IGI Insurance

art of insurance

Annual Report **2012**

art of insurance

The subject of art has been much debated and critiqued over the ages. However, recent thoughts on the topic have brought the definition full circle. The most commonly agreed description of art maintains that it is ***an idea of human agency and creation through imaginative or technical skill.***

Here at IGI, we pride ourselves in the knowledge that when we provide risk solutions to our customers we are sharing in a tradition dating back 75,000 years. Our technical expertise transcends the belief that insurance is based purely on an application of scientific analysis. IGI also incorporates the impact of human emotions and behavior to provide tailor - made solutions to you, our partners. Thus, our uniquely positioned products are an expression of your needs.

Therefore, permit us now to take you on a journey to showcase the various mediums of art in both its aesthetically pleasing form and the IGI way.

highlights

2012 has been another promising year...

Gross Written Premiums
Rs. 1,847 m
6% Growth

Net Written Premiums
Rs. 949 m
7% Growth

Underwriting
Profitability Ratio
13%

Cash Dividend
30%

Journey

IGI's foray into the insurance world has been a long and tumultuous one, but by now it has established itself firmly within the sector. The performance of the company this year is a proud milestone that your company has achieved, and we hope that we will continue to successfully reach all our future milestones as well.

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excellence

The very pursuit of excellence is an undying affair at IGI. From the time you enter our premises to the time you become one of, what we call, 'our trust base' you will perceive our determination in the pursuit of excellence and our seriousness of purpose in serving you to the best of our abilities.

Vision

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

Mission

Our vision will be realized through:

Customers

Being the preferred insurer in providing solutions to risk exposures.

Shareholders

Consistently delivering above market average return on capital.

Employees

Providing the environment necessary to be the employer of choice.

Community

Compliance with the highest ethical and moral standards.

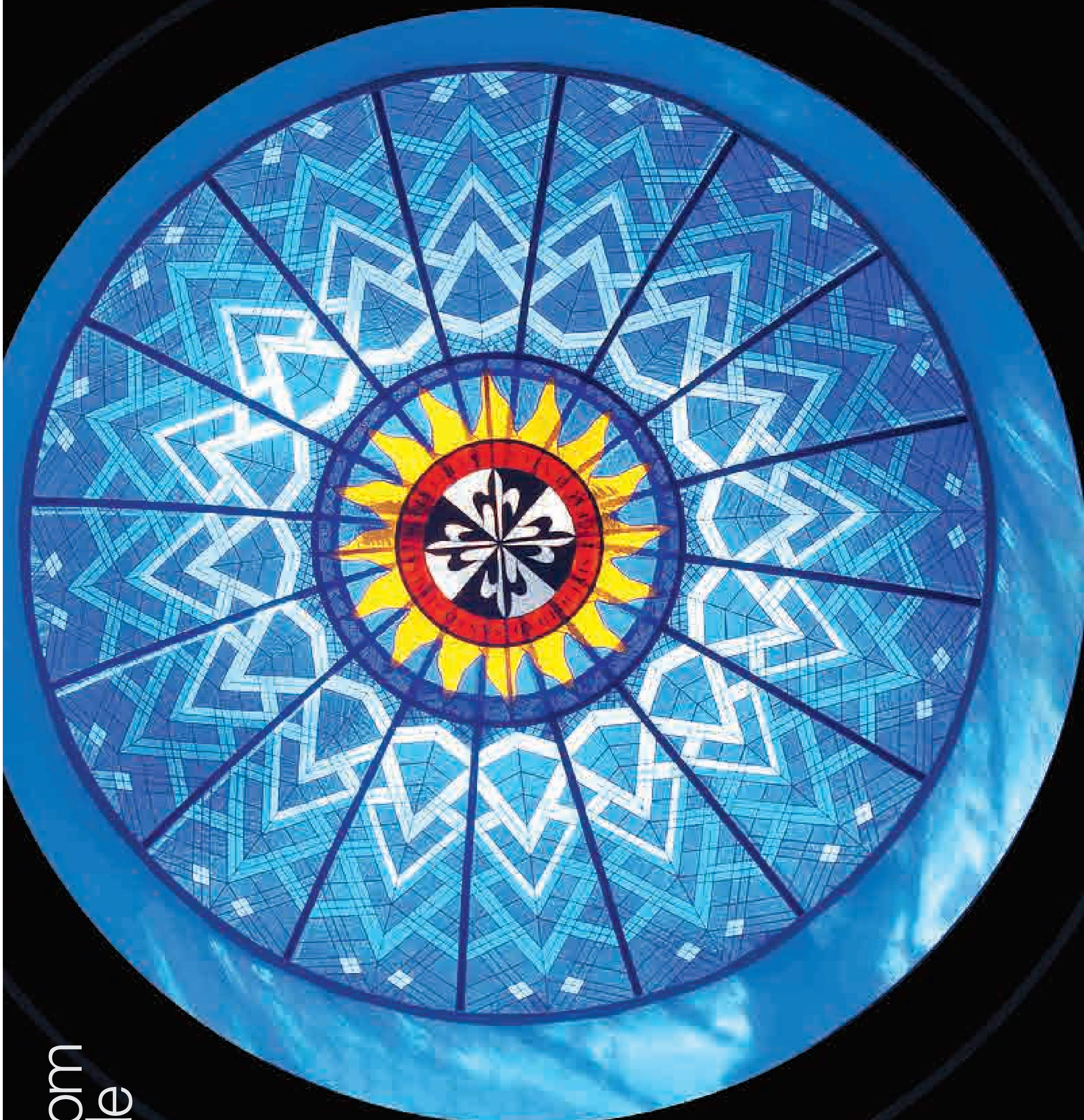
exposure

We have always believed in the fact that our conduct should establish the highest professional standards. However, we also want it to be personal as well. With an ISO standard under our belt, we at IGI promise to deliver quality service, no matter how much the exposure.

Quality policy

IGI Insurance believes in providing high quality solutions to risk exposures to the satisfaction of its customers through:

- Development & maintaining a total quality culture
- Developing capabilities of the employees
- Continuous improvement and teamwork
- Updating business knowledge and techniques
- Efficient utilization of resources & manpower
- Introducing high standards of professionalism



custom made

Adding colours to glass does not dampen the rays of the sun; rather, the adaptation serves to enhance its beauty. We at IGI also believe in adapting ourselves to our customers needs, in order to fulfill our objective of delighting them.

Strategic objective

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

elegance

The manner in which a company performs its activities and treats its customers is a direct reflection of the values embedded within the organization. Over the years, IGI has achieved an enviable level of class and grace amongst its peers in the insurance market as a result of the way it conducts business with its stakeholders.

Core values

Professionalism	We define professionalism as a mindset towards perfection. Our business model works on the philosophy of passion and customer delight. We serve all our stakeholders with dedication, discipline, decisiveness and distinction.
Integrity	In conducting business we are inspired by and comply with the principles of fairness, transparency, completeness, and efficiency. Our relationships with employees and other stakeholders are characterized by honesty, co-operation and mutual respect.
Commitment to Growth	Through our expertise, analysis and focus, we assure growth for all our stakeholders.
Commitment to Excellence	Performing consistently at higher levels, striving continuously for innovation, agility, optimization and responding vigorously to change is our mark of excellence.

transparency

Beneath the rubble of time and space lies the perfect form of clarity. For us, it is not just about crystal clear sight but also about clarity of purpose, commitment and thought. IGI ensures transparency in all its actions, in order to earn and maintain the trust of our customers.

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 and acts in accordance with the principles of loyalty, fairness, transparency and efficiency.

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

The employees of IGI should not take advantage of the Company's information or property for personal gains. Any member of IGI shall not disclose or reveal any information which is confidential in nature or any such information which may benefit the employee directly or indirectly.

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

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

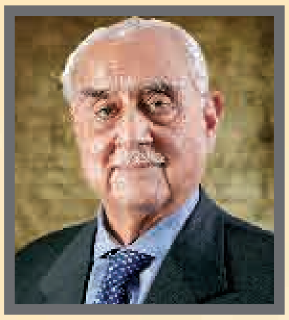
It is the responsibility of all IGI members while dealing with government agencies, external agencies, suppliers, consultants and individuals to exercise good judgment, so as to act in a manner that will not damage the integrity and reputation of the organization.

Every employee of IGI has the right to work in an environment that is free from harassment, whether it is based on a person's race, co lor, 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, layoffs and leaves are carried out by all managers without regard to race, color, ethnic or 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 and any third party assets in custody with an employee.

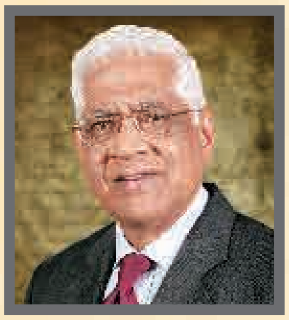
board of directors



(Chairman) Syed Babar Ali Director since 1954
Other Engagements

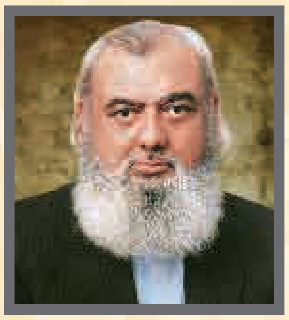
IGI Investment Bank Limited, Sanofi Aventis Pakistan Limited, Tri-Pack Films Limited, Nestle Pakistan Limited, Coca Cola Beverages Pakistan Limited, Tetra Pak Pakistan Limited, Bayer Crop Sciences Pakistan (Pvt) Limited, Acumen Fund, Ali Institute of Education, Babar Ali Foundation, Gumani Foundation, Industrial Technical & Educational Institute, National Management Foundation, Syed Maratib Ali Religious of Charitable Trust Society

PRO CHANCELLOR
Lahore University of Management Sciences (LUMS)

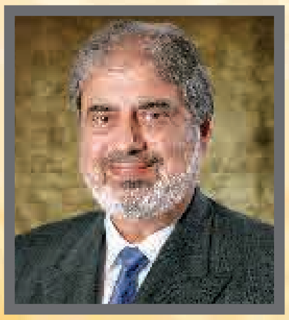


Shamim Ahmad Khan Director since 2000
Other Engagements

Packages Limited, Abbott Laboratories Pakistan Limited, Pakistan Centre for Philanthropy, Chairman of Certification Panel Center for International Private Enterprise (CIPE), Member of Advisory Committee

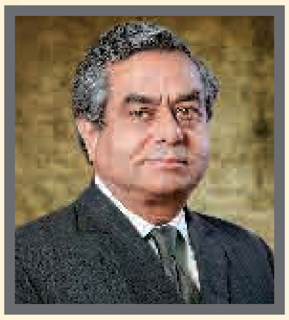


Syed Kamal Ali Director since 1979



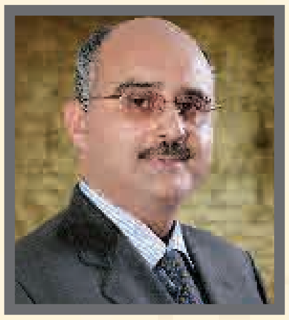
Syed Yawar Ali Director since 1999
Other Engagements

Nestle Pakistan Limited, Pakistan Dairy Association, Wazir Ali Industries Ltd., HY Enterprises (Pvt) Ltd Company, Dairy & Rural Development Foundation (NGO), India - Pakistan Chamber of Commerce & Industries, Director, National Fertilizer Corporation of Pakistan Pvt. Ltd., Alpha Insurance Company Limited, Safe mix Concrete Products Ltd, Executive Alumni Association of Lahore University of Management Sciences, Honorary Consul for Canada in Lahore



Syed Shahid Ali Director since 1980
Other Engagements

Packages Limited, Treet Corporation Limited, Treet Power Limited, Ali Automobiles Limited, Loads Limited, Global Econo Trade (Pvt.) Limited, Specialized Motorcycle (Pvt) Limited, Specialized Autoparts Industries (Pvt) Limited, Multiple Autoparts Industries (Pvt) Limited, Treet Assets (Pvt) Ltd, First Trust Manufacturing Modarba



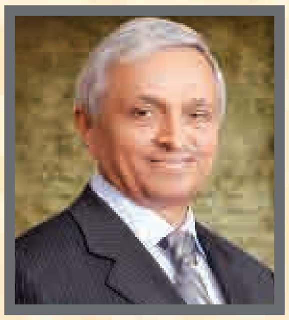
Syed Hyder Ali Director since 1989
Other Engagements

Bulleh Shah Paper Mill (Pvt) Limited, Nestle Pakistan Limited, Packages Limited, Packages Lanka (Pvt) Limited, Sanofi-Aventis Pakistan Limited, Tetra Pak Pakistan Limited, Tri-Pack Films Limited , International Steel Limited, Babar Ali Foundation, National Management Foundation, Pakistan Business Council, Pakistan Centre for Philanthropy, Syed Maratib Ali Religious & Charitable Trust Society

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

Waqar Ahmed Malik Director since 2008
Other Engagements

Engro Polymer & Chemicals Limited



Jalees Ahmed Siddiqi Chief Executive since 2009
Other Engagements

IGI Investment Bank, Loads Limited, Treet Corporation, Global Econo Trade (Pvt) Limited, Selection Board of Institute of Business Administration, Specialized Motorcycle (Pvt) Limited, Specialized Autoparts Industries (Pvt) Limited, Multiple Autoparts Industries (Pvt) Limited

Company information

BOARD OF DIRECTORS
Syed Babar Ali (Chairman)
Shamim Ahmad Khan
Syed Kamal Ali
Syed Yawar Ali
Syed Shahid Ali
Syed Hyder Ali
Waqar Ahmed Malik
Jalees Ahmed Siddiqi

CHIEF EXECUTIVE OFFICER
Jalees Ahmed Siddiqi

GROUP CHIEF FINANCIAL OFFICER
Syed Raza Hussain Rizvi

COMPANY SECRETARY
Haider Raza

AUDIT COMMITTEE
Shamim Ahmad Khan (Chairman)
Syed Yawar Ali
Syed Hyder Ali
Haider Raza (Secretary)

INVESTMENT COMMITTEE
Syed Hyder Ali (Chairman)
Shamim Ahmad Khan
Syed Kamal Ali
Syed Yawar Ali
Jalees Ahmed Siddiqi
Haider Raza (Secretary)

CLAIMS COMMITTEE
Shamim Ahmad Khan (Chairman)
Jalees Ahmed Siddiqi
Shahbaz Haider Agha
Syed Raza Hussain Rizvi
Mir Mehmood Ali (Secretary)

UNDERWRITING COMMITTEE
Syed Hyder Ali (Chairman)
Jalees Ahmed Siddiqi
Shahbaz Haider Agha
Faisal Khan
Haider Ali
Syed Matin Ahmed (Secretary)

RE-INSURANCE & CO-INSURANCE COMMITTEE
Syed Hyder Ali (Chairman)
Jalees Ahmed Siddiqi
Faisal Khan (Secretary)

HUMAN RESOURCES & COMPENSATION COMMITTEE
Syed Yawar Ali (Chairman)
Syed Shahid Ali
Syed Hyder Ali
Waqar Ahmed Malik
Jalees Ahmed Siddiqi
Fauzia Ahmad (Secretary)

STRATEGY COMMITTEE
Syed Babar Ali (Chairman)
Shamim Ahmad Khan
Syed Yawar Ali
Syed Hyder Ali
Waqar Ahmed Malik
Jalees Ahmed Siddiqi (Secretary)

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

AUDITORS
KPMG Taseer Hadi & Co.
Chartered Accountants

INTERNAL AUDITORS
A.F. Ferguson & Co.
Chartered Accountants

LEGAL ADVISORS
Ramday Law Associates
Hassan & Hassan
Lari & Company

SHARE REGISTRAR
FAMCO Associates (Private) Limited
State Life Building No.1A,
Ist Floor, I.I. Chundrigar Road,
Karachi - 74000

REGISTERED & HEAD OFFICE
7th Floor, The Forum,
Suite Nos.701-713, G-20, Block 9,
Khayaban-e-Jami, Clifton,
Karachi-75600, Pakistan
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balance

Harmony and balance are crucial characteristics embedded in all creation. As has been the attempt of Mankind throughout history, IGI strives to achieve and maintain a delicate balance in all its activities. Thus, our strong focus towards ensuring world class services to our customers is augmented by a scientific underwriting approach across our entire line of products.

Company profile

IGI Insurance Limited is one of the leading Property & Casualty insurance companies in Pakistan. Created in 1953 by the Packages Group - considered to be amongst the premier business houses of the country - IGI Insurance has since established itself as the flagship organization of the Group. This status has been achieved on the basis of its well-organized operations as well as its high ethical and moral practices. The Company is also an integral part of the corporate umbrella that is IGI Financial Services. The rest of the Group is made up by IGI Investment Bank, of which IGI Insurance is a major stockholder , and its wholly-owned subsidiaries: IGI Finex Securities Limited and IGI Funds Limited. Consequently, the Company is well placed to leverage the synergies of a financial conglomerate when offering services to its clients. The services IGI Insurance provides cover underwriting of a varying portfolio of classes, namely

- Fire
- Marine
- Motor
- Miscellaneous
- Health
- Home
- Travel
- Engineering

These business lines are just some of the many comprehensive risk management facilities that the Company offers to its customers; a number of distinguished multinational and local companies within the country. This wide product portfolio is the result of IGI's innovative and customer-focused approach to business.

In 2004, IGI Insurance Limited augmented its growth strategy by acquiring the Pakistani operations of the UK-based RSA Insurance Group Public Limited Company - formerly known as Royal and Sun Alliance PLC. This move saw the Company leapfrog to become one of the top 5 non-life insurance companies in Pakistan at that time. In addition, on the basis of their excellent experience with IGI, RSA has augmented this relationship, making IGI Insurance as their global network partner.

Since the acquisition, IGI Insurance has established itself as being amongst the most dynamic companies in the local general insurance sector. Accordingly, the Company has further hedged risks by establishing partnerships with leading global reinsurers. By doing so IGI makes certain that its stakeholders can rest assured in the knowledge that their company, and thus they themselves will remain secure in the foreseeable future. Consequently, it is no surprise that the Company has consistently maintained its IFS (Insurer Financial Strength) rating of ‡AA· for thirteen consecutive years.

Company profile

Our Belief

‡Delight the customer!·

This is the prevalent philosophy practiced at IGI Insurance. You are our customer and we believe in maintaining the highest standards of integrity in our relationship with you; whether you are our client, intermediary, employee, shareholder, or business partner. We are in the business of your insurance, and in turn, your progress is our insurance.

The best barometer of our dedication to you is our claims settlement procedure. With over 59 years of sound experience IGI Insurance provides customized solutions and timely settlement of claims for your peace of mind. Thus, it is our guarantee that any legitimate claim you have will be settled within 5 working days of receiving the complete set of relevant documents. As evidenced by our investment in a new web-based core application, geared towards speeding up the entire process of claims, you can rest assured that we are taking every measure to ensure that your growth remains untethered.

Our Presence

IGI brings with it a nationwide network of branches established in Karachi, Lahore, Islamabad, Faisalabad, Multan, Sialkot and Gujranwala. This network is manned by customer-friendly staff, dedicated to cater to your needs. The Company boasts an easily accessible contact center to facilitate you in every aspect related to our business. With strong technical expertise in the field of non-life insurance, IGI Insurance offers unparalleled advice and personalized services in all spheres of this field.

HIGHLIGHTS 2012

‡AA· (Double A) Rating

With an Asset base of over PKR 12 Billion, IGI Insurance has time and again risen to the challenge of delivering more and allowing its stakeholders to expect more from it. As a testament to this promise, the Company has been rated the Insurer Financial Strength (IFS) rating of ‡AA· (Double A) by the
Pakistan Credit Rating Agency (PACRA) for the thirteenth consecutive year.

This ranking reflects the Company's very strong risk absorption capacity emanating from a robust financial profile and stable underwriting performance. In addition, the ranking denotes IGI's ability to meet policyholder and contract obligations. Meanwhile, a sizeable investment portfolio continues to fortify the company's financial strength and profitability.

Announcement of Intention to Acquire Life Business

In September 2012, IGI Insurance declared its intention of acquiring 81.79 percent ownership interest in Alico Pakistan from its New York-based parent, MetLife Alico. The announcement was the precursor to the commencement of the due diligence exercise by IGI and the start of negotiations for entering into a Share Purchase Agreement (SPA). In turn, the acquisition is subject to execution of the SPA and completion of tender offer pursuant to the Takeover Ordinance. It is also subject to the receipt of all relevant regulatory consents, including from the Competition Commission of Pakistan and the Securities and Exchange Commission of Pakistan.

Customer Service

The new AEGIS application was further supplemented by the enhancement of the existing web-based 'Surveyor Portal'. This portal was integrated with the core web-based application, as well as with the new 'Content and Workflow Management System'. As a result of this integration the Company has been brought further along in its goal of better client servicing and automation, through faster, more improved claims settlement. To enhance client relationship even further, IGI frequently uses its automated SMS services to keep its customers accurately and timely informed of their policies.

Employee Engagement Survey

IGI has always boasted of a strong focus on employee development . Consequently, in 2012 an online employee engagement survey was conducted through a well-known external consultant. The objective of this survey was to present employees with an opportunity to anonymously share perceptions about their roles, departments and organization. This is the second time in 3 years that IGI has conducted this sort of a survey and it is a valuable source of information for the Company to improve employee motivation and thus productivity.

'Certificate of Merit'

IGI Insurance Limited was conferred the 'Certificate of Merit' for the Best Presented Accounts Award 2011 in the category of 'Insurance Sector' by the South Asian Federation of Accountants (SAFA). Awards under different categories were ascertained on the basis of evaluation by SAFA Committee for 'Improvement in Transparency', 'Accountability' and 'Governance' of the published annual reports of entries from South Asian Countries. This is the second consecutive year that IGI has been awarded this certificate.

The 'Certificate of Merit' is an acknowledgement of the excellence and good governance of IGI Insurance at the regional level. While it is a moment of pride for us, what raises our spirits even higher is that we continue to humbly strive for maximizing the value for every stakeholder of IGI.

Health Awareness

Health awareness sessions were conducted by IGI's medical practitioner. This session was aimed to raise awareness among employees about their own health as well as changes needed in individual lifestyles to promote wellness and vitality. The in-house awareness sessions are planned to induce employees to take better care of their health so that they can perform better in their professional as well as personal lives.

Company profile

Best Corporate Report Award

IGI Insurance Limited was awarded the third position in the Best Corporate Report (BCR) Award 2011 in the 'Non Banking Financial Institutions' Category , declared by Joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost & Management Accountants of Pakistan (ICMAP).

This is the fourth consecutive year that IGI Insurance has been awarded this recognition. The award recognizes the best annual reports of companies in terms of accu racy, corporate accountability, transparency, usefulness and speed of financial and other disclosures made for all stakeholders, along with presentation and ability to convey corporate objectives. The award was adjudicated jointly by the Institute of Cost and Management Accountants of Pakistan (ICMAP) and Institute of Chartered Accountants of Pakistan (ICAP) for the twelfth year to encourage and give recognition to companies for showing excellence in their annual corporate reports.

Annual Sales Conference

The 59th Annual Sales Conference acted as a platform to highlight achievements, successful ventures, and sales performances for the year, with awards given to employees for their contribution. The management's sales strategy and directives were discussed for the year 2012 as well as the Company's vision for the next 3 years. Several new initiatives t hat have been undertaken and designed by management were also discussed in this Conference, f ollowed by an intensive and successful Team Building exercise for all participants.

Team Building Workshops

In 2012 IGI conducted its first ever T eam Building workshop for all non-sales employees in a concentrated effort to improve productivity within the firm. Conducted at the Defence Authority Country & Golf Club Karachi, the workshop aimed at fostering a m ore tightly integrated and supportive team across all Functions.

'Corporate Philanthropy Award'

IGI Insurance Limited was conferred first prize in the Corporate Philanthropy Award - 2011 in the 'Donations as a percentage of Profit Before Tax' Category, declared by The Pakistan Centre for Philanthropy. The award was the first of its kind for IGI and is recognition of the continuous efforts made by the company to develop and nurture the society in which it conducts business.

Auto Incentive Scheme

IGI Insurance launched an Auto Incentive Scheme for 3S Auto Dealers across Pakistan, during the course of the year. Incentives, ranging from household gifts and electronic items to international tour packages, were offered based on sales during the period.

Travel Sure Incentive Scheme

The Company launched two Travel Sure Incentive Schemes for travel agents across Pakistan aimed at boosting sales of IGI Insurance during the summer and the winter season.

Badminton Tournament

IGI won the Lahore Insurance Institute Badminton tournament for the third consecutive year, organized by the Sports and Social Activities Committee (SSAC), amongst the likes of the top companies in the Insurance Industry. The Finals were held at WAPDA Sports Complex, Lahore.

Company profile

PRODUCTS AND SERVICES

Fire & Allied Perils Insurance Cover

This product provides cover against the perils of fire & lightning to property, ranging from small private dwellings to large factory buildings and contents, offices and furniture, fixtures, fittings, etc. Fire insurance cover is often extended to include certain named perils, also known as allied perils, forming the 'Fire and Allied Perils Insurance Cover'. Allied perils include 'Atmospheric Disturbance', 'Riot, Strike Damage' (RSD), 'Earthquake, Fire & Shock', 'Malicious Damage', 'Explosion Damage', 'Impact Damage' and 'Aircraft Damage'.

Loss of Profit Insurance, also known as 'Business Interruption' (BI) policy, provides protection against loss of anticipated profit and losses in connection with continuing and additional trading expenditure arising through destruction of, or damage to, property caused by fire and other insured perils. The purpose of such insurance is to protect the trading or operational position of the insured to afford an indemnity in respect of revenue losses as distinct from capital losses.

Marine Insurance Cover

This covers cargo imported or exported from, or to, various parts of the world against loss of, or damage to, property by the perils of the sea / air. Cargo is normally insured against all maritime and transit risks including war perils.

Inland transit insurance cover provides protection to goods against the hazards and perils of transportation during transit by Rail / Road from, and to, any location in Pakistan. It also covers dispatch of finished goods from the insured factory to anywhere in Pakistan.

This kind of coverage is also provided to transport-related businesses such as Shipping Agents, Freight Forwarders, Terminal Operators, Stevedores, Courier Services, etc.

Motor / Auto Insurance Cover

Auto Cover is a complete auto insurance plan for Individuals and Corporate clients that provides comprehensive coverage against theft, snatching, armed hold ups, accidental damage, third party liability and terrorism. The Cover provides you with the liberty to have your vehicle repaired at the Workshop of your choice and to have the cost of repairs settled directly with it.

In addition, you can now enjoy competitive rates with the facility of an extremely helpful call centre. Furthermore, a free anti-theft device is provided to you without any condition attached to it for the renewal time. Claim settlement in case of Snatching / Theft / Total Loss is guaranteed within 5 days of receipt of complete documents.

Health Sure Cover

This product covers expenses incurred during hospitalization due to sickness, emergency and accidents. The hospitalization includes maternity benefits for married empl oyees / spouses and / or Outpatient Benefits as additional independent optional benefits for better facilitation of the insured. It is a managed care system providing quality healthcare at an affordable cost, comprising of:

- A network of over 100 carefully selected hospitals all over the country
- Qualified staff doctors nationwide
- An expert claims handling team

In addition to the quality of care we also offer the following value added benefits:

- No pre-authorization required for admission
- Pre- and post-hospitalization expenses
- Antenatal coverage available from maternity benefits
- Credit facility at our panel of well-reputed hospitals across Pakistan
- No limit on length of stay in the hospital
- No sub-limits on hospital procedures or surgeries
- Patient's meals covered
- Local ambulance to and between hospitals charges
- Discounts on consultations, dental treatments, diagnostic services and at pharmacies
- Out of network treatment reimbursement
- Discretionary Benefit Option (DBO) to pay for costs normally excluded from the policy
- 24 hours Medical Hotline managed by our staff doctors
- Easy to carry Health Card
- Daycare coverage (less than 24 hrs stay at hospital / clinic) for specialized investigations and procedures on credit basis
- Reimbursement of any emergency treatment sought on any sojourn outside Pakistan equivalent in PKR

Miscellaneous Insurance Covers

IGI provides a wide range of miscellaneous insurance covers, which are most comprehensive in terms of coverage and are offered at a competitive price. These include 'Public Liability Insurance', 'Product Liability Insurance', 'Employer's Liability Insurance', 'Professional Indemnity Insurance', 'Money Insurance' - Cash in Safe & Cash in Transit, 'Fidelity Guarantee', 'Plate Glass Insurance', 'Burglary', 'Theft & Housebreaking', 'Workman Compensation' and 'Personal Accident Insurance'.

Engineering Insurance Covers

Engineering insurance embraces steam boilers, lifts, hoists and cranes, electrical plants, steam, gas & oil engines, for which IGI provides comprehensive coverage commensurate with modern industry practices. IGI also provides engineering insurance covers of 'Contractor's All Risk' (CAR), 'Erection All Risk' (EAR), 'Contractor's Plant & Equipment' (CPE), 'Machinery Insurance', 'Machinery Loss of Profit', 'Comprehensive Project Insurance' and 'Electronic Equipment All Risk Insurance'.

Company profile

Home Cover

This plan includes the coverage of Home Property i.e. Building & Contents (furniture, carpets, electronic equipment etc.), Jewellery (at home or at the locker), Home Owner Free Rent, Home Tenants Free Rent and Cash at Home.

This insurance plan covers against the following perils for a maximum of PKR 20 Million:

- Fire, Lightning or Explosion
- Aircraft and other aerial devices dropped there-from
- Earthquake, Storm, Tempest and Flood
- Bursting or overflowing of water tanks
- Impact by any vehicle
- Riot and Strike
- Malicious Act
- Burglary, Housebreaking, including Robbery
- Impact of Tree Falling

Travel Sure Cover

IGI Insurance Travel Sure offers the widest coverage with the most affordable premium structure. Our customer service standards are second to none, and you can feel confident that in the event of an unexpected travel mishap, you are adequately covered.

In addition to the standard 'Travel Sure Plan', which has been upgraded, and the 'Travel Sure - Senior Citizens Plan', which suits travelers aged 65+, IGI has also launched 'Student', 'Far East' and 'No Icing' plans. This helps the Company reach its aim for increasing the variances between products.

With the above mentioned Travel Sure plans you have the freedom of availing medical benefits at foreign facilities through our health care service providers. This is done through an international SOS available on a 24-hour call collect number that will guide and support you in all emergencies. Additionally, we provide a range of free assistance services for our valued clients:

- Medical and Sickness Expense
- Repatriation of Family member
- Emergency return home following death of a close family member
- Loss of checked baggage and passport
- Delay of flight and checked in baggage
- Delivery of medicines
- Emergency sickness dental expense
- Travel and stay of one immediate family member
- Trip cancellation and curtailment

REINSURANCE ARRANGEMENTS

A clear assessment of underlying risks help determine whether to accept or transfer risks. When transferring risk, IGI is the ideal carrier because of its financial strength, willingness to pay claims and ability to provide a capacity commitment with proven reliability.

IGI has reinsurance agreements with some of the most prestigious and world-renowned reinsurers holding strong financial strength ratings in their respective businesses. The Company is in turn referenced for its good standing and reputation by both domestic as well as international reinsurers.

Some of the companies with whom IGI has reinsurance arrangements are:

- Swiss Re
- Hannover Re
- Brit Insurance
- Allianz
- Malaysian Re
- Pak Re
- SCOR Global P&C
- Mitsui Sumitomo Re
- Zurich Global Corporate
- Korean Re
- Arab Insurance Group (ARIG)

RISK MANAGEMENT

Our commitment to providing the best products and services available is characterized by a comprehensive, client-focused approach that is fully integrated into our business. Accordingly, our property risk management and loss prevention services are designed to help our customers fully understand and address property risks and to select the coverage that best fits their overall risk-management needs. These services compliment the risk-management process and provide the tools needed to make informed, intelligent risk-management decisions.

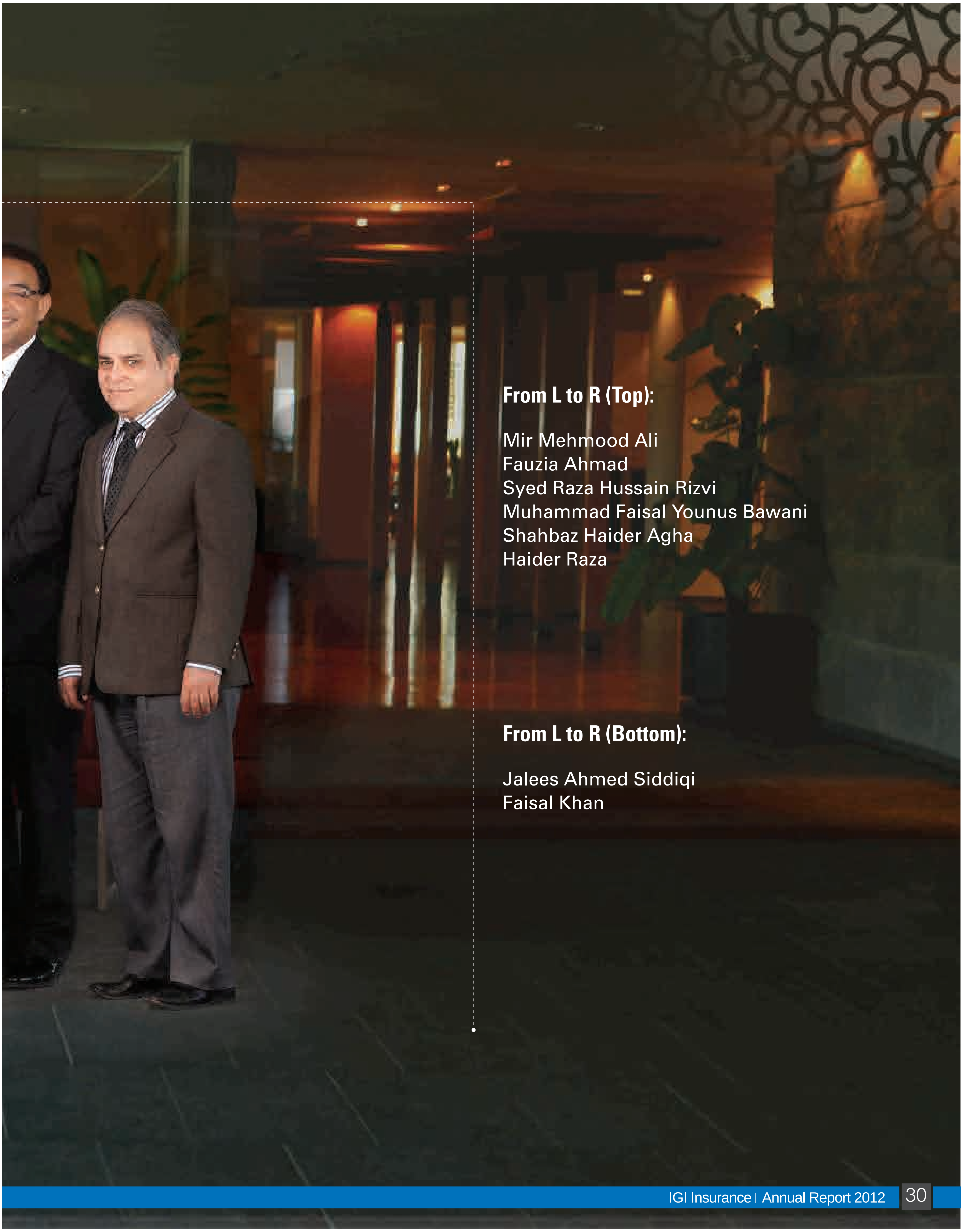
Risk identification and assessment, risk avoidance and reduction, and risk acceptance and transfer are the basic derivatives of our risk management philosophy. Our dedicated team of professionals fi specialists in specific disciplines of engineering fi partner with organizations and businesses within the industry to help understand and address unique and emerging hazards. At the same time, much of our work focuses on understanding the hazards of specific industries and developing ways to protect against them.

We, as an insurer, not only identify risk improvement but also help our clients in business resilience and business continuity strategies. The clear view of risk afforded by the risk engineering team allows our underwriters to select risk and expose capital responsibly. The reduced losses that result from our clients' loss-prevention efforts generate a performance differential we share with our clients in the form of broader coverage, competitive terms & conditions and premium discounts for our clients.

Our unique research capabilities ensure consistent and up-to-date loss prevention engineering standards. Regular on-site assessments, combined with our risk analysis expertise, provide an accurate assessment of potential loss and its impact. Our loss prevention and control expertise provides dependable, scientifically based solutions that go beyond insurance to impact the cost of risk equation.

We offer our risk management services for the industries across paper and board, packaging, food and beverages, pharmaceuticals, sugar, chemicals, power, textile and many others. We know that no two businesses are alike and each faces its own set of challenges. That's why we work with clients to develop insurance and risk management solutions based on their specific risks and broader business objectives. The key to business continuity is visiting each major facility we insure to give clients a clear, consistent view of the hazards they face. This allows us to offer customized, practical and scientifically proven solutions; identify risk-improvement priorities and help manage change and provide the foundation for good loss control decisions.

Management team



From L to R (Top):

Mir Mehmood Ali
Fauzia Ahmad
Syed Raza Hussain Rizvi
Muhammad Faisal Younus Bawani
Shahbaz Haider Agha
Haider Raza

From L to R (Bottom):

Jalees Ahmed Siddiqi
Faisal Khan

IGI presence

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7th Floor, The Forum,
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Fax: 92-21- 111-567-567, 35301729

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92-42-35763890
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E-mail: insurance.sialkot@igi.com.pk

MULTAN
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Phone: 92-61-4784402, 92-61-4500179
Fax: 92-61-4784403
E-mail: insurance.multan@igi.com.pk

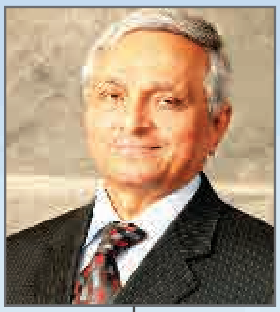
Organogram

hierarchy

IGI is a dynamic company that is prone to continuous enhancements. Nonetheless, even the changes it introduces are designed around specific guidelines and structures. It is the clarity with which this structure is defined that has led to the company's success in implementing all the changes it has introduced over the year.


Corporate Secretarial
Financial & Accounts
Information Technology Service and Quality
Marketing & Sales
Compliance
Chief Executive Officer
Claims
Human Resources & Administration
Underwriting, Reinsurance & Risk Management
Audit Committee
Internal Audit

executive profile



Jalees Ahmed Siddiqi
Chief Executive Officer

Jalees Ahmed Siddiqi joined IGI Insurance with over thirty five years of experience spanning major global and national corporations in various industry segments.

His background, among others, includes achievement of operational excellence in implementing significant change management initiatives, resource optimization and building leadership capability at management level.

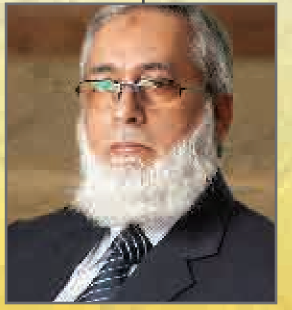
Shahbaz Haider Agha
Head of Marketing & Sales

Shahbaz joined IGI insurance in 2004 as Head of Marketing & Sales. Prior to joining IGI Insurance, he spent 13 years at Royal & Sun Alliance Insurance Plc. Shahbaz has a BS in Commerce from Indiana University, US and an MBA from National College of Business Administration & Economics, Lahore.

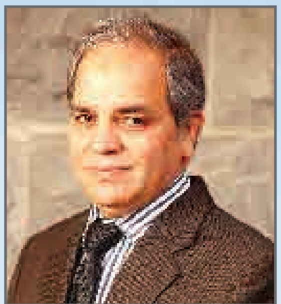
Faisal Khan
Head of Underwriting, Reinsurance & Risk Management

A Civil Engineer from NED University, Faisal brings across over 10 years of experience, including his association with prominent companies in the Insurance and Engineering sectors. He was appointed Head of Reinsurance & Risk Management in 2008 and since last year has also been responsible for the overall Underwriting Function.

Mir Mehmood Ali
Head of Claims



Mir Mehmood Ali joined IGI as Head of Claims in December 2007. He has over 20 years of professional experience with 15 years of management experience in the insurance industry. Before being associated with IGI insurance, Mahmood was heading claims for a Takaful company. He also spent 11 years at Royal & Sun Alliance Insurance Plc as Manager Claims.



Haider Raza
Company Secretary

Haider is an Associate Public Accountant from Pakistan Institute of Public & Finance Accountants. He has over 20 years of professional experience in accounting, finance, audit and taxation. Haider joined IGI Insurance in 2004 and is currently performing finance and company secretarial duties for the Company. He has also worked for Royal Sun & Alliance and an MNC.

Syed Raza Hussain Rizvi
Group Chief Financial Officer

A Qualified Chartered Accountant from the Institute of Chartered Accountants of Pakistan, Raza brings across over 10 years of diversified work experience with key focus on strategic planning and implementation of best practices during his association with prominent companies in the Financial Sector.

Fauzia Ahmad
Group Head of Human Resource

Fauzia became a part of the IGI team as Group Head HR in early 2009, bringing with her over 15 years of national and international experience. She holds an associate degree in IT from Canada and HR certifications from UK. Fauzia made her transition to Human Resource Management in 2000 in a leading MNC.

Muhammad Faisal Younus Bawani
Group Head of Information Technology, Service & Quality

Faisal Bawani, an IT professional, brings thirteen years of experience of managing IT services for financial institutions. Faisal holds a Masters degree in Computer Science from National University of Computer & Emerging Sciences (FAST), Karachi. He is also a certified Project Management Professional (PMP) from PMI, USA.

Board Committees

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

- Audit Committee
- Human Resources 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 & comprise of three Directors and Company Secretary. The names of current members are:

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

The terms of reference of the Committee are as follows:

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

Human Resources Committee

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

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

1. Syed Yawar Ali (Non Executive Director and Chairman)
2. Syed Shahid Ali (Non Executive Director)
3. Syed Hyder Ali (Non Executive Director)
4. Waqar Ahmed Malik (Non Executive Director)
5. Jalees Ahmed Siddiqi (Chief Executive Officer)
6. Fauzia Ahmed (Head of Human Resources and Secretary to the Committee)

The Terms of Reference of HR 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.
vii) To review and recommend the CEO's compensation, including incentives and other benefits, to the Board for approval.

Underwriting Committee

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

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

The Terms of Reference of the Committee are as follows:

1) The Underwriting Committee formulates the underwriting policy of the Company.
2) It sets out the criteria for assessing various types of insurance risks and determines the premium policy of different insurance covers.
3) It regularly reviews the underwriting and premium policies of the Company with due regard to relevant factors such as its business portfolio and the market development.

Claims Committee

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

1. Shamim Ahmad Khan (Independent Director and Chairman)
2. Jalees Ahmed Siddiqi (Chief Executive Officer)
3. Shahbaz Haider Agha (Head of Marketing)
4. Mir Mehmood Ali (Head of Claims and Secretary to the Committee)

The Terms of Reference of the Committee are as follows:

1) To review the quarterly performance of Claims settlement.
2) To analyze the class wise aging of outstanding claims.
3) To monitor class wise claims trend.
4) To ensure that workshop & surveyor selection is done on merit & their performance is monitored.

Reinsurance & Co-insurance Committee

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

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

The Terms of Reference of the Committee are as follows:

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

Investment Committee

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

1. Syed Hyder Ali (Non Executive Director and Chairman)
2. Shamim Ahmad Khan (Non Executive and Independent Director)
3. Syed Kamal Ali (Executive Director)
4. Syed Yawar Ali (Non Executive Director)
5. Jalees Ahmed Siddiqi (Chief Executive Officer)
6. Haider Raza (Company Secretary and Secretary to the Committee)

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

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

Key Financial Data (Ten years at a glance)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
					(Rupees in thousand)					
GROSS PREMIUM	1,846,856	1,747,015	1,296,765	1,151,797	1,035,218	1,060,836	916,696	642,592	430,341	363,271
BALANCE SHEET										
PAID UP CAPITAL	1,115,359	1,115,359	718,427	598,689	598,689	319,301	199,563	153,510	122,808	122,808
GENERAL & CAPITAL RESERVES	8,972,692	9,530,371	10,264,964	10,534,374	10,624,177	8,103,740	823,740	673,740	704,442	543,740
SHAREHOLDERS EQUITY	10,304,893	11,287,896	11,575,854	10,960,813	10,846,519	11,271,456	8,509,721	1,228,755	994,276	763,967
INVESTMENTS-AT BOOK VALUE	10,672,089	11,622,957	11,905,802	11,235,758	11,709,948	12,404,727	9,246,735	1,873,786	954,802	728,863
INVESTMENTS-AT MARKET VALUE	25,732,615	18,578,665	14,367,621	9,393,620	8,964,435	16,647,641	9,765,736	8,286,127	5,624,871	4,335,668
FIXED ASSETS	163,797	165,115	270,822	282,545	302,531	309,283	292,084	246,253	17,142	14,107
TOTAL ASSETS-AT BOOK VALUE	12,573,478	13,581,029	12,960,451	12,366,066	13,200,639	14,099,555	10,399,049	2,957,949	1,626,127	1,086,527
UNDERWRITING PROVISIONS	1,207,028	1,363,873	701,366	699,522	801,975	915,454	622,417	431,259	390,003	171,250
PROFIT AND LOSS ACCOUNT										
UNDERWRITING PROFIT	231,831	207,782	205,095	253,103	193,166	160,102	226,929	190,065	106,878	99,333
INVESTMENT INCOME	402,173	492,524	929,344	(414,649)	(157,476)	3,021,533	7,315,629	258,822	230,054	215,851
PROFIT / (LOSS) BEFORE TAX	(414,196)	56,632	920,771	364,766	(404,103)	2,983,516	7,357,109	326,757	260,565	280,652
INCOME TAX	11,128	6,929	84,215	100,800	(27,061)	53,938	14,739	37,014	28,000	41,100
PROFIT / (LOSS) AFTER TAX	(425,324)	49,703	836,556	263,966	(377,042)	2,929,578	7,342,370	289,743	232,565	239,552
CASH FLOW SUMMARY										
OPERATING ACTIVITIES	176,895	(18,106)	278,667	126,941	(27,651)	2,306	227,769	110,553	66,334	5,551
INVESTING ACTIVITIES	268,186	266,935	175,741	768,554	367,307	(160,701)	29,285	(915,312)	44,081	108,848
FINANCING ACTIVITIES	(616,604)	(319,720)	(369,442)	(587,100)	(153,632)	(599,910)	(351,009)	491,859	(63,575)	(68,246)
CASH & CASH EQUIVALENTS AT THE YEAR END	(638,320)	(466,797)	(395,906)	(480,872)	(789,267)	(975,291)	(216,986)	(123,031)	189,869	143,029

Key Financial Data (Ten years at a glance)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
					(Rupees in thousand)					
INVESTMENT / MARKET RATIOS										
Earnings per share (Rs.)	(3.81)	0.45	11.64	4.41	(6.30)	91.75	367.92	18.87	18.94	19.51
Market value per share (Rs.)	96.28	44.00	97.00	87.89	115.27	420.00	399.00	271.00	250.00	226.00
Break up value per share (Rs.)	92.39	101.20	161.13	183.08	181.17	353.00	426.42	80.04	80.96	62.21
Price earning ratio (Times)	(25.25)	98.74	8.33	19.93	(18.30)	4.58	1.08	14.36	13.20	11.59
Price to book ratio (Times)	1.04	0.43	0.60	0.48	0.64	1.19	0.94	3.39	3.09	3.63
Dividend yield (%)	3.12	10.77	3.09	3.98	1.30	0.95	1.00	1.48	1.80	3.32
Dividend payout (%)	(78.67)	1,060.48	25.76	79.38	(23.82)	4.36	1.09	21.19	23.76	38.45
Dividend cover (Times)	(1.27)	0.09	3.88	1.26	(4.20)	22.94	91.98	4.72	4.21	2.60
Investment yield (%)	1.56	2.65	6.47	(4.41)	(1.76)	18.15	74.91	3.12	4.09	4.98
Market capitalization (Rs. M)	10,738.68	4,907.58	6,968.74	5,261.88	6,901.09	13,410.64	7,962.56	4,160.12	3,070.20	2,775.46
Cash dividend per share (Rs.)	3.00	5.00	3.00	3.50	1.50	4.00	4.00	4.00	4.50	7.50
Cash dividend (%)	30.00	50.00	30.00	35.00	15.00	40.00	40.00	40.00	45.00	75.00
Stock Dividend per share (Rs.)	-	1.50	5.50	-	5.00	2.50	6.00	3.00	2.50	-
Stock dividend (%)	-	15.00	55.00	-	50.00	25.00	60.00	30.00	25.00	-
PROFITABILITY RATIOS										
Return on equity (%)	(4.02)	0.50	7.95	3.33	(3.73)	26.47	86.46	26.59	26.21	36.74
Return on assets (%)	(3.38)	0.37	6.45	2.13	(2.86)	20.78	70.61	9.80	14.30	22.05
EBITDA to gross premium (Times)	(0.19)	0.08	0.79	0.46	(0.15)	2.96	8.15	0.60	0.63	0.80
Underwriting profit to gross premium (%)	12.55	11.89	15.82	21.97	18.66	15.09	24.76	29.58	24.84	27.34
Profit before tax to gross premium (%)	(22.43)	3.24	71.01	31.67	(39.04)	281.24	802.57	50.85	60.55	77.26
Profit after tax to gross premium (%)	(23.03)	2.85	64.51	22.92	(36.42)	276.16	800.96	45.09	54.04	65.94
Cost / income ratios (Times)	0.94	0.56	0.30	(0.73)	(1.06)	0.10	0.02	0.42	0.42	0.26
LIQUIDITY / PERFORMANCE RATIOS										
Equity / Total assets (%)	81.96	83.12	89.32	88.64	82.17	79.94	81.83	41.54	61.14	70.31
Financial leverage	0.06	0.05	0.03	0.05	0.13	0.14	0.11	0.91	0.11	0.09
Paid up capital / Total assets (%)	8.87	8.21	5.54	4.84	4.54	2.26	1.92	5.19	7.55	11.30
Incurred loss ratio (%)	62.08	62.24	50.56	41.83	44.41	57.34	43.84	45.20	41.42	37.69
Total liabilities / Equity (Times)	1.23	0.20	0.12	0.13	0.22	0.25	0.22	1.41	0.71	0.42
Cash flow from operations to gross premium (Times)	0.10	(0.01)	0.21	0.11	(0.03)	0.00	0.25	0.17	0.15	0.02
Total assets turnover (Times)	0.15	0.13	0.10	0.09	0.08	0.08	0.09	0.22	0.26	0.33
Fixed assets turnover (Times)	11.28	6.82	4.79	4.08	3.42	3.43	3.14	2.61	25.10	25.75

Key Financial Data (for the year)

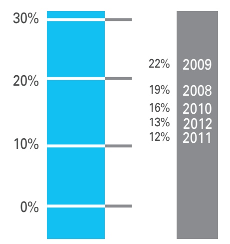
	2012	2011
	(Rupees in thousand)	
PROFIT AND LOSS ACCOUNT		
Gross Written Premium	1,846,856	1,747,015
Net Written Premium	948,609	887,858
Net Premium Revenue	939,849	852,329
Claims Incurred	1,038,420	1,388,264
Net Claims Expenses	583,482	530,525
Direct Expenses	271,529	181,056
Commission Income	261,576	190,584
Commission Expense	114,582	123,550
Underwriting Profit	231,832	207,782
Investment Income	402,173	492,524
Profit/(Loss) Before Tax	(414,196)	56,632
Profit/(Loss) After Tax	(425,324)	49,703
TECHNICAL RESERVES COVER		
Fire	516,718	758,641
Marine	89,762	87,503
Motor	265,601	268,005
Health	130,202	60,619
Miscellaneous	204,745	189,106
Total	1,207,028	1,363,874
CORPORATE ASSETS		
Investment Property	84,936	90,932
Investment in Fixed Assets	163,797	165,115
Equity Investment in Associated Companies	3,127,995	4,341,766
Other Investments	7,544,095	7,281,191
Total Investments	10,672,090	11,622,957
Total Investments at Realizable Value	25,732,615	18,578,665
NUMBER OF EMPLOYEES		
Karachi Corporate Office	42	33
Karachi	25	24
Lahore	41	35
Islamabad	11	11
Faisalabad	3	4
Multan	2	3
Sialkot	1	2
Gujranwala	1	1
Total	126	113

RATIOS

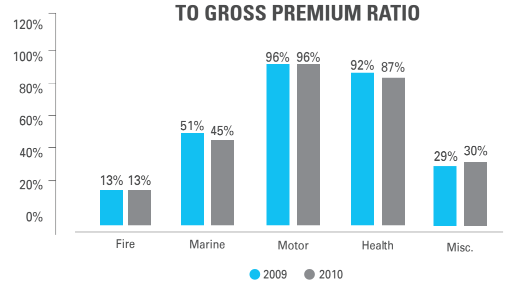
	2012					2011				
	Fire	Marine	Motor	Health	Misc	Fire	Marine	Motor	Health	Misc
Net Premium to Gross Premium	13%	45%	96%	87%	30%	13%	51%	96%	92%	35%
Loss Ratio	11%	53%	56%	107%	45%	35%	50%	67%	90%	42%
Expense Ratio	-7%	36%	-26%	-16%	-26%	-2%	-1%	21%	11%	15%
Reserves to Net Premium	632%	68%	58%	63%	329%	851%	65%	60%	50%	299%
Policy Acquisition Cost to Gross Premium	20%	21%	25%	14%	22%	16%	18%	20%	10%	18%

Key Financial Data

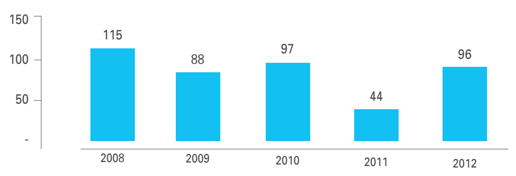
UNDERWRITING PROFIT TO GROSS PREMIUM RATIO



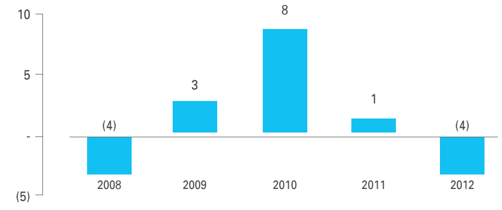
NET PREMIUM TO TO GROSS PREMIUM RATIO



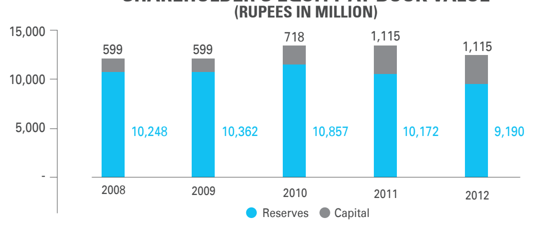
MARKET PRICE PER SHARE
(RUPEES)



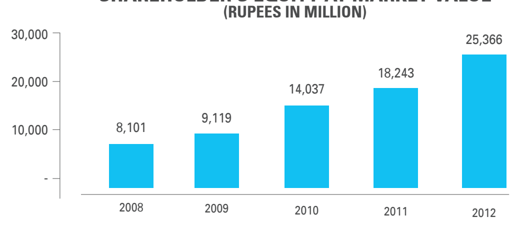
RETURN ON EQUITY
(PERCENTAGE)

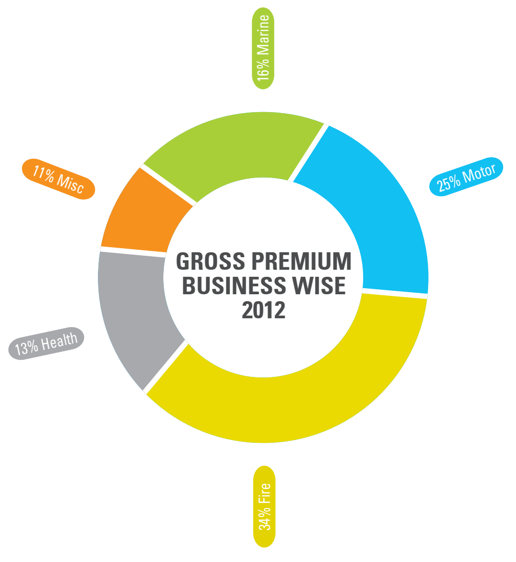


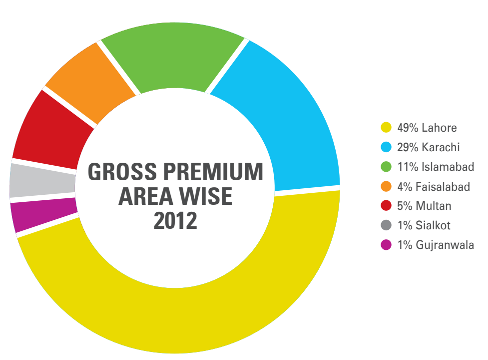
SHAREHOLDER'S EQUITY AT BOOK VALUE
(RUPEES IN MILLION)



SHAREHOLDER'S EQUITY AT MARKET VALUE
(RUPEES IN MILLION)

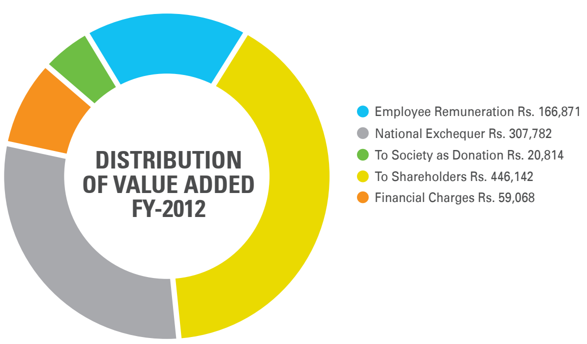


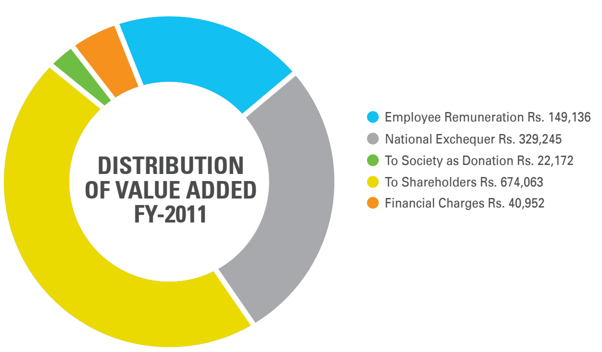




Statement of Value Addition

	2012	2011
	(Rupees in thousand)	
Gross Premium(including FED and FIF)		
Add: Other income	2,114,925	2,019,029
Income from investment		
	7,632	5,776
	(463,608)	(5,351)
Management and other expenses	(455,976)	425
Total value added	1,658,949	2,019,454
	(1,489,983)	(1,018,345)
	168,966	1,001,109
DISTRIBUTED AS FOLLOWS		
Employee remuneration		
	166,871	149,136
Government as:		
Company taxation		
Levies(including FIF and FED)		
	39,713	57,231
To society:	268,069	272,014
To shareholders:	20,814	22,172
Dividend		
Bonus shares		
	446,142	528,581
Retained in Business:	-	145,482
Depreciation		
Net earnings		
	38,376	35,997
Financial Charges	(870,088)	(250,456)
Total	59,068	40,952
	168,966	1,001,109





Horizontal Analysis

BALANCE SHEET	2007	2008	2009	2010	2011	2012
Cash and bank deposits	100	125	3	0	38	1
Investments	100	94	91	96	94	86
Investment property	-	-	-	100	(6)	(12)
Deferred tax	-	100	-	-	-	100
Premiums due but unpaid - unsecured	100	133	99	103	181	154
Amounts due from other insurers / reinsurers - unsecured	100	63	86	71	134	146
Accrued investment income	100	52	81	85	68	57
Reinsurance recoveries against outstanding claims	100	82	72	40	220	154
Prepaid reinsurance premium ceded	100	92	65	72	127	137
Others	100	61	69	60	86	95
Taxation - payments less provision	100	115	116	111	106	114
Asset classified as held for sale	-	-	-	-	-	100
Sundry receivables	100	35	23	47	50	23
Fixed assets	100	98	91	54	50	51
Intangible	-	-	100	233	392	272
Total Assets	100	94	88	92	96	89
Issued, subscribed and paid up share capital	100	187	187	225	349	349
(Accumulated losses) / Unappropriated profits	100	(13)	(6)	21	22	8
Reserves	100	131	130	127	118	111
Provision for outstanding claims [including IBNR]	100	77	60	48	153	114
Provision for unearned premium	100	97	96	108	146	153
Commission income unearned	100	121	81	104	141	139
Deferred tax	100	-	169	226	59	-
Premiums received in advance	100	9	17	6	56	10
Amounts due to other insurers / reinsurers	100	38	16	39	84	80
Accrued expenses	100	106	72	85	109	132
Sundry creditors	100	129	140	241	343	479
Long term finance	100	80	10	-	-	-
Short term finance	100	89	41	34	46	54
Unclaimed dividend	100	103	136	182	341	375
Total Shareholders' Equity and Liabilities	100	94	88	92	96	89

Profit and Loss Account						
Net premium revenue	100	89	101	119	140	155
Net claims	100	69	74	105	153	168
Expenses	100	96	99	109	106	159
Net commission	100	78	90	48	93	203
Amortization of goodwill	-	-	-	-	-	-
Investment income	100	(5)	(14)	31	16	13
Other income	100	124	82	96	87	99
Financial charges	100	161	97	50	31	44
General and administration expenses	100	94	78	96	114	134
Share of (loss) / profit of associates	100	(772)	3,614	(332)	(2,495)	(4,338)
(Loss) / profit before tax	100	(14)	12	31	2	(14)
Taxation	100	(50)	187	156	13	21
(Loss) / profit after tax	100	(13)	9	29	2	(15)
EPS	100	(7)	5	13	0	(4)

Vertical Analysis

BALANCE SHEET ITEMS	2012	2011	2010	2009	2008	2007
Cash and bank deposits	0.0%	0.6%	0.0%	0.1%	2.0%	1.46%
Investments	84.9%	85.6%	91.9%	90.9%	88.7%	87.98%
Investment property	0.7%	0.7%	0.7%	0.0%	0.0%	
Deferred tax	0.1%	0.0%	0.0%	0.0%	0.1%	0.00%
Premiums due but unpaid - unsecured	1.6%	1.7%	1.0%	1.0%	1.3%	0.91%
Amounts due from other insurers / reinsurers - unsecured	3.5%	3.0%	1.6%	2.1%	1.4%	2.14%
Accrued investment income	0.0%	0.1%	0.1%	0.1%	0.0%	0.07%
Reinsurance recoveries against outstanding claims	2.9%	3.9%	0.7%	1.4%	1.5%	1.71%
Prepaid reinsurance premium ceded	2.2%	1.9%	1.1%	1.1%	1.4%	1.45%
Others	0.1%	0.1%	0.1%	0.1%	0.1%	0.11%
Taxation - payments less provision	0.6%	0.5%	0.6%	0.6%	0.6%	0.49%
Asset classified as held for sale	1.6%	0.0%	0.0%	0.0%	0.0%	
Sundry receivables	0.4%	0.8%	0.8%	0.4%	0.6%	1.50%
Fixed assets	1.2%	1.1%	1.3%	2.3%	2.3%	2.19%
Intangible	0.1%	0.1%	0.1%	0.0%	0.0%	0.00%
Total Assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.00%
Issued, subscribed and paid up share capital	8.9%	8.2%	5.5%	4.8%	4.5%	2.3%
(Accumulated losses) / Unappropriated profits	1.7%	4.7%	4.6%	-1.4%	-2.9%	20.2%
Reserves	71.4%	70.2%	79.2%	85.2%	80.5%	57.5%
Provision for outstanding claims [including IBNR]	4.3%	5.4%	1.8%	2.3%	2.8%	3.4%
Provision for unearned premium	4.8%	4.2%	3.3%	3.0%	2.9%	2.8%
Commission income unearned	0.5%	0.5%	0.4%	0.3%	0.4%	0.3%
Deferred tax	0.0%	0.1%	0.5%	0.4%	0.0%	0.2%
Premiums received in advance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amounts due to other insurers / reinsurers	1.2%	1.2%	0.6%	0.3%	0.6%	1.4%
Accrued expenses	0.6%	0.4%	0.3%	0.3%	0.4%	0.3%
Sundry creditors	1.5%	1.0%	0.7%	0.4%	0.4%	0.3%
Long term finance	0.0%	0.0%	0.0%	0.3%	2.4%	2.8%
Short term finance	5.1%	4.0%	3.1%	3.9%	7.9%	8.4%
Unclaimed dividend	0.1%	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	2012	2011	2010	2009	2008	2007
Net premium revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100
Net claims	-62.1%	-62.2%	-50.6%	-41.8%	-44.4%	57.3%
Expenses	-28.9%	-21.2%	-25.8%	-27.6%	-29.4%	28.2%
Net commission	15.6%	7.9%	4.8%	10.6%	9.4%	-11.9%
Amortization of Goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment income	42.8%	57.8%	128.9%	-67.5%	-29.0%	-498.1%
Rental income	2.3%	2.3%	2.6%	2.9%	2.8%	-1.6%
Other income	0.8%	0.7%	1.3%	1.1%	3.9%	-3.2%
Financial charges	-6.3%	-4.8%	-9.2%	-21.1%	-39.7%	22.0%
General and administration expenses	-16.2%	-15.3%	-15.1%	-14.5%	-19.7%	18.8%
Share of (loss) / profit of associates	-92.1%	-58.4%	-9.2%	117.4%	-28.4%	-3.3%
Taxation	-1.2%	-0.8%	-11.7%	-16.4%	5.0%	8.9%
Profit / (loss) after tax	45.3%	-5.8%	-116.1%	-43.0%	69.5%	482.9%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

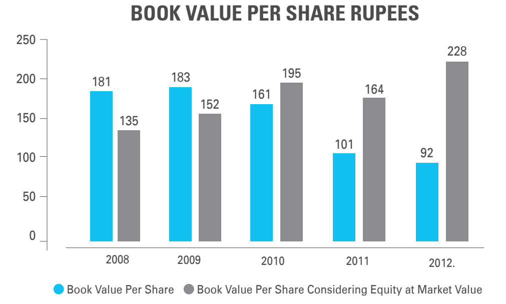
Shareholder's Information

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

Share Registrar Office
FAMCO Associates (Pvt.) Ltd.
State Life Building No. 1-A
1st Floor, Off I.I. Chundrigar Road
Karachi - 74000
Tel # (9221) 32420755
Fax# (9221) 32426752

Listing on Stock Exchanges

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



Listing Fees

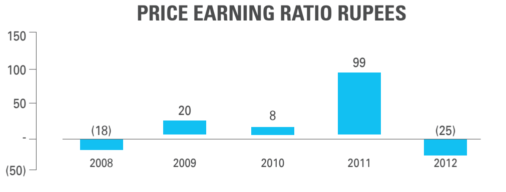
The annual listing fee for the financial year 2012-2013 has been paid to both the stock exchanges within the prescribed time limit.

Stock Code

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

Investor Service Centre

IGIIL share department is operated by FAMCO Associates (Pvt.) Ltd. Registrar Services. It also functions as an Investor Service Centre and has been servicing nearly 1519 shareholders. The Investor Service Centre is managed by a well-experienced team of professionals and is equipped with the necessary infrastructure in terms of computer facilities and comprehensive set of systems and procedures for conducting the Registration function. The team is headed by Mr. Owais Khan at Registrar Office and Mr. Haider Raza, Deputy General Manager Accounts and Company Secretary at IGI Registered Office.



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

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

Contact Persons:

Mr. Haider Raza
Phone: 111-234-234
E-mail: haider.raza@igi.com.pk

Mr. Hussain Ahmed
Tel# (9221) -32427012
(9221) –32426597

Shareholder's Information

Services Standards

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

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

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

Statutory Compliance

During the year the Company has complied with all applicable provisions, filed all returns / forms and furnished all the relevant information as required under the Companies Ordinance 1984 and allied laws and rules, the Securities and Exchange Commission of Pakistan (SECP) Regulations and the Listing Regulations.

Dematerialization of Shares

The equity shares of the Company are under the compulsory demat category. As at December 31, 2012, 33.95% 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 a final cash dividend of 10% (Re.1.00 per share). This is in addition to the interim dividend of 20% (Rs. 2.00 per share) already paid during the year making total 30% cash dividend, Rs. 3.00 per share (2011: 50% Cash dividend i.e., Rs. 5.00 per share) subject to approval by the shareholders of the Company at the Annual General Meeting.

Book Closure Dates

The register of Members and share transfer books of the Company will remain closed from April 12, 2013 to April 24, 2013 both days inclusive.

Dividend Remittance

Dividend declared and approved at the Annual General Meeting will be paid on or after April 24, 2013, but within the statutory time limit of 30 days:

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

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

Shareholder's Information

Withholding of Tax & Zakat on Dividend:

Under Section 150 of the Income Tax Ordinance, 2001 tax on dividend payable to a shareholder is to be withheld and will be paid to the Government @ 10% unless the shareholder's income is tax-exempt. This certificate is issued pursuant to section 164 of the Income Tax Ordinance, 2001.

Zakat has already been deducted on the payment of Interim Dividend (D-31) for the financial year 2012 being the second payment of Dividend after the current valuation i.e. August 1, 2011. No Zakat is to be deducted on the Dividend now being paid.

Dividend Warrant

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

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

Investors' Grievances

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

Legal Proceedings

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

General Meetings & Voting Rights

Pursuant to section 158 of The Companies Ordinance 1984, IGI holds a General Meeting of Shareholders at least once a year. Every shareholder has a right to attend the General Meeting. The notice of such meeting is sent to all the shareholders at least 21 days before the meeting and also advertised in at least one English and one Urdu newspaper having circulation in Sindh and Punjab.

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

All shares issued by the Company carry equal voting rights. Generally, matters at the General Meetings are decided by a show of hands in the first instance. Voting by show of hands operates on the principle of "One Member-One Vote". If majority of shareholders raise their hands in favor of a particular resolution, it is taken as passed, unless a poll is demanded. Since, the fundamental voting principle in a Company is "'d2One Share-One Vote"'d3, voting takes place by a poll, if demanded. On a poll being taken, the decision arrived by poll is final, overruling any decision taken on a show of hands.

Proxies

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

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

Web Presence
Updated information regarding the Company can be accessed at IGI web site, www.igiinsurance.com.pk.

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

Shareholder's Information

Shareholders Category	No. of Shareholder	No. of Shares Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	16	35,963,639	32.24
Associated Companies, undertaking and related parties.	2	30,796,418	27.61
NIT & ICP	-	-	-
Banks Development Financial Institutions, Non Banking Financial Institutions.	5	4,350,178	3.90
Insurance Companies	4	2,093,736	1.88
Modarabas and Mutual Funds	2	601,234	0.54
Share holders holding 10%	3	55,232,291	49.52
General Public :			
a. Local	1,426	20,882,449	18.72
b. Foreign	-	-	-
Others	60	16,848,284	15.11
	1,515	**111,535,938**	**100.00**

Information as required under Code of Corporate Governance
Categories of Shareholding as at December 31, 2012

Shareholders Category	No. of Shareholder	No. of Shares Held
Associated Companies, Undertakings and Related Parties:		
Industrial Technical and Educational Institute	1	18,958,151
Packages Limited	1	11,838,267
Mutual Funds (name wise details)		
CDC - Trustee AKD Index Tracker Fund	1	7,452
JS Value Fund Limited	1	593,782
Directors and their spouse(s) and minor children:		
Mrs. Amina Hyder Ali	2	268,345
Jalees Ahmed Siddiqi	1	931
Mr. Waqar A. Malik	1	67
Mrs.Perwin Babar Ali	1	1,524,252
Shamim Ahmad Khan	1	5,733
Syed Babar Ali	2	24,436,918
Syed Hyder Ali	2	4,764,927
Syed Kamal Ali	1	685,133
Syed Shahid Ali	4	3,626,222
Syed Yawar Ali	2	1,136,361
Executives:		
Shahbaz Haider Agha	1	15,835
Mohammad Arif	1	2,000
Faisal Khan	1	186
Muhammad Akram	1	1,995
Muhammad Nasir Iqbal	1	6
Public Sector Companies and Corporations	1	1,104,069
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds	9	5,867,278
Shareholders Holding five percent or more Voting Rights in the Listed Company		
Syed Babar Ali	1	24,435,873
Industrial Technical And Educational Institute	1	18,958,151
Packages Limited	1	11,838,267

Distribution of Shareholding in Central Depository Company of Pakistan Limited as at December 31, 2012

	Shareholdings		
Number of Shareholders	**From**	**To**	**Total Number of Shares Held**
176	1	100	5,161
219	101	500	69,199
139	501	1,000	113,762
273	1,001	5,000	708,421
85	5,001	10,000	609,992
28	10,001	15,000	334,965
15	15,001	20,000	263,335
14	20,001	25,000	312,603
11	25,001	30,000	304,555
5	30,001	35,000	159,596
4	35,001	40,000	152,131
3	40,001	45,000	123,305
3	45,001	50,000	144,036
1	50,001	55,000	54,864
1	55,001	60,000	59,758
1	60,001	65,000	63,574
3	65,001	70,000	202,928
2	70,001	75,000	141,739
2	75,001	80,000	155,205
1	80,001	85,000	82,129
1	95,001	100,000	99,077
2	120,001	125,000	248,600
1	150,001	155,000	152,000
1	160,001	165,000	162,920
1	170,001	175,000	174,656
1	175,001	180,000	177,139
1	200,0z01	205,000	204,156
1	205,001	210,000	209,099
2	210,001	215,000	426,871
1	220,001	225,000	221,327
1	225,001	230,000	225,265
1	230,001	235,000	231,822
1	235,001	240,000	235,885
1	245,001	250,000	248,400
1	290,001	295,000	291,596
1	305,001	310,000	305,188
1	330,001	335,000	334,866
2	430,001	435,000	863,670
1	440,001	445,000	444,253
1	485,001	490,000	485,250
2	525,001	530,000	1,053,577
1	590,001	595,000	593,782
1	595,001	600,000	600,000
1	605,001	610,000	606,493
1	610,001	615,000	611,255
1	635,001	640,000	638,050
1	670,001	675,000	671,955
1	675,001	680,000	676,096
1	680,001	685,000	683,696
1	685,001	690,000	685,133
1	800,001	805,000	804,213
1	905,001	910,000	907,019
1	1,000,001	1,005,000	1,000,521
1	1,060,001	1,065,000	1,061,742
2	1,100,001	1,105,000	2,206,964
1	1,115,001	1,120,000	1,115,274
1	1,730,001	1,735,000	1,733,900
1	1,885,001	1,890,000	1,885,380
1	2,135,001	2,140,000	2,139,610
1	4,220,001	4,225,000	4,220,222
1	4,325,001	4,330,000	4,328,941
1,032			**38,027,121**

Pattern of Shareholding as at December 31, 2012

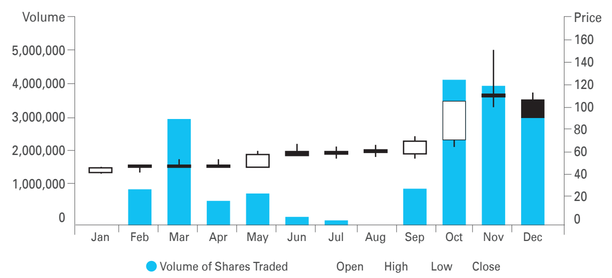
Number of Shareholders	Shareholdings From	Shareholdings To	Total Number of Shares Held
276	1	100	8,522
328	101	500	99,067
194	501	1,000	153,736
360	1,001	5,000	902,519
156	5,001	10,000	1,116,085
41	10,001	15,000	498,449
16	15,001	20,000	280,129
20	20,001	25,000	449,701
13	25,001	30,000	356,298
7	30,001	35,000	228,293
6	35,001	40,000	228,334
6	40,001	45,000	247,759
4	45,001	50,000	193,902
3	50,001	55,000	160,641
1	55,001	60,000	59,758
2	60,001	65,000	127,289
4	65,001	70,000	270,476
3	70,001	75,000	214,882
3	75,001	80,000	232,082
1	80,001	85,000	82,129
1	95,001	100,000	99,077
1	100,001	105,000	101,886
1	110,001	115,000	111,839
2	120,001	125,000	248,600
1	125,001	130,000	125,115
1	130,001	135,000	134,923
1	135,001	140,000	137,544
3	150,001	155,000	461,294
1	160,001	165,000	162,920
2	170,001	175,000	348,530
1	175,001	180,000	177,139
1	200,001	205,000	204,156
2	205,001	210,000	414,768
2	210,001	215,000	426,871
1	220,001	225,000	221,327
1	225,001	230,000	225,265
2	230,001	235,000	462,989
2	235,001	240,000	471,702
1	245,001	250,000	248,400
1	255,001	260,000	259,536
1	290,001	295,000	291,596
1	300,001	305,000	304,134
1	305,001	310,000	305,188
1	330,001	335,000	334,866
2	430,001	435,000	863,670
1	440,001	445,000	444,253
1	485,001	490,000	485,250
2	500,001	505,000	1,001,362
2	525,001	530,000	1,053,577
1	530,001	535,000	532,234
1	590,001	595,000	593,782
1	595,001	600,000	600,000
1	605,001	610,000	606,493
1	610,001	615,000	611,255
1	635,001	640,000	638,050
1	670,001	675,000	671,955
1	675,001	680,000	676,096
1	680,001	685,000	683,696
1	685,001	690,000	685,133
1	800,001	805,000	804,213
1	905,001	910,000	907,019
1	960,001	965,000	962,487
1	965,001	970,000	966,552
1	1,000,001	1,005,000	1,000,521
1	1,060,001	1,065,000	1,061,742
2	1,100,001	1,105,000	2,206,964
1	1,115,001	1,120,000	1,115,274
1	1,520,001	1,525,000	1,524,252
1	1,730,001	1,735,000	1,733,900
1	1,765,001	1,770,000	1,769,422
1	1,885,001	1,890,000	1,885,380
1	2,135,001	2,140,000	2,139,610
1	2,795,001	2,800,000	2,797,026
1	4,220,001	4,225,000	4,220,222
1	4,325,001	4,330,000	4,328,941
1	4,540,001	4,545,000	4,543,600
1	11,835,001	11,840,000	11,838,267
1	18,955,001	18,960,000	18,958,151
1	24,435,001	24,440,000	24,435,873
1,515			**111,535,938**

Share Price / Volume

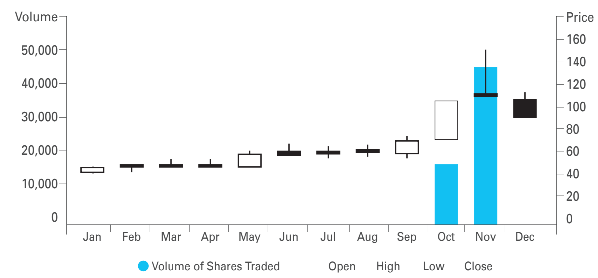
The monthly high and low prices and the volume of shares traded on KSE and LSE during the financial year 2012 are as under:

	Share Price on the KSE (Rs.)					Share Price on the LSE (Rs.)				
Month	Open	Highest	Lowest	Closed	Volume of Shares Traded	Open	Highest	Lowest	Closed	Volume of Shares Traded
Jan	44.22	49.98	43.10	48.60	86,194	44.22	49.31	44.22	48.60	-
Feb	48.60	50.28	44.30	50.28	868,181	48.60	50.28	44.12	50.28	-
Mar	50.28	61.20	49.05	52.01	3,090,005	50.28	60.18	58.28	52.01	-
Apr	52.01	59.90	50.10	51.75	480,062	52.01	58.42	51.30	51.75	-
May	51.75	65.50	52.00	63.76	712,612	51.75	65.17	51.75	63.76	-
Jun	63.76	71.52	63.01	65.08	228,148	63.76	69.97	63.76	65.08	-
Jul	65.08	67.85	63.00	65.25	128,272	65.08	66.79	63.00	65.25	-
Aug	65.25	67.99	61.30	64.20	89,000	65.25	67.50	62.25	64.20	-
Sep	64.20	79.50	61.50	77.00	1,204,500	64.20	78.30	61.44	77.00	-
Oct	77.00	115.89	73.31	115.00	4,048,000	77.00	115.00	76.49	115.00	15,500
Nov	115.00	149.99	108.83	115.45	3,815,000	115.00	114.55	148.00	115.45	42,500
Dec	115.45	120.99	96.23	96.28	3,595,000	115.45	120.65	96.28	96.28	-

SHARE PRICE ON THE KSE (Rs.)



SHARE PRICE ON THE LSE (Rs.)

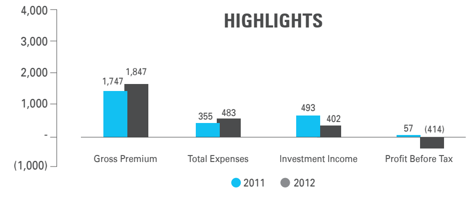


Corporate Calendar

First quarter ended March 31, 2012	Announced on	April 26, 2012
Half year ended June 30, 2012	Announced on	August 28, 2012
Third quarter ended September 30, 2012	Announced on	October 25, 2012
Year ended December 31, 2012	Announced on	March 19, 2013
Final - Cash (2011)	Announced on	March 26, 2012
	Entitlement date	April 13, 2012
	Statutory limit upto which payable	May 25, 2012
	Credit & Paid on	April 26, 2012
Interim - Cash (2012)	Announced on	August 28, 2012
	Entitlement date	September 16, 2012
	Statutory limit up to which payable	October 26, 2012
	Paid on	September 29, 2012
Final – Cash (2012)	Announced on	March 19, 2013
	Entitlement date	April 11, 2013
	Statutory limit upto which payable	May 23, 2013
	Expected to be paid on	April 24, 2013
Issuance of Annual Report		**April 02, 2013**
59th Annual General Meeting		**April 24, 2013**

Directors Report to the Shareholders

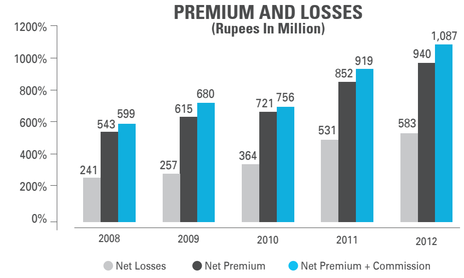
The Directors of IGI Insurance Limited take pleasure in presenting the annual report of your Company, together with the audited financial statements for the year ended December 31, 2012.



ECONOMIC OVERVIEW

During the year 2012, the global insurance industry faced an adverse climate as it strove to recover from the twin blows of weak global economic growth and a spate of natural catastrophes across the world. As a result of these events, the industry faced declining sales, profitability and company valuations, particularly in Europe and Japan. Consequently, the global reinsurance industry tightened rates and consolidated their risk exposures across the world, which further contracted the overall insurance industry. In addition, automation of the value chain, new underwriting systems, risk based rating and claims management solutions resulted in increased expenditures. In spite of these challenges, there were many opportunities for insurers to seek competitive advantages.

Pakistan continued to face economic challenges of fiscal and current account balances as well as of inflationary pressures. Power shortages have affected the manufacturing sector. However, growth trend of remittances continues and there has been a decline in the trade deficit. Standard and Poor maintained its ''B-minus'' rating during the year, whereas Moody's downgraded Pakistan's rating from B3 to Caa1.

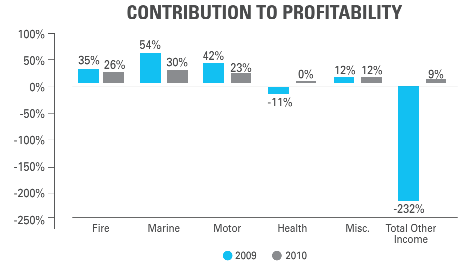


Unfortunately, the Pakistani insurance industry growth trend contracted as penetration declined from 0.33% to 0.3% of GDP at the end of 2011. The contraction was a result of a decrease in set up of new businesses, mainly caused by the deteriorating law and order situation in the country.

COMPANY PERFORMANCE REVIEW 2012

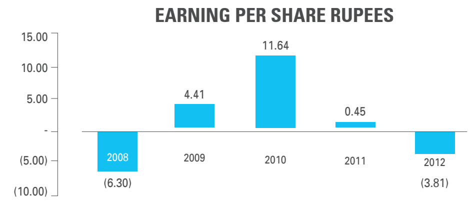
Despite this challenging environment, the Company managed growth in Gross Written Premium (GWP) of 6% posting PKR 1,847 Million (2011: PKR 1,747 Million). The main contributors to premium growth were Engineering & Contract, etc. (classified as Miscellaneous) Health, Fire and Motor business segments. A balanced mix of Fire, Marine, Motor, Health and Miscellaneous classes was reached with 34%, 16%, 26%, 13% and 11% respectively.

Net Premium Income increased by 10% over last year and stands at 51% of GWP. Net Claims registered an increase of 10%, from PKR 531 Million to PKR 583 Million. Overall higher Underwriting Profit to Gross Premium ratio of 13% was witnessed in 2012 (2011: 12%).



General and Administrative Expenses, which include a donation of PKR 21 Million, show an increase of 17%, from PKR 130 Million to PKR 152 Million. The Financial Charges registered an increase of 44% from PKR 41 Million in 2011 to PKR 59 Million in 2012. The profitability has been impacted negatively by share of loss from associated entities. In accordance with IFRS 5, the assets and liabilities of the discontinued operations have been re-measured and classified as 'held for sale' which resulted in a loss of Rs. 1,042 Million from its discontinued business. The company's profit for the period and earnings per share, excluding share of loss of said associate on its discontinued operations amounts to Rs. 616.412 Million and Rs. 5.53 per share respectively. This resulted in loss per share of Rs. 3.81 against Rs. 0.45 earnings per share for 2011.

Subsequent to the period under review, your company achieved a milestone by signing a Share Purchase Agreement (SPA) on January 21, 2013. This acquisition will enable us to introduce the IGI Brand in Life Insurance sector as well.



SEGMENTS AT A GLANCE

FIRE

During the review year, Gross Premium decreased by 7% from PKR 672 Million in 2011 to PKR 627 Million in 2012. Net Premium Earned decreased from PKR 89 Million to PKR 82 Million. However, Net Losses decreased from PKR 31 Million in 2011 to PKR 9 Million in 2012, resulting in Underwriting Profits of PKR 67 Million against PKR 60 Million in 2011. The result is reflective of appropriate risk pricing and prudent retention policy.

Directors Report to the Shareholders

MARINE, AVIATION AND TRANSPORT

Marine business increased by 12% from PKR 264 Million in 2011 to PKR 297 Million in 2012. Net Premium Earned decreased marginally from PKR 134 Million to PKR 133 Million. Net Losses increased from PKR 68 Million in 2011 to PKR 70 Million in 2012. An increase in commission income accrued on account of profitable portfolios over last many years. These factors contributed to an increase in Underwriting Profit from PKR 68 Million to PKR 111 Million.

MOTOR

Due to a cautious approach towards Motor Business, it increased marginally from PKR 464 Million in 2011 to PKR 475 Million in 2012. The Net Losses decreased from PKR 296 Million to PKR 254 Million. The decrease in Net Losses increased the Motor Underwriting Profitability, which went up from PKR 53 Million in 2011 to PKR 83 Million in the current year.

HEALTH

Health business grew exponentially in the current year requiring it to be disclosed as a separate segment in the current year. The gross premium grew by 81% from PKR 132 Million in 2011 to PKR 239 Million in the current year. The net losses registered a 94% growth from PKR 105 Million in 2011 to PKR 222 Million in 2012. The increase in losses affected the profitability which registered a loss of PKR 47 Million as against a loss of PKR 1 Million in 2011.

OTHERS (MISCELLANEOUS)

For Miscellaneous line, which includes Engineering, Contract, Travel and Cash business, Gross Written Premium decreased from PKR 215 Million in 2011 to PKR 209 Million. The losses increased by 5% from PKR 26 Million to PKR 28 Million which affected the Underwriting Profitability which decreased from PKR 27 Million in 2011 to PKR 18 Million.

CLAIMS

To capitalize on increased operational efficiency and effective controls resulted from the centralization policy of claims management, further technological improvement in the internal processes was made by IGI IT Team. This is being used by the surveyors for submitting their reports electronically and also by the claims department for internal tracking of claims on real time basis. This has ultimately led towards enhanced controls and further reduction in claims processing and settlement time.

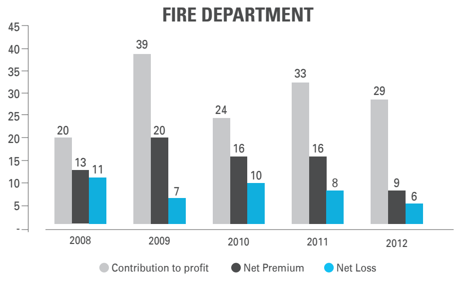
Your Company accords high priority to efficient handling and expeditious settlement of claims and takes great pride in the fact that this year we achieved settlement ratio of 96% for all Direct/Lead claims reported in 2012 and claims pertaining to 2011 and prior periods, except for only five General Average claims.

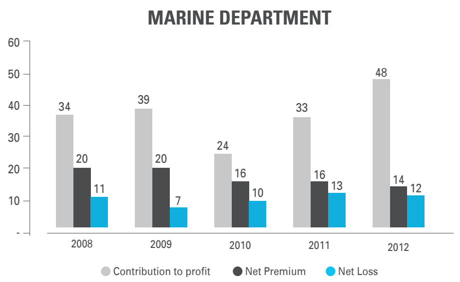
RE-INSURANCE AND RISK MANAGEMENT

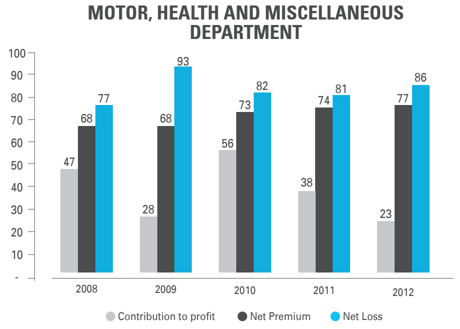
The company pays special attention to risk management which also helps in reducing the size and cost of reinsurance. We help our clients identify what and where the risks are, how they can be improved and how we can assist them in managing the risks. We believe the cost of risk mitigation is marginal when compared with the cost of an unexpected loss.

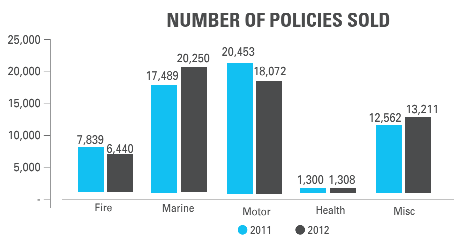
Your Company follows policy of optimizing retention of risks through a carefully designed, high quality program of re-insurance. We have structured our re-insurance program to protect the value at risk by ensuring timely and quality protection for individual risks. Our IT system is integrated across all branches and the exposure to accumulation and concentration of risk at any location is assessed accordingly. Your Company also increased capacities for traditional re-insurance arrangements as well as for specialized lines, including terrorism.

In this period of economic challenges, declining prices and softening of local insurance markets, our strategy of continuous risk improvement has helped in achieving sustainable growth in business.









Directors Report to the Shareholders

INVESTMENTS

Our investment objective is to achieve an optimum total return on the investment portfolio adhering to our investment philosophy and the applicable regulations. However, the Book Value of your Company's investments is PKR 10,672 Million as at December 31, 2012 (2011: PKR 11,623 Million) owing to the loss on associated company which decreased the value of investments. The fair value of these investments amounted to PKR 25,569 Million which is higher by 39% from last year.

CAPITAL MANAGEMENT AND LIQUIDITY

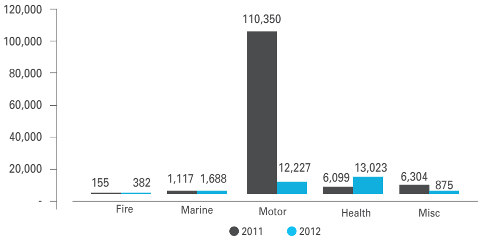
The Company actively manages and monitors the matching of its asset positions against its commitments, together with diversification and credit quality of its investments against established targets.

The Company's primary source of funds is cash provided by operating activities, including Premiums and Net Investment Income. These funds are used primarily to pay claims, commissions, operating expenses, interest expenses and shareholder dividends. Cash flows generated from operating activities are generally invested in supporting future payment requirements, including the payment of dividends to shareholders.

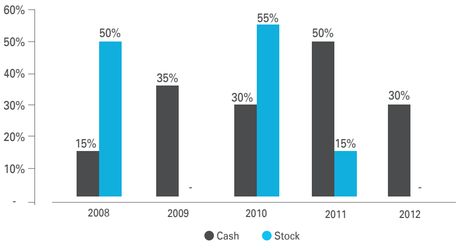
INFORMATION TECHNOLOGY AND BUSINESS PROCESS RE-ENGINEERING

This year was yet another year for further technological advancement at IGI. A new web based application is being used to improve the claim processing cycle which has significantly reduced various steps involved during claim intimation till settlement. This initiative will ultimately lead us to achieve the highest level of operational excellence and further enhance claim settlement efficiency.

NUMBER OF CLAIM SETTLED



CASH AND STOCK DIVIDEND



To augment our client relationship, an SMS based value added service has been introduced. The purpose is to keep in touch with the clients and inform them in time about their transactions as well as other valuable service alerts.

The ERP system implemented last year has now become fully functional across the company. This has resulted in seamless and efficient business operations, with real time decision making capability.

The primary data center and disaster recovery site has also been revamped for higher level availability and business continuity.

HUMAN RESOURCE

At IGI, people are its most valuable asset. Here we constantly make efforts to enhance the motivation and performance levels of Team IGI.

The HR Philosophy for 2012 encouraged ownership, initiative and innovation across the board. In raising the bar to deliver more a culture of continuous improvement was further strengthened by initiatives of Business Process Re-engineering Team, and by increasing efficiencies with centralization of the Finance Function to achieve a faster payment cycle.

Our people drive change, and channels for transparency and open communication exist. This year, an Employee Engagement Survey was facilitated by an external consultant to gauge the engagement level of our employees. This provided a platform for employees to share their feedback openly and highlight areas for further improvement.

To further motivate and retain our employees, development plans for employees have been a key priority. Employees are provided opportunities for training linked to their roles and Professional Certifications to raise their skills sets and to provide growth opportunities. To augment these initiatives, the skill pool at IGI is further enhanced with the induction of Management Trainees in various departments.

We continue to strive for inducting best talent, rightly placed, retained and developed to deliver, as a team, The IGI Vision!

CODE OF CONDUCT

All our operational activities are carried out in a transparent manner strictly following the code of ethics, on which there is no compromise.

CORPORATE SOCIAL RESPONSIBILITY

IGI believes in giving the youth of Pakistan confidence, opportunities for learning and success. We have offered paid internships all around the year to 24 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.

The Company contributed Rs. 21 Million towards various social sector organizations in the education, health and environment areas during the year and aims to enhance its contribution in the future. We also extend support to the employees for the education of their children. This year the Company share was Rs. 4.8 Million.

Our CSR efforts have been recognized by Pakistan Society of Philanthropy. IGI has been awarded for highest contribution of CSR as a percentage of Profit Before Tax in 2011.

Directors Report to the Shareholders

ISO CERTIFICATION AND ITS VALUE TO OUR CUSTOMERS

Your Company achieved a milestone by obtaining ISO 9002 certification from SGS Malaysia Sdn. Bhd and reaffirmed its commitment to quality in 2003 by successfully shifting to the new ISO 9001:2000 standard as certified by SGS Malaysia. In 2010 it became the First General Insurance Company in Pakistan to receive the new ISO 9001:2008 certification.

INSURER'S FINANCIAL STRENGTH RATING

The Pakistan Credit Rating Agency (Private) Limited (PACRA) has, for the thirteenth consecutive year, assigned your Company an "Insurer Financial Strength" (IFS) Rating of "AA" (Double A), in February 2013.

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 small.

APPROPRIATIONS

The proposed appropriations are as under:

	2012	2011
	(Rupees in thousand)	
Final Dividend for the year - 10% (2011: 30%)	**111,536**	334,605
Interim Dividend for the year - 20% (2011: 20%)	**223,074**	193,976
Transfer to reserve for issue of Interim Bonus Shares - Nil (2011: 15%)	**Nil**	145,482
Transfer from reserve to pay final dividend for the year	**111,536**	334,605

By proposing the final dividend of 10% for 2012, the total dividend amount will be PKR 334,610 Million.

FUTURE OUTLOOK

2013, being the election year, is expected to be a challenging one with uncertainties in political and security areas. The economic sustainability is contingent upon a number of elements including the level of government borrowing, controlling of circular debt, exchange rate stability and foreign direct investment in industrial sector.

While competition is unabated in all business segments with uncertain future outcomes, the strength of the Group and the strategies pursued by IGI makes us confident that we will achieve our plans for 2013 by applying prudent policies and control in business operations and using cost effective measures. A disciplined approach with customer focus through speedy claims processing will remain our hallmark for 2013.

Across the world, technology remains a bright spot as insurers continue to improve operational efficiencies and invest in analytical capabilities that encourage business expansion and enhance the customer experience. Your company follows this global trend. We have, and will continue to focus on implementation of state-of-the-art technological practices in order to further facilitate our customer base.

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

ACKNOWLEDGEMENT

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

For and on behalf of the Board

Syed Babar Ali
Chairman
Karachi: March 19, 2013

Corporate Sustainability at IGI

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

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.

- No. of Internships offered in 2012: 24

- 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. 45 M was paid on account of income tax, federal excise duty, federal insurance fee and other levies.
- The Company contributed Rs. 21 M towards various social sector organizations in the education, health and environment areas during the year and aims to enhance its contribution in the future.
- We also extend support to the employees for the education of their children. This year the Company share was Rs. 4.8 M.

Environmental Sustainability

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

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

Employee Development & Engagement

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

- Female participation now stands at 11%.

- We have an outstanding concentration of specialist expertise and talent. Providing our people with learning and growth opportunities coupled with a safe and secure workplace is one of our top priorities. It is encouraging to report that this year:

- Customized training programs were carried out in various disciplines like Finance, Claims, Underwriting and Risk management function.
- Investment on employee training & education was around Rs. 2.1 M.
- Average training hours per employee for the year were 14 hours.
- There have been zero accidents / injury at the workplace.
- Health Awareness Sessions arranged for the employees on quarterly.

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:

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

Report on Corporate Governance

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

1. The financial statements together with the notes forming an integral part of these statements have been prepared by the management of your Company in conformity with the Companies Ordinance, 1984 and the Insurance Ordinance, 2000 and present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. The International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from has been adequately disclosed and explained.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There is no significant doubt upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations, except as stated in the Statement of Compliance with the Code of Corporate Governance.
8. Key operating and financial data for the last ten years is shown at page number 40.
9. Outstanding taxes and duties are given 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, 2012
    Rs. 31.62 million
    Gratuity Fund as at December 31, 2011
    Rs. 14.89 million
11. The related party transactions are approved or ratified by the audit committee and the Board of Directors.
12. The trade carried out by the Directors, CEO, CFO, Company Secretary, Executives and their spouses and minor children, if any, in the shares of the Company is given below:

DIRECTORS & SPOUSES

Mrs. Perwin Babar Ali purchased 90,300 shares.
Syed Kamal Ali, Director Purchased 59,000 shares.
Syed Kamal Ali, Director sold 64,500 shares.
Syed Shahid Ali, Director sold 151,026 shares.
Syed Hyder Ali, Director purchased 391,502 shares.
Syed Hyder Ali, Director sold 102,500 shares

13. All the major decisions relating to investments / disinvestments of funds, change in the policy of underwriting, if any, appointment, remuneration and terms & conditions of CEO are taken to the Board.
14. As required by regulatory framework, one member of the Board had completed certification course under the Corporate Governance Leadership Skills (CGLS) - Director Education Program offered by the Pakistan Institute of Corporate Governance.
15. The aggregate remuneration of executives and non executive including salary, fee, benefits, etc are Rs. 17.798 million and 2.64 million.

INSURANCE ORDINANCE, 2000

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

- In their opinion and to the best of their belief the annual statutory accounts of the Company set out in the forms attached with this statement have been drawn up in accordance with the Insurance Ordinance and any rules made there under;
- The Company has at all times in the year complied with the provisions of the Ordinance and the rules made there under relating to the paid-up capital, solvency and re-insurance arrangements; and as at the date of the statement, the Company continues to be in compliance with the provisions of the Ordinance and rules framed there under as mentioned above.

BOARD & SUB COMMITTEE MEETINGS

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

for the year ended December 31, 2012

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
No of Meeting Held	7	4	4	4	4	4	2
	ATTENDENCE						
Syed Babar Ali	7	-	-	-	-	-	-
Shamim Ahmad Khan	6	3	-	-	4	3	-
Syed Kamal Ali	4	-	-	-	-	2	-
Syed Yawar Ali	6	4	-	-	-	4	2
Syed Shahid Ali	5	-	-	-	-	-	1
Syed Hyder Ali	6	4	4	4	-	4	2
Waqar Ahmed Malik	4	-	-	-	-	-	1
Jalees Ahmed Siddiqi	7	-	4	4	4	4	2

AUDIT COMMITTEE

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

AUDITORS

The present auditors M/S KPMG Taseer Hadi & Company, Chartered Accountants retire as their five years terms have been completed which renders them ineligible for next term. As suggested by the Audit Committee, the Board of Directors has recommended the appointment of M/S A. F. FERGUSON & CO., Chartered Accountants as auditors of the Company for the year 2013, at a fee to be mutually agreed. The external auditors hold satisfactory rating by the Institute of Chartered Accountants of Pakistan (ICAP) as required under their Quality Control Review Program.

MATERIAL CHANGES

There have been no material changes and commitments affecting the financial position of your Company since December 31, 2012.

PATTERN OF SHAREHOLDING

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

For and on behalf of the Board

Syed Babar Ali
Chairman

Karachi, March 19, 2013

Statement of Compliance with the Code of Corporate Governance

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

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

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

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

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings except for two emergency Board meetings for which consent of Directors for reduced notice period was obtained. The minutes of the meetings were appropriately recorded and circulated.
9. The board arranged appropriate training programs for its directors during the year.
10. The board has approved appointment of Company Secretary as Head of Internal Audit, with no change in his remuneration and terms and conditions of employment except for his designation as head of internal audit. The management considers that there is no conflict in designation of him as Head on Internal Audit since the internal audit function has been outsourced to a professional firm
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by Group CFO & CEO before approval of the board.

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

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises three (3) members, all of whom are non-executive directors including Chairman of the Committee. As regard the Chairmanship of the Committee, the Company will appoint Independent Director when the board will be reconstituted on expiry of the current term.

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

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

18. The Board approved the out sourcing of internal audit function w.e.f October 27, 2010 to M/s A.F. Ferguson & Company, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

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

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

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s). However, certain trading in Company's shares was inadvertently carried out by a director during that period. Within one working day of the purchase, the shares were sold at a loss and the details of transactions were reported to the relevant Stock exchanges and SECP.

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

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

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

25. The underwriting, claims settlement and reinsurance and coinsurance committees have been formed. However, the minutes of certain meetings of such committees were not circulated to the members, directors and the CFO within fortnight.

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

Syed Babar Ali
Chairman

Karachi, March 19, 2013

KPMG Taser Hadi & Co.
Chartered Accountants
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Karachi, 75530 Pakistan

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Statement") prepared by the Board of Directors of IGI Insurance Limited ("the Company") to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges where the company is listed and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(I)/2003, by the Securities and Exchange Commission of Pakistan.

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

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

Further, sub-regulation (x) of Listing Regulations 35 notified by the Karachi Stock Exchange requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

We draw attention to point no. 10, 21 and 25 of the enclosed Statement which explain the appointment of Company Secretary as Head of Internal Audit, trading in shares of the Company carried out by a director in closed period and delay in circularisation of minutes of certain statutory committees during the year.

Based on our review, except for the matters as explained in the above paragraphs, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 31 December 2012.

KPMG Taseer Hadi & Co.
Chartered Accountants

Mohammad Mahmood Hussain

Karachi: March 19, 2013

KPMG Taser Hadi & Co.
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Auditors' Report to the Members of IGI Insurance Limited

We have audited the annexed financial statements comprising of:
(i) balance sheet;
(ii) profit and loss account;
(iii) statement of changes in equity;
(iv) statement of cash flows;
(v) statement of premiums;
(vi) statement of claims;
(vii) statement of expenses; and
(viii) statement of investment income

of IGI Insurance Limited ("the Company") as at 31 December 2012 together with the notes forming part thereof, for the year then ended. It is the responsibility of the Company's Board of Directors 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 International Standards on Auditing as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies 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 account have been kept by the Company as required by the Insurance Ordinance, 2000;

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

c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2012 and of the loss, 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.

KPMG Taseer Hadi & Co.
Chartered Accountants
Mohammad Mahmood Hussain
Karachi: March 19, 2013

Balance Sheet

	Note	2012	2011
		(Rupees in thousand)	
Share capital and reserves			
Authorized share capital			
200,000,000 (2011: 200,000,000)			
ordinary shares of Rs 10 each		2,000,000	2,000,000
Issued, subscribed and paid up			
share capital	5	1,115,359	1,115,359
Unappropriated profits		216,842	642,166
Reserves		8,972,692	9,530,371
		10,304,893	11,287,896
Underwriting provisions			
Provision for outstanding claims			
[including IBNR]		541,686	727,343
Provision for unearned premium		600,136	570,173
Commission income unearned		65,206	66,357
		1,207,028	1,363,873
Deferred liabilities			
Deferred taxation	6	-	17,843
Creditors and accruals			
Premium received in advance		575	3,396
Amounts due to other insurers/reinsurers		156,942	165,999
Accrued expenses		69,578	57,350
Sundry creditors	7	186,637	133,878
		413,732	360,623
Borrowings			
Short term finance - secured	8	640,684	544,314
Other liabilities			
Unclaimed dividend		7,141	6,480
Total liabilities		2,268,585	2,293,133
Total equity and liabilities		12,573,478	13,581,029
Contingencies	9		

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

Chairman	Director	Director	Principal Officer and Chief Executive

as at 31 December, 2012

	Note	2012	2011
		(Rupees in thousand)	
Cash and bank deposits			
Cash and other equivalents	10	105	378
Current and other accounts	11	2,259	77,139
		2,364	77,517
Investments	12	10,672,089	11,622,957
Investment property	19	84,936	90,932
Deferred taxation	6	10,742	-
Current assets - others			
Premiums due but unpaid - unsecured	13	197,503	231,656
Amounts due from other insurers / reinsurers - unsecured	14	440,294	403,195
Accrued investment income		5,862	7,028
Reinsurance recoveries against outstanding claims		370,053	528,856
Prepayments			
- prepaid reinsurance premium ceded		279,906	258,703
- others		14,116	12,834
Taxation - payments less provision		78,605	73,170
Sundry receivables	15	50,596	109,066
Asset classified as held for sale	16	202,615	-
		1,639,550	1,624,508
Fixed assets			
Tangible	17		
Furniture, fixtures and office equipments		19,811	21,236
Buildings		84,937	90,933
Motor vehicles		51,600	43,104
		156,348	155,273
Intangibles	18		
Computer softwares		7,449	9,842
Total assets		12,573,478	13,581,029

Chairman	Director	Director	Principal Officer and Chief Executive

Profit and Loss Account for the year ended 31 December, 2012

	Note	Fire and Property Damage	Marine Aviation and Transport	Motor	Health	Miscellaneous	(Rupees in thousand) 2012 Aggregate	2011 Aggregate
Revenue account								
Net premium revenue		81,815	132,879	455,241	207,771	62,143	939,849	852,329
Net claims		(9,294)	(70,159)	(254,095)	(222,229)	(27,705)	(583,482)	(530,525)
Expenses	20	(83,185)	(39,362)	(89,496)	(31,702)	(27,784)	(271,529)	(181,056)
Net commission		77,225	87,762	(28,534)	(1,218)	11,758	146,993	67,034
Underwriting result		66,561	111,120	83,116	(47,378)	18,412	231,831	207,782
Investment income							402,173	492,524
Rental income							21,389	19,745
Other income	21						7,632	5,776
Financial charges	22						(59,068)	(40,952)
General and administrative expenses	23						(152,372)	(130,368)
							219,754	346,725
							451,585	554,507
Share of profit / (loss) of associates arising from:								
- continuing operations							175,955	(65,543)
- discontinued operations	12.1.3						(1,041,736)	(432,332)
							(865,781)	(497,875)
(Loss) / Profit before tax							(414,196)	56,632
Taxation	24						(11,128)	(6,929)
(Loss) / Profit after tax							(425,324)	49,703
Other comprehensive income							-	-
Total comprehensive (loss) / income							(425,324)	49,703
Profit and loss appropriation account								
Balance at commencement of the year							642,166	592,463
(Loss) / Profit after tax for the year							(425,324)	49,703
Transfer from general reserve							557,679	337,661
Final dividend 2011: Rs. 3 per share (2010: Rs. 2 per share)							(334,605)	(143,685)
Interim dividend 2012: Rs. 2 per share (2011: Rs. 2 per share)							(223,074)	(193,976)
Balance of Unappropriated profit at end of the year							(425,324)	49,703
							216,842	642,166
Earnings / (Loss) per share - basic and diluted excluding share of loss of associate arising from discontinued operations	28						5.53	4.32
Earnings / (Loss) per share - basic and diluted	28						(3.81)	0.45

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

Chairman	Director	Director	Principal Officer and Chief Executive

Statement of Changes in Equity for the year ended 31 December, 2012

	Issued, subscribed and paid-up share capital	Reserves: Capital Reserves: Premium on issue of shares	Reserves: Capital Reserves: Reserve for bonus shares	Reserves: Capital Reserves: Other capital reserves	Reserves: Revenue reserves: General reserve	Unappropriated profits	Total
						(Rupees in thousand)	
Balance as at 1 January 2011	718,427	35,762	-	33,267	10,195,935	592,463	11,575,854
Total comprehensive income for the year ended 31 December 2011							
Net profit for the year	-	-	-	-	-	49,703	49,703
Transactions with owners, recorded directly in equity							
Final dividend for the year ended 31 December 2010 - Rs. 2 per share	-	-	-	-	-	(143,685)	(143,685)
Interim dividend for the period ended 31 March 2011 - Re. 1 per share	-	-	-	-	-	(96,988)	(96,988)
Interim dividend for the period ended 30 June 2011 - Re. 1 per share	-	-	-	-	-	(96,988)	(96,988)
Bonus shares issued for year ended 31 December 2010 @ 35%	251,450	-	(251,450)	-	-	-	-
Bonus shares issued for period ended 30 June 2011 @ 15%	145,482	-	(145,482)	-	-	-	-
	396,932	-	(396,932)	-	-	(337,661)	(337,661)
Transfer from general reserve							
- To unappropriated profits	-	-	-	-	(337,661)	337,661	-
- To reserves for bonus shares	-	-	396,932	-	(396,932)	-	-
Balance as at 31 December 2011	1,115,359	35,762	-	33,267	9,461,342	642,166	11,287,896
Total comprehensive loss for the year ended 31 December 2012							
Net loss for the year	-	-	-	-	-	(425,324)	(425,324)
Transactions with owners, recorded directly in equity							
Final dividend for the year ended 31 December 2011 - Rs. 3 per share	-	-	-	-	-	(334,605)	(334,605)
Interim dividend for the period ended 30 June 2012 - Rs. 2 per share	-	-	-	-	-	(223,074)	(223,074)
	-	-	-	-	-	(557,679)	(557,679)
Transfer from general reserve							
- To unappropriated profits	-	-	-	-	(557,679)	557,679	-
Balance as at 31 December 2012	1,115,359	35,762	-	33,267	8,903,663	216,842	10,304,893

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

Chairman	Director	Director	Principal Officer and Chief Executive

Statement of Cash Flows

	2012	2011
	(Rupees in thousand)	
Operating cash flows:		
Underwriting activities		
Premiums received	1,878,188	1,650,411
Reinsurance premiums paid	(944,403)	(960,099)
Claims paid	(1,038,420)	(889,342)
Reinsurance and other recoveries received	428,084	424,254
Commissions paid	(86,186)	(135,436)
Commissions received	260,424	207,935
Net cash flow from underwriting activities	497,687	297,723
Other operating activities		
Income tax paid	(45,148)	(53,841)
General and management expenses paid	(221,081)	(251,618)
Other operating payments	(76,887)	(31,234)
Other operating receipts	22,324	20,864
Net cash flow from other operating activities	(320,792)	(315,829)
Total cash (outflow) / inflow from all operating activities	176,895	(18,106)
Investment activities		
Profit / return received	15,165	25,644
Dividends received	265,194	345,170
Payments for investments	(1,586,557)	(850,338)
Proceeds from disposal of investments	1,520,790	759,486
Redemption of held to maturity investment	77,959	3,538
Fixed capital expenditure	(36,404)	(25,853)
Proceeds from disposal of fixed assets	12,039	9,288
Total cash inflow from investing activities	268,186	266,935
Financing activities		
Loans repaid	-	-
Dividends paid	(557,018)	(334,649)
Advances recovered / (made)	-	54,630
Financial charges paid	(59,586)	(39,701)
Total cash outflow from financing activities	(616,604)	(319,720)
Net cash (outflow) / inflow from all activities	(171,523)	(70,891)
Cash at beginning of the year	(466,797)	(395,906)
Cash at end of the year	(638,320)	(466,797)

Chairman	Director	Director	Principal Officer and Chief Executive

for the year ended 31 December, 2012

	2012	2011
	(Rupees in thousand)	
Reconciliation to profit and loss account		
Operating cash flows	176,895	(18,106)
Depreciation expense	(38,376)	(35,997)
Financial charges	(59,068)	(40,952)
Gain on disposal of fixed assets	6,697	4,657
(Decrease) / Increase in other assets	(175,665)	897,531
Increase / (Decrease) in liabilities other than term finances	121,061	(756,286)
Provision for impairment in the value of available for sale investments	152,445	208,450
(Loss) / Gain on revaluation of trading investments	-	(2,580)
Others		
Gain / (Loss) on disposal of investments	2,971	(11,413)
Dividend and other investment income	253,497	302,274
Share of loss of associates	(865,781)	(497,875)
(Loss) / profit after tax	(425,324)	49,703

Definition of cash

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

Cash for the purposes of the Statement of Cash Flows consists of:	2012	2011
	(Rupees in thousand)	
Cash and other equivalents		
- Cash in hand	8	-
- Policy stamps in hand	97	378
	105	378
Current and other accounts		
- Current accounts	397	2,811
- Saving accounts	1,862	74,328
	2,259	77,139
Short term finance	(640,684)	(544,314)
	(638,320)	(466,797)

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

Chairman

Director

Director

Principal Officer and Chief Executive

Statement of Premiums for the year ended 31 December, 2012

Business underwritten inside Pakistan

(Rupees in thousand)

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	Net premium revenue	
		Opening	Closing			Opening	Closing		2012	2011
Direct and facultative										
Fire and property damage	627,067	244,337	233,319	638,085	556,543	207,687	207,960	556,270	81,815	89,165
Marine, aviation and transport	296,718	16,505	19,045	294,178	163,522	8,252	10,475	161,299	132,879	134,267
Motor	474,647	185,432	182,980	477,099	21,793	973	908	21,858	455,241	444,751
Health	238,979	47,833	79,041	207,771	-	-	-	-	207,771	120,966
Miscellaneous	209,445	76,066	85,751	199,760	156,389	41,791	60,563	137,617	62,143	63,180
Total	1,846,856	570,173	600,136	1,816,893	898,247	258,703	279,906	877,044	939,849	852,329

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

Chairman	Director	Director	Principal Officer and Chief Executive

Statement of Claims for the year ended 31 December, 2012

Business underwritten inside Pakistan

(Rupees in thousand)

Class	Claims Paid	Outstanding claims		Claim expenses	Reinsurance and other recoveries recieved	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries recieved	Net Claims	
		Opening	Closing			Opening	Closing		2012	2011
Direct and facultative										
Fire and property damage	332,162	466,025	238,716	104,853	274,275	408,590	229,874	95,559	9,294	31,415
Marine, aviation and transport	129,634	65,682	63,918	127,870	66,601	34,495	25,605	57,711	70,159	67,655
Motor	296,899	82,573	82,621	296,947	35,886	9,341	16,307	42,852	254,095	296,887
Health	183,854	12,786	51,161	222,229	-	-	-	-	222,229	108,348
Miscellaneous	95,871	100,277	105,270	100,864	51,322	76,430	98,267	73,159	27,705	26,220
Total	1,038,420	727,343	541,686	852,763	428,084	528,856	370,053	269,281	583,482	530,525

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

Chairman	Director	Director	Principal Officer and Chief Executive

Statement of Expenses for the year ended 31 December, 2012

Business underwritten inside Pakistan

(Rupees in thousand)

Class	Commission paid or payable	Deferred commission		Net commission expense	Other management expenses	Underwriting expense	Commission for reinsurers	Net underwriting expense	
		Opening	Closing					2012	2011
Direct and facultative									
Fire and property damage	44,626	-	-	44,626	83,185	127,811	121,851	5,960	(2,037)
Marine, aviation and transport	21,700	-	-	21,700	39,362	61,062	109,462	(48,400)	(1,413)
Motor	28,534	-	-	28,534	89,496	118,030	-	118,030	94,835
Health	1,218	-	-	1,218	31,702	32,920	-	32,920	13,192
Miscellaneous	18,504	-	-	18,504	27,784	46,288	30,262	16,026	9,445
Total	114,582	-	-	114,582	271,529	386,111	261,575	124,536	114,022

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

Chairman	Director	Director	Principal Officer and Chief Executive

Statement of Investment Income for the year ended 31 December, 2012

	2012	2011
	(Rupees in thousand)	
Income from trading investments		
(Loss) on trading (i.e. buying and selling difference)	(2,865)	(11,413)
Dividend income (earned while holding the securities)	2,658	4,383
	(207)	(7,030)
Income from non-trading investments		
Held to maturity		
Return on government securities	16,002	14,282
Return on other fixed income securities and deposits	4,645	11,362
	20,647	25,644
Available for sale - Dividend income	230,192	272,247
Gain on sale of available for sale investments	13,819	-
Loss on revaluation of trading investments	-	(2,580)
Net reversal for impairment in value of available for sale investments	152,445	208,450
Loss on sale of associated Companies	(7,983)	-
Investment related expenses	(6,740)	(4,207)
Net investment income	402,173	492,524

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

Chairman	Director	Director	Principal Officer and Chief Executive

Notes to and forming part of the Financial Statements

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format of financial statements prescribed under Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002]. There is no other comprehensive income during the year ended 31 December, 2012 and 2011.

2.1 Statement of compliance

These 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 as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance,1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

2.2 Initial application of a standard, amendment or an interpretation to an existing standard and forthcoming requirements

2.2.1 Certain amendments to published standards and interpretations of accounting standards became effective during the year, however, they do not affect the Company's financial statements.

2.2.2 New accounting standards and IFRIC interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2013:

IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after 1 January 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets required to recognize un reconize actuarial gains and losses in other comprehensive income. The unrecognize actuarial loss in aggregate amount to Rs. 4.493 million as at 31 December 2012 (2011: 4.840 million) as disclosed in note 6.4. In addition actuarial gains and losses which are currently being recognized in profit and loss account would be required to be recognized in other comrehensive income.

IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements forseparate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Company.

IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after 1 January 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Company.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after 1 January 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after 1 January 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009-2011 (effective for annual periods beginning on or after 1 January 2013). The new cycle of improvements contains amendments to the following five standards, with consequential amendments to other standards and interpretations.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period which is the preceding period - is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the 'third statement of financial position', when required, is only required if the effect of restatement is material to statement of financial position.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendments have no impact on financial statements of the Company.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment asset and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

3. BASIS OF MEASUREMENT

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

3.1 Use of estimates and judgments

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicablein Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The judgments, estimates and assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the revision has been made.

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

- Provision for outstanding claims including IBNR (note 4.1.3)
- Provision for taxation and deferred tax (note 4.3)
- Defined benefit plan (note 4.9.2)
- Useful lives and residual values of fixed assets (note 4.8)
- Premium deficiency reserve (note 4.1.6)
- Classification of investments and its impairments (note 4.5)

3.2 Functional and presentation currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in preparation of these financial statements are set out below. These policies have been applied consistently to all years presented.

4.1 Insurance contracts

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

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

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

The Company neither issues investment contracts nor does it issue insurance contracts with discretionary participation features (DPF).

4.1.1 Premium

Premium written under a policy is recognized 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 recognized 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 recognized 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 policyholders in respect of policies issued, at the rate of 5% of the premium written restricted to a maximum of Rs. 2,000 per policy.

Receivables under insurance contracts are recognized 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 recognizes that impairment loss in the profit and loss account.

4.1.2 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 contract are not offset against expenses or income from related insurance assets. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire.

The Company assesses its reinsurance assets for impairment on balance sheet 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 recognizes that impairment loss in the profit and loss account.

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

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date execpt for IBNR for health and accident which is determined and recognized in accordance with valuation carried out by appointed actuary. This change has been accounted for as a change in accounting estimate as per Accounting Standards.

4.1.4 Reinsurance recoveries against claims

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

4.1.5 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 recognized 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 recognized on accrual basis.

4.1.6 Premium deficiency reserve

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

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

Fire and property damage	41%
Marine, aviation and transport	58%
Motor	78%
Health	113%
Miscellaneous	73%

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

4.2 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 recognized 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 balance sheet date and adjusted to reflect the current best estimate.

4.3 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 finalized 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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized 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.

Deferred tax is provided on temporary differences arising on investments in associates stated under equity method of accounting.

4.4 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 finance.

4.5 Investments

4.5.1 All investments are initially recognized 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 equity instruments of associated undertakings
- Held to maturity
- Available for sale
- Investment at fair value through profit and loss - held for trading

4.5.1.1 Investment in equity instruments of associated undertakings

Investment in associates, where the Company has significant influence but not control, are accounted for by using the equity method of accounting. These investments are initially recognized at cost, thereafter the Company'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 Company determines whether it is necessary to recognize any permanent impairment loss with respect to the Company'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 Company's profit and loss account. Associates' accounting policies are changed where necessary to ensure consistency with the policies adopted by the Company.

4.5.1.2 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 amortized cost using the effective yield method.

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

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

4.5.1.3 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 are classified as available for sale. 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 at cost, 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 latest stock exchange quotation 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. 14,816 million.

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

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

4.5.1.4 Investment at fair value through profit and 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 recognized when the Company's right to receive such dividend and bonus shares is established.

Gain / (loss) on sale of these investments are recognized in profit and loss account.

4.5.2 Derivative financial instruments

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

4.5.3 Date of recognition

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

4.6 Sale and repurchase agreements

Securities purchased under an agreement to resell (reverse repo) are not recognized in the 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 recognized as mark-up income and included in other income.

4.7 Investment property

Investment property is held for earning rentals and capital appreciation. Investment property is accounted for under the cost model in accordance with approved 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.

4.8 Fixed assets

Tangible

These are stated at cost less accumulated depreciation and 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 17. Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalized, 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. The Company's estimate of the residual value of its fixed assets as at 31 December 2012 did not require any adjustment as its impact is considered insignificant. Subsequent costs are included in the asset's carrying amount or recognized 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 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 recognized as an income or expense.

Intangible

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

4.9 Staff retirement benefits

4.9.1 Defined contribution plan

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

4.9.2 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 31 December 2012 using the Projected Unit Credit Method. Actuarial gains / losses in excess of corridor limit (10% of the higher of fair value of assets and present value of obligation) are recognised over the average remaining service life of the employees.

4.9.3 Accumulating compensated absences

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

4.10 Financial instruments

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

Financial instruments carried on the balance sheet include cash and bank deposits, investments, accrued investment income, sundry receivables, accrued expenses, long term finance, sundry creditors, short term finance and unclaimed dividend. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.11 Offsetting of financial assets and financial liabilities

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

4.12 Asset 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 with in 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.

4.13 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. During the year, the company has presented Health business separately being significant part of the total business which was previously included in Miscellaneous business.

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 hospitalization due to sickness, emergency and accidents.

Miscellaneous insurance provides cover against 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.

4.14 Impairment

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

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

All impairment losses are recognized in the profit and loss account. Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

4.15 Foreign currency transactions and translations

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognized in the profit and loss account. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair valuzes are determined.

4.16 Expenses of management

Expenses of management allocated to the underwriting business represent directly attributable expenses and indirect expenses allocated to the various classes of business on the basis of gross premium revenue. Expenses not allocable to the underwriting business are charged as administrative expenses.

4.17 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriations are recognized when approved.

5. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2012	2011		2012	2011
(Number of shares)			(Rupees in thousand)	
1,942,187	1,942,187	Ordinary shares of Rs. 10 each issued as fully paid in cash	**19,422**	19,422
109,593,751	109,593,751	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**1,095,937**	1,095,937
111,535,938	111,535,938		**1,115,359**	1,115,359

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

	2012	2011
	(Number of shares)	
Packages Limited	**11,838,267**	11,838,267
Industrial Technical and Educational Institute	**18,958,151**	18,958,151
	30,796,418	30,796,418

6. DEFERRED TAXATION

	2012	2011
	(Rupees in thousand)	
Deferred tax debits / (credits) has arised in respect of:		
Accelerated tax depreciation	**(15,354)**	(35,112)
Investment in associated companies	**-**	(380)
Provision for doubtful receivables	**26,096**	17,649
	10,742	(17,843)

7. SUNDRY CREDITORS

		2012	2011
		(Rupees in thousand)	
Federal excise duty		6,572	5,305
Federal insurance fee		576	417
Car finance payable		2,650	3,314
Agent commission payable		66,300	37,904
Cash margin		83,539	53,700
Others	7.1	27,000	33,238
		186,637	133,878

7.1 This includes an amount of nil (2011: 4.645 million) representing advance rent received from IGI Investment Bank Limited.

8. SHORT TERM FINANCE - Secured

		2012	2011
		(Rupees in thousand)	
Running finance	8.1	190,684	94,314
Term finance	8.2	450,000	450,000
		640,684	544,314

8.1 Running finance facility available from a consortium of commercial banks under mark-up arrangements amounts to Rs. 3,200 million (2011: Rs. 2,075 million). The rates of mark-up range from 10.91% to 13.97% per annum (2011: 13.32% to 15.26% per annum). Running finances are secured against pledge of shares held by the Company.

8.2 Term finance facility available from consortium of commercial banks under mark-up arrangements amounts to Rs. 550 million (2011: Rs. 575 million). The rate of mark-up range from 9.67% to 12.60% per annum (2011: 12.37% to 12.85% per annum). Term finance is secured against pledge of shares held by the Company. These have maturity upto one month.

9. CONTINGENCIES

- Company is defending a suit against it by M/s Nawaz Enterprises for recovery of Rs. 9.45 million on account of insurance claim. As per the management, the outcome of the case is likely to be favourable.

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

10. CASH AND OTHER EQUIVALENTS

		2012	2011
		(Rupees in thousand)	
Cash		8	-
Policy stamps in hand		97	378
		105	378

11. CURRENT AND OTHER ACCOUNTS

		2012	2011
Current accounts		397	2,811
PLS saving accounts	11.1	1,862	74,328
		2,259	77,139

11.1 The balances in PLS saving accounts carry mark-up at 6.00% per annum (2011: 7.00% per annum).

12 INVESTMENTS

	Note	2012	2011
		(Rupees in thousand)	
The investments comprise of the following:			
Equity instruments of associated companies	12.1	3,127,995	4,341,766
Held to maturity	12.2	112,636	172,292
Available for sale	12.3	7,431,458	7,107,132
At fair value through profit or loss - held for trading		-	1,767
		10,672,089	11,622,957

12.1 Equity instruments of associated companies

	Note	2012	2011
Quoted			
IGI Investment Bank Limited (2011: 89,095,494) fully paid ordinary shares of Rs. 10 each Equity held 2011: 42.01%	12.1.4	-	412,602
Packages Limited 21,082,601 (2011: 20,556,650) fully paid ordinary shares of Rs. 10 each Equity held 24.99% (2011: 24.36%) Market value Rs. 151.16 per share	12.1.3	3,127,995	3,758,777
Unquoted			
Loads Limited 2011: 1,249,260 fully paid ordinary shares of Rs. 10 each Equity held 2011: 20.82%	12.1.5	-	170,387
Dane Foods Limited 2,643,161 (2011: 2,643,161) fully paid ordinary shares of Rs. 10 each Equity held 30.62% (2011: 30.62%)			
Cost		26,432	26,432
Provision for diminution in value		(26,432)	(26,432)
		-	-
		3,127,995	4,341,766

12.1.1 Investments in unquoted associates do not include any goodwill as the investments were made when these associates were incorporated.

12.1.2 The summarized financial information of associated companies is as follows:

	Country of incorporation	Assets	Liabilities	Revenues	(Loss) / profit
				Rupees in thousand	
2012					
Packages Limited	Pakistan	47,853,676	16,217,038	16,617,735	(1,938,893)
2011					
IGI Investment Bank Limited	Pakistan	5,483,985	4,568,284	727,467	(426,707)
Packages Limited	Pakistan	45,289,686	14,953,104	25,612,586	(1,282,389)
Loads Limited	Pakistan	1,187,117	363,926	1,713,715	202,040

12.1.3 The share of loss from Packages Limited is based on unaudited results as at 31 December 2012. During the period, Packages Limited has entered into a Joint Venture in relation to its wholly owned subsidiary. As a result, the operations of Packages Limited have been divided into continuing and discontinued operations in accordance with the requirements of International Financial Reporting Standards (IFRS) 5, 'Non-current assets held for sale and discontinued operations'.

The Company has accordingly recognized share of profits from continuing operations of Packages Limited amountig to Rs. 385.942 million while share of loss from its discontinued operation amounts to Rs. 1,041.736 million respectively.

The Company's profit for the year and earnings per share, excluding share of loss of the said associate on its discontinued operations amounts to Rs. 615.477 million and Rs. 5.52 per share respectively.

12.1.4 Investment in IGI Investment Bank Limited has been classified as held for sale (note 16).

12.1.5 During the year, 1,249,260 shares of Loads Limited were disposed off to a related party at Rs. 130 per share resulting in loss of disposal of Rs. 7.98 million.

12.2 Held to maturity

		2012	2011
		(Rupees in thousand)	
Government securities	12.2.1	**112,636**	118,468
Term finance certificates	12.2.2	**-**	53,824
		112,636	172,292

12.2.1 Government securities

Particulars	**Maturity year**	**Effective yield %**	**Profit payment**	**2012**	**2011**
				(Rupees in thousand)	
Pakistan Investment Bond	2012	15.00%	Half yearly	**-**	67,666
Pakistan Investment Bond	2019	15.00%	Half yearly	**14,185**	14,132
Pakistan Investment Bond	2021	13.08%	Half yearly	**14,174**	14,124
Pakistan Investment Bond	2020	13.98%	Half yearly	**22,712**	22,546
Pakistan Investment Bond	2022	12.00%	Half yearly	**60,522**	-
Pakistan Investment Bond	2022	11.25%	Half yearly	**1,043**	-
				112,636	118,468

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

12.2.1.2 Market value of Pakistan Investment Bond carried at amortized cost amounts to Rs. 119.870 million (2011: Rs. 118.430 million).

12.2.2 Term finance certificates

Name of investee company	**Rating**	**Maturity year**	**Effective yield %**	**Profit payment**	**2012**	**2011**
					(Rupees in thousand)	
Bank AL Habib Limited	AA	2012	10%	Half yearly	**-**	1,662
United Bank Limited	AA	2012	8.45%	Half yearly	**-**	1,662
Pakistan Mobile Communication Limited - II	AA	2012	14.86%	Half yearly	**-**	50,500
					-	53,824

12.2.2.1 Market value of term finance certificates carried at amortized cost amounts to Nil (2011: Rs. 52.152 million).

Notes to and forming part of the Financial Statements

12.3 Available for sale

	Note	2012	2011
		(Rupees in thousand)	
Related parties	12.3.1		
- Quoted		7,248,121	6,975,708
- Unquoted		100,236	100,236
		7,348,357	7,075,944
Others	12.3.2		
- Quoted		69,345	17,432
- Unquoted		13,756	13,756
		83,101	31,188
		7,431,458	7,107,132

12.3.1 Related parties

Quoted

2012	2011	Percentage equity held	Face value per share (Rupees)	Company's name	Note	2012	2011
(Number of Shares)						(Rupees in thousand)	
4,356,666	4,332,980	9.61%	10	Nestle Pakistan Limited	12.4	6,407,392	6,334,277
1,841,739	1,286,739	19.10%	10	Sanofi Aventis Pakistan Limited		391,348	300,274
1,353,416	1,309,285	4.51%	10	Tri-Pack Films Limited	12.4	264,985	257,110
5,442,060	5,442,060	13.01%	10	Treet Corporation Limited		150,035	150,035
187,353	187,353	3.72%	10	Mitchell's Fruit Farms Limited		21,437	21,437
173,191	173,191	3.25%	10	Zulfiqar Industries Limited		19,561	19,561
70,031	70,131	0.85%	10	Siemens Pakistan Engineering Company Limited		-	125,622
				Total investment		7,254,758	7,208,316
				Provision for diminution in value		(6,637)	(232,608)
						7,248,121	6,975,708
				Market value as at 31 December		22,064,441	16,289,569

Unquoted

2012	2011	Percentage equity held	Face value per share (Rupees)	Company's name	2012	2011
12,433,934	12,433,934	1.48%	10	Coca Cola Beverages Pakistan Limited Chief Executive: Mr. John Seward Break-up value is Rs. 7.89 per share based on unaudited financial statements for the period ended 31 December 2011		
				Cost	134,665	134,665
				Provision for diminution in value	(34,429)	(34,429)
					100,236	100,236
				Breakup value as at 31 December	98,104	98,104

12.3.2 Others

Quoted

2012	2011	Percentage equity held	Face value per share (Rupees)	Company's name	Note	2012	2011
(Number of Shares)						(Rupees in thousand)	
70,031	70,131	0.85%	10	Siemens Pakistan Engineering Company Limited		125,443	-
458,611	458,611	0.38%	10	International Industries Limited	12.4	37,395	37,395
						162,838	37,395
				Provision for diminution in value		(93,493)	(19,963)
						69,345	17,432
				Market value as at 31 December		69,345	17,432

Unquoted

2012	2011	Percentage equity held	Face value per share (Rupees)	Company's name	Note	2012	2011
44	44	4.87%	100	Kissan Fruit Growers (Private) Limited Break-up value is Rs. 559.23 per share based on audited financial statements for the year ended 30 September 2006		4	4
32	32	4.83%	100	Punjab Fruit Growers (Private) Limited Break-up value is Rs. 107.09 per share based on audited financial statements for the year ended 30 September 2006		3	3
1,705	1,705	4.87%	10	Haider Fruit Growers (Private) Limited Break-up value is Rs. 9.71 per share based on audited financial statements for the year ended 30 June 2006			
				Cost		17	17
				Provision for diminution in value		(1)	(1)
						16	16
350	350	-	100	Petroleum Development Pakistan Limited	12.5	1	1
500	500	-	100	National Steel of Pakistan Limited	12.5	1	1
422,499	324,999	0.65%	10	CDC Private Limited Chief Executive: Muhammad Hanif Break-up value is Rs. 26.05 per share based on audited financial statements for the year ended 30 June 2012		9,110	9,110
1,900,000	1,900,000	0.67%	10	DHA Cogen Limited. Chief Executive: Naseem Khan Break-up value is Rs. 2.095 per share based on audited financial statements for the year ended 31 December 2009			
				Cost		19,125	19,125
				Provision for diminution in value		(19,125)	(19,125)
						-	-

2012 (Number of Shares)	2011 (Number of Shares)	Percentage equity held	Face value per share (Rupees)	Company's name	2012 (Rupees in thousand)	2011 (Rupees in thousand)
374,440	374,440	0.37%	10	Techlogix International Limited. Chief Executive: Mr. Kawan Khawaja Break-up value is Rs. 4.21 per share based on unaudited financial statements for the period ended 31 December 2011		
				Cost	4,261	4,261
				Provision for diminution in value	(3,291)	(3,291)
					970	970
956,172	956,172	2.46%	10	Systems (Private) Limited Chief Executive: Mr. Ashraf Kapadia Break-up value is Rs. 18.65 per share based on audited financial statements for the period ended 31 December 2011		
				Cost	10,150	10,150
				Provision for diminution in value	(6,499)	(6,499)
					3,651	3,651
					13,756	13,756
				Breakup value as at 31 December	30,292	39,436

12.4 442,000 shares of Nestle Pakistan Limited with a book value of Rs. 650.05 million, 400,000 shares of International Industries Limited with book value of Rs. 32.6 million, 150,000 shares of Tri-Pack Films Limited with book value of Rs. 29.4 million and 225,000 shares of Packages with book value of Rs. 37.3 million are pledged as security against short term finance as referred to in note 8.

12.5 These represent investments in Bangladesh.

13. PREMIUMS DUE BUT UNPAID

	Note	2012 (Rupees in thousand)	2011 (Rupees in thousand)
Unsecured			
- Considered good		197,503	208,660
- Considered doubtful		60,000	68,421
		257,503	277,081
Provision for doubtful receivables	13.2	(60,000)	(45,425)
		197,503	231,656

13.1 The aggregate amount due by directors, chief executive and executives of the Company amounts to Rs. 68,597.

13.2 Provision for doubtful receivables

	2012	2011
Balance as at 1 January	45,425	43,125
Provision made during the year	14,575	2,300
Balance as at 31 December	60,000	45,425

14. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

	Note	2012	2011
		(Rupees in thousand)	
Unsecured			
- Considered good		440,294	403,195
- Considered doubtful		14,559	5,000
		454,853	408,195
Provision for doubtful receivables	14.1	(14,559)	(5,000)
		440,294	403,195

14.1 Provision for doubtful receivables

	2012	2011
Balance as at 1 January	5,000	40,000
Provided / (reversal) during the year	9,559	(35,000)
Balance as at 31 December	14,559	5,000

15. SUNDRY RECEIVABLES

	Note	2012	2011
Receivable under share trading		-	50,758
Advances - considered good		751	11,965
Security deposits		8,220	7,519
Agent balances		4,206	5,329
Receivable from defined benefit plan	15.1	9,890	7,663
Sales tax recoverable		771	983
Salvage recoverable		18,211	24,849
Others	15.2	8,547	-
		50,596	109,066

15.1 Defined benefit plan

The actuarial valuation is carried out annually and contributions are made accordingly. Following were significant assumptions used for valuation of the scheme.

- Discount rate 11.5% (2011: 11.5%) per annum
- Expected rate of increase in the salaries of the employees 11.5% (2011: 12.5%) per annum
- Expected interest rate on the plan assets of the fund 11.5% (2011: 12.5%) per annum
- Expected service length of employees 5.67 years (2011: 6 years)

15.1.1 (Asset) / liability in balance sheet

	Note	2012	2011
		(Rupees in thousand)	
Present value of defined benefit obligation	15.1.2	21,362	17,184
Fair value of plan assets	15.1.3	(26,759)	(20,007)
Net actuarial losses not recognized		(4,493)	(4,840)
		(9,890)	(7,663)

Movement in (asset) / liability during the year

	2012	2011
Opening balance	(7,663)	(5,655)
Charge to profit and loss account	2,889	2,547
Contribution to the fund during the year	(5,116)	(4,555)
Closing balance	(9,890)	(7,663)

15.1.2 Reconciliation of the present value of defined benefit obligations

	2012	2011
Present value of obligation as at 1 January	17,184	14,063
Current service cost	2,994	2,351
Interest cost	2,071	1,851
Benefits paid	(1,237)	(1,679)
Actuarial loss	350	598
Present value of obligation as at 31 December	21,362	17,184

15.1.3 The changes in fair value of plan assets is as follows:

	2012	2011
	(Rupees in thousand)	
Fair value of plan assets as at 1 January	20,007	14,662
Expected return on plan assets	2,744	2,254
Contributions to the fund	5,116	4,555
Benefits paid	(1,237)	(1,679)
Actuarial gain	129	215
Fair value as at 31 December	26,759	20,007

15.1.4 Charge for the defined benefit plan

	2012	2011
Current service cost	2,994	2,351
Interest cost	2,071	1,851
Expected return on investments	(2,744)	(2,254)
Recognition of actuarial loss	568	598
Expense for the year	2,889	2,546

15.1.5 Actual return on plan assets

	2012	2011
Expected return on assets	2,744	2,254
Actuarial gain	129	215
	2,873	2,469

15.1.6 Composition of fair value of plan assets

	2012	2011
Equity investment	1,810	1,448
Cash and bank deposit	4,203	18,559
Government Securities	20,746	-
Fair value of plan assets	26,759	20,007

15.1.7 Historical data of the fund

	(Rupees in thousand)				
	2011	2010	2009	2008	2007
Present value of defined benefit obligation	17,184	14,063	10,038	6,371	4,851
Fair value of plan assets	20,007	14,662	10,109	4,797	4,211
(Surplus) / deficit	(2,823)	(599)	(71)	1,574	640

Experience adjustment

	2011	2010	2009	2008	2007
- Experience adjustment on obligation	-3%	-13%	-20%	-21%	2%
- Experience adjustment on assets	1%	2%	-25%	-35%	6%

15.2 This includes an amount of Rs. 4.356 million (2011: nil) receivable from related parties under group shared services.

16. Assets Classified As Held For Sale

Company's investment in associate, IGI Investment Bank Limited (IGIIBL) is presented as an "Asset classified as held for sale" following the management's plan to dispose off its investment in IGIIBL and the negotiations that were intiated during the year between IGIIBL and Bank Alfalah Limited (BAL) for the potential takeover by BAL of IGIIBL together with its wholly owned subsidiaries namely IGI Funds Limited and IGI Finex Securities Limited, by the way of proposed merger. Subsequently, negotiations between IGIIBL and BAL concluded whereby Alfalah GHP Investment Management Limited (Alfalah GHP) submitted to IGIIBL, a non-binding offer for the takeover by Alfalah GHP of 100% issued shares of IGI Funds Limited together with transfer of management control.

The Company's management maintains its intention to divest 42.01% shareholding in IGIIBL and is considering the preliminary expression of interest received from prospective buyers.

During the year, loss from IGIIBL under equity accounting amounting to Rs. 209.987 million has been recognized before its classification as held for sale.

17. FIXED ASSETS - Tangibles

Rupees in thousand

	Furniture, fixtures and office equipment				Buildings	Motor	Total
	Furniture and fixtures	Office equipment	Computer equipment	Sub total	Lease hold	vehicles	
As at 1 January 2011							
Cost	22,243	21,653	26,136	70,032	142,898	76,323	289,253
Accumulated depreciation	(8,361)	(13,657)	(22,833)	(44,851)	(45,970)	(31,191)	(122,012)
Net book value as at 1 January 2011	13,882	7,996	3,303	25,181	96,928	45,132	167,241
For the year ended 31 December 2011							
Opening net book value	13,882	7,996	3,303	25,181	96,928	45,132	167,241
Additions	256	196	2,913	3,365	-	17,508	20,873
Disposals							
- Cost	-	(239)	(71)	(310)	-	(12,773)	(13,083)
- Accumulated depreciation	-	163	71	234	-	8,218	8,452
	-	(76)	-	(76)	-	(4,555)	(4,631)
Depreciation charge	(2,193)	(3,126)	(1,915)	(7,234)	(5,995)	(14,981)	(28,210)
Net book value as at 31 December 2011	11,945	4,990	4,301	21,236	90,933	43,104	155,273
As at 1 January 2012							
Cost	22,499	21,610	28,978	73,087	142,898	81,058	297,043
Accumulated depreciation	(10,554)	(16,620)	(24,677)	(51,851)	(51,965)	(37,954)	(141,770)
Net book value as at 1 January 2012	11,945	4,990	4,301	21,236	90,933	43,104	155,273
For the year ended 31 December 2012							
Opening net book value	11,945	4,990	4,301	21,236	90,933	43,104	155,273
Additions	235	1,786	5,022	7,043	-	29,361	36,404
Disposals							
- Cost	-	(60)	(1,457)	(1,517)	-	(19,200)	(20,717)
- Accumulated depreciation	-	51	1,332	1,383	-	13,992	15,375
	-	(9)	(125)	(134)	-	(5,208)	(5,342)
Depreciation charge	(2,210)	(3,145)	(2,979)	(8,334)	(5,996)	(15,657)	(29,987)
Net book value as at 31 December 2012	9,970	3,622	6,219	19,811	84,937	51,600	156,348
As at 31 December 2012							
Cost	22,734	23,336	32,543	78,613	142,898	91,219	312,730
Accumulated depreciation	(12,764)	(19,714)	(26,324)	(58,802)	(57,961)	(39,619)	(156,382)
Net book value as at 31 December 2012	9,970	3,622	6,219	19,811	84,937	51,600	156,348
Annual rate of depreciation	10%	10-20%	33.33%		5%	20%	

17.1 Disposal of operating fixed assets

Particulars of the assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal
		(Rupees in thousand)				
Vehicles	Employees					
Suzuki Alto	Muhammad Hafeez	508	440	68	266	Company policy
Suzuki Cultus	Ishtiaq Ahmed	627	543	84	278	Company policy
Suzuki Alto	Abida Naheed	400	180	220	246	Company policy
Santro LWL-1635	Rana Jahanzaib Khan	582	223	359	455	Company policy
Toyota Corolla GLI LEB-6322	Faisal Shahzad	1,421	639	782	1,027	Company policy
Honda City APF-460	Nadeem Akhter	866	561	305	532	Company policy
Honda Civic AWF-289	Muhammad Ali	2,073	311	1,762	1,895	Company policy
	Outsiders					
Toyota Corolla GLI ATQ-245	Alfalah Insurance	1,499	665	834	1,306	Insurance claim
Suzuki Alto ACE-780	Alfalah Insurance	754	163	591	716	Insurance claim
Other assets with book value less than Rs. 50,000		11,987	11,650	337	5,318	
		20,717	**15,375**	**5,342**	**12,039**	

18. INTANGIBLES

	2012	2011
	(Rupees in thousand)	
Computer Softwares		
Opening net book value	9,842	2,877
Transferred from software under development	-	3,776
Addition	-	4,980
	-	8,756
Amortization	(2,393)	(1,791)
Net book value as at 31 December 2012	7,449	9,842

18.1 Useful life of intangibles is six years

19. INVESTMENT PROPERTY

Rupees in thousand

2012

	Cost			Depreciation			WDV	Useful life
	As at 1 Jan 2012	Additions (disposals)	As at 31 Dec 2012	As at 1 Jan 2012	For the year	As at 31 Dec 2012	as at 31 Dec 2012	
Building	96,928	-	96,928	5,996	5,996	11,992	84,936	20 years

2011

	Cost			Depreciation			WDV	Useful life
	As at 1 Jan 2011	Additions (disposals)	As at 31 Dec 2011	As at 1 Jan 2011	For the year	As at 31 Dec 2011	as at 31 Dec 2011	
Building	96,928	-	96,928	-	5,996	5,996	90,932	20 years

19.1 The market value of the investment property is Rs. 106.228 million on 31 December 2010 as per valuation carried out by an independent valuer M/s. Joseph Lobo (Pvt) Ltd. in 2010.

20. MANAGEMENT EXPENSES

	Note	2012	2011
		(Rupees in thousand)	
Salaries, wages and benefits	20.1	166,871	149,136
Rent, rates and taxes		23,479	21,207
Utilities		11,379	7,797
Repairs and maintenance		2,589	3,379
Conveyance		142	144
Education and training		1,880	1,517
Computer expenses		3,934	3,289
Communication		7,782	6,844
Provision for doubtful debts		24,134	(32,700)
Inspection fee		2,808	1,420
Security expenses		26,531	19,023
		271,529	181,056

20.1 This includes charge for defined benefit and defined contribution plans amounting to Rs. 2.889 million (2011: Rs. 2.546 million) and Rs. 6.486 million (2011: Rs. 5.587 million) respectively.

21. OTHER INCOME

	Note	2012	2011
Income from financial assets			
Finance income from Reverse repo transaction		-	1,119
Income from non-financial assets			
Gain on disposal of fixed assets		6,697	4,657
Gain tendered by director	21.1	935	-
		7,632	5,776

21.1 Certain trading in Company's shares was carried out by a director of Company during the year. The gain / profit of Rs. 0.935 million made as a result of such transactions has been tendered / surrendered to the Company.

In addition to the above, shares of the Company were inadvertently purchased by another Director during the closed period which were immediately sold the next working day at a loss.

The details of above transactions have already been reported to Stock Exchanges and Securities and Exchange Commission of Pakistan.

22. FINANCIAL CHARGES

	2012	2011
Markup on short term finance	57,887	40,016
Bank charges	1,181	936
	59,068	40,952

23. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2012	2011
General office premium		6,562	5,551
Motor car expenses		13,367	11,447
Tour and travelling		17,250	9,983
Representation expenses		1,303	1,218
Stationery and printing		7,517	6,122
Depreciation and amortization	17,18 &19	38,376	35,997
Donations	23.1	20,814	22,172
Auditors' remuneration	23.2	1,040	1,108
Advertisement expenses		1,710	10,914
Legal and professional		36,656	23,676
Workers' Welfare Fund		7,089	1,156
Sundry expenses		688	1,024
		152,372	130,368

23.1 Donations amounting to Rs. 20.15 million (2011: Rs. 21.8 million) were made to following institutes in which director of the Company had interest during the year.

Name of the Institute	Address
National Management Foundation	Lahore University of Management Science, DHA, Lahore
Shalamar Institute of Health Sciences,	Cantt Shalimar Link Road Lahore

23.2 Auditors' remuneration

	2012	2011
	(Rupees in thousand)	
Audit fee	550	500
Fee for interim review	215	185
Audit fee for regulatory return	100	100
Certification fee	75	225
Out of pocket expenses	100	98
	1,040	1,108

24 TAXATION

For the year		
- Current	58,771	55,335
- Deferred	(28,585)	(50,302)
- Prior year	(19,085)	1,896
	11,128	6,929

24.1 Tax charge reconciliation

Reconciliation between the average effective tax rate and the applicable tax rate is as follows:

	2012	2011
	(Percentage)	
Applicable tax rate	35.00	35.00
Tax effect of the amounts that are:		
Exempt income	-	(1.66)
Tax effect of income not allowed for determining accounting income	13.40	(18.34)
Chargeable to tax at different rates	15.70	3.10
Deductions not allowed	(82.50)	23.80
Others	15.71	(30.70)
	(37.69)	(23.80)
Effective tax rate	(2.69)	11.20

24.2 The income tax assessments of the Company have been finalized up to and including the tax year 2012. However, the Company has filed appeals in respect of certain assessment years which mainly relate to the following:

- While finalizing 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 the 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 are rejected by the T.O. against which appeals have been filed with the CIT (A) which are pending.
- The Additional Commissioner of Income Tax (AC) has issued notice under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of the tax year 2005 and 2006 whereby he has proposed to disallow claim of expenses and exemption in respect of gain on sale of shares and taxed income from Associates. Against the above notice, the Company has filed a constitutional petition before the honourable High Court. The regular hearing of petition is currently pending with the High Court.
- In respect of tax year 2007, all significant issues involved amounting to Rs. 7 billion were decided in favour of the Company by CIR(A) and then by the ATIR. However, no appeal effect orders 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 ATIR. The Company has written a letter to the taxation officer for passing appeal effect orders.
- In case of tax year 2008, the Additional Commissioner Audit Division-11 had issued notice under section 122 (5A) of the Ordinance for passing an amended order on certain issues. The Company filed a writ petition before the High Court of Sindh which has restrained the department to take up the amended proceedings.

The management is confident that the above matters will be decided in Company's favour.

25 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	
	2012	2011	2012	2011	2012	2011
			(Rupees in thousand)			
Board Fee	-	-	1,140	690	-	-
Managerial remuneration	6,887	5,887	2,355	2,038	31,490	24,643
Bonus	2,490	989	-	-	5,697	2,708
Retirement benefits (including provident fund)	1,195	1,021	-	-	5,461	4,149
Housing and utilities	3,839	3,311	645	391	17,433	13,582
Medical expenses	-	13	-	-	1,267	892
Conveyance allowance	226	250	-	-	5,207	3,493
Others	1,661	49	-	-	4,091	2,598
	16,298	11,520	4,140	3,119	70,646	52,065
Number of persons	1	1	2	2	30	25

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

26. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, other related group companies, directors of the Company, companies where directors also hold directorship, key management personnel, major shareholders and post employment benefit plans. 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 25. Amounts due to / from and other significant transactions, other than those disclosed else where in these financial statements, are as follows:

Relationship with the Company	Nature of transactions	2012	2011
		(Rupees in thousand)	
i) Associated undertakings	**Transactions**		
	Insurance premium	116,639	102,206
	Insurance commission	8,950	6,231
	Claims paid	147,970	651,172
	Dividend received	31,624	66,741
	Dividend paid	53,272	31,872
	Rental income	21,389	19,745
	Balances		
	Premium receivable	15,725	10,422
	Commission payable	751	920
ii) Other related parties	**Transactions**		
	Insurance premium	575,476	449,431
	Insurance commission	10,892	12,419
	Claims paid	168,041	122,671
	Dividend received	214,089	267,194
	Dividend paid	234,108	144,459
	Redemption of units	-	86,370
	Investment in units	-	-
	Brokerage commission	867	1,744
	Rent Paid	16,228	12,970
	Balances		
	Premium receivable	68,518	73,227
	Commission payable	18,629	13,072
iii) Post employment benefit plans	**Transactions**		
	Expense charged in respect of retirement benefit plans	9,375	8,135

27. OPERATING SEGMENT

The Company has presented Health business as a separate segment this year, The Company has five primary business segments for reporting purposes namely Fire and property damage, Marine, Aviation and Transport, Motor, Health and Miscellaneous.

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

	Fire		Marine		Motor		Health		Miscellaneous		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	(Rupees in thousand)											
Other information												
Segment assets	711,429	926,070	165,541	164,510	224,308	224,205	104,267	60,869	250,212	217,201	1,455,757	1,592 855
Unallocated corporate assets											11,117,721	11,988,174
Consolidated total assets											12,573,478	13,581,029
Segment liabilities	592,711	837,300	125,720	119,120	323,123	323,901	159,163	88,541	230,126	205,402	1,430,843	1,574,264
Unallocated corporate liabilities											837,742	718,869
Consolidated total liabilities											2,268,585	2,293,133
Capital expenditure	12,360	9,945	5,849	3,909	9,356	6,867	4,710	1,954	4,128	3,178	36,403	25,853
Depreciation and amortization	13,030	13,848	6,166	5,443	9,863	9,561	4,965	2,721	4,352	4,424	38,376	35,997

28. EARNINGS PER SHARE

28.1 Basic earnings per share

	2012	2011
	(Rupees in thousand)	
Profit for the period - excluding share of loss of associate arising from discontinued operations	616,412	482,035
(Loss) / profit for the year	(425,324)	49,703
	(Number of shares)	
Weighted average number of ordinary shares	111,535,938	111,535,938
	(Rupees)	
Earnings per share - excluding share of loss of associate arising from discontinued operations	5.53	4.32
Earnings / (loss) per share	(3.81)	0.45

28.2 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 31 December 2012 and 31 December 2011 which would have any effect on the earnings per share if the option to convert is exercised.

29 FINANCIAL AND INSURANCE RISK MANAGEMENT OBJECTIVES AND POLICIES

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

29.1 Credit risk and concentration of 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.

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

	2012	2011
	(Rupees in thousand)	
Bank deposits	2,259	77,139
Investments	-	53,824
Premiums due but unpaid	197,503	231,656
Amount due from other insurers / reinsurers	440,294	403,195
Accrued investment income	5,862	7,028
Reinsurance recoveries against outstanding claims	370,053	528,856
Sundry receivables	49,074	96,118
	1,065,045	1,397,816

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. 24.134 million were further impaired. The movement in the provision for doubtful debt account is shown in note 13.2 & 14.1. 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 age analysis of receivables on gross basis is as follows:

	2012	2011
	(Rupees in thousand)	
Upto 1 year	482,149	577,547
1-2 years	69,697	60,689
2-3 years	35,971	10,613
Over 3 years	124,539	36,427
	712,356	685,276

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

	Rating		Rating	2012	2011
	Short term	Long term	Agency	(Rupees in thousand)	
JS Bank Limited	A1	A+	PACRA	1,782	74,329
Habib Bank Limited	A1+	AAA	JCR-VIS	15	15
KASB Bank Limited	A3	BBB	PACRA	28	26
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	52	51
MCB Bank Limited	A1+	AA+	PACRA	382	2,675
National Bank of Pakistan	A1+	AAA	JCR-VIS	-	43
				2,259	77,139

Sector wise analysis of premiums due but unpaid

	2012	2011
	(Rupees in thousand)	
Foods and beverages	26,592	42,296
Financial services	8,056	21,858
Pharmaceuticals	20,159	14,313
Textile and composites	16,820	16,572
Plastic industries	220	22,671
Engineering	26,486	13,090
Other manufacturing	40,315	49,972
Miscellaneous	118,855	96,309
	257,503	277,081

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Other reinsurance asset	2012	2011
		(Rupees in thousand)			
A or above (including PRCL)	421,883	352,095	266,173	1,040,151	1,140,933
BBB and B+	3,548	17,958	13,733	35,239	42,104
Others	29,422	-	-	29,422	12,717
Total	454,853	370,053	279,906	1,104,812	1,195,754

29.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of adequate funds through committed credit facilities. The Company finances its operations through equity, borrowings and working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. The management aims to maintain flexibility in funding by keeping regular committed credit lines.

On the balance sheet date, the Company has cash and bank balance and unutilized credit lines of Rs. 2.36 million (2011: Rs. 77.5 million) and Rs. 3,109 million (2011: Rs. 2,106 million) respectively.

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

	2012			
	Carrying amount	**Contractual cash flows**	**Upto one year**	**More than one year**
	(Rupees in thousand)			
Financial liabilities				
Provision for outstanding claims	**541,686**	**541,686**	**541,686**	**-**
Amount due to other insurers / reinsurers	**156,942**	**156,942**	**156,942**	**-**
Accrued expenses	**37,178**	**37,178**	**37,178**	**-**
Unclaimed dividend	**7,141**	**7,141**	**7,141**	**-**
Short term finance	**640,684**	**646,049**	**646,049**	**-**
Sundry creditors	**176,473**	**176,473**	**176,473**	**-**
	1,560,104	**1,565,469**	**1,565,469**	**-**

	2011			
	Carrying amount	Contractual cash flows	Upto one year	More than one year
	(Rupees in thousand)			
Financial liabilities				
Provision for outstanding claims	727,343	727,343	727,343	-
Amount due to other insurers / reinsurers	165,999	165,999	165,999	-
Accrued expenses	56,194	56,194	56,194	-
Unclaimed dividend	6,480	6,480	6,480	-
Short term finance	544,314	549,689	549,689	-
Sundry creditors	123,511	123,511	120,841	2,670
	1,623,841	1,629,216	1,626,546	2,670

29.3 Market risk

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

a) Interest / mark up rate risk

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest / mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature 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. The short term borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes.

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

Financial assets	2012	2011	2012	2011
	Effective interest rate (in %)		Carrying amounts (Rupees in thousand)	
Investments	**11.25% to 13.98%**	8.45% to 15%	**112,636**	172,292
Financial liabilities				
Short term finance	**9.67% to 13.97%**	12.37% to 15.26%	**640,684**	544,314

Sensitivity analysis

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate will not effect fair value of any financial instrument. For cash flow sensitivity analysis of variable rate instruments a hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below.

It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	Profit and loss 100 bps	
	Increase	Decrease
As at 31 December 2012	(Rupees in thousand)	
Cash flow sensitivity-Variable rate financial liabilities	**(505)**	**505**
Cash flow sensitivity-Variable rate financial assets	**-**	**-**
As at 31 December 2011		
Cash flow sensitivity-Variable rate financial liabilities	(537)	537
Cash flow sensitivity-Variable rate financial assets	103	(103)

b) Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities amounting to Rs. 10,748 million (2011 Rs. 11,166 million) at the balance sheet date.

The Company's strategy is to hold its strategic equity investments for long period of time. Thus, Company's management is not concerned with short term price fluctuations with respect to its strategic investments provided that the underlying business, economic and management characteristics of the investee remain favorable. Company strives to maintain above average levels of shareholders' capital to provide a margin of safety against short term equity price volatility. Company manages price risk by monitoring exposure in quoted equity securities and implementing the strict discipline in internal risk management and investment policies.

The carrying value of investments subject to equity price risk are based on quoted market prices as of the balance sheet date except for investments in associates which are carried under equity method and available for sale equity instruments 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 realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.

Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2012 and 2011 and shows the effects of a hypothetical 10% increase and a 10% decrease in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

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

	Fair value	Hypothetical price change	Estimated value after hypothetical change	Hypothetical increase / (decrease) in shareholders' equity	Hypothetical increase (decrease) in profit / (loss) before tax
		(Rupees in thousand)			
31 Dec 2012	**22,133,786**	**10% increase**	**24,347,165**	**2,213,379**	**-**
		10% decrease	**19,920,407**	**(2,213,379)**	**-**
31 Dec 2011	16,308,768	10% increase	17,939,645	1,630,700	177
		10% decrease	14,677,891	(1,630,700)	(177)

29.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The carrying values of all financial assets and financial liabilities approximate their fair values except for equity and debt instruments held whose fair values have been disclosed in their respective notes to these financial statements.

29.5 Insurance risk

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

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

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

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

Concentration of insurance risk

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

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

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

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

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

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

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

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

	Gross sum insured		Reinsurance		Net	
	2012	2011	2012	2011	2012	2011
			(Rupees in thousand)			
Fire	466,238,959	457,317,813	426,629,098	396,992,612	39,609,861	60,325,201
Marine	343,092,034	339,817,920	233,774,876	160,814,642	109,317,158	179,003,278
Motor	21,029,692	21,107,559	-	-	21,029,692	21,107,559
Health	19,776,108	11,216,991	-	-	19,776,108	11,216,991
Miscellaneous	132,103,935	135,422,343	89,528,007	61,075,562	42,575,928	74,346,781
	982,240,728	964,882,626	749,931,981	618,882,816	232,308,747	345,999,810

Sensitivity analysis

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

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

	Pre tax profit or loss		Shareholders' equity	
	2012	2011	2012	2011
10% increase in loss		(Rupees in thousand)		
Net				
Fire	(929)	(3,142)	(604)	(2,042)
Marine	(7,016)	(6,766)	(4,560)	(4,398)
Motor	(25,410)	(29,689)	(16,517)	(19,298)
Health	(22,223)	(10,835)	(14,445)	(7,043)
Miscellaneous	(2,771)	(2,622)	(1,801)	(1,704)
	(58,349)	(53,054)	(37,927)	(34,485)
10% decrease in loss				
Net				
Fire	929	3,142	604	2,042
Marine	7,016	6,766	4,560	4,398
Motor	25,410	29,689	16,517	19,298
Health	22,223	10,835	14,445	7,043
Miscellaneous	2,771	2,622	1,801	1,704
	58,349	53,054	37,927	34,485

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	2008	2009	2010	2011	2012	Total
			(Rupees in thousand)			
Estimate of ultimate claims cost:						
At end of accident year	156,033	47,418	124,748	696,865	**228,529**	**1,253,593**
One year later	141,233	47,722	133,815	577,426	**-**	**900,196**
Two years later	85,049	47,950	133,731	-	**-**	**266,730**
Three years later	85,250	47,963	-	-	**-**	**133,213**
Four years later	85,899	-	-	-	**-**	**85,899**
Estimate of cumulative claims	85,899	47,963	133,731	577,426	**228,529**	**1,073,548**
Cumulative payments to date	(82,171)	(43,702)	(102,451)	(455,940)	**(160,595)**	**(844,859)**
Liability recognized in the balance sheet	3,728	4,261	31,280	121,486	**67,934**	**228,689**

29.6 Fair values of financial assets and liabilities

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Company has no items to report in this level.

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company has no items to report in this level.

The carrying amounts of all other financial assets and liabilities reflected in the financial statements approximate their fair values. In case of available for sale investments, the equity securities are carried at lower of cost or market value in line with SECP's SRO (Refer note 4.5.1.3).

30. 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. Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings divided by total capital employed. Borrowings represent the long term loan obtained by the Company. Total capital employed includes equity as shown in the balance sheet, plus borrowings. Presently there are no long-term borrowing held by the company.

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

31. ACQUISITION OF AMERICAN LIFE INSURANCE COMPANY (PAKISTAN) LIMITED

During the year, the Company entered into negotiations with American Life Insurance Company U.S.A ("ALICO") for the acquisition up to 81.97% ownership interest of ALICO in American Life Insurance Company (Pakistan) Limited ("ALICO Pakistan"), in addition to such number of shares that may be acquired through the tender offer pursuant to the Listed Companies (Substantial Acquisition of Voting Shares and Takeovers) Ordinance, 2002 ("Takeover Ordinance").

In January 2013, the Company announced that following the completion of the due diligence in respect of ALICO Pakistan, the Company and ALICO have entered into a share purchase agreement dated January 21, 2013 (the "SPA") in respect of the sale by ALICO of their entire shareholding in ALICO Pakistan (40,986,690 ordinary shares of Rs. 10 each, representing approximately 81.97% of the total issued, subscribed and paid up capital of ALICO Pakistan) to the Company at Rs. 20 per share (the "Transaction"). The said disclosure further states that consummation of the Transaction is subject to regulatory approvals and completion of the requirements pursuant to the Takeover Ordinance.

32. CORRESPONDING FIGURES

During the year, the company classified its Health business as a separate class which was previously included in Miscellaneous class. Accordingly the corresponding figures have been rearranged for presentation purposes.

33. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorized for issue on 19 March 2013 by the Board of Directors of the Company.

34. EVENTS AFTER BALANCE SHEET DATE

The Board of Directors has proposed a final dividend for the year ended 31 December 2012 of Re. 1 per share (2011: Rs. 3 per share), amounting to Rs. 111.536 million (2011: Rs. 334.605 million) at its meeting held on 19 March 2013 for the approval of the members at the annual general meeting to be held on 24 April 2013. The board has also recommended to transfer Rs. 111.536 million (2011: Rs. 334.605 million) to unappropriated profit from general reserves.

Chairman	Director	Director	Principal Officer and Chief Executive

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 59th Annual General Meeting of IGI Insurance Limited (the "Company") will be held on Wednesday, April 24 2013, at 10:30 a.m. at the Registered Office of the Company located at 7th Floor, The Forum, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the Annual General Meeting of the Company held on April 26, 2012.

2. To receive, consider and adopt the Audited Financial Statements of the Company together with the Directors' and Auditors' report thereon for the year ended December 31, 2012.

3. To consider and approve the payment of final cash dividend @ ten percent (10%), that is, Rupees one (Rs.1/-) per ordinary share of Rupees ten (10) each for the year ended December 31, 2012, as recommended by the Board of Directors (the "Board") of the Company in addition to the interim cash dividend already paid at the rate of Rs.2/-(Two) per share (i.e. 20%).

4. To appoint auditors for the ensuing year and to fix their remuneration.

SPECIAL BUSINESS

5. To consider, and if considered fit, to approve payment of professional fee to a Non-Executive Director of the Company.

6. To consider, and if condidered fit, to approve the remuneration payable to the Chief Executive Officer.

ANY OTHER BUSINESS

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

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

By Order of the Board

Haider Raza
Company Secretary
Karachi: April 2, 2013

Notice of Annual General Meeting

Notes:

1. The Share Transfer Books of the Company will be closed from April 12, 2013, to April 24, 2013, both days inclusive.
2. A member entitled to attend and vote at the meeting is entitled to appoint another person as a proxy to attend and vote instead of him. The proxy forms duly completed and signed by the member appointing a proxy must be deposited with the Company's Share Registrar, FAMCO Associates (Private) Limited , 1st Floor, State Life Building 1-A, I. I. Chundrigar Road, Karachi-74000, not later than forty-eight (48) hours before the time appointed for the Meeting.

3. Any individual Beneficial Owner of Central Depository Company, entitled to vote at this Meeting must bring his/her Computerized National Identity Card ("CNIC") with him/her to provide his/her identity and in case of proxy must enclose an attested copy of his/her CNIC. The representatives of corporate bodies should bring attested copy of Board of Directors Resolution / Power of Attorney and/or all such documents as are required under Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan for this purpose.

4. Change of address, if any, should be notified immediately to the Company's Share Registrar aforestated.

5. Members are requested to provide their e-mail addresses to enable the Company to send notices, financial statements etc. via e-mail.

6. Members who have not yet submitted photocopy of their Computerized National Identity Cards to the Company are requested to send the same at the earliest.

Notice of Annual General Meeting

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

Item No. 5 of the Notice.

Mr. Shamim Ahmad Khan provides professional services to the Company and it is proposed to consider, and it considered fit, pass the following resolution as an ordinary resolution in order to increase the remuneration paid to Mr. Shamim Ahmad Khan for offering these extra services to the Company:

"RESOLVED that consent be and is hereby granted for the payment of an amount of upto Rs. 3 million to Mr. Shamim Ahmad Khan, Non-Executive Director of the Company, as fee for professional services rendered by him to the Company."

Item No. 6 of the Notice.

The Board of Directors in its meeting held on March 19, 2013 revised annual managerial remuneration of Mr. Jalees Ahmed Siddiqi Chief Executive Officer of the Company effective from December 01, 2012.

In term of Finance Divison- Government of Pakistan Notification SRO 572-(1)/82 dated June 16, 1982, the shareholders' approval will be sought for payment of remuneration and the provision of certain facilities to the Chief Executive Officer in accordance with his terms and conditions of service with the Company. For this purpose, the following Ordinary Resolution is proposed to be moved at the meeting:

"RESOLVED that consent be and is hereby given for the payment of the sums not exceeding Rs. 25 million per year effective December 01, 2012 as remuneration to Mr. Jalees Ahmed Siddiqi, Chief Executive Officer, and for the provision to him of transport, medical, bonus and leave fare facilities and other benefits incidental or relating to his office in accordance with Company's rules from time to time in force."

Notice of Annual General Meeting

Status of approvals for investments in associated companies

As required by Regulation 4(2) of the Companies (Associated Companies or Associated Undertakings) Regulations 2012, the position of various investments in associated companies against approvals held by the Company is as under:

1. Nestle Pakistan Limited

(a) Amount approved at last Annual General Meeting : Rs. 1,000 million;

(b) The Company has invested Rs. 4.14 million so far;

(c) The said amount could not be fully utilized for non-availability of shares at reasonable price (the resolution did not require implementation within specified time); and

(d) There was no major change in the financial position of the investee company.

2. Packages Limited

(a) Amount approved at the last Annual General Meeting: Rs. 500 million;

(b) The Company has invested Rs. 7.74 million so far;

(c) The said authorized amount could not be fully utilized for non-availability of shares at reasonable price (the resolution did not require implementation within specified period); and

(d) There was no major change in the financial position of the investee company.

(e) This company has declared loss after tax of Rs. 2.711 million translating into Rs. 32.13 per share in its financial results for the year ended 31 December 2012.

3. Tri-Pack Films Limited

(a) Amount approved at the last Annual General Meeting: Rs. 500 million;

(b) The Company has made no investment during the year because of non- availability of shares at reasonable price (the resolution did not require implementation within specified period); and

(c) The said amount could not be fully utilized for non-availability of shares at reasonable price(the resolution did not require implementation within specified period); and

(d) There was no major change in the financial position of the investee company.

4. Sanofi-Aventis Pakistan Limited

(a) Amount approved at the last Annual General Meeting: Rs. 500 million;

(b) The Company has invested Rs. 91.02 million so far.

(c) The said amount could not be fully utilized for non-availability of shares at reasonable price(the resolution did not require implementation within specified period); and

(d) There was no major change in the financial position of the investee company.

5. Siemens (Pakistan) Engineering Company Limited

(a) Amount approved at the last Annual General Meeting: Rs. 500 million.

(b) The Company has made no investment during the year because of non-availability of shares at reasonable price.

(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).

(d) There was no major change in the financial position of the investee company.

(e) This company has declared net loss after tax of Rs. 5.16 million translating into Rs. 0.62 per share in its financial results for the year ended 30 September 2012.

Form of Proxy

The Company Secretary,
IGI Insurance Limited,
7th Floor, The Forum,
Suite Nos. 701-713, G-20, Block 9,
Khayaban-e-Jami, Clifton,
Karachi-75600, Pakistan

I/We ____

of ____ being member (s) of IGI Insurance Limited, and holder of ______________________ Ordinary Shares as per Share

Registered **Folio No.** ____________ and/or **CDC Participant I. D. No.** ____________ and **Sub Account No.** ________ hereby appoint ______________________ of ______________________

or failing him / her ____ of

____

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the fifty nine Annual General Meeting of the Company to be held on Wednesday, April 24, 2013 at 10:30 a.m. at the registered office of the Company at 7th Floor, The Forum, Suite Nos. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi-75600 and at any adjournment thereof.

Signed this ____________ day of ____________ 2013.

1) **Witness:**
Signature ______________________
Name ______________________
Address ______________________

CNIC or ______________________
Passport No. ______________________

Signature: | Please affix Rupees Five Revenue Stamp |

(Signature should agree with the specimen signature registered with the Company)

2) **Witness:**
Signature ______________________
Name ______________________
Address ______________________

CNIC or ______________________
Passport No. ______________________

Note: Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.
The shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their Original Computerized National Identity Cards and CDC account numbers for verification.

Fold Here

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.

Fold Here

Fold Here

Fold Here

IGI
Insurance

7th Floor, The Forum, Suite Nos.701-713, G-20
Block 9, Khayaban-e-Jami, Clifton, Karachi, Pakistan

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