  | - executives  | 438      | 302     |
|  | - others  | 778      | 922     |
|  | Receivable against claim administration services  | 50,944   | 39,003  |
|  | Net investment in finance lease   | 221,313  | -       |
|  | Receivable from clients against purchase of marketable securities and commodity contracts | 38,718   | -       |
|  | Clearing balance with National Clearing Company of Pakistan Limited                       | 67,424   | -       |
|  | Pakistan Mercantile Exchange Limited-margin deposit                                       | 4,613    | -       |
|  | Exposure deposit with Pakistan Stock Exchange Limited                                     | 165,750  | -       |
|  | Others  | 33,817   | 52,571  |
|  |   | 650,473  | 176,639 |

#### 23.1 Defined benefit plan - approved gratuity fund

##### 23.1.1 Salient features

The Group offers separate approved gratuity funds for all employees of the Holding Company and IGI Life. Annual contributions are made to the funds on the basis of actuarial recommendations. The gratuity schemes are 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 Group faces the following risks on account of these gratuity funds:

##### 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.

### Longevity risks

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

### 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.

## 23.1.2 Valuation results

The Group operates separate approved funded gratuity schemes for all eligible employees of the Holding Company and IGI Life. Actuarial valuations are carried out every year and the latest valuations were carried out as at December 31, 2016. The information provided in notes 22.1.3 to 22.1.14 has been obtained from the actuarial valuations carried out as at December 31, 2016. The following significant assumptions have been used for valuation of these schemes:

|  | 2016        |          | 2015     |          |
|--|-------------|----------|----------|----------|
|  | Holding     | IGI Life | Holding  | IGI Life |
|  | (Per annum) |          |          |          |
| a) Expected rate of increase in salary level | 10%         | 9%       | 10%      | 9%       |
| b) Discount rate                             | 10%         | 9%       | 10%      | 9%       |
| c) Expected return on plan assets            | 10%         | 9%       | 10%      | 9%       |
| d) Normal retirement age                     | 58 years    | 65 years | 58 years | 65 years |

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

## 23.1.3 Amounts recognised in the balance sheet:

|  | Note   | 2016             | 2015      |
|--|--------|------------------|-----------|
|  |        | (Rupees in '000) |           |
| Present value of defined benefit obligation          | 23.1.5 | 124,690          | 132,566   |
| Less: Fair value of plan assets                      | 23.1.5 | (91,883)         | (138,487) |
| Payable to / (receivable from) defined benefit plans |        | 32,807           | (5,921)   |

## 23.1.4 Movement in liability / (asset) during the year

|  |          |          |
|--|----------|----------|
| Obligation at the beginning of the year  | (5,921)  | 9,570    |
| Charge to profit and loss account        | 51,560   | 16,079   |
| Other comprehensive loss / (income)      | 4,290    | (14,599) |
| Contribution to the fund during the year | (17,122) | (16,971) |
| Obligation at the end of the year        | 32,807   | (5,921)  |

# Notes to and Forming Part of the Consolidated Financial Statements

## 23.1.5 Movement in defined benefit obligation

| 2016  |                             |                           |          |
|---|-----------------------------|---------------------------|----------|
|   | Present value of obligation | Fair value of plan assets | Total    |
|   | (Rupees in '000)            |                           |          |
| As at January 1                               | 132,566                     | (138,487)                 | (5,921)  |
| Current service cost                          | 23,089                      | -                         | 23,089   |
| Past service cost                             | 29,393                      | -                         | 29,393   |
| Interest expense / (income)                   | 4,505                       | (5,427)                   | (922)    |
|   | 189,553                     | (143,914)                 | 45,639   |
| <b>Remeasurements:</b>                        |                             |                           |          |
| - Loss from change in demographic assumptions | (463)                       | -                         | (463)    |
| - Gain from change in experience adjustments  | 2,168                       | -                         | 2,168    |
| - Loss on actual salary increase              | 1,994                       | 591                       | 2,585    |
|   | 3,699                       | 591                       | 4,290    |
| Contributions during the year                 | -                           | (17,122)                  | (17,122) |
| Benefit payments                              | (68,562)                    | 68,562                    | -        |
| As at December 31                             | 124,690                     | (91,883)                  | 32,807   |

| 2015  |                             |                           |          |
|---|-----------------------------|---------------------------|----------|
|   | Present value of obligation | Fair value of plan assets | Total    |
|   | (Rupees in '000)            |                           |          |
| As at January 1                               | 132,322                     | (122,752)                 | 9,570    |
| Current service cost                          | 14,873                      | -                         | 14,873   |
| Past service cost                             | 579                         | -                         | 579      |
| Interest expense / (income)                   | 14,082                      | (13,455)                  | 627      |
|   | 161,856                     | (136,207)                 | 25,649   |
| <b>Remeasurements:</b>                        |                             |                           |          |
| - Gain from change in demographic assumptions | (5,269)                     | -                         | (5,269)  |
| - Gain from change in financial assumptions   | (7,650)                     | (1,509)                   | (9,159)  |
| - Loss from change in financial assumptions   | 185                         | (1,309)                   | (1,124)  |
| - Loss on actual salary increase              | 2,858                       | -                         | 2,858    |
| - Loss from change in experience adjustments  | (1,072)                     | (833)                     | (1,905)  |
|   | (10,948)                    | (3,651)                   | (14,599) |
| Contributions during the year                 | -                           | (16,971)                  | (16,971) |
| Benefit payments                              | (18,342)                    | 18,342                    | -        |
| As at December 31                             | 132,566                     | (138,487)                 | (5,921)  |

## 23.1.6 Amounts recognised in the profit and loss account:

|                                | 2016             | 2015    |
|--------------------------------|------------------|---------|
|                                | (Rupees in '000) |         |
| Current service cost           | 23,089           | 14,873  |
| Past service cost              | 29,393           | 579     |
| Interest cost                  | 4,505            | 5,731   |
| Expected return on investments | (5,427)          | (5,104) |
| Expense for the year           | 51,560           | 16,079  |

## 23.1.7 Actual return on plan assets

|                           | 2016  | 2015   |
|---------------------------|-------|--------|
| Expected return on assets | 5,427 | 13,455 |
| Actuarial loss            | (591) | 3,651  |
|                           | 4,836 | 17,106 |

For the year ended December 31, 2016

### 23.1.8 Analysis of present value of defined benefit obligation

|                              | 2016             | 2015    |
|------------------------------|------------------|---------|
|                              | (Rupees in '000) |         |
| Split by vested / non-vested |                  |         |
| (i) Vested benefits          | 114,479          | 129,384 |
| (ii) Non-vested benefits     | 10,211           | 3,182   |
|                              | 124,690          | 132,566 |

### 23.1.9 Sensitivity analysis

| Particulars                       | As at December 31, 2016 |   |                  | As at December 31, 2015 |   |                  |
|-----------------------------------|-------------------------|---|------------------|-------------------------|---|------------------|
|                                   | Change in assumption    | Increase /(decrease) in present value of defined benefit obligation |                  | Change in assumption    | Increase /(decrease) in present value of defined benefit obligation |                  |
|                                   |                         | %   | (Rupees in '000) |                         | %   | (Rupees in '000) |
| Discount rate                     | +1%                     | -8.04%  | (10,025)         | +1%                     | -5.27%  | (6,991)          |
|                                   | -1%                     | 9.69%   | 12,083           | -1%                     | 6.29%   | 8,334            |
| Salary increase rate              | +1%                     | 9.75%   | 12,156           | +1%                     | 6.39%   | 8,465            |
|                                   | -1%                     | -8.25%  | (10,284)         | -1%                     | -5.45%  | (7,221)          |
| Life expectancy / withdrawal rate | +0.5%                   | -0.96%  | (1,202)          | +0.5%                   | -0.11%  | (151)            |
|                                   | -1.5%                   | 0.96%   | 1,202            | -1.5%                   | 0.11%   | 150              |

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.

### 23.1.10 Plan assets comprise of the following:

|                           | 2016             | Percentage composition | 2015             | Percentage composition |
|---------------------------|------------------|------------------------|------------------|------------------------|
|                           | (Rupees in '000) |                        | (Rupees in '000) |                        |
| Equity investments        | 4,939            | 5.38%                  | 4,104            | 2.96%                  |
| Cash and bank deposits    | 12,930           | 14.07%                 | 24,823           | 17.92%                 |
| Government Securities     | 74,014           | 80.55%                 | 109,560          | 79.11%                 |
| Fair value of plan assets | 91,883           | 100.00%                | 138,487          | 100.00%                |

**23.1.11** As per the actuarial recommendations, the expected return on plan assets was taken as 9.50% (2015:10%), which is representative of yields on long-term Government bonds. Due to the increased volatility of the 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.

**23.1.12** Based on actuarial advice, the Group intends to charge an amount of Rs 21.71 million in the consolidated financial statements for the year ending December 31, 2017.

## Notes to and Forming Part of the Consolidated Financial Statements

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

| At December 31, 2016 | Less than a year | Between 1-2 Years | Between 2-5 Years | Over 5 Years | Total   |
|----------------------|------------------|-------------------|-------------------|--------------|---------|
|                      | (Rupees in '000) |                   |                   |              |         |
| Gratuity             | 2,261            | 5,277             | 7,201             | 597,652      | 612,391 |

**23.1.14** 5 year data on the deficit / (surplus) of the plan is as follows:

|   | 2016             | 2015      | 2014      | 2013      | 2012     |
|---|------------------|-----------|-----------|-----------|----------|
|   | (Rupees in '000) |           |           |           |          |
| Present value of defined benefit obligation | 124,690          | 132,566   | 132,321   | 127,956   | 104,659  |
| Fair value of plan assets                   | (91,883)         | (138,487) | (122,751) | (130,310) | (78,228) |
| Deficit / (surplus)                         | 32,807           | (5,921)   | 9,570     | (2,354)   | 26,431   |

**23.2** This represents residual values relating to net investment in finance lease of IGI Investment Bank Limited acquired as part of the amalgamation scheme.

### 24 DEFINED CONTRIBUTION PLAN - PROVIDENT FUND

The Holding 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, 2016 was Rs. 9.827 million (2015: Rs. 8.977 million). The audit of the provident fund for the year ended June 30, 2016 is in progress. The net assets based on audited financial statements of Provident Fund as at June 30, 2015 are Rs. 80.819 million out of which 88% 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 and carrying value of investments of the provident fund as at June 30, 2015 were Rs. 76.276 million and Rs. 71.369 million respectively. 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.

IGI Life has set up a provident fund for its permanent employees and contributions were made by IGI Life 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, 2016 was Rs.11.185 million (2015: Rs.11.167 million). The net assets based on unaudited financial statements of Provident Fund as at December 31, 2016 are Rs. 39.606 million out of 93.86% was invested in bank accounts as provided in Section 227 of the Companies Ordinance, 1984 and rules formulated for the purpose. The fair value and carrying value of investments of the provident fund as at December 31, 2016 were Rs. 37.177 million respectively. 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  |                           | IGI Life         |                           |
|-----------------------|------------------|---------------------------|------------------|---------------------------|
|                       | (Rupees in '000) | % of the size of the fund | (Rupees in '000) | % of the size of the fund |
| Government securities | 60,030           | 78.70%                    | -                | 0.00%                     |
| Listed securities     | 9,328            | 12.23%                    | -                | 0.00%                     |
| Bank deposits         | 6,918            | 9.07%                     | 37,177           | 100.00%                   |
| Total                 | 76,276           |                           | 37,177           |                           |

For the year ended December 31, 2016

## 25 STAFF STRENGTH

|   | Holding Company       |      | Subsidiaries Company |      |
|---|-----------------------|------|----------------------|------|
|   | 2016                  | 2015 | 2016                 | 2015 |
|   | (Number of employees) |      |                      |      |
| Number of employees as at December 31       | 148                   | 122  | 186                  | 126  |
| Average number of employees during the year | 130                   | 122  | 192                  | 126  |

## 26 FIXED ASSETS

|                          | Note | 2016             | 2015    |
|--------------------------|------|------------------|---------|
|                          |      | (Rupees in '000) |         |
| Tangible assets          | 26.1 | 448,006          | 368,383 |
| Capital work in progress |      | 10,843           | 7,938   |
| Intangible assets        | 26.2 | 317,499          | 151,601 |
|                          |      | 776,348          | 527,922 |

### 26.1 Tangible assets

|  | Furniture, fixtures and office equipment |                  |                    |           | Buildings | Motor vehicles |        | Total     |
|--|--|------------------|--------------------|-----------|-----------|----------------|--------|-----------|
|  | Furniture and fixtures                   | Office equipment | Computer equipment | Sub total |           | Own            | Leased |           |
|  | (Rupees in '000)                         |                  |                    |           |           |                |        |           |
| As at January 1, 2015                  |  |                  |                    |           |           |                |        |           |
| 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 January 1, 2015   | 21,583                                   | 11,921           | 8,833              | 42,337    | 166,545   | 66,782         | -      | 275,664   |
| For the year ended December 31, 2015   |  |                  |                    |           |           |                |        |           |
| Opening net book value                 | 21,583                                   | 11,921           | 8,833              | 42,337    | 166,545   | 66,782         | -      | 275,664   |
| Additions / Transfer *                 |  |                  |                    |           |           |                |        |           |
| - Cost                                 | 9,084                                    | 22,179           | 18,823             | 50,086    | 115,024   | 62,305         | -      | 227,415   |
| - Accumulated depreciation             | -  | -                | -                  | -         | (25,302)  | -              | -      | (25,302)  |
|  | 9,084                                    | 22,179           | 18,823             | 50,086    | 89,722    | 62,305         | -      | 202,113   |
| Disposals / Transfer *                 |  |                  |                    |           |           |                |        |           |
| - Cost                                 | (12,639)                                 | (721)            | (434)              | (13,794)  | (53,242)  | (29,288)       | -      | (96,324)  |
| - Accumulated depreciation             | 8,912                                    | 415              | 414                | 9,741     | 16,228    | 19,688         | -      | 45,657    |
|  | (3,727)                                  | (306)            | (20)               | (4,053)   | (37,014)  | (9,600)        | -      | (50,667)  |
| Depreciation charge                    | (4,558)                                  | (3,508)          | (6,246)            | (14,312)  | (14,064)  | (30,351)       | -      | (58,727)  |
| Net book value as at December 31, 2015 | 22,382                                   | 30,286           | 21,390             | 74,058    | 205,189   | 89,136         | -      | 368,383   |

## Notes to and Forming Part of the Consolidated Financial Statements

|   | Furniture, fixtures and office equipment |                  |                    |           | Buildings | Motor vehicles |         | Total     |
|---|--|------------------|--------------------|-----------|-----------|----------------|---------|-----------|
|   | Furniture and fixtures                   | Office equipment | Computer equipment | Sub total |           | Own            | Leased  |           |
| (Rupees in ‘000)  |  |                  |                    |           |           |                |         |           |
| As at December 31, 2015                                   |  |                  |                    |           |           |                |         |           |
| Cost  | 35,060                                   | 54,037           | 56,220             | 145,317   | 304,598   | 149,923        | -       | 599,838   |
| Accumulated depreciation                                  | (12,678)                                 | (23,751)         | (34,830)           | (71,259)  | (99,409)  | (60,787)       | -       | (231,455) |
| Net book value as at<br>December 31, 2015                 | 22,382                                   | 30,286           | 21,390             | 74,058    | 205,189   | 89,136         | -       | 368,383   |
| For the year ended<br>December 31, 2016                   |  |                  |                    |           |           |                |         |           |
| Opening net book value                                    | 22,382                                   | 30,286           | 21,390             | 74,058    | 205,189   | 89,136         | -       | 368,383   |
| Additions / Transfer<br>*(Note 26.1.2)                    |  |                  |                    |           |           |                |         |           |
| - Cost  | 19,879                                   | 6,915            | 5,465              | 32,259    | 52,102    | 16,030         | 58,971  | 159,362   |
| - Accumulated<br>depreciation                             | -  | -                | -                  | -         | (11,946)  | -              | -       | (11,946)  |
|   | 19,879                                   | 6,915            | 5,465              | 32,259    | 40,156    | 16,030         | 58,971  | 147,416   |
| Assets acquired as part<br>of business<br>combination-net |  |                  |                    |           |           |                |         |           |
|   | 941                                      | 857              | 2,138              | 3,936     | 4,352     | 11,699         | -       | 19,987    |
| Disposals   |  |                  |                    |           |           |                |         |           |
| - Cost  | (5,362)                                  | (712)            | (570)              | (6,644)   | (66)      | (28,328)       | (2,059) | (37,097)  |
| - Accumulated<br>depreciation                             | 1,797                                    | 575              | 450                | 2,822     | 66        | 22,476         | 103     | 25,467    |
|   | (3,565)                                  | (137)            | (120)              | (3,822)   | -         | (5,852)        | (1,956) | (11,630)  |
| Depreciation charge                                       | (5,062)                                  | (6,236)          | (8,731)            | (20,029)  | (18,267)  | (33,322)       | (4,532) | (76,150)  |
| Net book value as at<br>December 31, 2016                 | 34,575                                   | 31,685           | 20,142             | 86,402    | 231,430   | 77,691         | 52,483  | 448,006   |
| As at December 31, 2016                                   |  |                  |                    |           |           |                |         |           |
| Cost  | 50,518                                   | 61,097           | 63,253             | 174,868   | 360,986   | 149,324        | 56,912  | 742,090   |
| Accumulated depreciation                                  | (15,943)                                 | (29,412)         | (43,111)           | (88,466)  | (129,556) | (71,633)       | (4,429) | (294,084) |
| Net book value as at<br>December 31, 2016                 | 34,575                                   | 31,685           | 20,142             | 86,402    | 231,430   | 77,691         | 52,483  | 448,006   |
| Annual rate of depreciation                               | 10%                                      | 10-20%           | 20-33.33%          |           | 5-10%     | 20-33%         | 20-33%  |           |

26.1.1 The cost of fully depreciated property and equipment still in use amounts to Rs. 144.994 million (2015: Rs. 141.697 million).

26.1.2 This includes transfer of investment property to bulidings having cost and accumulated depreciation amounting to Rs. 34.153 million and Rs. 11.946 million respectively. (2015: Rs. 56.997 million and Rs. 9.074 million)

For the year ended December 31, 2016

### 26.1.3 Disposal of operating fixed assets

| Particulars of the assets                                   | Cost   | Accumulated depreciation | Book value | Sales proceeds | Mode of disposal | Particulars of buyer             |
|---|--------|--------------------------|------------|----------------|------------------|----------------------------------|
| (Rupees in '000)  |        |                          |            |                |                  |                                  |
| <b>Assets with book value of more than Rs. 50,000</b>       |        |                          |            |                |                  |                                  |
| <b>Vehicles</b>   |        |                          |            |                |                  |                                  |
| <b>Motor Vehicles- Leased</b>                               |        |                          |            |                |                  |                                  |
| Toyota Corolla Gli  | 2,059  | 103                      | 1,956      | 1,887          | Lease Settlement | Bank Al Habib Limited            |
| <b>Motor Vehicles- Own</b>                                  |        |                          |            |                |                  |                                  |
| Toyota Corolla Gli  | 1,885  | 31                       | 1,854      | 1,845          | Group policy     | Tariq Mahmood Qureshi            |
| Suzuki Cultus   | 1,071  | 874                      | 197        | 559            | Group policy     | Asad Ali Siddique                |
| Toyota Corolla Gli  | 2,085  | 1,182                    | 903        | 1,081          | Group policy     | Khurram Ikram                    |
| Honda Civic Prosmatic                                       | 2,254  | 1,273                    | 981        | 1,774          | Group policy     | Ali Hassan                       |
| Suzuki Cultus   | 958    | 607                      | 351        | 428            | Group policy     | Suhail Mustafa                   |
| Toyota Corolla Gli  | 1,674  | 1,116                    | 558        | 748            | Group policy     | Faisal Younus Bawani             |
| Toyota Vitz   | 1,094  | 911                      | 183        | 714            | Group policy     | Simra Atif                       |
| Suzuki Alto   | 807    | 565                      | 242        | 299            | Group policy     | Mamoon Irshad                    |
| Honda Civic Prosmatic                                       | 2,474  | 1,895                    | 579        | 1,900          | Group policy     | Agha Shahbaz Haider              |
| <b>Furniture and Fixtures</b>                               |        |                          |            |                |                  |                                  |
| Herman Miller Station                                       | 3,818  | 891                      | 2,927      | 615            | Negotiation      | Packages Limited                 |
| Chairs  | 536    | 475                      | 61         | -              | Donation*        | Naqash School System             |
| Various Assets  | 673    | 124                      | 549        | -              | Donation*        | SBA's ancestral village School   |
| <b>Computer equipments</b>                                  | 110    | 10                       | 100        | 100            | Negotiation      | Various                          |
| <b>Other assets with book value of less than Rs. 50,000</b> |        |                          |            |                |                  |                                  |
| <b>Computers</b>  |        |                          |            |                |                  |                                  |
| Computer Equipments   | 460    | 440                      | 20         | 75             | Negotiation      | Various                          |
| <b>Motor Vehicles- Own</b>                                  |        |                          |            |                |                  |                                  |
| Various   | 7,780  | 7,776                    | 4          | 4,340          | Group policy     | Various                          |
| Honda Civic   | 1,354  | 1,354                    | -          | 648            | Group policy     | <b>Ex-Employees</b><br>Zur-e-Ata |
| Toyota Corolla A/T GLI                                      | 1,173  | 1,173                    | -          | 507            | Group policy     | Khuram S Awan                    |
| Toyota Corolla GLI  | 1,672  | 1,672                    | -          | 710            | Group policy     | Khalid Agha                      |
| Honda Civic   | 2,047  | 2,047                    | -          | 287            | Group policy     | Taseer Makhdoom                  |
| <b>Office and electrical equipments</b>                     |        |                          |            |                |                  |                                  |
|   | 659    | 564                      | 95         | 43             | Negotiation      | Various                          |
|   | 53     | 11                       | 42         | -              | Donation*        | Syedaan Wala Village School      |
|   | 712    | 575                      | 137        | 43             |                  |                                  |
| <b>Furniture and Fixtures</b>                               | 335    | 307                      | 28         | 53             | Company policy   | Write off                        |
| <b>Leasehold Improvements</b>                               | 66     | 66                       | -          | -              | Company policy   | Write off                        |
| <b>2016</b>   | 37,097 | 25,467                   | 11,630     | 18,613         |                  |                                  |
| 2015  | 43,082 | 29,429                   | 13,653     | 19,770         |                  |                                  |

\* These assets were charged off as donation expense during the year.

# Notes to and Forming Part of the Consolidated Financial Statements

## 26.2 INTANGIBLES

Note

|   |   | 2016             | 2015    |
|---|---|------------------|---------|
|   |   | (Rupees in '000) |         |
| Computer software                             |   | 3,081            | 2,745   |
| Membership card                               |   | 250              | -       |
| Trading Right Entitlement certificates (TREC) |   | 14,999           | -       |
| Goodwill                                      | 5 | 163,024          | -       |
| Licenses                                      |   | 70               | 173     |
| Customer relationships                        |   | 14,253           | 19,017  |
| Distribution channel                          |   | 65,296           | 65,296  |
| Value of inforce contracts                    |   | 45,222           | 53,066  |
| Pooling arrangements                          |   | 11,304           | 11,304  |
|   |   | 317,499          | 151,601 |

### 26.2.1 The following is a statement of intangible assets:

|   | 2016              |                 |   |          |          |                                  |                             |                                  |                      |                                     |                   |                     |          |
|---|-------------------|-----------------|---|----------|----------|----------------------------------|-----------------------------|----------------------------------|----------------------|-------------------------------------|-------------------|---------------------|----------|
|   | Computer Software | Membership card | Trading Right Entitlement certificates (TREC) | Goodwill | Licences | Customer relationships           |                             |                                  | Distribution channel | Value of inforce contracts          |                   | Pooling Arrangement | Total    |
|   |                   |                 |   |          |          | Life (Non-participating) - Group | Accident and Health - Group | Accident and Health - Individual | Investment Linked    | Life (Non-participating) Individual | Investment Linked | Maxis               |          |
| (Rupees in '000)                                    |                   |                 |   |          |          |                                  |                             |                                  |                      |                                     |                   |                     |          |
| As at January 1, 2015                               |                   |                 |   |          |          |                                  |                             |                                  |                      |                                     |                   |                     |          |
| Cost  | 19,971            | -               | -   | -        | 1,808    | 14,960                           | 10,338                      | 5,275                            | 65,296               | 31,849                              | 34,776            | 11,304              | 195,577  |
| Accumulated amotisation                             | (14,307)          | -               | -   | -        | (1,521)  | (1,744)                          | (1,205)                     | (1,922)                          | -                    | (2,579)                             | (3,136)           | -                   | (26,414) |
| Net book value as at January 1, 2015                | 5,664             | -               | -   | -        | 287      | 13,216                           | 9,133                       | 3,353                            | 65,296               | 29,270                              | 31,640            | 11,304              | 169,163  |
| Year ended December 31, 2015                        |                   |                 |   |          |          |                                  |                             |                                  |                      |                                     |                   |                     |          |
| Opening net book value                              | 5,664             | -               | -   | -        | 287      | 13,216                           | 9,133                       | 3,353                            | 65,296               | 29,270                              | 31,640            | 11,304              | 169,163  |
| Additions   | 100               | -               | -   | -        | -        | -                                | -                           | -                                | -                    | -                                   | -                 | -                   | 100      |
| Amortisation charge                                 | (3,019)           | -               | -   | -        | (114)    | (2,394)                          | (1,654)                     | (2,637)                          | -                    | (3,539)                             | (4,305)           | -                   | (17,662) |
| Net book value as at December 31, 2015              | 2,745             | -               | -   | -        | 173      | 10,822                           | 7,479                       | 716                              | 65,296               | 25,731                              | 27,335            | 11,304              | 151,601  |
| As at January 1, 2016                               |                   |                 |   |          |          |                                  |                             |                                  |                      |                                     |                   |                     |          |
| Cost  | 20,071            | -               | -   | -        | 1,808    | 14,960                           | 10,338                      | 5,275                            | 65,296               | 31,849                              | 34,776            | 11,304              | 195,677  |
| Accumulated amortization                            | (17,326)          | -               | -   | -        | (1,635)  | (4,138)                          | (2,859)                     | (4,559)                          | -                    | (6,118)                             | (7,441)           | -                   | (44,076) |
| Net book value as at January 1, 2016                | 2,745             | -               | -   | -        | 173      | 10,822                           | 7,479                       | 716                              | 65,296               | 25,731                              | 27,335            | 11,304              | 151,601  |
| Year ended December 31, 2016                        |                   |                 |   |          |          |                                  |                             |                                  |                      |                                     |                   |                     |          |
| Opening net book value                              | 2,745             | -               | -   | -        | 173      | 10,822                           | 7,479                       | 716                              | 65,296               | 25,731                              | 27,335            | 11,304              | 151,601  |
| Additions   | 1,646             | -               | -   | -        | -        | -                                | -                           | -                                | -                    | -                                   | -                 | -                   | 1,646    |
| Assets acquired as part of business combination-net | 84                | 250             | 14,999  | 163,024  | -        | -                                | -                           | -                                | -                    | -                                   | -                 | -                   | 178,357  |
| Amortisation charge                                 | (1,394)           | -               | -   | -        | (103)    | (2,394)                          | (1,654)                     | (716)                            | -                    | (3,539)                             | (4,305)           | -                   | (14,105) |
| Net book value as at December 31, 2016              | 3,081             | 250             | 14,999  | 163,024  | 70       | 8,428                            | 5,825                       | -                                | 65,296               | 22,192                              | 23,030            | 11,304              | 317,499  |
| As at December 31, 2016                             |                   |                 |   |          |          |                                  |                             |                                  |                      |                                     |                   |                     |          |
| Cost  | 21,801            | 250             | 14,999  | 163,024  | 1,808    | 14,960                           | 10,338                      | 5,275                            | 65,296               | 31,849                              | 34,776            | 11,304              | 375,680  |
| Accumulated amotization                             | (18,720)          | -               | -   | -        | (1,738)  | (6,532)                          | (4,513)                     | (5,275)                          | -                    | (9,657)                             | (11,746)          | -                   | (58,181) |
| Net book value as at December 31, 2016              | 3,081             | 250             | 14,999  | 163,024  | 70       | 8,428                            | 5,825                       | -                                | 65,296               | 22,192                              | 23,030            | 11,304              | 317,499  |
| Annual rate of amortisation per annum               | 20% - 33%         | -               | -   | -        | 33%      | 16%                              | 16%                         | 50%                              | -                    | 11%                                 | 11% - 13%         | -                   |          |

### 26.2.2 The cost of fully amortised intangibles still in use amounts to Rs. 17.228 million (2015: 3.197 million).

**26.3** As at December 31, 2016, the management revised its estimate of the useful life of one Distribution Channel from indefinite to 9 years. The revision has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard (IAS) 8 'Accounting policies, changes in accounting estimates and errors'.



**26.4** During the year the management carried out impairment testing of intangible assets in respect of pooling arrangement and distribution channels recognised on business combination under the requirements of IAS 36. The management has determined the recoverable amounts for comparison with the carrying values of each intangible asset. Based on this exercise and as per the management's assessment, no impairment has been identified.

**26.5** The recoverable amount of the intangible assets is based on the value in use calculations. In assessing value in use, the estimated future cash flows are discounted to their present value using a post tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. The Company prepares and internally approves multi-year management plans for its businesses. These business plans are used for the value in use calculations. The management believes these to cover a suitable timescale over which to review and consider annual performance before applying a fixed terminal value multiple to the final year cash flows of the detailed projections.

**26.5.1 Key assumptions used to determine the recoverable amounts**

The growth rates and margins used to estimate future performance are based on past performance, market trends and the management experience of growth rates and margins achievable. The management believes that the assumptions used in estimating the future performance of these intangible assets are consistent with past performance and trends. The calculation of value in use is most sensitive to the following assumptions:

|                      | 2016                |                      | 2015                |                      |
|----------------------|---------------------|----------------------|---------------------|----------------------|
|                      | Pooling arrangement | Distribution Channel | Pooling arrangement | Distribution Channel |
| Discount rate        | 18.30%              | 18.3% - 19.3%        | 19.50%              | 19.5%-20.5%          |
| Terminal growth rate | 10.0%               | 10.0%                | 10.0%               | 10.0%                |

**Discount rate**

Discount rate reflects the management's estimate of cost of equity required in each unit. The cost of equity is calculated using the Capital Asset Pricing Model (CAPM).

**Terminal growth rate**

Terminal growth rate is used to extrapolate the cash flows beyond the budgeted period. Assumption is based on management's best estimates.

**27 INVESTMENT PROPERTY**

|          | 2016               |                                  |                    |                          |                           |                    |                        |             |
|----------|--------------------|----------------------------------|--------------------|--------------------------|---------------------------|--------------------|------------------------|-------------|
|          | Cost               |                                  |                    | Accumulated Depreciation |                           |                    | WDV as at Dec 31, 2016 | Useful life |
|          | As at Jan 01, 2016 | Additions (disposals) (transfer) | As at Dec 31, 2016 | As at Jan 01, 2016       | For the year / (transfer) | As at Dec 31, 2016 |                        |             |
|          | (Rupees in '000)   |                                  |                    |                          |                           |                    |                        |             |
| Building | 122,091            | -                                | 87,938             | 16,459                   | 6,121                     | 10,634             | 77,304                 | 20 years    |
|          |                    | (34,153)*                        |                    |                          | (11,946)*                 |                    |                        |             |
|          | 2015               |                                  |                    |                          |                           |                    |                        |             |
|          | Cost               |                                  |                    | Accumulated Depreciation |                           |                    | WDV as at Dec 31, 2015 | Useful life |
|          | As at Jan 01, 2015 | Additions (disposals) (transfer) | As at Dec 31, 2015 | As at Jan 01, 2015       | For the year / (transfer) | As at Dec 31, 2015 |                        |             |
|          | (Rupees in '000)   |                                  |                    |                          |                           |                    |                        |             |
| Building | 144,730            | 34,358                           | 122,091            | 17,367                   | 8,166                     | 16,459             | 105,632                | 20 years    |
|          |                    | (56,997)*                        |                    |                          | (9,074)*                  |                    |                        |             |

**27.1** The market value of the investment properties is Rs. 91.841 million as per recent valuation carried out by various independent professional valuers.

# Notes to and Forming Part of the Consolidated Financial Statements

## 28 MANAGEMENT EXPENSES

|                               | Note    | 2016             | 2015    |
|-------------------------------|---------|------------------|---------|
|                               |         | (Rupees in '000) |         |
| Salaries, wages and benefits  | 28.1    | 559,096          | 471,783 |
| Rent, rates and taxes         |         | 33,332           | 51,173  |
| Utilities                     |         | 20,102           | 18,193  |
| Repairs and maintenance       |         | 14,255           | 19,921  |
| Education and training        |         | 6,002            | 7,109   |
| Computer expenses             |         | 13,055           | 6,973   |
| Communication                 |         | 24,163           | 18,133  |
| Provision for doubtful debts  |         | 15,078           | 9,613   |
| Inspection fee                |         | 2,790            | 2,194   |
| Security expenses             |         | 29,872           | 32,658  |
| Legal and professional        |         | 6,262            | 17,001  |
| Director's fee                |         | 5,718            | 5,631   |
| Audit fee of IGI Life         |         | 5,809            | 1,926   |
| Actuary's fees                |         | 22,140           | 14,964  |
| Advertisement expenses        |         | 4,822            | 7,641   |
| Stationery and printing       |         | 11,281           | 12,009  |
| Depreciation and amortisation | 26 & 27 | 27,420           | 20,741  |
| Travelling                    |         | 16,223           | 13,403  |
| Miscellaneous                 |         | 41,610           | 28,111  |
|                               |         | 859,030          | 759,177 |

**28.1** This includes charge for defined benefit and defined contribution plans amounting to Rs. 51.560 million (2015: Rs. 16.079 million) and Rs. 21.012 million (2015: Rs. 20.007 million) respectively.

## 29 OTHER INCOME

|   | 2016             | 2015  |
|---|------------------|-------|
|   | (Rupees in '000) |       |
| <b>Income from financial assets</b>     |                  |       |
| Income on NCCPL Deposit                 | 586              | 152   |
| <b>Income from non-financial assets</b> |                  |       |
| Gain on disposal of fixed assets        | 5,523            | 4,005 |
| Loss on disposal of leased assets       | (69)             | -     |
| Gain tendered by directors              | -                | 115   |
|   | 6,040            | 4,272 |

## 30 FINANCIAL CHARGES

|                              |         |        |
|------------------------------|---------|--------|
| Markup on long term finance  | 39,892  | 23,220 |
| Markup on short term finance | 66,488  | 1,374  |
| Markup on lease assets       | 917     | -      |
| Bank charges                 | 1,392   | 891    |
|                              | 108,689 | 25,485 |

**31 GENERAL AND ADMINISTRATIVE EXPENSES**

|                               | Note    | 2016             | 2015           |
|-------------------------------|---------|------------------|----------------|
|                               |         | (Rupees in '000) |                |
| Salaries, wages and benefits  |         | 12,696           | -              |
| Repairs and maintenance       |         | 3,211            | -              |
| General office premium        |         | 4,144            | 1,080          |
| Motor car expenses            |         | 20,053           | 16,782         |
| Tour and travelling           |         | 23,630           | 15,151         |
| Representation expenses       |         | 5,196            | 2,289          |
| Stationery and printing       |         | 7,583            | 6,380          |
| Depreciation and amortisation | 26 & 27 | 68,956           | 63,814         |
| Donations                     | 31.1    | 20,666           | 1,579          |
| Auditors remuneration         | 31.2    | 64,641           | 3,365          |
| Advertisement expenses        |         | 14,821           | 6,708          |
| Legal and professional        |         | 61,222           | 38,728         |
| Workers' Welfare Fund         |         | 14,230           | 25,350         |
| Sundry expenses               |         | 2,407            | 4,121          |
| Regulators fee                |         | 11,640           | 9,471          |
| Fee & subscription            |         | 260              | 3,487          |
|                               |         | <b>335,356</b>   | <b>198,305</b> |

- 31.1** Donations amounting to Rs. 20.652 million (2015: 1.339 million) were made to following institutes in which the directors of the Holding Company had interest during the year:

Name of the Institutes

|  | 2016             | 2015         |
|--|------------------|--------------|
|  | (Rupees in '000) |              |
| Lahore University of Management Sciences | 20,000           | 1,339        |
| Naqash School System                     | 61               | -            |
| Syedaan Wala Village School              | 591              | -            |
|  | <b>20,652</b>    | <b>1,339</b> |

**31.2 Auditors remuneration (Holding Company)**

|  |        |               |              |
|--|--------|---------------|--------------|
| Fee for statutory audit                            |        | 1,000         | 1,000        |
| Fee for interim review                             |        | 400           | 400          |
| Fee for audit of consolidated financial statements |        | 750           | 750          |
| Fee for audit of regulatory return                 |        | 350           | 350          |
| Special certifications and sundry services         |        | 8,405         | 615          |
| Other advisory services                            | 31.2.1 | 53,486        | -            |
| Out of pocket expenses                             |        | 250           | 250          |
|  |        | <b>64,641</b> | <b>3,365</b> |

- 31.2.1** This represents fee charged for providing permitted services essentially in connection with review of valuation / impairment assessment working of intangible assets recognised in respect of acquisition of IGI Life, assistance in evaluation of proposed options for reorganisation of the Holding Company under the Scheme of Amalgamation and Scheme of Arrangement as more fully explained in notes 1.2 and 1.3 of these financial statements and other taxation related services.

## Notes to and Forming Part of the Consolidated Financial Statements

- 31.3** Administration expenses and management expenses include an amount of Rs. 25.801 million (2015: Nil) on account of group shared services cost charged to the Group under group shared services agreement.

### 32 TAXATION

For the year

- Current

- Deferred

Prior year

| 2016             | 2015    |
|------------------|---------|
| (Rupees in '000) |         |
| 626,950          | 213,722 |
| 190,682          | 100,641 |
| 54,740           | 61,470  |
| 872,372          | 375,833 |

#### 32.1 Tax charge reconciliation

Profit before tax

Tax calculation at the rate of 31 % (32% for 2015)

Prior year

Effect of items taxable under lower rates

Effect of permanent differences

Others

|           |           |
|-----------|-----------|
| 3,342,440 | 2,351,127 |
| 1,036,156 | 752,361   |
| 54,740    | 61,470    |
| (249,707) | (466,960) |
| 30,947    | 27,437    |
| 236       | 1,525     |
| 872,372   | 375,833   |

#### 32.2 Holding Company

The income tax assessments of the Holding Company have been finalised up to and including the tax year 2016. 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 Honorable 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 favor 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 Honorable 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 was heard by Honorable High Court and the judgment has been passed in favour of the Holding Company.
- 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 Holding 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. 18.030 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 141 million 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 was filed before honorable Sindh High Court where the IBNR issue has been decided in favor of the Holding Company whereas the issue of unearned commission is pending adjudication.

The Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend income, commission income and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the holding company under Fourth Schedule to the Ordinance. As a result of the amended assessment demand of Rs.31.420 million was created. The holding company paid an amount of Rs.10 million and obtained stay from the Commissioner Inland Revenue till 31 August 2015 in respect of payment of the remaining tax demand of Rs.21.420 million. Further, against the above treatment meted out by the ACIR, the holding company has filed an appeal before the Commissioner Inland Revenue (Appeals) which is pending adjudication. The Holding Company also filed a petition against the said order before the Honorable Sindh High Court which was disposed off with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.

- In case of tax year 2010, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the holding company under Fourth Schedule to the Ordinance. Further, the ACIR has disallowed provision of IBNR under section 34(3) of the Ordinance. As a result of the amended assessment demand of Rs.93.445 million has been created. The Holding Company has filed appeal and application for stay of tax demand before the CIR(A) against the above assessment order. The Holding Company has also filed a petition against the said order before the Honorable Sindh High Court which is pending adjudication.

Pursuant to the appeal, the learned CIR(A) vide combined appellate order No.21 and 22/A-1 dated 10 March 2016 has decided all issues in favor of the holding company. The tax department has filed further appeal before the Appellate Tribunal Inland Revenue(ATIR) in respect of the issues on which relief was allowed by the CIR(A) which is pending adjudication.

- In case of tax year 2011, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the holding company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR, claim of brought forward loss for the tax year 2008 and refund adjustments for tax years 2004 and 2009 in the amended assessment order. Moreover, Workers' Welfare Fund @ 2% of the accounting profit for the year has also been levied. As a result of the amended assessment demand of Rs.142.414 million has been created. The holding company has filed appeal and application for stay of tax demand before the CIR(A) against the above assessment order. The Holding Company has also filed a petition against the said order before the Honorable Sindh High Court which is pending adjudication.

## Notes to and Forming Part of the Consolidated Financial Statements

Pursuant to the appeal, the learned CIR(A) vide combined appellate order No. 21 & 22/A-1 dated 10 March 2016 has decided the following issues in favor of the holding company-

- (a) Chargeability of tax on dividend income and property income at corporate tax rate;
- (b) Provision for IBNR;
- (c) Levy of Workers' welfare fund for the year.

As regards, credit/adjustment of refunds available to the holding company, the CIR(A) has remanded back the issue with the directions to verify the claim of refunds and allow the adjustment as per law. The tax department has filed further appeal before the Appellate Tribunal Inland Revenue(ATIR) in respect of the issues on which relief was allowed by the CIR(A) which is pending adjudication.

- In case of tax year 2012, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the holding company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR amounting to Rs. 33 million in the amended assessment order. As a result of the amended assessment, demand of Rs. 106.563 million was created. The holding company has obtained stay from the Honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, the holding company also filed an appeal before CIR(A) which is pending adjudication. The stay from the Honorable Sindh High Court has been disposed off subsequently with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.
- In case of tax year 2013, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the holding company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR, claim of brought forward loss for the tax year 2012 and has also made an addition on account of disposal of fixed assets at less than fair market value(FMV) in the amended assessment order. As a result of the amended assessment, demand of Rs. 95.008 million was created. Against the aforesaid order, the holding company has filed an appeal before CIR(A). Pursuant to the appeal, the learned CIR(A) vide appellate order No. 10/A-1 dated 05 October 2016 has decided the following issues in favor of the holding company:

- (a) Chargeability of tax on dividend income and property income at corporate tax rate;
- (b) Provision for IBNR amounting to Rs. 33 million;
- (c) Addition on account of disposal of fixed assets.

Further the CIR(A) has remanded back the issues in respect of adjustment of brought forward loss for the tax year 2012 and credit of workers' welfare fund paid with the return of income. The tax department has filed further appeal before the Appellate Tribunal Inland Revenue(ATIR) in respect of the issues on which relief was allowed by the CIR(A) which is pending adjudication.

- In case of tax year 2014, case of the holding company was selected for audit under section 177 of the ordinance and subsequently, the Deputy Commissioner Inland Revenue (DCIR) has passed an amended assessment order under section 122(1) of the Ordinance wherein tax on dividend income has been charged at corporate tax rate (i.e. 34% for the year) by treating such income as business income of the holding company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR and has also made an addition on account of disposal of fixed assets at less than Fair Market Value(FMV) and motor car expenses paid in cash under section 21(l) in the amended assessment order. As a result of the amended assessment, demand of Rs. 148.444 million was created. The holding company has obtained stay from the honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, the holding company has also filed an appeal before CIR(A) which is pending adjudication.
- In case of tax year 2015, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 33% for the year) by treating such income as business income of the holding company under Fourth Schedule to the Ordinance. Further, the ACIR has levied Super tax under section 4B of the ordinance amounting to Rs. 27.743 million and Workers' Welfare Fund for the year. As a result of the amended assessment, demand of Rest. 234.287 million was created. The holding company has obtained stay from the honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, the holding company has also filed an appeal before CIR(A) which is pending adjudication. The stay from the Honorable Sindh High Court has been disposed off subsequently with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.



- In case of tax year 2016, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend income has been charged at corporate tax rate (i.e. 32% for the year) by treating such income as business income of the holding company under Fourth Schedule to the Ordinance. Further, the ACIR has disallowed the claim of expense on account of health administrative services under section 21(c) of the ordinance and has also made an addition on account of disposal of fixed assets at less than Fair Market Value(FMV) in the amended assessment order. As a result of the amended assessment, demand of Rs. 206.542 was created. The holding company has filed stay application in respect of the above tax demand in the Honorable High Court of Sindh and also filed an appeal against the aforesaid order before the CIR(A) which are pending adjudication.

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.

32.3 Income tax contingencies acquired in connection with amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from December 31, 2016.

- Income tax returns for the tax years 2011, 2012, 2013, 2014 and 2015 have been filed by the Investment Bank on due dates that are deemed to be assessed under the provisions of section 120 of the Income Tax Ordinance, 2001.
- For the assessment / tax years of 1998-99 to 2016, the Company has an aggregate tax liability of Rs. 111.896 million and aggregate tax deductions and credits claimed of Rs. 352.935 million as declared in the original or revised returns of income filed by the Company with the tax authorities resulting in an aggregate refund of Rs. 241.040 million as per original returns or revised returns.

For the assessment / tax years of 1998-99 to 2016, the Company has an aggregate tax liability of Rs. 111.896 million and aggregate tax deductions and credits claimed of Rs. 352.935 million as declared in the original or revised returns of income filed by the Company with the tax authorities resulting in an aggregate refund of Rs. 241.040 million as per original returns or revised returns.

Matters that are being contested mainly include the following:

- a) The rate of tax applied in computing the tax liability of the Bank was the one applicable to a banking company instead of the rate applicable for a public company (Assessment years 1991-92 to 2000-01). The Lahore High Court, Lahore vide orders in CTR No.04 of 2005 and CTR No. 02 of 2008 for the assessment years 1993-1994 to 1997-98 has decided this issue in favour of the Company by rejecting the Reference Application filed by the tax department.
- b) The tax payer company is a non banking company in accordance with the provisions of section 2(10) of Income Tax Ordinance, 1979 read with Section 5(b) & 5(c) of the Banking Companies Ordinance, 1962. In light of said provisions the taxpayer company is an investment finance company, so its dividend income should be taxed as a separate block of income at reduced rate. The above mentioned issue is decided in favour of the taxpayer Company by The Lahore High Court, Lahore vide orders in CTR No.04 of 2005 and CTR No. 02 of 2008 for the assessment years 1993-1994 to 1997-98.
- c) Addition on account of depreciation as a result of restricting the claim of depreciation upto net income from leased assets (Tax year 2003).
- d) Disallowance of certain expenses and additions to taxable income on account of lease key money, lease rentals, excess perquisites and miscellaneous expenses relating to various assessment years (Assessment years 1995-96 to 2000-01).
- e) Charging minimum tax under section 113 of the Ordinance without allowing adjustment of tax paid under final tax regime (Tax years 2008 and 2010).
- f) Disallowance of initial depreciation on leased commercial vehicles (Tax years 2004, 2005, 2006 and 2007).
- g) Addition as a result of proration of expenses between exempt income (capital gains), dividend income and business income (Assessment / Tax years 2002-03, 2003, 2004, 2005, 2006 and 2007).
- h) Addition on account of allocation of finance cost to brokerage and commission income amounting to Rs.18.445 (Tax Year 2009).
- i) Addition on account of specific provisions of Rs.117.639 (Tax Year 2009).

## Notes to and Forming Part of the Consolidated Financial Statements

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.

### 32.4 Subsidiary Companies

#### 32.4.1 IGI Life

Assessments of IGI Life upto assessment year 2002-2003 and tax year 2007 have been finalised. The income tax returns of IGI Life filed for tax years 2003 to 2006 and 2007 to 2014 are deemed to be assessed in accordance with section 120 of the Income Tax Ordinance, 2001. However, IGI Life has filed appeals in respect of certain assessment years which mainly relate to the following:

While finalising the tax assessment for the accounting years ended December 31, 2012 (Tax Year 2013) and December 31, 2011 (Tax Year 2012) the taxation officer raised additional tax demand of Rs. 1.029 million and Rs. 6.910 million respectively on IGI Life on non-deduction of withholding tax under section 151(d) of the Income Tax Ordinance, 2001 on the amount of surrenders paid during the respective years.

The Group filed appeal before Commissioner Inland Revenue Appeals (CIRA) in respect of said tax years which were decided in favor of IGI Life. The Commissioner Inland Revenue has now filed before Appellate Tribunal (ATIR) challenging the order passed by CIRA. The management of IGI Life is of the view that the matter would be settled in its favor and hence no provision is required.

#### 32.4.2 IGI Finex

During financial year 2013, audit proceedings under section 177 of the Income Tax Ordinance, 2001 in relation to the Tax Year 2010 were concluded by the Deputy Commissioner Inland Revenue (DCIR) which led to an eventual tax demand of Rs. 6.672 million. The Group has filed an appeal with the Commissioner Inland Revenue (Appeals) against the said demand which was heard by the Commissioner. During the year ended June 30, 2014, Commissioner (Appeals) passed an order under which the Group has been allowed certain expenses which were disallowed by DCIR in earlier assessment. DCIR has filed an appeal in Appellate Tribunal Inland Revenue (ATIR) against the said order. Management has also filed second appeal before Appellate Tribunal Inland Revenue which is pending. Management and tax advisor of the Group are of the view that there is a reasonable probability that outcome of appeal shall be in favor of the Group.

## 33 EARNINGS PER SHARE

### 33.1 Basic earnings per share

Profit for the year

| 2016             | 2015      |
|------------------|-----------|
| (Rupees in '000) |           |
| 2,470,068        | 1,975,294 |

Weighted average number of ordinary shares

| (Number of shares) |             |
|--------------------|-------------|
| 122,689,532        | 122,689,532 |

Earnings per share

| 2016     | 2015  |
|----------|-------|
| (Rupees) |       |
| 20.13    | 16.10 |

### 33.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Holding Company does not have any convertible instruments in issue as at December 31, 2016 and December 31, 2015 which would have any effect on the earnings per share if the option to convert is exercised.



### 34 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES OF HOLDING COMPANY

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

| 34.1 Holding Company                              | Chief Executive  |        | Directors |         | Executives* |         |
|---|------------------|--------|-----------|---------|-------------|---------|
|   | 2016             | 2015   | 2016      | 2015    | 2016        | 2015    |
|   | (Rupees in '000) |        |           |         |             |         |
| Fee for attending board meeting                   | -                | -      | 3,425**   | 2,850** | -           | -       |
| Managerial remuneration                           | 9,278            | 8,030  | 1,800     | 1,867   | 66,400      | 63,077  |
| Bonus   | 6,420            | 2,250  | -         | -       | 16,197      | 6,771   |
| Retirement benefits<br>(including provident fund) | 1,610            | 1,393  | -         | -       | 11,520      | 10,944  |
| Housing and utilities                             | 5,228            | 4,778  | -         | 213     | 37,970      | 36,039  |
| Medical expenses                                  | 928              | -      | -         | -       | 4,448       | 4,057   |
| Conveyance allowance                              | 431              | 373    | -         | -       | 7,665       | 7,433   |
| Others  | 2,151            | 5,857  | -         | -       | 4,332       | 1,484   |
|   | 26,046           | 22,681 | 5,225     | 4,930   | 148,532     | 129,805 |
| Number of persons                                 | 1                | 1      | 1         | 2       | 55          | 45      |

\* The above includes an aggregate amount of Rs 66.244 million (2015: 52.25 million) in respect of remuneration of key management personnel.

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

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

### 35 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, other related group companies, directors of the Holding Company, companies where directors also hold directorship, key management personnel, major shareholders and post employment benefit plans. 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 34. Amounts due to / from and other significant transactions, other than those disclosed else where in these financial statements, are as follows:

|  | Associates       |        | Post employment benefit plans |      | Directors        |       | Key Management personnel |      | Other related parties |         |
|--|------------------|--------|-------------------------------|------|------------------|-------|--------------------------|------|-----------------------|---------|
|  | 2016             | 2015   | 2016                          | 2015 | 2016             | 2015  | 2016                     | 2015 | 2016                  | 2015    |
|  | (Rupees in '000) |        | (Rupees in '000)              |      | (Rupees in '000) |       | (Rupees in '000)         |      | (Rupees in '000)      |         |
| <b>Transactions</b>                    |                  |        |                               |      |                  |       |                          |      |                       |         |
| Premium Underwritten                   | 87,785           | 89,822 | -                             | -    | 644              | 864   | 3,945                    | 335  | 208,168               | 166,122 |
| Premium Collected                      | 118,288          | 82,719 | -                             | -    | 156              | 1,109 | 3,945                    | 316  | 318,637               | 185,688 |
| Claims Expense                         | 16,888           | 5,164  | -                             | -    | 134              | 948   | -                        | -    | 83,362                | 38,928  |
| Commission Expense                     | 4,966            | 4,420  | -                             | -    | -                | -     | -                        | -    | 11,298                | 8,982   |
| Commission Paid                        | 5,232            | 4,849  | -                             | -    | -                | -     | -                        | -    | 12,893                | 6,564   |
| Net Payments for group shared services | -                | -      | -                             | -    | -                | -     | -                        | -    | 13,295                | -       |
| Mark-up on loan                        | -                | -      | -                             | -    | -                | -     | -                        | 2    | -                     | -       |
| Rental Income                          | -                | 354    | -                             | -    | -                | -     | -                        | -    | 3,433                 | 1,815   |
| Fixed Assets Purchased                 | -                | -      | -                             | -    | -                | -     | -                        | -    | -                     | 69      |

## Notes to and Forming Part of the Consolidated Financial Statements

|   | Associates       |                  | Post employment benefit plans |                  | Directors        |                  | Key Management personnel |                  | Other related parties |                  |
|---|------------------|------------------|-------------------------------|------------------|------------------|------------------|--------------------------|------------------|-----------------------|------------------|
|   | 2016             | 2015             | 2016                          | 2015             | 2016             | 2015             | 2016                     | 2015             | 2016                  | 2015             |
|   | (Rupees in '000) | (Rupees in '000) | (Rupees in '000)              | (Rupees in '000) | (Rupees in '000) | (Rupees in '000) | (Rupees in '000)         | (Rupees in '000) | (Rupees in '000)      | (Rupees in '000) |
| Fixed Assets Disposed                               | 615              | 658              | -                             | -                | -                | -                | 1,779                    | 7,908            | -                     | 23               |
| Dividend Received                                   | 330,572          | 190,198          | -                             | -                | -                | -                | -                        | -                | 6,767                 | -                |
| Dividend Paid                                       | 52,088           | 65,110           | -                             | -                | 155,513          | 177,662          | 127                      | 31               | -                     | -                |
| Rent Expense  | -                | -                | -                             | -                | -                | -                | -                        | -                | -                     | 21,461           |
| Rent Paid   | -                | -                | -                             | -                | -                | -                | -                        | -                | -                     | 21,735           |
| Security Deposits                                   | -                | -                | -                             | -                | -                | -                | -                        | -                | -                     | 659              |
| Gain on Disposal of right letters                   | -                | -                | -                             | -                | -                | -                | -                        | -                | -                     | 105,735          |
| Investment/ (Disinvestment) in Shares -             |                  |                  |                               |                  |                  |                  |                          |                  |                       |                  |
| Net of Provision for Impairment                     | 2,697,185        | 162,076          | -                             | -                | -                | -                | -                        | -                | 299,625               | (150,035)        |
| Brokerage Commission                                | -                | -                | -                             | -                | -                | -                | -                        | -                | -                     | 4,708            |
| Donations Paid                                      | -                | -                | -                             | -                | -                | -                | -                        | -                | -                     | 1,339            |
| Charge in respect of Gratuity Fund                  | -                | -                | 22,798                        | 17,689           | -                | -                | -                        | -                | -                     | -                |
| Charge in respect of Provident Fund                 | -                | -                | 21,012                        | 20,007           | -                | -                | -                        | -                | -                     | -                |
| Contribution to Gratuity Fund                       | -                | -                | 17,122                        | 16,971           | -                | -                | -                        | -                | -                     | -                |
| Contribution to Provident Fund                      | -                | -                | 20,230                        | 17,388           | -                | -                | -                        | -                | -                     | -                |
| Charge for Administrative Services                  | -                | -                | -                             | -                | -                | -                | -                        | -                | 5,243                 | 1,103            |
| Consultancy Charges                                 | -                | -                | -                             | -                | -                | -                | -                        | -                | -                     | 3,500            |
| Key Management Personnel Compensation               | -                | -                | -                             | -                | -                | -                | 135,120                  | 143,128          | -                     | -                |
| Receipts against group shared services provided     | 2,722            | 5,492            | -                             | -                | -                | -                | -                        | -                | -                     | 9,074            |
| <b>Balances</b>                                     |                  |                  |                               |                  |                  |                  |                          |                  |                       |                  |
| Premium Receivable                                  | 5,704            | 14,009           | -                             | -                | 678              | 189              | -                        | -                | 12,231                | 25,986           |
| Commission Payable                                  | 226              | 1,107            | -                             | -                | -                | -                | -                        | -                | 4,071                 | 4,106            |
| Investment in Shares                                | 6,430,337        | 3,873,031        | -                             | -                | -                | -                | -                        | -                | 564,610               | 264,985          |
| Other Receivable                                    | 1,903            | 23,296           | -                             | -                | -                | -                | -                        | -                | -                     | 6,045            |
| Security Deposits                                   | -                | -                | -                             | -                | -                | -                | -                        | -                | -                     | 6,948            |
| Prepaid Rent  | -                | -                | -                             | -                | -                | -                | -                        | -                | -                     | 10,867           |
| (Payable to)/ receivable from Gratuity Fund         | -                | -                | (9,588)                       | 378              | -                | -                | -                        | -                | -                     | -                |
| (Payable to)/ receivable from Provident Fund        | -                | -                | (1,942)                       | (1,167)          | -                | -                | -                        | -                | -                     | -                |
| Claims Payable                                      | -                | -                | -                             | -                | -                | -                | -                        | -                | -                     | 1,001            |
| Receivable against administrative services provided | -                | -                | -                             | -                | -                | -                | -                        | -                | 1,756                 | 4,429            |

During the year, the management has carried out an exercise to re-evaluate the Holding Company's related party relationships in the context of related party relationships as defined under IAS 24, "Related Party Disclosures". As a result of this re-assessment, the management have concluded that two entities are not related simply because of common directorship. Previously, the Holding Company was also considering all associated companies defined under the Companies Ordinance, 1984 (which included companies having common directorship) as related parties. Accordingly, the disclosures above only represent transactions with and balances due to/from related parties as defined under IAS 24 and the related comparative information has been re-classified to facilitate comparison.

## 36 OPERATING SEGMENT

**36.1** 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, hospitalisation 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.

### **Family Takaful**

- The individual family takaful business segment provides family takaful coverage to individuals under unit-linked policies issued by the Group.
- The Group Family Takaful business segments provides family takaful coverage to members of business enterprises, corporate entities and common interest groups under group family takaful scheme operated by the Group.
- The Group Health Takaful 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.

### **Brokerage business**

- The brokerage business segment deals in shares and commodities brokerage, money market and foreign exchange brokerage and advisory and consulting services.

## Notes to and Forming Part of the Consolidated Financial Statements

**36.2** 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.

|                                | 2016                     |                                |         |         |               |                      |                          |         |                            |                     |         |                       |                   |              |                    |                 |              |
|--------------------------------|--------------------------|--------------------------------|---------|---------|---------------|----------------------|--------------------------|---------|----------------------------|---------------------|---------|-----------------------|-------------------|--------------|--------------------|-----------------|--------------|
|                                | General Insurance        |                                |         |         |               | Life Insurance       |                          |         |                            |                     |         |                       |                   |              | Brokerage business | Aggregate Total |              |
|                                | Fire and property damage | Marine, aviation and transport | Motor   | Health  | Miscellaneous | Life (Participating) | Life (Non-Participating) |         | Investment Linked Business | Accident and Health |         | Pension Business Fund | Takaful Window    |              |                    |                 |              |
|                                |                          |                                |         |         |               |                      | Individual               | Group   |                            | Individual          | Group   |                       | Individual family | Group family |                    |                 | Group health |
|                                | (Rupees in '000)         |                                |         |         |               |                      |                          |         |                            |                     |         |                       |                   |              |                    |                 |              |
| Segment assets                 | 832,867                  | 198,477                        | 259,859 | 58,102  | 553,944       | 1,963,977            | 6,089,274                | 338,899 | 9,069,044                  | 32,003              | 435,265 | 59,936                | 279,638           | 1,819        | 6,627              | 280,956         | 20,695,514   |
| Unallocated assets             | -                        | -                              | -       | -       | -             | -                    | -                        | -       | -                          | -                   | -       | -                     | -                 | -            | -                  | -               | 19,633,241   |
| Consolidated total assets      |                          |                                |         |         |               |                      |                          |         |                            |                     |         |                       |                   |              |                    |                 | 40,328,755   |
| Segment liabilities            | 835,342                  | 220,149                        | 611,425 | 173,688 | 781,704       | 1,386,419            | 5,835,186                | 250,744 | 8,940,414                  | 25,114              | 257,348 | 55,880                | 273,042           | 623          | 4,785              | 621,776         | 20,273,639   |
| Unallocated liabilities        | -                        | -                              | -       | -       | -             | -                    | -                        | -       | -                          | -                   | -       | -                     | -                 | -            | -                  | -               | 4,173,453    |
| Consolidated total liabilities |                          |                                |         |         |               |                      |                          |         |                            |                     |         |                       |                   |              |                    |                 | 24,447,092   |
|                                | 2015                     |                                |         |         |               |                      |                          |         |                            |                     |         |                       |                   |              |                    |                 |              |
|                                | General Insurance        |                                |         |         |               | Life Insurance       |                          |         |                            |                     |         |                       |                   |              | Brokerage business | Aggregate Total |              |
|                                | Fire and property damage | Marine, aviation and transport | Motor   | Health  | Miscellaneous | Life (Participating) | Life (Non-Participating) |         | Investment Linked Business | Accident and Health |         | Pension Business Fund | Takaful Window    |              |                    |                 |              |
|                                |                          |                                |         |         |               |                      | Individual               | Group   |                            | Individual          | Group   |                       | Individual family | Group family |                    |                 | Group health |
|                                | (Rupees in '000)         |                                |         |         |               |                      |                          |         |                            |                     |         |                       |                   |              |                    |                 |              |
| Segment assets                 | 702,645                  | 219,711                        | 239,840 | 37,983  | 286,068       | 1,656,580            | 4,983,793                | 283,246 | 5,199,653                  | 33,508              | 352,346 | 103,433               | 42,943            | 412          | 3,711              | -               | 14,145,872   |
| Unallocated assets             | -                        | -                              | -       | -       | -             | -                    | -                        | -       | -                          | -                   | -       | -                     | -                 | -            | -                  | -               | 14,168,630   |
| Consolidated total assets      |                          |                                |         |         |               |                      |                          |         |                            |                     |         |                       |                   |              |                    |                 | 28,314,502   |
| Segment liabilities            | 679,014                  | 245,823                        | 451,642 | 97,910  | 236,325       | 1,182,293            | 4,813,542                | 256,386 | 5,063,162                  | 23,246              | 228,393 | 99,938                | 41,760            | 298          | 3,316              | -               | 13,423,048   |
| Unallocated liabilities        | -                        | -                              | -       | -       | -             | -                    | -                        | -       | -                          | -                   | -       | -                     | -                 | -            | -                  | -               | 1,416,096    |
| Consolidated total liabilities |                          |                                |         |         |               |                      |                          |         |                            |                     |         |                       |                   |              |                    |                 | 14,839,144   |

## 37 FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets and financial liabilities

#### Financial assets

#### Loans and receivables - amortised cost

Cash and bank deposits

Cash and other equivalents

Current and other accounts

Deposits maturing within 12 months

Loans secured against life insurance policies

Loans secured against other assets

- To agents

#### Current assets - others

Premiums due but unpaid - unsecured

Amounts due from other insurers / reinsurers - unsecured

Accrued income on investments and deposits

Reinsurance recoveries against outstanding claims

Experience refund receivable

Sundry receivables

|  | 2016             | 2015      |
|--|------------------|-----------|
|  | (Rupees in '000) |           |
|  |                  |           |
|  |                  |           |
|  | 2,703            | 584       |
|  | 1,095,780        | 449,792   |
|  | 1,100,000        | 350,000   |
|  | 2,198,483        | 800,376   |
|  | 153,456          | 146,947   |
|  | 630              | 734       |
|  |                  |           |
|  | 519,916          | 397,319   |
|  | 444,731          | 422,023   |
|  | 380,669          | 421,599   |
|  | 649,453          | 391,659   |
|  | 12,306           | 9,029     |
|  | 650,473          | 176,639   |
|  | 2,657,548        | 1,818,268 |

|   | 2016             | 2015       |
|---|------------------|------------|
|   | (Rupees in '000) |            |
| <b>Investments - held to maturity</b>                     | 125,072          | 124,558    |
| <b>Investments - held for trading</b>                     | 6,422            | -          |
| <b>Investments - available for sale</b>                   | 24,878,261       | 18,843,414 |
| <b>Investments - at fair value through profit or loss</b> | -                | 719,254    |
| <b>Financial Liabilities</b>                              |                  |            |
| <b>Amortised cost</b>                                     |                  |            |
| Provision for outstanding claims (including IBNR)         | 1,210,466        | 858,847    |
| Amounts due to other insurers / reinsurers                | 365,526          | 348,028    |
| Experience refund payable                                 | 36,831           | 39,576     |
| Accrued expenses  | 316,649          | 219,015    |
| Current portion of long term liabilities                  | 7,786            | -          |
| Sundry creditors  | 1,367,711        | 565,263    |
| Short term finances - secured                             | 1,348,017        | 148,020    |
| Long term finances - secured                              | 1,231,000        | -          |
| Unclaimed dividend  | 14,251           | 14,006     |
| Liabilities against assets subject to finance lease       | 41,537           | -          |
|   | 5,939,774        | 2,192,755  |

## 38 RISK MANAGEMENT

### 38.1 Risk management framework

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 minimise 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.

#### 38.1.1 Insurance risk - Holding Company (General Insurance)

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.

Further, the Holding 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.

#### 38.1.2 Concentration of insurance risk - Holding Company (General Insurance)

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

To optimise 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.

## Notes to and Forming Part of the Consolidated Financial Statements

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 Standardising 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 Holding 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.

### 38.1.3 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 Holding Company.

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

### 38.2 Risk management framework - Life Insurance

The Group issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the Group manages them.

#### 38.2.1 Life Insurance risk

##### 38.2.1.1 Individual Life (Unit Linked Policies, Universal Life Policies and Traditional Policies)

This section discusses the exposure of insurance risk to the Group under Life Participating, Life Non-participating and Investment Linked statutory funds and the process adopted by the Group to manage these risks.

The risk underwritten is mainly death and sometimes disability and/or critical illness. The risk of death and disability will vary from region to region. The Group may get exposed to poor risks due to:

- Unexpected experience in terms of claim severity or frequency. This can be a result of anti-selection, fraudulent claims, a catastrophe or poor persistency.
- Additionally, the risk of poor persistency may result in the the Group being unable to recover expenses incurred at policy acquisition.

The Group manages these risks through its:

- **Pricing:**

All products of this nature are designed by the Actuarial Department along with input from relevant sales team members which is then reviewed by the Appointed Actuary. Profit testing is conducted on an annual basis to ensure reasonableness of premiums charged. Additionally, The Group reserves the right to review the charges deductible under the contracts, thus limiting the risk of under-pricing.

- **Underwriting:**

Adequate underwriting policies and controls have been put in place to cover various aspects such as health, location, nature of work etc. before issuance of policy. Appropriate underwriting authority limits have been assigned by the underwriting committee to each individual in the underwriting department. Furthermore, Underwriting Committee reviews the underwriting performance of the Group on a quarterly basis.

- **Reinsurance:**

Reinsurance contracts have been purchased by the Group to limit the maximum exposure on any one policyholder. Reinsurance Committee reviews every quarter the performance of the treaties from the Group's perspective and also from the Reinsurer's perspective to find the right balance of retained sum insured.

- **Claims handling policy:**

The Group through its claims-handling policies has procedures and controls in place to ensure that payment of any fraudulent claims is avoided. Detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Moreover, Claims committee has assigned claims process authority limits for processing of claims. Claims committee meets on a quarterly basis to review the claims departments' performance and ensures that adequate claims controls are in place.

- **Persistency:**

The Group applies controls to curb mis-selling to the policyholders. For this, a regular branch wise monitoring of lapsation rates is conducted.

- **Concentration Risk:**

The Group has a good spread of business throughout the country thereby ensuring diversification of geographical risks.

**a) Frequency and severity of claims**

Concentration of risk is not a factor of concern due to spread of risks across various parts of the country. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis. The Group charges for mortality risk on a monthly basis for all insurance contracts without a fixed term. The Group manages these risks through its underwriting strategy and reinsurance arrangements.

The table below presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Group.

## Notes to and Forming Part of the Consolidated Financial Statements

The amounts presented are showing total exposure of the Group including exposure in respect of riders attached to the main policies.

### Individual Life Participating

#### Benefits assured per life

Rupees

|                     | Assured at the end of 2016 |         |                   |         |
|---------------------|----------------------------|---------|-------------------|---------|
|                     | Total benefits assured     |         |                   |         |
|                     | Before reinsurance         |         | After reinsurance |         |
|                     | (Rupees in '000)           | %       | (Rupees in '000)  | %       |
| 0 - 200,000         | 91,813                     | 1.07%   | 91,688            | 1.54%   |
| 200,001 - 400,000   | 293,243                    | 3.43%   | 292,204           | 4.92%   |
| 400,001 - 800,000   | 813,204                    | 9.52%   | 781,765           | 13.16%  |
| 800,001 - 1,000,000 | 459,387                    | 5.38%   | 427,536           | 7.19%   |
| More than 1,000,000 | 6,887,999                  | 80.60%  | 4,349,113         | 73.19%  |
| Total               | 8,545,646                  | 100.00% | 5,942,306         | 100.00% |

### Individual Life Non - Participating

#### Benefits assured per life

Rupees

|                     | Assured at the end of 2016 |         |                   |         |
|---------------------|----------------------------|---------|-------------------|---------|
|                     | Total benefits assured     |         |                   |         |
|                     | Before reinsurance         |         | After reinsurance |         |
|                     | (Rupees in '000)           | %       | (Rupees in '000)  | %       |
| 0 - 200,000         | 264,828                    | 0.82%   | 264,705           | 1.29%   |
| 200,001 - 400,000   | 1,365,707                  | 4.22%   | 1,361,099         | 6.66%   |
| 400,001 - 800,000   | 4,109,943                  | 12.70%  | 4,038,014         | 19.75%  |
| 800,001 - 1,000,000 | 2,069,411                  | 6.39%   | 1,990,363         | 9.74%   |
| More than 1,000,000 | 24,552,067                 | 75.87%  | 12,790,730        | 62.56%  |
| Total               | 32,361,956                 | 100.00% | 20,444,911        | 100.00% |

### Investment Linked

#### Benefits assured per life

Rupees

|                     | Assured at the end of 2016 |         |                   |         |
|---------------------|----------------------------|---------|-------------------|---------|
|                     | Total benefits assured     |         |                   |         |
|                     | Before reinsurance         |         | After reinsurance |         |
|                     | (Rupees in '000)           | %       | (Rupees in '000)  | %       |
| 0 - 200,000         | 137,056                    | 0.73%   | 136,976           | 2.25%   |
| 200,001 - 400,000   | 293,522                    | 1.56%   | 292,741           | 4.80%   |
| 400,001 - 800,000   | 1,099,392                  | 5.84%   | 984,506           | 16.14%  |
| 800,001 - 1,000,000 | 660,211                    | 3.51%   | 502,105           | 8.23%   |
| More than 1,000,000 | 16,631,124                 | 88.36%  | 4,184,778         | 68.59%  |
| Total               | 18,821,305                 | 100.00% | 6,101,106         | 100.00% |

### 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 unit linked and universal life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in policyholder's behavior (this impacts primarily persistency).



c) **Process used to decide on assumptions**

- **Mortality:** The expected mortality is assumed at 80% of LIC (94-96) since the current experience for this line of business is not credible.
- **Persistency:** A periodic analysis of the the Group's recent and historic experience is performed and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel.
- **Expense levels and inflation:** A periodic study is conducted on the Group's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- **Investment returns:** The investment returns are based on 10 year PIB rates.

d) **Change in Assumptions**

There has been no change in assumptions.

**38.2.1.2 Group Life**

The main risk written by the Group under the Group Life business is mortality. The Group may be exposed to the risk of unexpected claim severity or frequency. This can be a result of writing business with higher than expected mortality (such as mining or other hazardous industries), writing high cover amounts without adequate underwriting, and difficulty of verification of claims, fraudulent claims or a catastrophe. The Group also faces risk such as that of underpricing to acquire business in a competitive environment and of non-receipt of premium in due time. There also exists a potential risk of asset liability term mismatch due to liabilities being very short term in nature (this will be addressed in the later section).

The Group manages these risks through its

- **Pricing and Underwriting:**

All products of this nature are prepared by the Group's Underwriting Department along with input from relevant sales team members which is then reviewed by the Appointed Actuary.

Pricing is done in line with the actual experience of the Group. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the Group faces.

At the same time, due caution is applied in writing business in areas of high probability of terrorism. The Group ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor exposure.

Also, Underwriting Committee reviews the underwriting performance of the Group on a quarterly basis and track the adequacy of premium charged.

- **Reinsurance:**

Reinsurance contracts have been purchased by the Group to limit the maximum exposure. The Group also has a catastrophe excess of loss cover with respect to group life. Reinsurance Committee reviews every quarter the performance of the treaties from the Group's perspective and also from the Reinsurer's perspective to find the right balance of retained sum insured.

- **Claims handling policy:**

The Group through its claims-handling policy has procedures and controls in place to ensure that payment of any fraudulent claims is avoided. Detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Moreover, Claims committee has assigned claims process authority limits for processing of claims. Claims committee meets on a quarterly basis to review the claims departments' performance and ensures that adequate claims controls are in place.

## Notes to and Forming Part of the Consolidated Financial Statements

### - Concentration Risk:

The Group has a good spread of business throughout the country thereby ensuring diversification of geographical risks.

#### a) Frequency and severity of claims

The Group measures concentration of risk by its exposure to catastrophic events. Concentration of risk arising from geographical area is not a factor of concern due to spread of risks across various parts of the country. To mitigate risk accumulation resulting from catastrophic events, the Group maintains a catastrophe excess of loss reinsurance cover which ensures that the Group's liability in respect of catastrophic events remains within reasonable limits.

The following table presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

The amounts presented are showing total exposure of the Group including exposure in respect of riders attached to the main policies.

#### Group Life

##### Benefits assured per life

| Rupees              | Assured at the end of 2016 |         |                   |         |
|---------------------|----------------------------|---------|-------------------|---------|
|                     | Total benefits assured     |         |                   |         |
|                     | Before reinsurance         |         | After reinsurance |         |
|                     | (Rupees in '000)           | %       | (Rupees in '000)  | %       |
| 0-500,000           | 3,742,163                  | 5.52%   | 3,742,163         | 7.64%   |
| 500,001-1,000,000   | 6,485,312                  | 9.57%   | 6,485,312         | 13.25%  |
| 1,000,001-1,500,000 | 7,375,053                  | 10.89%  | 7,375,053         | 15.06%  |
| 1,500,001-2,000,000 | 6,020,972                  | 8.89%   | 6,020,972         | 12.30%  |
| 2,000,001-2,500,000 | 3,228,097                  | 4.77%   | 3,228,097         | 6.59%   |
| More than 2,500,000 | 40,890,038                 | 60.36%  | 22,107,452        | 45.15%  |
| Total               | 67,741,635                 | 100.00% | 48,959,049        | 100.00% |

#### b) Sources of uncertainty in the estimation of future benefits payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

#### c) Process used to decide on assumptions

Where data is sufficient to be statistically credible, the statistics generated by the data is assigned appropriate credibility factors to account for the Group's experience.

#### d) Changes in assumptions

The methodology to calculate IBNR Reserve, before and after reinsurance, has been modified to better streamline the calculation using the Chain-Ladder method. The above change in valuation bases has resulted in decrease in policyholder liability by Rs. 17.8 million with corresponding impact on revenue account of the respective statutory fund. Previously, IBNR Reserve was determined on the basis of lag pattern experienced over the past few years which was held as a percentage of last twelve months earned premium.

**e) Sensitivity analysis**

The table below shows the level of respective variation in liabilities for change in each assumption while holding all other assumptions constant.

|  | Change in variable | Increase in Liability 2016<br>(Rupees in '000) |
|--|--------------------|--|
| Worsening of mortality rates for risk policies | 10%                | 3,419  |
| Increase in reporting lag                      | 10%                | 3,419  |

**38.2.1.3 Accident & Health**

The main risk written by the Group is morbidity. The Group may be exposed to the risk of unexpected claim severity or frequency. This can be a result of high exposure in a particular geographical location, medical expense inflation, fraudulent claims and catastrophic event. The Group potentially faces the risk of lack of adequate claims control (such as for very large groups). The Group also faces a risk of under-pricing to acquire business in a competitive environment and of non-receipt of premium in due time.

The Group manages these risks through its:

**- Pricing and Underwriting:**

All products of this nature are prepared by the Actuarial Department along with input from relevant sales team members which is then reviewed by the Appointed Actuary.

Pricing is done in line with the actual experience of the Group. The premium charged takes into account the actual experience of the client and the nature of mortality exposure the group faces. The rates are certified by the Appointed Actuary for large groups.

At the same time, due caution is applied in writing business in areas of high probability of terrorism. The Group ensures writing business with good geographical spread and tries to maintain a controlled exposure to large groups which generally have poor exposure.

Furthermore, the Group also maintains various MIS that are shared with relevant management to track the adequacy of the premium charged.

Also, Underwriting Committee reviews the underwriting performance of the Group on a quarterly basis.

**- Claims handling policy:**

The Group has procedures in place to ensure that payment of any fraudulent claims is avoided. Detailed investigation of all apparently doubtful claims (particularly of high amounts) is conducted. Also, the claims are reviewed and managed by technical staff and doctors while an on-site monitoring and checking is performed.

**- Concentration Risk:**

The Group has a good spread of business throughout the country thereby ensuring diversification of geographical risks.

**a) Frequency and severity of claims**

The Group measures concentration of risk by its exposure to catastrophic events. Concentration of risk arising from geographical area is not a factor of concern due to spread of risks across various parts of the country.

The following table presents the concentration of insured benefits across five bands of insured benefits per individual life assured. The benefit insured figures are shown gross and net of the reinsurance contracts described above. At year-end, none of these insurance contracts had triggered a recovery under the reinsurance held by the Company.

## Notes to and Forming Part of the Consolidated Financial Statements

The amounts presented are showing total exposure of the Group including exposure in respect of riders attached to the main policies.

### Individual Accident and Health

#### Benefits assured per life

| Rupees              | Assured at the end of 2016 |         |                   |         |
|---------------------|----------------------------|---------|-------------------|---------|
|                     | Total benefits assured     |         |                   |         |
|                     | Before reinsurance         |         | After reinsurance |         |
|                     | (Rupees in '000)           | %       | (Rupees in '000)  | %       |
| 0 - 200,000         | 3,525                      | 0.03%   | 3,525             | 0.05%   |
| 200,001 - 400,000   | 8,152                      | 0.08%   | 7,864             | 0.10%   |
| 400,001 - 800,000   | 686,008                    | 6.74%   | 685,883           | 8.94%   |
| 800,001 - 1,000,000 | 494,860                    | 4.86%   | 494,360           | 6.44%   |
| More than 1,000,000 | 8,984,101                  | 88.28%  | 6,484,158         | 84.48%  |
| Total               | 10,176,646                 | 100.00% | 7,675,790         | 100.00% |

#### b) Sources of uncertainty in the estimation of future benefits payments and premium receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

#### c) Process used to decide on assumptions

Where data is sufficient to be statistically credible, the statistics generated by the data is assigned appropriate credibility factors to account for the Group's experience.

An investigation into group's experience is performed periodically, and statistical methods are used to adjust the rates to a best estimate of morbidity. Where data is sufficient to be statistically credible, the statistics generated by the data are assigned appropriate credibility factors to account for the Group's experience.

#### d) Changes in assumptions

The methodology to calculate IBNR Reserve, before and after reinsurance, has been modified to better streamline the calculation using the Chain-Ladder method. The above change in valuation bases has resulted in decrease in policyholder liability by Rs. 16.9 million with corresponding impact on revenue account of the respective statutory fund. Previously, IBNR Reserve was determined on the basis of lag pattern experienced over the past few years which was held as a percentage of last twelve months earned premium.

#### e) Sensitivity analysis

The table below shows the level of respective variation in liabilities for change in each assumption while holding all other assumptions constant.

|  | Change in variable | Increase in Liability 2016<br>(Rupees in '000) |
|--|--------------------|--|
| Worsening of morbidity rates for risk policies | 10%                | 6,307  |
| Increase in reporting lag                      | 10%                | 6,307  |
| Increase in average claim amount               | 10%                | 6,307  |

### 38.2.1.4 MANAGEMENT OF TAKAFUL RISK AND FINANCIAL RISK

The Group is responsible for managing contracts that result in the transfer of Takaful and Financial Risk from the Participant to the respective PTF. This section summarizes the risks and the way the Group manages them, as part of the Group's Window Takaful Operations.

#### Takaful Risk

The PTF issues Takaful contracts that are classified in the following segments:

- Individual Family Takaful
- Group Family Takaful
- Group Health Takaful

#### 38.2.1.4.1 Individual Family Takaful

These risks are managed along similar lines as explained for individual life unit linked and universal life policies.

##### a) Frequency and severity of claims

Concentration of risk is not a factor of concern due to spread of risks across various parts of the country. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis. However, a risk of concentration of risk on any one Participant of the PTF still exists. The Group caters to this risk by entering into suitable Retakaful arrangements. The Group charges for mortality risk (credited to the PTF) on a monthly basis for all Takaful contracts without fixed term.

Moreover, the Group manages these risks through its underwriting strategy.

The table below presents the concentration of takaful benefits across five bands of takaful benefits per individual life assured. The benefit figures are shown gross and net of the retakaful contracts described above. At year-end, none of these takaful contracts had triggered a recovery under the retakaful held by the Group.

The amounts presented are showing total exposure of the PTF including exposure in respect of riders attached to the main policies.

#### Benefits assured per life

Rupees

|                     | Assured at the end of 2016 |         |                  |         |
|---------------------|----------------------------|---------|------------------|---------|
|                     | Total benefits assured     |         |                  |         |
|                     | Before retakaful           |         | After retakaful  |         |
|                     | (Rupees in '000)           | %       | (Rupees in '000) | %       |
| 0 - 200,000         | 36,875                     | 1.08%   | 36,875           | 2.24%   |
| 200,001 - 400,000   | 163,816                    | 4.80%   | 163,816          | 9.97%   |
| 400,001 - 800,000   | 471,308                    | 13.82%  | 456,640          | 27.80%  |
| 800,001 - 1,000,000 | 482,346                    | 14.15%  | 314,421          | 19.14%  |
| More than 1,000,000 | 2,255,020                  | 66.14%  | 670,954          | 40.84%  |
| Total               | 3,409,365                  | 100.00% | 1,642,706        | 100.00% |

##### b) Source of uncertainty in the estimate of future benefits payments and contributions receipts

Uncertainty in the estimation of future benefit payments and contribution receipts for long – term takaful contracts arises from the unpredictability of long-term changes in overall levels of mortality and variability in participants' behavior (this impacts primarily persistency).

## Notes to and Forming Part of the Consolidated Financial Statements

### c) **Process used to decide on assumptions**

- **Mortality:** The expected mortality is assumed at 80% of LIC (94-96) since the current experience for this line of business is not credible.
- **Persistency:** A periodic analysis of the Group's recent and historic experience is performed and persistency is calculated by applying statistical methods. Persistency rates vary by products and more importantly the sales distribution channel.
- **Expense levels and inflation:** A periodic study is conducted on the Group's current business expenses and future projections to calculate per policy expenses. Expense inflation is assumed in line with assumed investment return.
- **Investment returns:** The investment returns are based on 10 year PIB rates.

### d) **Changes in assumptions**

There has been no change in assumptions.

### e) **Sensitivity analysis**

The size of the fund is not material enough to enable a credible sensitivity analysis due to this immateriality, sensitivity analysis is not conducted.

#### 38.2.1.4.2 **Group Life Family Takaful**

The risks are managed along similar lines as explained for Group Life policies.

#### **Concentration Risk:**

The Group has a good spread of business throughout the country thereby ensuring diversification of geographical risks.

#### a) **Frequency and severity of claims:**

The Group measures concentration of risk by its exposure to catastrophic events. Concentration of risk arising from geographical area is not a factor of concern due to spread of risks across various parts of the country. To mitigate risk accumulation resulting from catastrophic events, the Group maintains a catastrophe excess of loss retakaful cover which ensures that the liability in respect of catastrophic events remains within reasonable limits.

The concentration of risk for these policies is mentioned in note 38.2.1.5.

#### b) **Sources of uncertainty in the estimation of future benefits payments and contribution receipts:**

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

#### c) **Process used to decide on assumptions**

Where data is sufficient to be statistically credible, the statistics generated by the data is assigned appropriate credibility factors to account for the Group's experience.

#### d) **Changes in assumptions**

There has been no change in assumptions.

#### e) **Sensitivity analysis**

The size of the fund is not material enough to enable a credible sensitivity analysis. Due to this immateriality, sensitivity analysis is not conducted.

### 38.2.1.4.3 Group Health Takaful

The risks are managed along similar lines as explained for Accident and Health policies.

#### Concentration Risk:

The Group has a good spread of business throughout the country thereby ensuring diversification of geographical risks.

#### a) Frequency and severity of claims

The Group measures concentration of risk by its exposure to catastrophic events. Concentration of risk arising from geographical area is not a factor of concern due to spread of risks across various parts of the country.

The concentration of risk for these policies is mentioned in note 38.2.1.5.

#### b) Sources of uncertainty in the estimation of future benefits payments and contribution receipts

Other than conducting a liability adequacy for Unexpired Risk Reserves (URR), there is no need to estimate mortality for future years because of the short duration of the contracts.

#### c) Process used to decide on assumptions

Where data is sufficient to be statistically credible, the statistics generated by the data is assigned appropriate credibility factors to account for the Group's experience.

An investigation into Group's experience is performed periodically, and statistical methods are used to adjust the rates to a best estimate of morbidity. Where data is sufficient to be statistically credible, the statistics generated by the data are assigned appropriate credibility factors to account for the Group's experience.

#### d) Changes in assumptions

There has been no change in assumptions.

#### e) Sensitivity analysis

The size of the fund is not material enough to enable a credible sensitivity analysis. Due to this immateriality, sensitivity analysis is not conducted

**38.2.1.5** The Group's class wise risk exposure (based on maximum loss coverage in a single policy) is as follows:

|                                       | 2016                |                    |                       |
|---------------------------------------|---------------------|--------------------|-----------------------|
|                                       | (Rupees in '000)    |                    |                       |
|                                       | Maximum sum insured | Reinsurance cover  | Highest net liability |
| Fire and property damage              | 31,967,718          | 31,923,718         | 44,000                |
| Marine, aviation and transport        | 10,600,479          | 8,480,383          | 2,120,096             |
| Motor                                 | 27,000              | -                  | 27,000                |
| Health                                | 1,000               | -                  | -                     |
| Miscellaneous                         | 26,646,410          | 26,544,370         | 102,040               |
| Life (participating)                  | 8,546,000           | 2,604,000          | 5,942,000             |
| Life (non-participating) – Individual | 32,362,000          | 11,917,000         | 20,445,000            |
| Life (non-participating) – Group      | 67,742,000          | 18,783,000         | 48,959,000            |
| Investment Linked                     | 18,821,000          | 12,720,000         | 6,101,000             |
| Accident & Health – Individual        | 10,177,000          | 2,501,000          | 7,676,000             |
| Family Takaful - Individual           | 3,409,000           | 1,766,000          | 1,643,000             |
| Family Takaful - Group                | 1,855,000           | -                  | 1,855,000             |
|                                       | <u>212,154,607</u>  | <u>117,239,471</u> | <u>94,914,136</u>     |

## Notes to and Forming Part of the Consolidated Financial Statements

|                                       | 2015                |                   |                       |
|---------------------------------------|---------------------|-------------------|-----------------------|
|                                       | (Rupees in '000)    |                   |                       |
|                                       | Maximum sum insured | Reinsurance cover | Highest net liability |
| Fire and property damage              | 32,598,319          | 32,510,319        | 88,000                |
| Marine, aviation and transport        | 11,425,142          | 9,140,114         | 2,285,028             |
| Motor                                 | 23,850              | 10,733            | 13,117                |
| Health                                | 1,000               | -                 | 1,000                 |
| Miscellaneous                         | 18,540,000          | 18,538,435        | 1,565                 |
| Life (participating)                  | 9,610,000           | 3,032,000         | 6,578,000             |
| Life (non-participating) – Individual | 33,509,000          | 11,950,000        | 21,559,000            |
| Life (non-participating) – Group      | 71,142,000          | 35,890,000        | 35,252,000            |
| Investment Linked                     | 19,541,000          | 14,377,000        | 5,164,000             |
| Accident & Health – Individual        | 12,233,000          | 2,924,000         | 9,309,000             |
| Family Takaful - Individual           | 587,000             | 312,000           | 275,000               |
| Family Takaful - Group                | 89,000              | 89,000            | -                     |
|                                       | 209,299,311         | 128,773,601       | 80,525,710            |

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

|   | 2016              |              |                            |
|---|-------------------|--------------|----------------------------|
|   | Gross liabilities | Gross assets | Net liabilities / (assets) |
|   | (Rupees in '000)  |              |                            |
| Fire and property damage                  | 835,342           | 832,867      | 2,475                      |
| Marine, aviation and transport            | 220,149           | 198,477      | 21,672                     |
| Motor                                     | 611,425           | 259,859      | 351,566                    |
| Health                                    | 173,688           | 58,102       | 115,586                    |
| Miscellaneous                             | 781,704           | 553,944      | 227,760                    |
| Life Participating                        | 1,386,419         | 1,963,977    | (577,558)                  |
| Life Non-Participating (Individual)       | 5,835,186         | 6,089,274    | (254,088)                  |
| Life Non-Participating (Group)            | 250,744           | 338,899      | (88,155)                   |
| Investment Linked Business                | 8,940,414         | 9,069,044    | (128,630)                  |
| Accident and Health Business (Individual) | 25,114            | 32,003       | (6,889)                    |
| Accident and Health Business (Group)      | 257,348           | 435,265      | (177,917)                  |
| Pension Business Fund                     | 55,880            | 59,936       | (4,056)                    |
| Family Takaful - Individual               | 273,042           | 279,638      | (6,596)                    |
| Family Takaful - Group                    | 623               | 1,819        | (1,196)                    |
| Family Takaful - Health                   | 4,785             | 6,627        | (1,842)                    |
|   | 19,651,863        | 20,179,731   | (527,868)                  |

|                                     | 2015              |              |                            |
|-------------------------------------|-------------------|--------------|----------------------------|
|                                     | Gross liabilities | Gross assets | Net liabilities / (assets) |
|                                     | (Rupees in '000)  |              |                            |
| Fire and property damage            | 679,014           | 702,645      | (23,631)                   |
| Marine, aviation and transport      | 245,823           | 219,711      | 26,112                     |
| Motor                               | 451,642           | 239,840      | 211,802                    |
| Health                              | 97,910            | 37,983       | 59,927                     |
| Miscellaneous                       | 236,325           | 286,068      | (49,743)                   |
| Life Participating                  | 1,182,293         | 1,656,580    | (474,287)                  |
| Life Non-Participating (Individual) | 4,813,542         | 5,009,524    | (195,982)                  |
| Life Non-Participating (Group)      | 256,386           | 294,068      | (37,682)                   |



|   | 2015              |              |                            |
|---|-------------------|--------------|----------------------------|
|   | Gross liabilities | Gross assets | Net liabilities / (assets) |
|   | (Rupees in '000)  |              |                            |
| Investment Linked Business                | 5,063,162         | 5,292,284    | (229,122)                  |
| Accident and Health Business (Individual) | 23,246            | 34,224       | (10,978)                   |
| Accident and Health Business (Group)      | 228,393           | 359,825      | (131,432)                  |
| Pension Business Fund                     | 99,938            | 103,433      | (3,495)                    |
| Family Takaful - Individual               | 41,760            | 42,943       | (1,183)                    |
| Family Takaful - Group                    | 298               | 412          | (114)                      |
| Family Takaful - Health                   | 3,316             | 3,711        | (395)                      |
|   | 13,423,048        | 14,283,251   | (860,203)                  |

### 38.2.2 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 Group. 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 Group 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.

### 38.2.3 Key assumptions

The principal assumption underlying the liability estimation of IBNR and premium deficiency reserve is that the Group'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.

### 38.2.4 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 '000)                 |          |                                  |        |
| Fire and property damage       | (2,971)                          | (2,971)  | 2,971                            | 2,971  |
| Marine, aviation and transport | (4,292)                          | (4,292)  | 4,292                            | 4,292  |
| Motor                          | (26,797)                         | (26,797) | 26,797                           | 26,797 |
| Health                         | (9,754)                          | (9,754)  | 9,754                            | 9,754  |
| Miscellaneous                  | (4,289)                          | (4,289)  | 4,289                            | 4,289  |
|                                | (48,104)                         | (48,104) | 48,104                           | 48,104 |

# Notes to and Forming Part of the Consolidated Financial Statements

## 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                             | 2012             | 2013      | 2014      | 2015      | 2016      | Total       |
|---|------------------|-----------|-----------|-----------|-----------|-------------|
|   | (Rupees in '000) |           |           |           |           |             |
| Estimate of ultimate claims cost:         |                  |           |           |           |           |             |
| At end of accident year                   | 228,529          | 322,760   | 232,592   | 324,613   | 332,103   | 1,440,597   |
| One year later                            | 215,891          | 321,070   | 216,453   | 371,882   | -         | 1,125,296   |
| Two years later                           | 191,334          | 315,575   | 220,697   | -         | -         | 727,606     |
| Three years later                         | 191,319          | 316,198   | -         | -         | -         | 507,517     |
| Four years later                          | 195,250          | -         | -         | -         | -         | 195,250     |
| Estimate of cumulative claims             | 195,250          | 316,198   | 220,697   | 371,882   | 332,103   | 1,436,130   |
| Cumulative payments to date               | (190,446)        | (315,366) | (215,109) | (273,566) | (273,748) | (1,268,235) |
| Liability recognised in the balance sheet | 4,804            | 832       | 5,588     | 98,316    | 58,355    | 167,895     |

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 December 31, 2016 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 claims

|              | 2016             | 2015    |
|--------------|------------------|---------|
|              | (Rupees in '000) |         |
| Upto 1 year  | 109,349          | 63,001  |
| 1-2 years    | 23,927           | 24,356  |
| 2-3 years    | 15,533           | 35,666  |
| Over 3 years | 116,703          | 92,008  |
| Total        | 265,512          | 215,031 |

## Movement of outstanding claim

|                      |             |             |
|----------------------|-------------|-------------|
| Opening balance      | 215,031     | 210,214     |
| Total gross claims   | 3,199,462   | 2,589,336   |
| Claims paid /settled | (3,148,981) | (2,584,519) |
| Closing balance      | 265,512     | 215,031     |

**38.3 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:

| 2016   |                            |                         |            |                                |                         |           |            |            |
|--|----------------------------|-------------------------|------------|--------------------------------|-------------------------|-----------|------------|------------|
| 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 '000)   |                            |                         |            |                                |                         |           |            |            |
| Financial assets   |                            |                         |            |                                |                         |           |            |            |
| Cash and bank deposits                                   | 3.50% - 6.75%              | 2,142,696               | -          | 2,142,696                      | 55,787                  | -         | 55,787     | 2,198,483  |
| Investments  | 5.8% - 13.98%              | -                       | 14,499,054 | 14,499,054                     | 10,510,701              | -         | 10,510,701 | 25,009,755 |
| Loans secured against life insurance policies            | 9.00% - 11.00%             | 153,456                 | -          | 153,456                        | -                       | -         | -          | 153,456    |
| Loans secured against other assets                       | 9.00%                      | 630                     | -          | 630                            | -                       | -         | -          | 630        |
| Premium due but unpaid                                   | -                          | -                       | -          | 519,916                        | -                       | -         | 519,916    | 519,916    |
| Amounts due from other insurers / reinsurers - unsecured | -                          | -                       | -          | 444,731                        | -                       | -         | 444,731    | 444,731    |
| Accrued income on investments and deposits               | -                          | -                       | -          | 380,669                        | -                       | -         | 380,669    | 380,669    |
| Reinsurance recoveries against outstanding claims        | -                          | -                       | -          | 649,453                        | -                       | -         | 649,453    | 649,453    |
| Experience refund receivable                             | -                          | -                       | -          | 12,306                         | -                       | -         | 12,306     | 12,306     |
| Sundry receivables                                       | 3.50% - 3.70%              | 170,363                 | -          | 170,363                        | 480,110                 | -         | 480,110    | 650,473    |
|  |                            | 2,467,145               | 14,499,054 | 16,966,199                     | 13,053,673              | -         | 13,053,673 | 30,019,872 |
| Financial liabilities                                    |                            |                         |            |                                |                         |           |            |            |
| Provision for outstanding claims [including IBNR]        | -                          | -                       | -          | 1,210,466                      | -                       | -         | 1,210,466  | 1,210,466  |
| Amounts due to other insurers / reinsurers               | -                          | -                       | -          | 365,526                        | -                       | -         | 365,526    | 365,526    |
| Experience refund payable                                | -                          | -                       | -          | 36,831                         | -                       | -         | 36,831     | 36,831     |
| Accrued expenses   | -                          | -                       | -          | 316,649                        | -                       | -         | 316,649    | 316,649    |
| Sundry creditors   | -                          | -                       | -          | 1,367,711                      | -                       | -         | 1,367,711  | 1,367,711  |
| Current portion of long term liabilities                 | 3.89% - 6.35%              | -                       | -          | 7,786                          | -                       | -         | 7,786      | 7,786      |
| Short term finances - secured                            | 5.99% - 6.55%              | 1,348,017               | -          | 1,348,017                      | -                       | -         | -          | 1,348,017  |
| Long term finance-secured                                | 6.36% - 6.81%              | -                       | 1,000,000  | 1,000,000                      | -                       | 231,000   | 231,000    | 1,231,000  |
| Unclaimed dividend                                       | -                          | -                       | -          | 14,251                         | -                       | -         | 14,251     | 14,251     |
| Liabilities against assets subject to finance lease      | 3.89% - 6.35%              | -                       | -          | 41,537                         | -                       | -         | 41,537     | 41,537     |
|  |                            | 1,348,017               | 1,000,000  | 2,348,017                      | 3,360,757               | 231,000   | 3,591,757  | 5,939,774  |
|  |                            | 1,119,128               | 13,499,054 | 14,618,182                     | 9,692,916               | (231,000) | 9,461,916  | 24,080,098 |

## Notes to and Forming Part of the Consolidated Financial Statements

| 2015   |                            |                         |           |                                |                         |           |            |            |
|--|----------------------------|-------------------------|-----------|--------------------------------|-------------------------|-----------|------------|------------|
| 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 '000)   |                            |                         |           |                                |                         |           |            |            |
| <b>Financial assets</b>                                  |                            |                         |           |                                |                         |           |            |            |
| Cash and bank deposits                                   | 4.00%                      | 793,296                 | -         | 793,296                        | 7,080                   | -         | 7,080      | 800,376    |
| Investments  | 6.37% - 13.98%             | 79,948                  | 9,616,503 | 9,696,451                      | 9,990,775               | -         | 9,990,775  | 19,687,226 |
| Loans secured against life insurance policies            | 9.00% - 11.00%             | 146,947                 | -         | 146,947                        | -                       | -         | -          | 146,947    |
| Loans secured against other assets                       | 9.00%                      | 734                     | -         | 734                            | -                       | -         | -          | 734        |
| Premium due but unpaid                                   |                            | -                       | -         | -                              | 397,319                 | -         | 397,319    | 397,319    |
| Amounts due from other insurers / reinsurers - unsecured |                            | -                       | -         | -                              | 422,023                 | -         | 422,023    | 422,023    |
| Accrued income on investments and deposits               |                            | -                       | -         | -                              | 421,599                 | -         | 421,599    | 421,599    |
| Reinsurance recoveries against outstanding claims        |                            | -                       | -         | -                              | 391,659                 | -         | 391,659    | 391,659    |
| Experience refund receivable                             |                            | -                       | -         | -                              | 9,029                   | -         | 9,029      | 9,029      |
| Sundry receivables                                       |                            | -                       | -         | -                              | 176,639                 | -         | 176,639    | 176,639    |
|  |                            | 1,020,925               | 9,616,503 | 10,637,428                     | 11,816,123              | -         | 11,816,123 | 22,453,551 |
| <b>Financial liabilities</b>                             |                            |                         |           |                                |                         |           |            |            |
| Provision for outstanding claims [including IBNR]        |                            | -                       | -         | -                              | 858,847                 | -         | 858,847    | 858,847    |
| Amounts due to other insurers / reinsurers               |                            | -                       | -         | -                              | 348,028                 | -         | 348,028    | 348,028    |
| Experience refund payable                                |                            | -                       | -         | -                              | 39,576                  | -         | 39,576     | 39,576     |
| Accrued expenses   |                            | -                       | -         | -                              | 219,015                 | -         | 219,015    | 219,015    |
| Sundry creditors   |                            | -                       | -         | -                              | 565,263                 | -         | 565,263    | 565,263    |
| Short term finances - secured                            | 6.7% - 7.85%               | 148,020                 | -         | 148,020                        | -                       | -         | -          | 148,020    |
| Unclaimed dividend                                       |                            | -                       | -         | -                              | 14,006                  | -         | 14,006     | 14,006     |
|  |                            | 148,020                 | -         | 148,020                        | 2,044,735               | -         | 2,044,735  | 2,192,755  |
|  |                            | 872,905                 | 9,616,503 | 10,489,408                     | 9,771,388               | -         | 9,771,388  | 20,260,796 |

### 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 summarises Group's interest rate risk as of December 31, 2016 and 2015 and shows the effects of a hypothetical 1% increase and a 1% decrease in interest rates as at the year end.

#### As at December 31, 2016

Cash flow sensitivity-Variable rate financial liabilities  
Cash flow sensitivity-Variable rate financial assets

#### As at December 31, 2015

Cash flow sensitivity-Variable rate financial liabilities  
Cash flow sensitivity-Variable rate financial assets

| Profit and Loss  |          |
|------------------|----------|
| Increase         | Decrease |
| (Rupees in '000) |          |
| (2,843)          | 2,843    |
| -                | -        |
| (166)            | 166      |
| -                | -        |

**(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.

**(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.13,957 million (2015: Rs. 11,226 million) at the balance sheet date.

The Group's strategy is to hold its strategic equity investments for long period of time. Thus, Group'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. Group strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Group 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, available for sale equity instruments of non-life insurance business and investment of statutory funds other than investment linked fund 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 realised 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 Group has no significant concentration of price risk.

**Sensitivity analysis**

The table below summarises Group's equity price risk as of December 31, 2016 and 2015 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 Group'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 2016 | 49,006,079 | 10% increase              | 53,906,687   | 4,900,608  | -   |
|             |            | 10% decrease              | 44,105,471   | (4,900,608)  | -   |
| 31 Dec 2015 | 38,682,042 | 10% increase              | 42,550,246   | 3,868,204  | -   |
|             |            | 10% decrease              | 34,813,838   | (3,868,204)  | -   |

## Notes to and Forming Part of the Consolidated Financial Statements

### (ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. To guard against the risk, the Group 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 Group are short term in nature.

Liquidity risk is the risk that the Group 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 Group'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.

| 2016  |                 |                       |               |                    |
|---|-----------------|-----------------------|---------------|--------------------|
|   | Carrying amount | Contractual cash flow | Upto one year | More than one year |
| (Rupees in '000)                                    |                 |                       |               |                    |
| Provision for outstanding claims                    | 1,210,466       | 1,210,466             | 1,210,466     | -                  |
| Amount due to other insurers / reinsurers           | 365,526         | 365,526               | 365,526       | -                  |
| Experience refund payable                           | 36,831          | 36,831                | 36,831        | -                  |
| Accrued expenses                                    | 316,649         | 316,649               | 316,649       | -                  |
| Current portion of long term liabilities            | 7,786           | 7,786                 | 7,786         | -                  |
| Unclaimed dividend                                  | 14,251          | 14,251                | 14,251        | -                  |
| Liabilities against assets subject to finance lease | 41,537          | 41,537                | -             | 41,537             |
| Short term finance                                  | 1,348,017       | 1,348,017             | 1,348,017     | -                  |
| Long term finance                                   | 1,231,000       | 1,231,000             | -             | 1,231,000          |
| Sundry creditors                                    | 1,367,711       | 1,367,711             | 1,367,711     | -                  |
|   | 5,939,774       | 5,939,774             | 4,667,237     | 1,272,537          |

| 2015                                      |                 |                       |               |                    |
|---|-----------------|-----------------------|---------------|--------------------|
|   | Carrying amount | Contractual cash flow | Upto one year | More than one year |
| (Rupees in '000)                          |                 |                       |               |                    |
| Provision for outstanding claims          | 858,847         | 858,847               | 858,847       | -                  |
| Amount due to other insurers / reinsurers | 348,028         | 348,028               | 348,028       | -                  |
| Experience refund payable                 | 39,576          | 39,576                | 39,576        | -                  |
| Accrued expenses                          | 219,015         | 219,015               | 219,015       | -                  |
| Unclaimed dividend                        | 14,006          | 14,006                | 14,006        | -                  |
| Short term finance                        | 148,020         | 148,020               | 148,020       | -                  |
| Sundry creditors                          | 565,263         | 565,263               | 565,263       | -                  |
|   | 2,192,755       | 2,192,755             | 2,192,755     | -                  |

### (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 Group 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 Group's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the Group'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.

|   | 2016             | 2015      |
|---|------------------|-----------|
|   | (Rupees in '000) |           |
| - Bank deposits   | 1,095,780        | 449,792   |
| - Deposits maturing within 12 months                      | 1,100,000        | 350,000   |
| - Loans secured against life insurance policies           | 153,456          | -         |
| - Investment in Unlisted Term Finance Certificates (TFCs) | 3,280            | -         |
| - Premiums due but unpaid                                 | 519,916          | 397,319   |
| - Amount due from other insurers / reinsurers             | 444,731          | 422,023   |
| - Accrued income on investments and deposits              | 380,669          | 421,599   |
| - Reinsurance recoveries against outstanding claims       | 649,453          | 391,659   |
| - Experience refund receivable                            | 12,306           | 9,029     |
| - Sundry receivables                                      | 650,473          | 176,639   |
|   | 5,010,064        | 2,618,060 |

The Group 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. 15.078 million were further impaired. The movement in the provision for doubtful debt account is shown in note 21. 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 Group's bank balances can be assessed with reference to external credit ratings as follows:

|                                 | Rating Agency | Rating     |           |
|---------------------------------|---------------|------------|-----------|
|                                 |               | Short Term | Long Term |
| <b>Bank deposits</b>            |               |            |           |
| BankIslami Pakistan Limited     | PACRA         | A1         | A+        |
| Habib Metropolitan Bank Limited | PACRA         | A1+        | AA+       |
| MCB Bank Limited                | PACRA         | A1+        | AAA       |
| National Bank of Pakistan       | PACRA         | A1+        | AAA       |
| JS Bank Limited                 | PACRA         | A1+        | AA-       |
| Soneri Bank Limited             | PACRA         | A1+        | AA-       |
| NIB Bank Limited                | PACRA         | A1+        | AA-       |
| United Bank Limited             | JCR-VIS       | A1+        | AAA       |
| Habib Bank Limited              | JCR-VIS       | A1+        | AAA       |
| Faysal Bank Limited             | PACRA         | A1+        | AA        |
| Standard Chartered Bank         | PACRA         | A1+        | AAA       |
| Bank Al Habib Limited           | PACRA         | A1+        | AA+       |
| Bank Alfalah Limited            | PACRA         | A1+        | AA        |
| Allied Bank Limited             | PACRA         | A1+        | AA+       |
| Meezan Bank Limited             | JCR-VIS       | AA         | A-1+      |
| Summit Bank Limited             | JCR-VIS       | A-         | A-1       |
| Tameer MicroFinance Bank        | PACRA         | A+         | A1        |
| <b>Certificate of Deposits</b>  |               |            |           |
| Soneri Bank Limited             | PACRA         | A1+        | AA-       |
| Habib Metropolitan Bank Limited | PACRA         | A1+        | AA+       |
| Habib Bank Limited              | JCR-VIS       | A1+        | AAA       |

## Notes to and Forming Part of the Consolidated Financial Statements

\*\*The age analysis of premiums due but unpaid, amounts due from other insurers / reinsurers and receivable from clients securities and commodity contracts against purchase of marketable is as follows:

|              | 2016             | 2015    |
|--------------|------------------|---------|
|              | (Rupees in '000) |         |
| Upto 1 year  | 874,214          | 691,684 |
| 1-2 years    | 73,977           | 59,613  |
| 2-3 years    | 26,220           | 38,882  |
| Over 3 years | 115,553          | 146,065 |
|              | 1,089,964        | 936,244 |

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 Group's total credit exposure. The Group'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.

### Aging analysis

|                               | Gross amount     | Provision held | Net amount |
|-------------------------------|------------------|----------------|------------|
|                               | (Rupees in '000) |                |            |
| Upto 5 days                   | 88,117           | -              | 88,117     |
| More than 5 but upto 14 days  | 1,315            | 642            | 673        |
| More than 14 but upto 30 days | 835              | 805            | 29         |
| More than 30 but upto 60 days | 1,105            | 1,001          | 104        |
| More than 60 but upto 90 days | 202              | 70             | 131        |
| More than 90 days             | 602,920          | 585,832        | 17,088     |
|                               | 694,494          | 588,350        | 106,142    |

### Sector wise analysis of premiums due but unpaid

|                        | 2016             | 2015    |
|------------------------|------------------|---------|
|                        | (Rupees in '000) |         |
| Foods and beverages    | 27,767           | 65,182  |
| Financial services     | 62,202           | 57,475  |
| Pharmaceuticals        | 63,032           | 35,106  |
| Textile and composites | 97,593           | 49,664  |
| Plastic industries     | 388              | 273     |
| Engineering            | 36,051           | 20,458  |
| Other manufacturing    | 12,779           | 9,920   |
| Miscellaneous          | 310,661          | 236,907 |
|                        | 610,473          | 474,985 |

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 | 2016      | 2015      |
|------------------------------|---|---|-----------------------------------|-----------|-----------|
| A- or above (including PRCL) | 467,166                                     | 636,589   | 407,860                           | 1,758,899 | 1,180,286 |
| BBB and B+                   | 7,223                                       | 11,228  | 9,941                             | 87,783    | 173,082   |
| Others                       | 11,765                                      | 1,636   | 2,024                             | 42,494    | 167,038   |
| Total                        | 486,154                                     | 649,453   | 419,825                           | 1,889,176 | 1,520,406 |



### 39 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Group to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.
- Fair value measurements using 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).
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2016, the Group held the following financial instruments measured at fair value:

| As at December 31, 2016                        |           |           |         |
|--|-----------|-----------|---------|
|  | Level 1   | Level 2   | Level 3 |
| (Rupees in '000)                               |           |           |         |
| <b>Assets carried at fair value</b>            |           |           |         |
| Available-for-sale investments                 | 2,062,623 | 6,097,401 | -       |
| Fair value through profit and loss investments | -         | -         | -       |
| As at December 31, 2015                        |           |           |         |
|  | Level 1   | Level 2   | Level 3 |
| (Rupees in '000)                               |           |           |         |
| <b>Assets carried at fair value</b>            |           |           |         |
| Available-for-sale investments                 | 1,569,109 | 3,078,527 | -       |
| Fair value through profit and loss investments | 719,254   | -         | -       |

### 40 CAPITAL MANAGEMENT

The Holding Company's objectives when managing capital are to safeguard the Holding 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 Holding Company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

### 41 CORRESPONDING FIGURES

Corresponding figures have been restated / rearranged and reclassified, wherever necessary, for the purpose of comparison.

## Notes to and Forming Part of the Consolidated Financial Statements

### 42 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on December 29, 2017 by the Board of Directors of the Holding Company.

### 43 EVENTS AFTER BALANCE SHEET DATE

The Board of Directors has proposed a final dividend for the year ended December 31, 2016 of Rs. 8 per share (2015: Rs. 4.00 per share), amounting to Rs 992.213 million (2015: Rs 490.758 million) in its meeting held on December 29, 2017 for the approval of the members at the annual general meeting to be held on March 02, 2018. The consolidated financial statements for the year ended December 31, 2016 do not include the effect of these appropriations.



Chairman



Director



Director



Principal Officer and  
Chief Executive

## Notice of Annual General Meeting of IGI Insurance Limited

NOTICE IS HEREBY GIVEN that the 63rd Annual General Meeting of IGI Insurance Limited (the “**Company**”) will be held on Friday, the 2nd day of March, 2018 at 10:30 a.m., at the Tulip-1 Hall of The Beach Luxury Hotel, Lalazar, M. T. Khan, Road, Karachi, to transact the following business:

### ORDINARY BUSINESS

1. To confirm the minutes of the last Extraordinary General Meeting (EoGM) of the Company held on April 26, 2017.
2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors’ Report and Auditors’ Report thereon for the year ended December 31, 2016.
3. To consider and approve the payment of cash dividend of Rs. 8.00 (80%) per share for the financial year ended December 31, 2016 as recommended by the Board of Directors.
4. To appoint auditors for the year 2017 and to fix their remuneration.

### ANY OTHER BUSINESS

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

(Attached to this Notice is a statement showing the Status of Approvals for Investment in Associated Companies as required under Regulation 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012)

By Order of the Board

Yasir Ali Quraishi  
Company Secretary

Karachi: February 9, 2018

### Notes:

1. The Share Transfer Books of the Company will remain closed from February 23, 2018 to March 2, 2018 (both days inclusive). Transfers received by Company’s Share Registrar by the close of business on February 22, 2018, will be considered in time for the purpose of Annual General Meeting and payment of cash dividend, if approved by the members.
2. 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.
3. Presentation of original Computerized National Identity Card (CNIC) by member or his/her proxy to participate in the meeting is mandatory.
4. 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. A proxy need not be a member of the Company. The proxy forms duly completed and signed by the member appointing the proxy must be deposited with the Company’s Share Registrar, FAMCO Associates (Private) Limited, 8F, next to Hotel Faran, Nursery Block 6, P.E.C.H.S., Sharah-e-Faisal, Karachi, not later than forty-eight (48) hours before the time appointed for the Meeting.
5. Shareholders (Non-CDC) are requested to promptly notify the Company’s Share Registrar afore-stated of any change in their addresses.
6. Any individual beneficial owner having an account or sub-account with the Central Depository Company (CDC), entitled to vote at this Meeting, must bring his/her Computerized National Identity Card (“CNIC”) with him/her to prove 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 copies of board of directors’ resolution/powers of attorney and/or all such documents as are required under Circular No.1 dated 26th January 2000 issued by the Securities and Exchange Commission of Pakistan for the purpose.
7. Disclosure under Para 3(a) of SRO 634(1)/2014 dated July 10, 2014: The financial statements and reports have been placed on the website of the Company.
8. Members are hereby informed that in pursuant to SECP’s S.R.O. 787(1)/2014 dated September 8, 2014 regarding electronic transmission of Annual Report, we have attached the request form in the Annual Report and also uploaded on our company’s website-[www.igiinsurance.com.pk/investor.html](http://www.igiinsurance.com.pk/investor.html). Members who want to avail this facility are requested to submit the request form duly filled to the Share Registrar.

## Notice of Annual General Meeting of IGI Insurance Limited

9. The Government of Pakistan through Finance Act, 2015 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These rates are as under:

|  |     |
|--|-----|
| (a) For filers of income tax returns     | 15% |
| (b) For non-filers of income tax returns | 20% |

To enable the Company to make tax deductions on the amount of cash dividend @ 15% instead of 20%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into the ATL before the book closure of the Company, otherwise tax on their cash dividend will be deducted @ 20% instead of 15%.

10. Members of the Company are encouraged to provide duly filled and signed dividend bank mandate to enable the Company to make payment of dividend (as and when declared and approved by the members) electronically directly into bank account. The dividend mandate form has been attached in the Annual Report and also uploaded on our Company's website - [www.igiinsurance.com.pk/investor.html](http://www.igiinsurance.com.pk/investor.html).
11. The members who hold shares in dematerialized form are requested to submit the dividend bank mandate form duly filled to their participant/investor account services in the CDC.
12. Electronic Payment of Cash Dividend (e-dividend) in accordance with the requirement of Section 242 of the Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, shareholders are requested to provide their CNIC's and bank account detail including name of the bank, address of bank branch and International Bank Account Number (IBAN) to receive their cash dividend directly into their bank account instead of receiving it through dividend warrants. Therefore, all individual members who have not yet provided their CNIC and Bank Account details are once again reminded to immediately submit a copy of their CNIC and duly filled Dividend Bank Mandate form to the Share Registrar or to the Company. In the absence of valid bank account details and CNIC, dividend amount will be withheld in compliance with the afore referred provisions of Companies Act and Regulations.
13. For shareholders holding their shares jointly as per the clarification issued by the Federal Board of Revenue, withholding tax will be determined separately on "Filer / Non-Filer" status of the principle shareholder as well as joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of the principle shareholder and Joint-holder(s) in respect of shares held by them to the Share Registrar, in writing as follows:

| Company Name | Folio / CDC Account No. | Total shares | Principle Shareholder |   | Joint Shareholder |   |
|--------------|-------------------------|--------------|-----------------------|---|-------------------|---|
|              |                         |              | Name and CNIC No.     | Shareholding Proportion (No. of Shares) | Name and CNIC No. | Shareholding Proportion (No. of Shares) |
|              |                         |              |                       |   |                   |   |
|              |                         |              |                       |   |                   |   |

14. In accordance with Section 132(2) of Companies Act, 2017, the members may avail video conferencing facility for AGM, provided the Company receives consent (standard format is given below) at least 7 days prior to the date of the meeting from members residing in Karachi with aggregate 10% or more shareholding.

I/We, \_\_\_\_\_ of \_\_\_\_\_ being a member of IGI Insurance Limited, holder of \_\_\_\_\_ Ordinary shares as per Register Folio No / CDC Account No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_ in respect of the Annual General Meeting of the Company to held on March 2, 2018.

\_\_\_\_\_  
Signature of member

15. This Notice has been sent to all members of the Company in accordance with Section 134(1)(a) of the Companies Act, 2017.

# Notice of Annual General Meeting of IGI Insurance Limited

## Status of Approvals for Investments in Associated Companies

As required by Regulation 4(2) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017, 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 period and the authorization to invest continues to be valid and in effect); 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 and amount approved in the Extraordinary General Meeting dated March 31, 2016: Rs. 2,000 Million;
- (b) The Company has invested Rs. 2,239.93 Million so far;
- (c) An amount of Rs. 260.07 million remains unutilized because of unavailability of shares at a reasonable price. However, the authorization to invest this amount in the future will remain valid and in effect, as the resolution do not require implantation within a 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 invested Rs. 299.62 Million so far;
- (c) An amount of Rs. 200.38 Million remains unutilized because of unavailability of shares at a reasonable price. However, the authorization to invest this amount in the future will remain valid and in effect, as the resolution passed on April 26, 2012 did not require implementation within a specified period; and
- (d) 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;

## Notice of Annual General Meeting of IGI Insurance Limited

- (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 the authorization to invest continues to be valid and in effect); 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 because of non-availability of shares at reasonable price (the resolution did not require implementation within specified period and the authorization to invest continues to be valid and in effect); and
- (c) There was no major change in the financial position of the investee company.

### **6. Packages Construction (Private) Limited**

- (a) Amount approved in the Annual General Meeting held on April 21, 2015: Rs. 1,000 million;
- (b) The Company has invested entire amount of Rs. 1,000 Million in subscribing 100 Million shares of Packages Construction (Private) Limited.

I/We \_\_\_\_\_  
of \_\_\_\_\_ being member (s) of IGI  
Insurance Limited and holder of \_\_\_\_\_ Ordinary Shares as per Share Register Folio  
No. \_\_\_\_\_ and/or CDC Participant I.D. No. \_\_\_\_\_ and  
Sub Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of  
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 sixty third  
Annual General Meeting of the Company to be held on Friday, the 2nd day of March 2018, at 10:30  
a.m. at the Tulip Hall of the Beach Luxury Hotel, Lalazar, M. T. Khan, Road, Karachi and at any  
adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

**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 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 No. 701-713, G-20,  
Block-9, Khayaban-e-Jami, Clifton  
Karachi-75600, Pakistan



## Request for Annual Report and Notices Through E-Mail

The Registrar  
Famco Associates (Pvt) Ltd  
FAMCO Associates (Pvt.) Limited,  
Block-6, P.E.C.H.S.  
Shahrah-e-Faisal  
Karachi-74000

Email: yasir.quraishi@igi.com.pk

Dear Sir,

I hereby request you to send from now onwards the Annual Report of IGI Insurance Limited and all notices under section 55,132 and 223 of the new Companies Act, 2017 at my e-mail address given below:

---

(E-mail address of the shareholder)

The above email address will be recorded in the members' register maintained under section 119 of the new Companies Act, 2017, I will inform the Company and the Registrar about any change in my e-mail address immediately. Henceforth, I will receive the Accounts and Notices only on the above email address, unless a hard copy has been specifically requested by me

Regards.

---

(Signature)

Name of the Shareholders

Folio No:

(In case of physical shareholding)

CDC Account No.:

Note: Individual CDC Account holders should submit copy of their Computerized National Identity Card (CNIC) along with this request form.

**AFFIX  
CORRECT  
POSTAGE**

**The Company Secretary**  
IGI Insurance Limited  
7th Floor, The Forum,  
Suite No. 701-713, G-20,  
Block-9, Khayaban-e-Jami, Clifton  
Karachi-75600, Pakistan

## Video Conference Facility

In this regard, please fill the following form and submit to registered office of the Company seven (7) days before holding of the Annual General Meeting.

If the Company receives consent form members holding in aggregate 10% or more shareholding residing at a geographical location ,to participate in the meeting through video conference at least seven (7) days prior to date of meeting, the company will arrange video conference facility in the city subject to availability of such facility in that city.

The Company intimate members regarding venue of video conference facility at least five (5) days before the date of the Annual General Meeting along with complete information necessary to enable them to access the facility.

## Video Conference Consent Form

I/We, \_\_\_\_\_ of \_\_\_\_\_ being a member of IGI Insurance holder of \_\_\_\_\_  
ordinary shares as per Register Folio/CDC participant account No. \_\_\_\_\_ hereby opt for video  
conference facility at \_\_\_\_\_.

\_\_\_\_\_  
Signature of member

Phone / Cell # \_\_\_\_\_

**AFFIX  
CORRECT  
POSTAGE**

**The Company Secretary**  
IGI Insurance Limited  
7th Floor, The Forum,  
Suite No. 701-713, G-20,  
Block-9, Khayaban-e-Jami, Clifton  
Karachi-75600, Pakistan

# ویڈیو کانفرنس کی سہولت

اس سلسلے میں برائے مہربانی مندرجہ ذیل فارم بھر کر اسے کمپنی کے رجسٹرڈ آفس میں سالانہ اجلاس عام کے انعقاد سے سات (7) دن قبل جمع کرا دیں۔ اگر کمپنی کو اجلاس سے سات (7) دن قبل کسی ایک جغرافیائی جگہ پر رہائش پذیر ممبران جو 10 فیصد یا اس سے زائد حصص کے حامل ہوں، کی جانب سے رضامندی موصول ہوتی ہے کہ وہ اجلاس میں بذریعہ ویڈیو کانفرنس شرکت کریں گے تو اس شہر میں ویڈیو کانفرنس کا انتظام کر دیا جائے گا جس کا انحصار اس شہر میں مذکورہ سہولت کی دستیابی پر ہوگا۔

کمپنی سالانہ اجلاس عام کے انعقاد سے پانچ (5) دن قبل ممبران کو ویڈیو کانفرنس سہولت کے مقام سے مطلع کر دے گی بمعہ ان تمام مکمل معلومات کے جو انہیں مذکورہ سہولت تک رسائی کے قابل کر سکیں۔

## ویڈیو کانفرنس رضامندی کا فارم

میں / ہم \_\_\_\_\_ رہائشی \_\_\_\_\_ آئی جی آئی انشورنس لمیٹڈ کا / کی ایک ممبر \_\_\_\_\_ عام شیئر کا / کی حامل، بحوالہ رجسٹرڈ فوئیو نمبر \_\_\_\_\_ بذریعہ ویڈیو کانفرنس کی سہولت بمقام \_\_\_\_\_ لینے کا انتخاب کرتا / کرتی ہوں۔

ممبر کے دستخط: \_\_\_\_\_  
فون نمبر: \_\_\_\_\_

**AFFIX  
CORRECT  
POSTAGE**

**The Company Secretary**  
IGI Insurance Limited  
7th Floor, The Forum,  
Suite No. 701-713, G-20,  
Block-9, Khayaban-e-Jami, Clifton  
Karachi-75600, Pakistan

# درخواست برائے سالانہ رپورٹ اور نوٹسز بذریعہ ای میل

دی رجسٹرار  
میمکو ایسوسی ایٹس (پرائیویٹ) لمیٹڈ  
ایف-8، نزد ہوٹل فاران  
نرسری بلاک-6، پی ای سی ایچ ایس  
شاہراہ فیصل، کراچی  
ای میل: yasir.quraishi@igi.com.pk

عزیز محترم

میں بذریعہ ہذا آپ سے درخواست کرتا ہوں کہ اب سے تمام آئی جی آئی انٹرنس لمیٹڈ کی سالانہ رپورٹ اور تمام نوٹسز برطانیہ کمپنیز آرڈیننس 1984 (منسوخ شدہ) نئے کمپنیز ایکٹ 2017 کے تحت میرے ذیل میں در  
ای میل ایڈریس ارسال کئے جائیں۔

(شیئر ہولڈر کا ای میل ایڈریس)

مذکورہ بالا ای میل ایڈریس کمپنیز آرڈیننس 1984 کے سیکشن 147 (منسوخ شدہ)، نئے کمپنیز ایکٹ 2017 کے سیکشن 119 کے تحت تیار کردہ ممبران کے رجسٹر میں ریکارڈ کر لیا جائے۔ میں کمپنی اور رجسٹرار کو اپنے ای میل  
ایڈریس میں کسی بھی تبدیلی کے بارے میں فوری طور پر اطلاع کر دوں گا/گی۔ اس کے مطابق میں حسابات اور نوٹسز صرف مذکورہ بالا ای میل ایڈریس پر وصول کروں گا تا وقتیکہ میری جانب سے خصوصی طور پر ہارڈ کاپی کے لئے  
درخواست نہ کی جائے۔

منجانب

(دستخط)

شیئر ہولڈر کا نام

فولیو نمبر:

(فونیکل شیئر ہولڈنگ کی صورت میں)

سی ڈی سی اکاؤنٹ نمبر:

نوٹ: انفرادی سی ڈی سی اکاؤنٹ ہولڈرز کو اس درخواست فارم کے ساتھ اپنے کمپیوٹر پر ذمہ داری کا رڈ (سی این آئی سی) کی کاپی جمع کرانی ہوگی۔

**The Company Secretary**  
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Karachi-75600, Pakistan

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CORRECT  
POSTAGE**



# تشکیل نیابت داری

## 63واں سالانہ اجلاس عام

دی کمپنی سیکریٹری  
آئی جی آئی انشورنس لمیٹڈ  
7 ویں منزل، دی فورم  
سوئٹ نمبر 701-713، جی-20، بلاک 9  
خیابان جامی، گلشن، کراچی-75600، پاکستان

میں / ہم ----- بابت ----- بحیثیت ممبر (ممبران) برائے آئی جی آئی انشورنس لمیٹڈ اور ہولڈر بابت  
----- عمومی شیئرز بمطابق شیئر رجسٹر فولیو نمبر ----- اور / یا سی ڈی سی پارٹیشنٹ ----- اور سبسکریپشن نمبر  
----- بذریعہ ہذا ----- بابت ----- یا ان کی عدم حاضری پر -----  
کو اپنا / ہمارا پارکسی مقرر کر رہا ہوں / کر رہے ہیں جو کمپنی کے 63 ویں سالانہ اجلاس عام منعقدہ بروز جمعہ 2 مارچ 2018 بوقت 10:30 بجے صبح بمقام ٹیولپ ہال، پیچ لگٹری ہوٹل، لالہ زار، ایم ٹی خان روڈ کراچی یا کسی زیر التوا  
تاریخ پر منعقد ہونے والے اجلاس میں میری / ہماری غیر موجودگی کی صورت میں میری / ہماری جگہ شرکت کرنے اور ووٹ دینے کے لئے بطور نیابت داری شریک ہوں گے۔

دستخط مورخہ ----- 2018

1- گواہ:

----- دستخط: -----  
----- نام: -----  
----- پتہ: -----  
----- سی این آئی سی یا -----  
----- پاسپورٹ نمبر -----

2- گواہ:

----- دستخط: -----  
----- نام: -----  
----- پتہ: -----  
----- سی این آئی سی یا -----  
----- پاسپورٹ نمبر -----

نوٹ: نیابت داری کے موثر ہونے کے لئے لازمی ہے کہ وہ اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہو جائیں۔

سی ڈی سی کے حصے یافتگان اور ان کے نمائندوں سے التماس ہے کہ وہ کمپنی کو نیابت داری فارم جمع کرانے سے قبل اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ کاپی اس نیابت داری فارم کے ساتھ لازماً منسلک کر دیں۔  
سینٹرل ڈیپازٹری کمپنی (سی ڈی سی) کے پاس شیئرز جمع کرانے والے شیئر ہولڈرز سے درخواست ہے کہ وہ تصدیق کیلئے اپنے اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا سی ڈی سی اکاؤنٹ نمبر ہمراہ لائیں۔

ریونیوٹکٹ چسپاں کریں۔

(دستخط کمپنی میں پہلے سے موجود نمونہ  
کے مطابق ہونے چاہئے)

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#### 4۔ سنوئی اینٹس پاکستان لمیٹڈ

- اے) سالانہ اجلاس عام منعقدہ 26 اپریل 2012 میں منظور کردہ رقم: 500 ملین روپے۔
- بی) کمپنی اب تک 91.02 ملین روپے کی سرمایہ کاری کر چکی ہے۔
- سی) مذکورہ رقم کو مناسب نرخوں پر شیئرز کی عدم دستیابی کے باعث مکمل طور پر استعمال نہیں کیا جاسکا۔ (مقررہ مدت کے اندر قرداد پر عمل درآمد کی ضرورت نہیں اور سرمایہ کاری کے لیے اختیار کارآمد اور موثر رہے گا) اور
- ڈی) سرمایہ کار کمپنی کی مالی حیثیت میں کوئی نمایاں تبدیلی نہیں آئی۔

#### 5۔ سیمز (پاکستان) انجینئرنگ کمپنی لمیٹڈ

- اے) سالانہ اجلاس عام منعقدہ 26 اپریل 2012 میں منظور کردہ رقم: 500 ملین روپے۔
- بی) کمپنی اب تک اس رقم کو مناسب نرخوں پر شیئرز کی عدم دستیابی کے باعث مکمل طور پر استعمال نہیں کیا جاسکا۔ (مقررہ مدت کے اندر قرداد پر عمل درآمد کی ضرورت نہیں اور سرمایہ کاری کے لیے اختیار کارآمد اور موثر رہے گا) اور
- سی) سرمایہ کار کمپنی کی مالی حیثیت میں کوئی نمایاں تبدیلی نہیں آئی۔

#### 6۔ پیکیجز کنسٹرکشن (پرائیویٹ) لمیٹڈ

- اے) سالانہ اجلاس عام منعقدہ 21 اپریل 2015 میں منظور کردہ رقم: 1000 ملین روپے۔
- بی) کمپنی 1000 روپے کی مکمل رقم کی سرمایہ کاری پیکیجز کنسٹرکشن (پرائیویٹ) لمیٹڈ کے 100 ملین شیئرز کے حصول میں صرف کر چکی ہے۔

## منسلکہ کمپنیوں میں سرمایہ کاری کے لیے اجازت ناموں کی حیثیت:

جیسا کہ کمپنیز (منسلکہ کمپنیوں یا ذیلی اداروں میں سرمایہ کاری) ریگولیشنز 2017 کے ضابطہ (2)4 کے تحت ضروری ہے، منسلکہ کمپنیوں میں مختلف سرمایہ کاریوں کی پوزیشن کمپنی کے پاس موجود اجازت ناموں کے تحت درج ذیل کے مطابق ہے:

### 1- نیسلے پاکستان لمیٹڈ

(اے) سالانہ اجلاس عام منعقدہ 26 اپریل 2012 میں منظور کردہ رقم: 1,000 ملین روپے۔

(بی) کمپنی اب تک 69.58 ملین روپے کی سرمایہ کاری کر چکی ہے۔

(سی) مذکورہ رقم کو مناسب نرخوں پر شیئرز کی عدم دستیابی کے باعث مکمل طور پر استعمال نہیں کیا جاسکا۔ (مقررہ مدت کے اندر قرداد پر عمل درآمد کی ضرورت نہیں اور

سرمایہ کاری کے لیے اختیار کارآمد اور موثر رہے گا) اور

(ڈی) سرمایہ کار کمپنی کی مالی حیثیت میں کوئی نمایاں تبدیلی نہیں آئی۔

### 2- پیکیجز لمیٹڈ

(اے) سالانہ اجلاس عام منعقدہ 26 اپریل 2012 میں منظور کردہ رقم 500 ملین روپے اور غیر معمولی اجلاس عام منعقدہ 31 مارچ 2016 میں منظور کردہ رقم 2000 ملین روپے

(بی) کمپنی اب تک 2,239.93 ملین روپے کی سرمایہ کاری کر چکی ہے۔

(سی) 260.07 ملین روپے کی رقم مناسب نرخوں پر شیئرز کی عدم دستیابی کے باعث غیر استعمال شدہ ہے تاہم مستقبل میں اس رقم کی سرمایہ کاری کا اختیار کارآمد اور

موثر رہے گا جیسا کہ مقررہ مدت کے اندر قرداد پر عمل درآمد کی ضرورت نہیں۔ اور

(ڈی) سرمایہ کار کمپنی کی مالی حیثیت میں کوئی نمایاں تبدیلی نہیں آئی۔

### 3- ٹرائی پک فلز لمیٹڈ

(اے) سالانہ اجلاس عام منعقدہ 26 اپریل 2012 میں منظور کردہ رقم: 500 ملین روپے۔

(بی) کمپنی اب تک 299.62 ملین روپے کی سرمایہ کاری کر چکی ہے۔

(سی) 200.38 ملین روپے کی رقم بدستور غیر استعمال شدہ ہے، کیونکہ مناسب نرخوں پر شیئرز کی دستیابی ممکن نہ ہو سکی، تاہم مستقبل میں اس رقم کی سرمایہ کاری کا اختیار

کارآمد اور موثر رہے گا جیسا کہ مقررہ مدت کے اندر قرداد منظور شدہ 26 اپریل 2012 پر عمل درآمد کی ضرورت نہیں۔ اور

(ڈی) سرمایہ کار کمپنی کی مالی حیثیت میں کوئی نمایاں تبدیلی نہیں آئی۔

- ☆ اکٹونکس گوشواروں کے فائزر کے لئے 15.00 فیصد
- ☆ اکٹونکس گوشواروں کے نان فائزر کے لئے 20.00 فیصد

کمپنی کو نقد منافع منقسمہ کی رقم پر 20 فیصد کے بجائے 15 فیصد کی شرح سے ٹیکس کی کوئی کاپی بنانے کے لئے وہ تمام شیئرز ہولڈرز جن کے نام ایف بی آر کی ویب سائٹ پر موجود ایکٹونکس ہینڈز لسٹ (اے ٹی ایل) پر موجود نہیں ہیں، باوجود اس امر کے کہ وہ فائزر ہیں، انہیں ہدایت کی جاتی ہے کہ وہ کمپنی کی کتاب کی بندش سے قبل اے ٹی ایل پر اپنے ناموں کی موجودگی کو یقینی بنائیں، بصورت دیگر ان کے منافع منقسمہ پر ٹیکس کی کوئی 15 فیصد کے بجائے 20 فیصد کی شرح سے کی جائے گی۔

10- کمپنی کے ممبران کی جانب سے باقاعدہ شدہ اور دستخط شدہ منافع منقسمہ بینک مینڈیٹ فراہم کرنے کی حوصلہ افزائی کی جائے گی تاکہ کمپنی منافع منقسمہ کی ادائیگی (جب اور جہاں اعلان ہوا) ممبران کی جانب سے منظوری دی جائے) براہ راست الیکٹرونک طریقہ کار سے ان کے بینک اکاؤنٹ میں کر سکے۔ منافع منقسمہ کے مینڈیٹ کا فارم سالانہ رپورٹ کے ساتھ منسلک ہے اور ہماری کمپنی کی ویب سائٹ [www.igiinsurance.com.pk/investor.html](http://www.igiinsurance.com.pk/investor.html) پر بھی اپ لوڈ کر دیا گیا ہے۔

11- وہ ممبران جو شیئرز غیر طبعی شکل میں رکھتے ہیں ان سے درخواست ہے کہ وہ منافع منقسمہ کے لئے بینک مینڈیٹ فارم باقاعدہ شدہ صورت میں اپنے پارٹنر/انویسٹر اکاؤنٹ سروسز کو ڈی سی میں جمع کرا دیں۔

12- کمپنیز ایکٹ 2017 کے سیکشن 242 (کمپنیز) منافع منقسمہ کی تقسیم (ریگولیشنز 2017 کی شرائط کے مطابق نقد منافع منقسمہ کی الیکٹرونک ادائیگی (ای-منافع منقسمہ) کے سلسلے میں شیئرز ہولڈرز سے درخواست ہے کہ وہ اپنے سی این آئی سی اور بینک اکاؤنٹ کی تفصیل بشمول بینک کا نام، بینک کا پتہ، برانچ اور انٹرنیشنل بینک اکاؤنٹ نمبر (IBAN) اپنے نقد منافع منقسمہ کو بذریعہ منافع منقسمہ کے وائرٹس وصول کرنے کے بجائے براہ راست اپنے بینک اکاؤنٹ میں وصول کرنے کے لئے جمع کرا دیں۔ لہذا وہ تمام انفرادی شیئرز ہولڈرز جنہوں نے ابھی تک اپنے سی این آئی سی اور بینک اکاؤنٹ کی تفصیلات فراہم نہیں کی ہیں انہیں ایک بار پھر یاد دہانی کرائی جاتی ہے کہ وہ فوری طور پر اپنے سی این آئی سی کی کاپی اور باقاعدہ شدہ منافع منقسمہ بینک مینڈیٹ فارم کمپنی کے شیئرز رجسٹر ارا کو جمع کرا دیں۔ کارآمد بینک اکاؤنٹ کی تفصیل اور سی این آئی سی کی عدم موجودگی میں منافع منقسمہ کی رقم کمپنیز ایکٹ اور ریگولیشنز کی متعلقہ شقوں کے مطابق روک لی جائے گی۔

13- ان شیئرز ہولڈرز کے لئے جن کے شیئرز مشترکہ طور پر ہیں، ان کے لئے فیڈرل بورڈ آف ریونیو کی جانب سے جاری کردہ وضاحت کے مطابق وہ ہولڈنگ ٹیکس کا تعین الگ الگ ”فائزر اور نان فائزر“ سٹیکس پر مرکزی شیئرز ہولڈرز نیز جوائنٹ ہولڈرز (ہولڈرز) کے طور پر ان کے شیئرز ہولڈنگ تناسب کی بنیاد پر کیا جائے گا۔ لہذا وہ تمام شیئرز ہولڈرز جو مشترکہ طور پر شیئرز رکھتے ہیں، وہ اپنے پاس موجود شیئرز کے سلسلے میں مرکزی شیئرز ہولڈرز اور جوائنٹ ہولڈرز (ہولڈرز) کے شیئرز ہولڈنگ تناسب کو درج ذیل کے مطابق تحریری طور پر ہمارے مذکورہ بالا شیئرز رجسٹر ارا کو فراہم کرا دیں۔

| کمپنی کا نام | فولیو/سی ڈی سی اکاؤنٹ نمبر | مجموعی شیئرز | مرکزی شیئرز ہولڈرز                  | جوائنٹ شیئرز ہولڈرز        |
|--------------|----------------------------|--------------|-------------------------------------|----------------------------|
|              |                            |              | نام اور سی این آئی سی نمبر          | نام اور سی این آئی سی نمبر |
|              |                            |              | شیئرز ہولڈنگ تناسب (شیئرز کی تعداد) | شیئرز ہولڈنگ               |
|              |                            |              |                                     |                            |
|              |                            |              |                                     |                            |

14- کمپنیز ایکٹ 2017 کے سیکشن 2(132) کے مطابق ممبران اجلاس عام کے لئے ووٹ پوز کا نفرنگ کی سہولت حاصل کر سکتے ہیں اور اس کے لئے کمپنی کو اجلاس کی تاریخ سے کم از کم 7 دن قبل کمپنی کو اجازت نامہ (اسٹینڈرڈ فارمیٹ ذیل میں دیا گیا ہے) کراچی میں مقیم مجموعی طور پر 10 فیصد یا زائد شیئرز ہولڈنگ کے حامل ممبران کی جانب سے موصول ہو جائے۔

میں/ہم \_\_\_\_\_ بابت \_\_\_\_\_ بحیثیت آئی جی آئی انشورنس لمیٹڈ کا ممبر، حامل \_\_\_\_\_

برطانیہ رجسٹرڈ فولیو نمبر/سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_ بذریعہ ہذا بمقام \_\_\_\_\_ میں کمپنی کے سالانہ اجلاس منعقدہ 2 مارچ 2018 میں ووٹ پوز کا نفرنگ کی سہولت حاصل ہوں۔

\_\_\_\_\_

ممبر

15- یوٹس کمپنی کے تمام ممبران کو کمپنیز ایکٹ 2017 کے سیکشن (a)(1) 134 کے مطابق ارسال کیا جا رہا ہے۔

# آئی جی آئی انشورنس لمیٹڈ کے سالانہ اجلاس عام کی اطلاع

بذریعہ بلا اطلاع دی جاتی ہے کہ آئی جی آئی انشورنس لمیٹڈ (دی ”کمپنی“) کا 634 واں سالانہ اجلاس عام بروز جمعہ 2 مارچ 2018 کو صبح 10:30 بجے ٹیولپ ہال، پیچ لگٹری ہوٹل، لالہ زار، ایم ٹی خان روڈ، کراچی میں درج ذیل امور کی انجام دہی کے لئے منعقد کیا جائے گا۔

## عمومی کارروائی:

- 1- کمپنی کے گزشتہ غیر معمولی اجلاس عام (EOGM) منعقدہ 26 اپریل 2017 کی کارروائیوں کی توثیق۔
- 2- کمپنی کے آڈٹ شدہ مالیاتی حسابات برائے سال ختمہ 31 دسمبر 2016 مع ان پراڈاکٹر اور آڈیٹر کی رپورٹ کی وصولی، غور و خوض اور منظوری۔
- 3- سال ختمہ 31 دسمبر 2016 کے لئے نقد منافع منقسمہ بشرح- 8/ روپے فی شیئر (80 فیصد) پر غور و خوض اور ادائیگی کی منظوری جیسا کہ بورڈ آف ڈائریکٹرز کی جانب سے سفارش کی گئی ہے۔
- 4- سال 2017 کے لئے آڈیٹر کا تقرر اور ان کے معاوضے کا تعین۔

## دیگر کارروائی:

- 5- صدر اجلاس کی اجازت سے کسی دیگر کارروائی پر غور و خوض۔
- (ایک بیان جس میں منسلک کمپنیوں میں سرمایہ کاروں کے لئے اجازت ناموں کا ایلیٹس واضح کیا گیا ہے جیسا کہ کمپنیز (منسلک کمپنیوں یا منسلک اداروں میں سرمایہ کاری) ریگولیشنز 2012 کے ضابطہ 4(2) کے تحت ضروری ہے ہڈا کے ساتھ ممبران کو الگ سے ارسال کیا جا رہا ہے)۔

حسب الحکم بورڈ  
یاسر علی قریشی  
کمپنی سیکریٹری

کراچی: 9 فروری 2018

## نوٹ:

- 1- کمپنی کے حصص منتقلی کی کتاب 23 فروری 2018 تا 2 مارچ 2018 (بشمول دونوں دن) بند رہیں گی۔ 22 فروری 2018 کو کاروباری اختتام تک کمپنی کے شیئرز رجسٹرڈ انفرسٹر سالانہ اجلاس عام میں شرکت اور نقد منافع منقسمہ کی ادائیگی کے لئے بروقت تصور کئے جائیں گے، اگر ممبران نے اس کی منظوری دی۔
- 2- وہ ممبران جنہوں نے ابھی تک اپنے کمپیوٹرائزڈ قومی شناختی کارڈ کی نقول کمپنی کو جمع نہیں کرائیں ان سے درخواست ہے کہ وہ اسے فوری طور پر ارسال کر دیں۔
- 3- اجلاس میں شرکت کرنے والے ممبران کے پراسس کی جانب سے کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) کو پیش کرنا لازمی ہے۔
- 4- اجلاس عام میں شرکت کرنے اور ووٹ دینے کے استحقاق کا/کی حامل کوئی بھی ممبر اپنی جگہ شرکت کرنے اور ووٹ دینے کے لئے کسی دوسرے فرد کو بطور پراسس مقرر کرنے کا حق رکھتا/رکھتی ہے۔ پراسس کے لئے کمپنی کا ممبر ہونا ضروری نہیں۔ ہر طرح سے مکمل پراسس فارم اور پراسس کا تقرر کرنے والے ممبر کے دستخط کے ساتھ لازماً کمپنی کے شیئرز رجسٹرڈ کے دفتر، ”میسرز فیکو ایسوی ایٹس (پرائیویٹ) لمیٹڈ“، بمقام 8F، متصل ہوٹل فاران، نرسری، بلاک-6، پی ای سی ایچ ایٹس، شاہراہ فیصل، کراچی کو اجلاس کے مقررہ وقت سے کم از کم اڑتالیس (48) گھنٹے قبل جمع کرادیئے جائیں۔
- 5- ممبران (نان سی ڈی سی) سے درخواست ہے کہ اپنے پتوں میں کسی تبدیلی سے کمپنی کے شیئرز رجسٹرڈ انفرسٹر سالانہ اجلاس عام کو فوری آگاہ کریں۔
- 6- سینٹرل ڈیپازٹری کمپنی کے پاس اکاؤنٹ یا ضمنی اکاؤنٹ کا حامل کوئی بھی انفرادی بنی فیشل اونر، جو اجلاس ہڈا میں ووٹ دینے کا استحقاق رکھتا/رکھتی ہے۔ لازماً اپنی شناخت ثابت کرنے کے لئے اپنا کمپیوٹرائزڈ قومی شناختی کارڈ (سی این آئی سی) ہمراہ لائے اور پراسس کی صورت میں لازماً اپنے سی این آئی سی کی مصدقہ کاپی منسلک کرے۔ کارپوریٹ اداروں کے نمائندے بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی کی مصدقہ کاپیاں اور/یا سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جانب سے اس مقصد کے لئے جاری کردہ سرکل نمبر 1 مورخہ 26 جنوری 2000 کے تحت درکار ایسے تمام دستاویزات ہمراہ لائیں۔
- 7- ایس آر او 2014/1(634) مورخہ 10 جولائی 2014 کے پیرا گراف (a) 3 کے تحت اعلان مالیاتی حسابات اور رپورٹس کمپنی کی ویب سائٹ پر فراہم کر دی گئی ہیں۔
- 8- ممبران کو بذریعہ بلا آگاہ کیا جاتا ہے کہ ایس ای سی پی کے ایس آر او 2014/1(787) مورخہ 8 ستمبر 2014 کے مطابق سالانہ رپورٹ کی الیکٹرونک منتقلی کے بارے میں درخواست فارم سالانہ رپورٹ کے ساتھ منسلک ہے اور کمپنی کی ویب سائٹ [www.igiinsurance.com.pk/investor.html](http://www.igiinsurance.com.pk/investor.html) پر بھی اپ لوڈ کر دیا گیا ہے۔ وہ ممبران جو یہ سہولت حاصل کرنا چاہتے ہیں ان سے درخواست ہے کہ باقاعدہ ہڈا شدہ درخواست فارم شیئرز رجسٹرڈ کو جمع کر دیں۔
- 9- حکومت پاکستان نے فنانس ایکٹ 2015 کے ذریعے انکم ٹیکس آرڈیننس 2001 کی دفعہ 150 میں چند ترامیم کی ہیں جن کے ذریعے کمپنیز کی جانب سے ادا کئے جانے والے منافع منقسمہ کی رقم پر وہ وولڈنگ ٹیکس کی کٹوتی کے لئے مختلف ریٹس مقرر کئے گئے ہیں۔ یہ ریٹس درج ذیل کے مطابق ہیں:

# 31 دسمبر 2016 کو ختم ہونے والے سال کے لئے مجموعی مالیاتی حسابات پر شیئر ہولڈرز کو ڈائریکٹرز کی رپورٹ

بورڈ کی جانب سے میں 31 دسمبر 2016 کو ختم ہونے والے سال کے لئے بمسرت آئی جی آئی انشورنس لمیٹڈ اور اس کے ذیلی اداروں، آئی جی آئی لائف انشورنس لمیٹڈ، آئی جی آئی جنرل انشورنس لمیٹڈ، آئی جی آئی انویسٹمنٹس (پرائیویٹ) لمیٹڈ اور آئی جی آئی فائننس سیکورٹیز لمیٹڈ ("دی گروپ") کے مجموعی مالیاتی حسابات پیش کر رہا ہوں۔

بورڈ آپ کو آگاہ کرنا چاہتا ہے کہ معزز عدالت عالیہ سندھ نے 16 دسمبر 2017 کو آئی جی آئی انویسٹمنٹ پینک لمیٹڈ کے آئی جی آئی انشورنس لمیٹڈ میں انضمام کی منظوری دی اور بعد ازاں آئی جی آئی انشورنس کے پاس موجود انشورنس بزنس اور دیگر سرمایہ کاریوں کو دو مکمل ملکیتی ذیلی اداروں یعنی بالترتیب آئی جی آئی جنرل انشورنس اور آئی جی آئی انشورنس میں تقسیم کرنے کی منظوری دی گئی۔ برائے مہربانی اس امر سے آگاہ رہیں کہ ری اسٹرکچرنگ کے عمل کا آغاز ستمبر 2016 میں کیا گیا تھا اور آپ کی جانب سے اس کی منظوری فروری 2017 میں دی گئی۔

آئی جی آئی گروپ کی مالیاتی سرومز کے کاروباروں کی تنظیم نو بین الاقوامی طریقہ کار کے مطابق گروپ کی "غنائش سرومز ہولڈنگ کمپنی" کی تشکیل پر مشتمل ہے جس میں دیگر متعلقہ کاروباروں کے لئے ذیلی اداروں کو اپنانا ہے تاکہ بھرپور توجہ کے ساتھ انتظام سنبھالا جائے۔ تنظیم نو کا عمل (i) آئی جی آئی انویسٹمنٹ پینک لمیٹڈ کے مکمل کاروبار کا انضمام 1: 92 کے متبادل تناسب (یعنی آئی جی آئی انویسٹمنٹ پینک منسوخ شدہ کے ہر 92 شیئرز کے لئے آئی جی آئی انشورنس کے 1 (ایک) شیئر کا اجرا) آئی جی آئی انویسٹمنٹ کے شیئر ہولڈرز کو کرنے ماسوائے برائے آئی جی آئی انشورنس اور (ii) اور بعد ازاں انضمام نیسے کے کاروبار کو ڈی مرجر (Demerger) کرنے اور متعدد سرمایہ کاریوں بشمول آئی جی آئی انشورنس کے پاس موجود رواں مالی ذمے داریوں کو آئی جی آئی انشورنس کے دو مکمل ملکیتی ذیلی اداروں یعنی بالترتیب آئی جی آئی جنرل انشورنس لمیٹڈ اور آئی جی آئی انویسٹمنٹس (پرائیویٹ) لمیٹڈ میں تقسیم کرنے اور آئی جی آئی انشورنس کے باقی ماندہ اثاثہ جات اور مالی ذمے داریوں، اگر کوئی ہوں، کو آئی جی آئی انشورنس کے پاس برقرار رکھنے پر مشتمل ہوگا۔ تنظیم نو کا عمل عدالت کی جانب سے منظور کردہ انضمام اور آرٹیمٹ کی اسکیموں کے تحت کیا گیا جو سندھ ہائی کورٹ بمقام کراچی کے پاس اب منسوخ شدہ کمپنیز آرڈیننس 1984 کے سیکشن 284 تا 288 کے تحت دائر کی گئی تھیں۔

منظور کردہ اسکیم آف آرٹیمٹ کے مطابق آئی جی آئی انشورنس لمیٹڈ کو ایک نیا نام آئی جی آئی ہولڈنگز لمیٹڈ دیا جائے گا۔ اسکیم آف آرٹیمٹ کے حصے کے طور پر آئی جی آئی جنرل انشورنس میں 1,500 ملین روپے کی نقد ایکویٹی بھی شامل کی تاکہ نافذ العمل قوانین کے مطابق کم از کم سرمائے کی شرط اور جنرل انشورنس کمپنی کے لئے لاگو سالوینسی شرائط کو پورا کیا جاسکے۔

31 دسمبر 2016 کو ختم ہونے والے سال کے لئے گروپ کے مالیاتی حسابات درج ذیل کے مطابق ہیں:

| 2015             | 2016             |
|------------------|------------------|
| (روپے '000 میں)  |                  |
| 2,351,127        | 3,342,440        |
| (375,833)        | (872,372)        |
| <b>1,975,294</b> | <b>2,470,068</b> |
| (81,783)         | 24,347           |
| <b>1,893,511</b> | <b>2,494,415</b> |
| (18,585)         | (17,207)         |
| <b>1,874,926</b> | <b>2,477,208</b> |
| <b>16.10</b>     | <b>20.13</b>     |

منافع قبل از ٹیکس

ٹیکسیشن

منافع بعد از ٹیکس

دیگر جامع آمدنی

مجموعی جامع آمدنی

نان-کنٹرولنگ سود سے منسوب منافع

عمومی شیئر ہولڈرز کے لئے مختص منافع

آمدنی فی شیئر

برائے اور منجانب بورڈ



سید باقر علی

چیئر مین

لاہور 29 دسمبر 2017

# کارپوریٹ گورننس رپورٹ

## بورڈ اور سب کمیٹی کے اجلاس

بورڈ آف ڈائریکٹرز، آڈٹ، انڈر رائٹنگ، ری انشورنس، کلیمز، انویسٹمنٹ اور ہیومن ریسورسز اور کمپنیشن کے اجلاس شیڈول کے مطابق منعقد کئے گئے تھے۔ سال کے دوران بورڈ میں کوئی اتفاقی آسامی سامنے نہیں آئی۔  
بورڈ اور اس کی ذیلی کمیٹیوں کے اجلاسوں میں ہر ایک ڈائریکٹر کی شرکت درج ذیل کے مطابق رہی۔  
بورڈ نے ان ڈائریکٹرز کی عدم شرکت پر ان کی رخصت منظور کر لی جو بورڈ کے اجلاسوں میں شرکت نہیں کر سکے۔

| بورڈ/سب کمیٹیاں         | بورڈ کے اجلاس | آڈٹ کمیٹی | انڈر رائٹنگ کمیٹی | ری انشورنس کمیٹی | کلیمز کمیٹی | انویسٹمنٹ کمیٹی | ہیومن ریسورسز اور کمپنیشن کمیٹی |
|-------------------------|---------------|-----------|-------------------|------------------|-------------|-----------------|---------------------------------|
| منعقدہ اجلاسوں کی تعداد | 5             | 4         | 4                 | 4                | 4           | 4               | 4                               |
| شرکت                    |               |           |                   |                  |             |                 |                                 |
| سید باہر علی            | 5             | -         | -                 | -                | -           | -               | -                               |
| شیم احمد خان            | 5             | 4         | -                 | -                | 4           | 4               | -                               |
| سید یاور علی            | 5             | 4         | -                 | -                | -           | 4               | 4                               |
| سید شاہد علی            | 2             | -         | -                 | -                | -           | -               | 1                               |
| سید حیدر علی            | 5             | 4         | 4                 | 4                | -           | 4               | 4                               |
| فریال جمعہ              | 5             | 4         | -                 | -                | -           | -               | 4                               |
| عثمان خالد وحید         | 2             | -         | -                 | -                | -           | 3               | -                               |
| طاہر مسعود              | 5             | -         | 4                 | 4                | 4           | 4               | 4                               |

## آڈٹ کمیٹی

جیسا کہ کوڈ آف کارپوریٹ گورننس کے تحت ضروری ہے آڈٹ کمیٹی بورڈ کی جانب سے باقاعدہ منظور کردہ اپنے ٹرمز آف ریفرنس کے مطابق کام جاری رکھے ہوئے ہے۔ کمیٹی کی تشکیل اور اس کے ٹرمز آف ریفرنس سالانہ رپورٹ کے ساتھ منسلک ہیں۔

## آڈیٹرز

موجودہ آڈیٹرز میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سکدش ہو رہے ہیں اور اہل ہونے کی بنا پر انہوں نے خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ بیرونی آڈیٹرز انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان (ICAP) کی جانب سے اطمینان بخش ریٹنگ رکھتے ہیں جیسا کہ ان کے کوالٹی کنٹرول جائزہ پروگرام کے تحت ضروری ہے۔ آڈٹ کمیٹی کی جانب سے تجویز کے مطابق بورڈ آف ڈائریکٹرز نے میسرز ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی سال 2017 کے لئے کمپنی کے آڈیٹرز کی حیثیت سے باہمی طے شدہ معاوضے پر تقرری کی سفارش کی ہے۔

## بنیادی تبدیلیاں

31 دسمبر 2016 سے آپ کی کمپنی میں کوئی ایسی نمایاں تبدیلیاں اور معاہدے نہیں ہوئے جو مالی پوزیشن پر اثر انداز ہوں۔

## شیئر ہولڈنگ کا طریقہ کار

شیئر ہولڈنگ کے طریقہ کار سے متعلق ایک اسٹیٹمنٹ سالانہ رپورٹ کے ساتھ منسلک ہے۔

برائے اور منجانب بورڈ



سید باہر علی

چیئرمین

لاہور: 29 دسمبر 2017



# کارپوریٹ گورننس رپورٹ

ڈائریکٹرز نے ایس ای سی پی کے کوڈ آف کارپوریٹ گورننس کے کارپوریٹ و مالیاتی رپورٹنگ فریم ورک کے ساتھ درج ذیل معاملات پر عملدرآمد کی توثیق کی ہے۔

- 1- مالیاتی حسابات مع ان حسابات کے لازمی حصے کو تشکیل دینے والے نوٹس مینجمنٹ کی جانب سے کمپنیز آرڈیننس 1984 (متروک) موجودہ کمپنیز ایکٹ 2017 اور انشورنس آرڈیننس 2000 کے مطابق تیار کئے گئے ہیں اور کمپنی کے تمام ترمیموں، آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کے معاملات کو شفاف انداز میں واضح کرتے ہیں۔
- 2- کمپنی کے حسابات کی باقاعدہ کتب تیار کی گئی ہیں۔
- 3- مالیاتی حسابات اور اکاؤنٹنگ کے تخمینہ جات کی تیاری میں موزوں درست اکاؤنٹنگ پالیسیز مستقل طور پر لاگو کی گئی ہیں۔
- 4- انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز، جیسا کہ پاکستان میں نافذ العمل ہیں، پر مالیاتی گوشوارے کی تیاری میں لاگو کئے جاتے رہے ہیں اور جہاں ان سے روگردانی کی گئی ہے اس کو مناسب انداز میں واضح اور جواز کے ساتھ بیان کر دیا گیا ہے۔
- 5- اندرونی کنٹرول کا نظام مستحکم طور پر برقرار رکھا گیا ہے اور موثر طور پر نافذ العمل اور زیر نگرانی رہتا ہے۔
- 6- اس امر میں کوئی شبہ نہیں کہ کمپنی میں مسلسل ترقی کرنے کی صلاحیت موجود ہے۔
- 7- کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی اہم روگردانی نہیں کی گئی جیسا کہ لسٹنگ ضوابط میں درج ہے، ماسوائے جیسا کہ کوڈ آف کارپوریٹ گورننس پر عملدرآمد کے بیان میں درج کیا گیا ہے۔
- 8- گزشتہ دس سالوں کے لئے نمایاں کاروباری اور مالیاتی تفصیل سالانہ رپورٹ میں ظاہر کی گئی ہے۔
- 9- ٹیکسز، ڈیویڈنڈ، لیویز اور چارجز، جو 31 دسمبر 2016 کے اختتام پر کوئی قانونی یا لازمی ادائیگیاں واجب الادا نہیں ہیں، ماسوائے ان کے جنہیں مالیاتی گوشوارے میں واضح کر دیا گیا ہے۔
- 10- متعلقہ فنڈز کے آڈٹ شدہ حسابات پڑھنی سرمایہ کاریوں کی مالیت درج ذیل کے مطابق ہے:

|                                  |                 |
|----------------------------------|-----------------|
| پراویڈنٹ فنڈ بمطابق 30 جون 2015  | 64.45 ملین روپے |
| گرمجوبی فنڈ بمطابق 31 دسمبر 2015 | 39.67 ملین روپے |

- 11- متعلقہ پارٹی کی ٹرانزیکشنز کا جائزہ آڈٹ کمپنی کی جانب سے لیا گیا ہے اور بعد ازاں آڈٹ کمپنی کی سفارشات پر بورڈ آف ڈائریکٹرز کی جانب سے اس کی منظوری دی گئی ہے۔
- 12- کمپنی کے شیئرز میں ڈائریکٹرز، ای ای او، سی ایف او، کمپنی سیکریٹری، ایگزیکٹوز اور ان کے شریک حیات اور نابالغ بچوں کی جانب سے کی گئی خرید و فروخت، اگر کوئی ہوئی ہے تو اس کی تفصیل ذیل میں درج ہے۔

## ڈائریکٹرز اور ان کے شریک حیات

سید بابر علی ڈائریکٹر نے 2,404,200 شیئرز خریدے۔

سید بابر علی ڈائریکٹر نے 3,766,400 شیئرز بابر علی فاؤنڈیشن کو عطیہ کئے۔

مسز پروین بابر علی نے 148,500 شیئرز خریدے۔

سید حیدر علی ڈائریکٹر نے 640,600 شیئرز خریدے۔

مسز سید یاور علی نے 2,300 شیئرز خریدے۔

- 13- فنڈ کی سرمایہ کاریوں/عدم سرمایہ کاریوں، انڈر رائٹنگ کی پالیسی میں تبدیلی سے متعلق تمام اہم تر فیصلے، اگر کوئی ہوں، تقرری، سی ای او کے معاوضے اور شرائط و ضوابط معاملات کی بورڈ سے منظوری لی گئی۔

- 14- موجودہ طور پر بورڈ کے آٹھ (8) ممبران میں سے چار (4) ڈائریکٹرز باقاعدہ ڈائریکٹرز ٹریننگ سرٹیفکیٹس حاصل کر چکے ہیں جبکہ باقی ماندہ دیگر ڈائریکٹرز بورڈ روم کی موزوں ترین صلاحیت اور تجربے کے حامل ہیں جیسا کہ کوڈ آف کارپوریٹ گورننس میں اس کی وضاحت کی گئی ہے۔

- 15- ایگزیکٹوز اور نان-ایگزیکٹوز ڈائریکٹرز کے مجموعی معاوضے بشمول تنخواہ، فیس، مراعات وغیرہ بالترتیب 26.04 ملین اور 5.23 ملین روپے ہیں۔

## انشورنس آرڈیننس، 2000

جیسا کہ انشورنس آرڈیننس 2000 اور ڈائریکٹرز کی جانب سے تشکیل دیئے گئے قوانین کے تحت ضروری ہے، اس امر کی تصدیق کی جاتی ہے کہ:

- ان کی رائے میں اور ان کے بہترین اعتماد کی حد تک کمپنی کے سالانہ اسٹیچوٹری اکاؤنٹس جو اس اسٹیٹمنٹ کے ساتھ منسلک ہیں، انکم ٹیکس آرڈیننس اور اس کے تحت آنے والے ضوابط کے مطابق تیار کئے گئے ہیں۔
- کمپنی پورے سال کے دوران مذکورہ آرڈیننس کی شقوق اور اس کے تحت آنے والے ضوابط کے مطابق ادا شدہ سرمائے، سالیونسی اور ری انشورنس کے انتظامات کرتی رہی ہے اور اسٹیٹمنٹ کی تاریخ کے مطابق کمپنی نے مذکورہ آرڈیننس اور اس کے تحت تشکیل کردہ ضوابط، جیسا کہ اوپر درج ہے، کی شقوق پر عملدرآمد جاری رکھا ہوا ہے۔

### مستقبل کا جائزہ

آگے بڑھتے ہوئے آئی جی آئی انشورنس بطور ایک ہولڈنگ کمپنی کام کرے گی جیسا کہ سندھ ہائی کورٹ کی جانب سے اسکیم آف ارتجعت منظور کی گئی تھی جس کی وجہ سے اس کا نام تبدیل کر کے آئی جی آئی ہولڈنگز لمیٹڈ کر دیا گیا۔ کمپنی مالیاتی سروسز بنام آئی جی آئی جنرل انشورنس لمیٹڈ، آئی جی آئی لائف انشورنس لمیٹڈ، آئی جی آئی انویسٹمنٹس (پرائیویٹ) لمیٹڈ اور آئی جی آئی فنانکس سیکورٹیز لمیٹڈ میں کام کرنے والے اپنے ذیلی اداروں سے اپنے صارفین کے لئے منافع کا حصول جاری رکھے گی۔

آپ کی کمپنی کا بورڈ اور انتظامیہ اس حقیقت کی سنجیدگی کو تسلیم کرتے ہیں کہ ہم ایک انتہائی مسابقتی مارکیٹ میں کام کر رہے ہیں۔ ہم اس امر پر یقین رکھتے ہیں کہ ایک درست پروفیشنل ٹیم اور جدید ترین اور متعدد برقی رفتار آپریشنل پلیٹ فارم کی بدولت آنے والے سالوں کے دوران مستقل اور منافع بخش ترقی کا سلسلہ جاری رہے گا۔

### اعتراف

ہم اپنے تمام صارفین، کاروباری شراکت داروں اور ملازمین کے ہم پراعتماد کے لئے شکریہ ادا کرنا چاہیں گے جس کی بدولت ہمیں ہر نئے برس کے دوران ترقی حاصل ہوتی رہی ہے۔ ہم اپنے شیئر ہولڈرز کے بھی آئی جی آئی کی سرپرستی اور اعتماد کے لئے انتہائی مشکور ہیں۔

برائے اور منجانب بورڈ



سید باقر علی

چیئرمین

لاہور 29 دسمبر 2017

## سرمایہ کاریاں

ہماری سرمایہ کاری کا بنیادی مقصد مختلط انتظام کے ذریعے سرمایہ کاری کے پورٹ فولیو پر زیادہ سے زیادہ منافع حاصل کرنا ہے۔ آپ کی کمپنی کی سرمایہ کاریوں کی بک ویلیو 31 دسمبر 2016 کے مطابق 15,659 ملین روپے ہے۔ اس کے برخلاف 2015 میں یہ حجم 12,325 ملین روپے تھا۔

## کمپنیل منجمنٹ اور لیکویڈٹی

کمپنی اپنے مالیاتی معاہدوں کے تحت اپنے اثاثہ جات کی پوزیشن کو اس کے مطابق بنانے کے لئے موثر انداز میں بندوبست کرنے کے ساتھ اس کی نگرانی کر رہی ہے۔ اس کے ساتھ طے شدہ اہداف کو مد نظر رکھتے ہوئے اس کی سرمایہ کاریوں کی کریڈٹ کوالٹی میں توسیع کر رہی ہے۔

کمپنی کے فنڈ کا بنیادی ماخذ وہ نقد رقم ہے جو آپریٹنگ سرگرمیوں سے حاصل ہوتا ہے جس میں پریمیم اور نیٹ انوسٹمنٹ آمدنی بھی شامل ہے۔ آپریٹنگ سرگرمیوں سے حاصل کردہ نقد رقم کو عمومی طور پر مستقبل کی ادائیگی کی ضروریات بشمول حصص داروں کو منافع منقسمہ کی ادائیگی میں صرف کیا جاتا ہے۔

## انفارمیشن ٹیکنالوجی اور بزنس پروسس ری-انجینئرنگ

ہم اس نئے عزم اور جوش و ولولے کے ساتھ 2016 میں داخل ہوئے تھے کہ مزید ماحول دوست، توانائی کی بچت کرنے والے اور ٹھنڈے اور ثابت ہوں۔ آئی جی آئی نے ہمیشہ اس ٹیکنالوجی کو اپنانے میں پہل کی ہے جس سے کاروباری اور کارکردگی میں بہتری آئے۔ جب حکومت نے آن لائن ادائیگیوں کی اجازت دی تو آئی جی آئی نے نیا آن لائن پورٹل متعارف کرایا جس کے ذریعے آن لائن انشورنس کی خریداری ممکن ہو گئی۔ آن لائن کلیم پورٹل اور دیگر آن لائن سروسز پہلے ہی اس جگہ موجود ہیں۔ آپ کی کمپنی اب جدید ترین ڈیٹا سائنس مع ملٹی پاور سروس اور ماحولیات کو کنٹرول کرنے کے سسٹمز کی حامل ہے۔ آفات سے نمٹنے اور بحالی کی سائٹ بھی فوری اور ہموار فیمل اور (failover) اور فیمل بیک (failback) کے ساتھ آپ گریڈ کر دی گئی ہے۔ ہم مواصلات اور روابط پر مزید توجہ دے رہے ہیں اور تمام تر سروسز کو اینالاگ سے ڈیجیٹل ٹیکنالوجیز پر منتقل کیا گیا ہے۔

## ہیومن ریسورسز

آئی جی آئی میں ہم اپنے ملازمین کو اپنا بیش قیمت اثاثہ تصور کرتے ہیں۔ کمپنی کی ایچ آر پالیسی اوزر شپ اور اقدامات کرنے کی حوصلہ افزائی کرتی ہے اور پورے ادارے میں جدیدیت اور انفرادیت کو خوش آمدید کہا جاتا ہے۔ اس پالیسی پر عملدرآمد کرتے ہوئے ہم نے اس سال کے دوران انسانی سرمائے کے فروغ اور ترقی کے حوالے سے کئی مزید اقدامات کئے اور ٹیکنیکی اسٹریٹجک انتظامی شعبوں میں بین الاقوامی تربیت اور ایکسپوزر فراہم کیا گیا۔ ملازمین کے لئے ذاتی ترقی کے منصوبے ہمارے لئے بنیادی ترجیح ہیں اور ہم صنعت میں اس بہترین ٹیلنٹ کو شامل کرنے، برقرار رکھنے اور اس کے فروغ کے لئے مسلسل کوشاں ہیں جو ہمارے وژن اور مشن کی تکمیل کر سکے۔

## ضابطہ اخلاق

آپ کی کمپنی نے ایک ضابطہ اخلاق تیار کیا ہے جس پر تمام ملازمین کے دستخط اس امر کو یقینی بنانے کے لئے موجود ہیں کہ وہ اعلیٰ اخلاقی اقدار کو برقرار رکھیں گے۔ ہماری تمام آپریشنل سرگرمیاں ضابطہ اخلاق پرستی کے ساتھ عملدرآمد کرتے ہوئے شفاف طریقے پر انجام دی جاتی ہیں۔

## کارپوریٹ سماجی ذمہ داری

آپ کی کمپنی اپنی کارپوریٹ سماجی ذمہ داریوں سے مکمل طور پر آگاہ ہے اور تعلیم، صحت اور ماحولیات کے شعبوں میں سوشل سیکٹر کے اداروں کے ساتھ معاونت کر رہی ہے۔ کمپنی نے 2016 میں 20.6 ملین روپے کے عطیات دیئے۔ کمپنی پورے سال کے دوران کالجوں اور جامعات سے طلباء و طالبات کو انٹرن شپ کی پیشکش بھی کی۔

## کی ایس او سرٹیفیکیشن اور ہمارے صارفین کے لئے اس کی اہمیت

آپ کی کمپنی اپنے آپریٹنگز میں پیداواری صلاحیت اور کارکردگی کو بہتر بنانے پر مستقل توجہ دے رہی ہے اور یہ کوالٹی منجمنٹ سرٹیفیکیشن ISO9001:2008 حاصل کر کے پاکستان میں یہ سرٹیفیکیشن وصول کرنے والی پہلی انشورنس کمپنی بن گئی ہے۔

## انشور کے مالی استحکام کی ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی (پرائیویٹ) لمیٹڈ (بیکرا) نے مسلسل 17 ویں برس آپ کی کمپنی کو دسمبر 2016 میں ایک ”انشور فنانشل اسٹریٹھ“ (IFS) ریٹنگ پر ”AA“ (ڈبل اے) تفویض کیا ہے۔ ”AA“ (ڈبل اے) کی انشور فنانشل اسٹریٹھ (IFS) ریٹنگ پالیسی ہولڈر اور معاہدے کی مالی ذمہ داریوں، خطرات کے جدید ترین عناصر سے نمٹنے کی ایک انتہائی مستحکم گنجائش کے ساتھ یہ امکان ظاہر کرتی ہے کہ کاروبار پر کسی بھی مضمر اور اقتصادی عناصر منفی اثرات کو انتہائی محدود ہوں گے۔

## اختصاصات (Appropriations)

سال 2016 کے لئے کمپنی کے مالیاتی نتائج کے پیش نظر کمپنی کے بورڈ آف ڈائریکٹرز نے 80 فیصد نقد منافع منقسمہ (یعنی 8 روپے فی شیئر) کی سفارش کی۔ اس کے مطابق کمپنی نے سال 2016 کے لئے مجموعی جامع آمدنی 1,430,915 ملین روپے میں سے 992,213 ملین روپے حتمی نقد منافع منقسمہ کی ادائیگی کے لئے مختص کئے۔

آپ کی کمپنی نے مجموعی تحریری پریمیم میں 20 فیصد تک اضافہ حاصل کیا جو 2015 میں 2,344 ملین روپے تھا اور 2016 میں بڑھ کر 2,820 ملین روپے ہو گیا۔ موٹر، ہیلتھ اور متفرق کاروباری شعبے اس گروتھ کے مرکزی حصہ دار تھے۔ سال کے دوران آپ کی کمپنی نے گزشتہ سال کے 1,532 ملین روپے کے مقابلے میں اس سال 2,067 ملین روپے کا ریکارڈ منافع قبل از ٹیکس حاصل کیا جو 35 فیصد اضافے کو ظاہر کرتا ہے۔ انڈر رائٹنگ نتائج بڑھ کر 323 ملین روپے ہو گئے (2015: 258 ملین روپے)

سرمایہ کاری پر آمدنی 2,129 ملین روپے رہی جو 2015 میں 1,445 ملین روپے تھی اور اس نے کمپنی کے منافع جات میں خاطر خواہ شراکت داری کی۔ کمپنی نے 11.69 روپے فی شیئر کی آمدنی حاصل کی جو گزشتہ سال کے دوران اس کے مقابلے میں 10.54 روپے تھی۔

خالص برقرار رہنے والا پریمیم مجموعی تحریری پریمیم کے 49 فیصد کی نمائندگی ظاہر کرتا ہے۔ 2016 کے دوران رجسٹرڈ کئے گئے خالص کلیمز گزشتہ سال کے مقابلے میں 19 فیصد تک بڑھ گئے۔ خسارے کا مجموعی تناسب 2015 کے 52 فیصد کے مقابلے میں کم ہو کر سال رواں کے دوران 51 فیصد رہا۔ نتیجتاً 2016 کے لئے انڈر رائٹنگ نتائج 323 ملین روپے رہے جو 2015 میں مقابلاً 256 ملین روپے تھے۔ انڈر رائٹنگ منافع جات کا تناسب 2015 کے تناسب کی طرح 11 فیصد پر برقرار رہا۔

عمومی اور انتظامی اخراجات میں 77 فیصد اضافہ رجسٹرڈ کیا گیا جو 2015 میں 175 ملین روپے تھا اور 2016 میں بڑھ کر 312 ملین روپے ہو گیا جس کی ایک وجہ کارپوریٹ ری اسٹرکچرنگ اور کمپلائنس کے اخراجات تھے۔ مالیاتی اخراجات 83 ملین روپے تک بڑھ گئے جس کی بڑی وجہ اسٹرکچرنگ سرمایہ کاری تیار کرنے کے لئے کمپنی کی جانب سے حاصل کردہ طویل مدتی قرضہ تھا۔

### شعبہ جات کا ایک جائزہ

#### فائر

2016 میں مجموعی پریمیم بڑھ کر 957 ملین روپے ہو گیا جو 2015 میں 826 ملین روپے تھا اور یوں 16 فیصد اضافہ ظاہر ہوا۔ خالص حاصل شدہ پریمیم 80 ملین روپے سے بڑھ کر 94 ملین روپے ہو گیا۔ 2016 میں خالص کلیمز کم ہو کر 43 ملین روپے ہو گئے جو 2015 میں 58 ملین روپے تھے۔ اس کے نتیجے میں 10 ملین روپے کا انڈر رائٹنگ منافع حاصل ہوا اس کے برخلاف 2015 میں 0.471 ملین روپے کا انڈر رائٹنگ خسارہ ہوا تھا۔

### میرین، ایوی ایشن اور ٹرانسپورٹ

میرین کاروبار 7 فیصد اضافے کے ساتھ 2015 کے 388 ملین روپے کے مقابلے میں 2016 میں 414 ملین روپے ہو گیا باوجود اس کے آئل کے نرخوں میں کمی کے باعث درآمدی ویلیوز میں خسارے کا رجحان رہا تھا۔ خالص پریمیم آمدنی میں اضافہ ہوا اور یہ 180 ملین سے بڑھ کر 200 ملین روپے ہو گئے تاہم نیٹ کلیمز 78 ملین روپے سے کم ہو کر 62 ملین روپے ہو گئے۔ انڈر رائٹنگ منافع 107 ملین روپے سے بڑھ کر 137 ملین روپے ہو گیا۔

#### موٹر

مجموعی پریمیم میں 20 فیصد تک اضافہ ہوا اور یہ 2015 کے 693 ملین روپے سے بڑھ کر 2016 میں 828 ملین روپے ہو گیا نتیجتاً نیٹ پریمیم آمدنی بھی 631 ملین روپے سے بڑھ کر 770 ملین روپے ہو گئی۔ بلند تر حاصل کردہ پریمیم آمدنی کی طرح نیٹ کلیمز بھی 2015 کے 322 ملین روپے کے مقابلے میں 2016 میں بڑھ کر 389 ملین روپے ہو گیا۔ کلیمز میں اضافے کے باوجود انڈر رائٹنگ منافع جو 2015 میں 122 ملین روپے تھا 2016 میں بڑھ کر 166 ملین روپے ہو گیا۔

#### ہیلتھ

سال کے دوران مجموعی پریمیم میں 68 فیصد تک اضافہ ہوا اور یہ 2015 کے 117 ملین روپے کے مقابلے میں 2016 میں بڑھ کر 196 ملین روپے ہو گیا۔ نیٹ پریمیم کی آمدنی جو 2015 میں 107 ملین روپے تھی 2016 میں بڑھ کر 160 ملین روپے ہو گئی۔ اس کے نتیجے میں نیٹ کلیمز 2015 کے 83 ملین روپے کے مقابلے میں 2016 میں بڑھ کر 141 ملین روپے ہو گئے۔

### دیگر (متفرق)

متفرق شعبے کے لئے جس میں انجینئرنگ اور کنٹرولر کے تمام خطرات کا بیمہ، ٹریول، بانڈ اور اس سے متعلق دیگر بزنس شامل ہیں، کا مجموعی تحریری پریمیم جو 2015 میں 319 ملین روپے تھا 2016 میں بڑھ کر 423 ملین روپے ہو گیا۔ یہ نمایاں اضافہ ٹریول اور بانڈ بزنس میں بہتر سلائی بدولت ممکن ہوا۔ نیٹ کلیمز 2015 کے 45 ملین روپے سے بڑھ کر 2016 میں 62 ملین روپے ہو گئے۔ سال 2016 کے لئے انڈر رائٹنگ منافع 29 ملین روپے تھا اس کے مقابلے میں گزشتہ سال یہ رقم 31 ملین روپے تھی۔

#### کلیمز

ہماری توجہ ہل اور درست کلیم سسٹم پر ہے۔ اس توجہ کے نتیجے میں ہم نے کلیمز کے سسٹم کے دورانے میں مزید کمی کے لئے متعدد جدید طریقہ کار متعارف کرائے ہیں۔ کلیمز سسٹم کی ڈی سینٹرلائزیشن کی مستقل کامیابی برقرار رکھنے کے لئے رجسٹرڈ کلیمز سسٹم کا بڑا اختیار دے دیا گیا ہے جبکہ ہیڈ آفس بڑے اور پیچیدہ کلیمز کو نمٹانے بشمول مجموعی طور پر کلیمز کی کارکردگی کی نگرانی کر رہا ہے۔

2015 میں خسارے کا تناسب 52 فیصد رہا تھا۔ 2016 میں ہمارے کلیمز نمٹانے کا تناسب 90 فیصد بہتر رہا جو 2015 میں 89 فیصد تھا۔

### ری انشورنس اور رسک منیجمنٹ

ہم ری انشورنس کے ایک انتہائی احتیاط سے تیار کردہ پروگرام کے ذریعے خطرات سے نمٹنے کی پالیسی پر عمل پیرا ہیں۔ ہم اپنے کلائنٹس کے ساتھ مستحکم تعلقات پر یقین رکھتے ہیں اور بیمہ کی اپنی بہترین مہارت کے استعمال کے ذریعے انہیں خطرات سے نمٹنے کا ایک طویل مدتی حل بھی فراہم کرتے ہیں جو ایک جدید ترین ٹیکنالوجی سے آراستہ پلیٹ فارم ہے۔ اس کے علاوہ خطرات پر توجہ دینے کے لئے انجینئرنگ سروس فراہم کی جاتی ہے جو ہمارے کلائنٹس کو ان مہلک اثرات کو سمجھنے میں مدد دیتی ہے جس سے ان کو اپنے کاروباروں کو درپیش خطرات سے نمٹنے اور خسارے سے محفوظ رہنے یا کفایت طریقوں کا تعین کرنے میں آسانی ہوتی ہے۔

## ڈائریکٹرز کی رپورٹ برائے حصص یافتگان

آئی جی آئی انشورنس لمیٹڈ (آئی جی آئی انشورنس) کے ڈائریکٹرز بمسرت آپ کی کمپنی کی سالانہ رپورٹ مع 31 دسمبر 2016 کو ختم ہونے والے سال کے لئے آڈٹ شدہ مالیاتی حسابات پیش کر رہے ہیں۔

زیر جائزہ مدت کے لئے آپ بینک نتائج پر بحث سے قبل آپ کو آپ کی کمپنی کی تنظیم نو کے عمل کے بارے میں آگاہ کرنا ضروری ہے جس کا آغاز ستمبر 2016 میں کیا گیا تھا اور بعد ازاں فروری 2017 میں آپ سے اس کی منظوری لی گئی۔ اللہ تعالیٰ کے فضل و کرم سے معزز عدالت عالیہ سندھ نے 16 دسمبر 2017 کو آئی جی آئی انشورنس لمیٹڈ کے ساتھ انضمام کی منظوری دے دی تھی اور بعد ازاں انشورنس برنس کو الگ کرنے کی بھی منظوری دی گئی اور آئی جی آئی انشورنس کے ذریعے موجود متعدد سرمایہ کاریوں کو بالترتیب دو مکمل ملکیتی اداروں یعنی آئی جی آئی جنرل انشورنس اور آئی جی آئی انوٹسٹمنٹس میں الگ الگ تقسیم کر دیا گیا۔

آئی جی آئی گروپ کی مالیاتی خدمات کی تنظیم نو پر غور کرتے ہوئے بین الاقوامی طریقہ کار اپناتے ہوئے گروپ کی ”فنانشل سروسز ہولڈنگ کمپنی“ قائم کرنے پر غور کیا گیا جو کہ دیگر کاروباروں کے لئے ذیلی اداروں کی ملکیت کا حامل ہو تاکہ انتظامیہ خصوصی طور پر توجہ دینے کی اہل ہو سکے۔ تنظیم نو کا عمل (i) آئی جی آئی انوٹسٹمنٹ بینک لمیٹڈ کے مکمل کاروبار کا انضمام 1:92 کے متبادل تناسب (یعنی آئی جی آئی انوٹسٹمنٹ بینک منسوخ شدہ کے ہر 92 (بانوے) شیئرز کے لئے آئی جی آئی انشورنس کے 1 (ایک) شیئر کا اجرا) آئی جی آئی انوٹسٹمنٹ بینک ماسوائے برائے آئی جی آئی انشورنس کے شیئرز ہولڈرز کو کرنے کے ذریعے آئی جی آئی کے ساتھ کرنے اور (ii) اور بعد ازاں انضمام نیسے کے کاروبار کو ڈی مرجر (Demerger) (دوبارہ علیحدہ کرنا) کرنے اور متعدد سرمایہ کاریوں بشمول آئی جی آئی انشورنس کے پاس موجود دواں مالی ذمے داریوں کو آئی جی آئی انشورنس کے دو مکمل ملکیتی ذیلی اداروں یعنی بالترتیب آئی جی آئی جنرل انشورنس لمیٹڈ اور آئی جی آئی انوٹسٹمنٹس (پرائیویٹ) لمیٹڈ میں تقسیم کرنے اور آئی جی آئی انشورنس کے باقی ماندہ اثاثہ جات اور مالی ذمے داریاں، اگر کوئی ہوں، آئی جی آئی انشورنس کے پاس برقرار رکھنے پر مشتمل ہوگا۔ تنظیم نو کا عمل عدالت کی جانب سے منظور کردہ انضمام اور ارتجعت کی اسکیموں کے تحت کیا گیا جن کی منظوری عدالت عالیہ سندھ بمقام کراچی میں سیکشنز 284 تا 288، جواب منسوخ شدہ پیٹیز آرڈیننس 1984 کا حصہ ہیں، کے تحت داخل کردہ کیس کے تحت دی گئی تھی۔

اسکیموں کی منظوری عدالت کی جانب سے 16 دسمبر 2017 کو دی گئی تھی جو طے کردہ شرائط کی تکمیل سے مشروط تھی۔ منظور کردہ اسکیم کے مطابق یہ مالیاتی گوشوارے تیار کئے گئے جو آئی جی آئی انشورنس اور آئی جی آئی انوٹسٹمنٹ کے انضمام کے نتائج کی عکاسی کرتے ہیں چونکہ آئی جی آئی انوٹسٹمنٹ بینک کا مکمل انتظام 31 دسمبر 2016 کو عدالت کی جانب سے منظور کردہ انضمام کی اسکیم کے مطابق آئی جی آئی انشورنس کے ساتھ ضم کر دیا گیا تھا۔

آئی جی آئی انشورنس کے بورڈ کی جانب سے انضمام شدہ مالیاتی گوشواروں کی منظوری کے ساتھ اور رسمی کارروائیاں مکمل ہونے پر آئی جی آئی انشورنس کے انشورنس ڈویژن اور سرمایہ کاریوں کے ڈویژن کے خالص اثاثہ جات درج ذیل کے مطابق 31 جنوری 2017 تک دو مکمل ملکیتی ذیلی اداروں میں منتقل کر دیئے جائیں گے۔

(روپے '000 میں)

417,384

11,881,095

1,291,694

آئی جی آئی جنرل کے شعبہ بیمہ کے خالص اثاثہ جات

آئی جی آئی انوٹسٹمنٹس کے لئے شعبہ سرمایہ کاری کے خالص اثاثہ جات

آئی جی آئی انشورنس کے پاس برقرار رکھے جانے والے باقی ماندہ خالص اثاثہ جات

منظور کردہ اسکیم آف ارتجعت کے مطابق آئی جی آئی انشورنس لمیٹڈ کو ایک نیا نام آئی جی آئی ہولڈنگز لمیٹڈ دیا جائے گا۔ اسکیم آف ارتجعت کے حصے کے طور پر آپ کی کمپنی نے آئی جی آئی جنرل انشورنس میں 1,500 ملین روپے کی نقد ایکویٹی بھی شامل کی تاکہ نافذ العمل قوانین کے مطابق کم از کم سرمائے کی شرط اور جنرل انشورنس کمپنی کے لئے لاگوسا لوینسی شرائط کو پورا کیا جاسکے۔

31 دسمبر 2016 کو ختم ہونے والے سال کے لئے آئی جی آئی انشورنس کے مالیاتی حسابات اور آئی جی آئی انشورنس کے سرمایہ مالیاتی گوشوارے عدالت کے روبرو انضمام اور ارتجعت کی اسکیموں کے زیر التوا ہونے کے باعث مقررہ تاریخوں پر شائع نہیں کئے جاسکے۔

کمپنی کی کارکردگی کا جائزہ

| فرق             | 2015    | 2016      |
|-----------------|---------|-----------|
| (روپے '000 میں) |         | %         |
| 20%             | 476,338 | 2,343,705 |
| 23%             | 258,791 | 1,121,949 |
| 19%             | 111,441 | 586,425   |
| 25%             | 65,085  | 258,052   |
| 47%             | 683,233 | 1,445,480 |
| 35%             | 535,373 | 1,531,753 |
| 11%             | 140,829 | 1,293,046 |

مجموعی تحریری پریمیم

خالص پریمیم

خالص کلیمز

انڈر رائٹنگ نتائج

سرمایہ کاری کی آمدنی

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Mezzanine Floor, Office No. 5,6 & 7, Kashmir Plaza, Block fiB, Jinnah Avenue, Blue Area,  
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**Faisalabad**

Second Floor, Sitara Tower, Bilal Chowk, Civil Lines, Faisalabad, Pakistan.

Phone: 92-41-111-308-308, 92-41-2629416, 92-41-2602415, 92-41-2644735

Fax: 92-41-2629415, E-mail: insurance.faisalabad@igi.com.pk

**Lahore**

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**Gujranwala**

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**Sialkot**

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