IGI HOLDINGS LIMITED

SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

INDEPENDENT AUDITOR'S REPORT
TO THE DIRECTORS OF IGI HOLDINGS LIMITED

Opinion

We have audited the annexed special purpose consolidated financial statements of IGI Holdings Limited (the Holding Company) and its wholly owned subsidiaries IGI General Insurance Limited and IGI Investments (Pvt) Limited, (Subsidiary Companies) here-in referred to as "the Group", which comprise of the special purpose consolidated balance sheet as at December 31, 2017, and the related special purpose consolidated profit and loss account, special purpose consolidated statement of comprehensive income, special purpose consolidated statement of changes in equity and special purpose consolidated cash flow statement for the year then ended and the notes to the special purpose consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose consolidated financial statements of the Group for the year ended December 31, 2017 are prepared, in all material respects, in accordance with basis of preparation as disclosed in Note 2 of the enclosed special purpose consolidated financial statements.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the Audit of the Special Purpose Consolidated Financial Statements' section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter- Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 2 to the special purpose consolidated financial statements, which describes the basis of preparation. The special purpose consolidated financial statements of the Group are prepared to comply with the requirements of section 59AA of the Income Tax Ordinance, 2001. As a result, the special purpose consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the management of the Group and the income tax authorities of Pakistan and should not be distributed to other parties. Our opinion is not modified in respect of this matter.

Other Matter

The Holding Company has prepared separate sets of its standalone and consolidated financial statements for the year ended December 31, 2017 in accordance with the approved accounting standards as applicable in Pakistan on which we issued separate auditor's reports to the members of the Holding Company dated April 5, 2018. The Subsidiary Companies namely IGI General Insurance Limited and IGI Investments (Pvt) Limited have also prepared their separate financial statements for the year ended December 31, 2017 in accordance with the approved accounting standards as applicable in Pakistan on which we issued separate auditor's reports to the members of the Subsidiary Companies dated March 8, 2018 and February 12, 2018 respectively.

Responsibilities of Management and Board of Directors for the Special Purpose Consolidated Financial Statements

Management is responsible for the preparation of the special purpose consolidated financial statements in accordance with the basis of preparation disclosed in Note 2 of the special purpose consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the special purpose consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Special Purpose Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these special purpose consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is Shahbaz Akbar.

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Chartered Accountants
Karachi

Date: December 11, 2018

IGI HOLDINGS LIMITED AND ITS SUBSIDIARY COMPANIES
SPECIAL PURPOSE CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2017

	Note	2017	2016 Restated
		--------- Rupees in '000 ---------	
ASSETS			
Non-current assets			
Fixed assets - tangible	6	277,608	265,305
Intangibles	7	5,197	110,165
Investment property	8	179,346	171,147
Long term investments	9	61,969,630	15,679,011
Deferred tax asset-net	10	9,660	-
Long-term deposits		4,414	4,414
		62,445,855	16,230,042
Current assets			
Premiums due but unpaid - unsecured	11	432,211	412,117
Amounts due from other insurers / reinsurers - unsecured	12	269,603	355,249
Reinsurance recoveries against outstanding claims		723,743	649,453
Prepaid reinsurance premium ceded		481,956	419,825
Short term investments		-	6,422
Current maturity of long term loan and advances		19,684	26,900
Deferred commission expense		127,569	-
Accrued income on investments and deposits		19,490	-
Deposits and prepayments		33,484	48,191
Prepayments and sundry receivables	13	420,326	322,285
Taxation recoverable		177,871	256,376
Total assets of Window Takaful Operations - Operator's Fund		64,186	-
Cash and bank balances	14	4,582,057	726,512
		7,352,180	3,223,330
TOTAL ASSETS		69,798,035	19,453,372
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised share capital			
200,000,000 ordinary shares of Rs. 10/- each		2,000,000	2,000,000
Issued, subscribed and paid up share capital	15	1,226,895	1,226,895
Proposed shares to be issued on amalgamation	5	411,659	411,659
Unappropriated profit		6,465,023	4,607,423
Surplus on revaluation of available-for-sale investments		45,963,722	-
Reserves		7,366,574	7,366,574
TOTAL EQUITY		61,433,873	13,612,551
Non-current liabilities			
Long term finances	16	2,726,000	1,231,000
Liabilities against assets subject to finance lease	17	64,896	36,477
Deferred tax liabilities - net	10	-	4,333
		2,790,896	1,271,810
Current liabilities			
Current portion of long term liabilities		83,199	76,363
Provision for outstanding claims (including IBNR)		1,226,184	944,954
Provision for unearned premium		1,185,547	950,263
Commission income unearned		101,679	94,850
Amounts due to other insurers / reinsurers		347,883	352,078
Premium received in advance		536	332
Short term finances	18	1,600,000	1,348,017
Accrued expenses		178,622	-
Total liabilities of Window Takaful Operations - Operator's Fund		16,725	-
Trade and other payables	19	819,070	788,050
Unclaimed dividend		13,821	14,104
		5,573,266	4,569,011
TOTAL LIABILITIES		8,364,162	5,840,821
TOTAL EQUITY AND LIABILITIES		69,798,035	19,453,372
CONTINGENCIES AND COMMITMENTS	20		

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

IGI HOLDINGS LIMITED AND ITS SUBSIDIARY COMPANIES
SPECIAL PURPOSE CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	2017	2016
		-------- Rupees in '000 --------	
Operating revenue	21	4,520,942	3,355,332
Operating expenses	22	(1,497,958)	(1,106,498)
		3,022,984	2,248,834
Other income	23	137,463	35,844
General and administrative expenses	24	(334,488)	(327,153)
Financial charges	25	(172,790)	(108,690)
		2,653,169	1,848,835
(Provision) / reversal of provision against investments - net	9.1.1	(176,596)	218,291
Impairment of goodwill	7.1	(107,998)	-
Recovery against bad and doubtful loans and advances / lease losses - specific - net		7,891	-
Loss from Window Takaful Operations		(2,539)	-
Profit before taxation		2,373,927	2,067,126
Taxation			
- Current		(536,414)	(584,932)
- Deferred		21,344	7,789
Prior year		-	(56,108)
	26	(515,070)	(633,251)
Profit after taxation		1,858,857	1,433,875
		------------ Rupees ------------	
Earnings per share - basic and diluted	27	15.15	11.69

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

Chief Executive **Chief Financial Officer** **Director**

IGI HOLDINGS LIMITED AND ITS SUBSIDIARY COMPANIES
SPECIAL PURPOSE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	--- (Rupees in '000) ---	
Profit after taxation	1,858,857	1,433,875
Other comprehensive income - reclassifiable to profit and loss		
- Surplus on revaluation of available for sale investments - net of tax	45,963,722	-
Other comprehensive income - not reclassifiable to profit and loss		
- Remeasurement of retirement benefits liability - net of tax	(1,257)	(2,960)
Total comprehensive income for the year	47,821,322	1,430,915

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

Chief Executive

Chief Financial Officer

Director

IGI HOLDINGS LIMITED AND ITS SUBSIDIARY COMPANIES
SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Issued, subscribed and paid-up share capital	Proposed shares to be issued on amalgamation	Reserves				Unappropriated profit	Surplus on revaluation of available-for-sale investments	Total
			Capital reserves			Revenue reserves			
			Premium on issue of shares	Reserve for bonus shares	Other capital reserves	General reserve			
			(Rupees in '000)						
Balance as at January 1, 2016	1,226,895	-	35,762	-	33,267	8,033,682	2,931,129	-	12,260,735
Profit after taxation for the year ended December 31, 2016	-	-	-	-	-	-	1,433,875	-	1,433,875
Other comprehensive income - not reclassifiable to profit and loss									
- Remeasurement of staff retirement benefits	-	-	-	-	-	-	(2,960)	-	(2,960)
Total comprehensive income for the year ended December 31, 2016	-	-	-	-	-	-	1,430,915	-	1,430,915
Proposed issue of share capital in lieu of business combination (note 5)	-	411,659	-	-	-	-	-	-	411,659
Transfer from general reserve to unappropriated profit	-	-	-	-	-	(736,137)	736,137	-	-
Transactions with owners, recorded directly in equity									
Final dividend for the year ended December 31, 2015 - Rs. 4 per share	-	-	-	-	-	-	(490,758)	-	(490,758)
Balance as at December 31, 2016	1,226,895	411,659	35,762	-	33,267	7,297,545	4,607,423	-	13,612,551
Profit after taxation for the year ended December 31, 2017	-	-	-	-	-	-	1,858,857	-	1,858,857
Other comprehensive income - reclassifiable to profit and loss									
- Surplus on revaluation of available for sale investments - net of tax	-	-	-	-	-	-	-	45,963,722	45,963,722
Other comprehensive income - not reclassifiable to profit and loss									
- Remeasurement of staff retirement benefits	-	-	-	-	-	-	(1,257)	-	(1,257)
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	-	1,857,600	45,963,722	47,821,322
Balance as at December 31, 2017	1,226,895	411,659	35,762	-	33,267	7,297,545	6,465,023	45,963,722	61,433,873

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

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Chief Executive | **Chief Financial Officer** | **Director**

IGI HOLDINGS LIMITED AND ITS SUBSIDIARY COMPANIES
SPECIAL PURPOSE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
	--- (Rupees in '000) ---	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,373,927	2,067,126
Adjustments for :		
Depreciation and amortisation	63,915	56,348
Finance costs	172,790	104,307
Interest, mark-up and profit income	(50,316)	-
Gain on disposal of property and equipment	(9,938)	(5,454)
(Provision) / reversal of provision against investments - net	176,596	(218,291)
Impairment of Goodwill	107,998	-
Reversal of provision against bad and doubtful loans and advances / lease losses - specific - net	(7,891)	-
Return on bank balances	(52,779)	(3,914)
Return on government securities	(16,005)	(15,840)
Gain on sale of available for sale investments	-	(10,962)
Dividend income	(2,592,746)	(1,898,895)
	(2,208,376)	(1,992,701)
	165,551	74,425
Changes in working capital		
(Increase) / decrease in current assets		
Trade deposit, prepayments and sundry receivables	(296,594)	(452,542)
Increase/ (decrease) in current liabilities		
Accrued expenses and sundry payables	802,658	661,488
	671,615	283,371
Net recovery from long term loans and advances	13,711	-
Net recovery from finance leases	1,396	-
Tax received / (paid) - net	(448,265)	(469,550)
Net cash generated from / (used in) operating activities	238,457	(186,179)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(45,193)	(41,944)
Return on government securities	9,295	-
Proceeds on disposal of property, plant and equipment	13,420	16,308
Proceeds on disposal of short term investments	6,500	10,962
Purchase of investments	(497,829)	(2,956,529)
Acquisition under business combination	2,000	-
Dividend received	2,518,956	1,898,895
Profit / return received	97,724	24,020
Cash transfer to Window Takaful Operations (net of loss)	(47,461)	-
Net cash generated from / (used in) investing activities	2,057,412	(1,048,288)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(283)	(490,938)
Repayment of certificate of deposits	(769)	-
Long term loan obtained	1,500,000	1,000,000
Loan repayments	(5,000)	-
Financial charges paid	(175,774)	(107,773)
Repayment of liability against assets subject to finance lease	(10,481)	(7,481)
Net cash generated from / (used in) financing activities	1,307,693	393,808
Net increase / (decrease) in cash and cash equivalents	3,603,562	(840,659)
Cash and cash equivalent at beginning of the year	(621,505)	219,154
Cash and cash equivalents at end of the year	2,982,057	(621,505)

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

Chief Executive	Chief Financial Officer	Director

IGI HOLDINGS LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1 STATUS AND NATURE OF BUSINESS

1.1 The "Group" for the purpose of these special purpose consolidated financial statements consists of:

Holding Company
- IGI Holdings Limited

Subsidiary Companies	Percentage Shareholding
- IGI General Insurance Limited	100%
- IGI Investments (Pvt) Limited	100%

Subsequent to the year ended December 31, 2017, the Securities and Exchange Commission of Pakistan ('SECP') vide its certificate dated February 15, 2018 has registered the Holding Company and the above mentioned Subsidiary Companies as a Group in exercise of its powers under Regulation 4 of the Group Companies Registration Regulations, 2008 (the 'Regulations'). Moreover, the SECP, in exercise of its power under Regulation 8 of the Regulations, vide its certificate dated March 5, 2018 has also designated the Group for the purpose of availing tax relief under Section 59AA of the Income Tax Ordinance, 2001 (the 'Ordinance'). Consequently, the Group will now be taxed as one fiscal unit for the tax year 2018.

1.2 Holding Company

IGI Holdings Limited ("the Holding Company") was incorporated as a public limited company in 1953 under Companies Ordinance, 1984 and is quoted on the Pakistan Stock Exchange Limited. The registered office of the Holding Company is situated at 7th floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi.

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

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

i) The separation of the Insurance Segment and Investment Segment from IGI Insurance Limited;

ii) The transfer to, and vesting in IGI General Insurance Limited (a newly incorporated subsidiary company of IGI Insurance Limited), of the Insurance Segment against the issue of ordinary shares of IGI General Insurance Limited to IGI Insurance Limited;

iii) The transfer to, and vesting in IGI Investments (Pvt.) Limited (a newly incorporated subsidiary company of IGI Insurance Limited), of the Investment Segment against the issue of ordinary shares of IGI Investments (Pvt.) Limited to IGI Insurance Limited;

iv) The retention of the Retained Undertaking as part of IGI Insurance Limited; and

v) Change of name of IGI Insurance Limited to IGI Holdings Limited with effect from date of filing of the certified copy of the order of the Court sanctioning the Scheme of Arrangement with the Registrar of Companies at SECP.

1.2.3 Pursuant to the sanction of Scheme of Amalgamation and Scheme of Arrangement by the Honorable Sindh High Court, insurance license of the Company was revoked w.e.f January 16, 2018 and transferred to IGI General Insurance Limited on the same day. Accordingly, objects of the Company now includes to act as an investment holding company and for that purpose invest, acquire, sell and hold the securities and financial instruments subject to compliance by relevant laws prevailing in Pakistan from time to time.

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1.3 Subsidiary Companies

1.3.1 IGI General Insurance Limited ("IGI General") was incorporated as a public limited company on November 18, 2016 under the Companies Ordinance, 1984. The registered office of the Company is situated at 7th floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi. The objects of the Company include providing general insurance services (in spheres of Fire, Marine, Motor, Health and Miscellaneous) and general takaful services. IGI General has been formed for the transfer of general insurance segment of IGI Insurance Limited to IGI General as envisaged under the Scheme of Arrangement sanctioned by the Honorable High Court of Sindh (SHC). IGI General commenced Window Takaful Operations with effect from July 1, 2017.

1.3.2 IGI Investments (Pvt.) Limited ("IGI Investments") was incorporated as a private limited company on October 31, 2016 under Companies Ordinance, 1984. The registered office of the Company is situated at 7th floor, The Forum, Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi. The objects of the Company include investing, acquiring, selling and holding of debt / equity securities. IGI Investments has been formed for the transfer of investment segment of IGI Insurance Limited to IGI Investment as envisaged under the Scheme of Arrangement sanctioned by the Honorable High Court of Sindh (SHC).

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements represent the special purpose consolidated financial statements of the Group, prepared by the management for the purposes of Group Taxation in terms of the requirements of Section 59AA of the Ordinance. Statutory consolidated financial statements are prepared separately.

These special purpose consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, with certain exceptions as detailed below. During the year, the Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide Circular No. 23/2017 dated October 4, 2017 and further clarified by The Institute of Chartered Accountants of Pakistan through its Circular No. 17/2017 dated October 6, 2017, companies whose financial year, closes on or before December 31, 2017, shall prepare financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Accordingly, these special purpose consolidated financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards ('IFRSs') issued by the International Accounting Standards Board ('IASB') as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984, with certain exceptions as detailed below. Wherever the requirements of the repealed Companies Ordinance, 1984 or directives issued by SECP differ with the requirements of IFRSs, the requirements of the repealed Companies Ordinance, 1984 or the requirements of the said directives prevail.

These special purpose consolidated financial statements have been prepared for the purpose of filing with tax authorities along with the Group's annual income tax return under the requirements of Section 59AA of the Ordinance. Accordingly, in order to align the financial position and performance of the Group as presented in these special purpose consolidated financial statements with that of the Group's annual income tax return to be filed with the tax authorities, certain exceptions from the requirements of IFRS have been made as detailed below:

- IFRS 10, 'Consolidated financial statements' requires that all of the reporting entity's subsidiaries shall be consolidated while preparing consolidated financial statements. Moreover, IAS 28, 'Investments in associates and joint ventures' requires that a reporting entity should use the equity method of accounting to account for its investments in its associates and joint ventures in its consolidated financial statements. However, in these special purpose consolidated financial statements, the subsidiary companies (other than IGI General Insurance Limited and IGI Investment (Pvt) Limited) have not been consolidated and the associates and joint ventures have not been accounted for using the equity method of accounting. These investments have been measured at cost less any identified impairment loss as they do not form part of the Group for tax purposes.

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

There are certain new and amended standards and interpretations that are mandatory for the Group's accounting period beginning on or after January 1, 2017 but are considered not be to relevant or to have any significant effect on the Group's operations and are, therefore, not disclosed in these special purpose consolidated financial statements.

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

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

Standard, Interpretations or Amendments	Effective date (accounting periods beginning on or after)
- IFRS 9 - Financial Instruments	July 01, 2018
- IFRS 15 - Revenue from contracts	July 01, 2018
- IFRS 16 - Leases	January 01, 2019

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

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Group's accounting periods beginning on or after January 1, 2018 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these special purpose consolidated financial statements.

2.3.2 Consolidation

For the purpose of these special purpose consolidated financial statements, IGI General Insurance Limited and IGI Investment (Pvt) Limited have been considered as subsidiary companies for consolidation.

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

Intergroup balances and transactions have been eliminated.

3 BASIS OF MEASUREMENT

At the acquisition date all the assets and liabilities of the subsidiary companies have been recognised at fair value, which becomes the cost for the Holding Company and since then, these special purpose consolidated financial statements have been prepared on the basis of historical cost convention, except for certain investments which are carried at fair value and defined benefit obligation which is carried at present value.

3.1 Critical accounting judgments and estimates

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

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

- Business combination (notes 4.1 and 5);
- Provision for outstanding claims including IBNR (note 4.6);
- Reinsurance recoveries against outstanding claims (note 4.7);
- Premium deficiency reserve (note 4.9);
- Provision for taxation and deferred tax (notes 4.11, 10 and 26);
- Classification of investments and its impairment (notes 4.13 and 9);
- Useful lives and residual values of fixed assets (notes 4.14 and 6);
- Staff retirement benefits (notes 4.17 and 29);
- Intangible assets (notes 4.14 and 7); and
- Goodwill (notes 4.2 and 7)

3.1.3 Claims provision

Adequate reserves have also been maintained for Incurred But Not Reported (IBNR) claims which were determined using the Chain and Ladder Method.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these special purpose consolidated financial statements are set out below. These policies are consistently applied except for the changes disclosed in notes 4.8.2 and 4.13.2.4 to these special purpose consolidated financial statements.

4.1 Business Combination

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

4.2 Goodwill

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

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

4.3 Insurance / Takaful contracts

4.3.1 Conventional Business

Insurance contracts represent contracts with policy holders and reinsurers.

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

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

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

4.3.1.1 Non-Life Business

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

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

4.3.2 Takaful Business

4.3.2.1 Non-Life Business

The takaful contracts are based on the principles of Wakalah. The takaful contracts so agreed usually inspire concept of tabarru (to donate for benefit of others) and mutual sharing of losses with the overall objective of eliminating the element of uncertainty.

Contracts under which the Participant Takaful Fund (PTF) accepts significant takaful risk from another party (the participant) by agreeing to compensate the participant if a specified uncertain future event (the takaful event) adversely affects the participant are classified as takaful contracts. Takaful risk is significant if a takaful event could cause the PTF to pay significant benefits due to the happening of the takaful event compared to its non-happening. Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

4.4 Premiums / Contributions

4.4.1 Conventional Business

4.4.1.1 Non-Life Business

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

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

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

4.4.2 Takaful Business

4.4.2.1 Non-Life Business

Contribution written under a policy is recognised as income over the period of takaful 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, contribution is recognised as revenue in PTF in accordance with the pattern of the incidence of risk. The portion of contribution written relating to the unexpired period of coverage is recognised as unearned contribution by the PTF. This liability is calculated by applying 1/24 method as specified in the SEC (Insurance) Rules, 2002.

4.5 Reinsurance / Retakaful ceded

4.5.1 Conventional Business

4.5.1.1 Non-life Business

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

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

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

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

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

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

4.5.2 Takaful Business

4.5.2.1 Non-Life Business

These are contracts entered into by the Operator with re-takaful operators for compensation of losses suffered on takaful contracts issued. These re-takaful contracts include both facultative and treaty arrangement contracts and are classified in same categories of takaful contracts for the purpose of these consolidated financial statements. The Operator recognises the entitled benefits under the contracts as various reinsurance assets.

The deferred portion of re-takaful contribution is recognised as a prepayment in PTF. The deferred portion of re-takaful contribution ceded is calculated by using 1/24 method.

4.6 Claims Expense

4.6.1 Conventional Business

4.6.1.1 Non-Life Business

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

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

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

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

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

4.6.2 Takaful Business

4.6.2.1 Non-Life Business

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

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

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

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

4.7 Reinsurance / Retakaful recoveries against claims

4.7.1 Non-Life Business

Re-takaful recoveries against outstanding claims and salvage recoveries are recognised as an asset and measured at the amount expected to be received.

4.8 Commission and other acquisition costs

4.8.1 Non-Life Conventional and Takaful Business

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

Re-takaful reward from re-takaful operator is recognised at the time of issuance of the underlying takaful policy by the PTF. This income is deferred and brought to profit and loss account as revenue in accordance with the pattern of recognition of the re-takaful contribution to which it relates. Retakaful reward from re-takaful operator is arrived at after taking the impact of opening and closing unearned re-takaful rebate. Profit on re-takaful contracts, if any, which the PTF may be entitled to under the terms of re-takaful, is recognised on accrual basis.

4.8.2 Change in accounting policy

During the year, the Group has changed its accounting policy in respect of recognition of commission expense. As per the new policy commission expense is deferred and brought to profit and loss account as expense in accordance with the pattern of recognition of the premium / contribution to which it relates. Previously, commission expense was charged to profit and loss account at the time the policies were accepted. The change has been made as the management believe that the revised policy reflects a more appropriate treatment for recognition of commission expense. The change in accounting policy has been applied retrospectively in accordance with the requirements of IAS 8, "Accounting Policies , Changes in Accounting Estimates and Errors". However, comparative information has not been restated as the impacts involved were not material.

4.9 Premium deficiency reserve

The Group is required as per SEC (Insurance) Rules, 2002 to maintain a provision in respect of premium deficiency for the class of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense / income in profit and loss account for the year.

Non-Life Business and Takaful Business

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

Fire and property damage	67.08%
Marine, aviation and transport	55.90%
Motor	70.93%

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

The Operator is required as per SEC (Insurance) Rules, 2002, to maintain a provision in respect of contribution deficiency for the class of business where the unearned contribution reserve is not adequate to meet the expected future liability, after re-takaful from claims, and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired takaful contracts in that class of business at the reporting date. The movement in the contribution deficiency reserve is recorded as an expense in the profit and loss account.

No provision has been made as the unearned contribution reserve for each class of business as at the reporting date is adequate to meet the expected future liability after re-takaful from claims and other expenses, expected to be incurred after the reporting date in respect of takaful contracts in force at reporting date.

4.10 Creditors, accruals and provisions

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

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

4.11 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

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

4.12 Cash and cash equivalents

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

4.13 Investments

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

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

4.13.1 **Initial recognition**

All investments are initially recognised at cost, being the fair value of the consideration given and includes transaction costs except for investments designated at fair value through profit and loss under which transaction cost is charged to profit and loss account.

4.13.2 **Subsequent measurement**

4.13.2.1 **Investment in subsidiaries**

Investment in subsidiary companies (other than IGI General Insurance Limited and IGI Investment (Pvt) Limited) have not been consolidated and have been measured at cost less any identified impairment loss as they do not form part of the Group for tax purposes.

4.13.2.2 **Investment in associates**

Investment in associates, where the Group has significant influence but not control, are initially recognised at cost. Subsequently, the Group determines whether it is necessary to recognise any permanent impairment loss with respect to the Group's net investment in the associate by comparing the entire carrying amount with its recoverable amount.

4.13.2.3 **Held to maturity**

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

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

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

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

4.13.2.4 **Available-for-sale**

Available for sale investments are those non-derivative investments that are designated as available for sale or are not classified in any other category. These are primarily those investments that are intended to be held for an undefined period of time or may be sold in response to the need for liquidity. It also includes investments in associated undertakings where the Group does not have significant influence. The Group follows trade date accounting for 'regular way purchase and sales' of investments.

During the year the Group has changed its accounting policy relating to subsequent measurement and impairment of available for sale investments with effect from close of business on January 31, 2017 to comply with the requirements of IAS 39, "Financial Instruments: Recognition and Measurement." As per the revised policy available for sale investments are measured at fair value subsequent to initial recognition with changes in fair value recognised in other comprehensive income through the statement of comprehensive income. A significant or prolonged decline in the value of equity securities below its cost is also considered as an objective evidence of impairment. Impairment losses, if any, on available for sale investments are recognised directly in the income statement. Previously, available for sale investments (other than those relating to investment linked life insurance business) were stated subsequent to initial recognition at the lower of cost or market value (market value being taken as lower if fall is other than temporary) in accordance with the requirements of SEC (Insurance) Rules, 2002. Any decline in market value recognised by the Group was taken to the income statement. Further, any gain or loss arising on subsequent measurement at fair value of available for sale investments relating to the Group's investment linked life insurance business was previously taken to the revenue account.

The change in policy has been made pursuant to the Scheme of Arrangement of IGI Insurance Limited sanctioned by the High Court of Sindh, whereby the Insurance segment of the Holding Company along with its associated license to carry out general insurance business has been transferred to IGI General Insurance Limited with effect from January 31, 2017. Accordingly, the requirements of the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002 are no longer applicable on the Holding Company from close of business on January 31, 2017. This change in accounting policy has been applied from the current year as requirements of Insurance Ordinance, 2000 are no longer applicable to the Holding Company with effect from January 31, 2017. Had there been no change in accounting policy the investments would have been lower by Rs. 45.964 billion and other comprehensive income would have been lower by

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

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

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

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

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

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

4.13.2.6 Fair / market value measurement

For investments in Government securities, fair / market value is determined by reference to quotations obtained from Financial Market Association of Pakistan (FMAP) (PKRV) where applicable. The fair / market value of mutual fund units and equity securities is determined as per the rates announced by the Mutual Funds Association of Pakistan (MUFAP) and stock exchange respectively.

4.13.2.7 Date of recognition

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

4.13.2.8 Loans and receivables

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

4.13.2.9 Investment income

- Income from held to maturity / available for sale investments is recognised using effective interest method. The difference between the redemption value and the purchase price of the held to maturity investments is amortised over the term of the investment and is taken to the profit and loss account.

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

- Gain or loss on sale of investments is included in profit and loss account.

- Return on bank deposits is recognised on a time proportionate basis taking into account the effective yield.

4.14 Fixed assets

Tangible

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

Depreciation on all fixed assets is charged to profit and loss account on the straight line method so as to write-off depreciable amount of an asset over its useful life at the rates stated in note 6 to the consolidated financial statements. Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalised, while no depreciation is charged for the month in which the asset is disposed off.

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

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the

Leased Assets

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

Finance leases

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

Intangible

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

4.15 Capital work in progress

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

4.16 Investment property

Investment property is held for earning rentals and capital appreciation. Investment property is accounted for under the cost model in accordance with International Accounting Standards (IAS) 40, "Investment property".

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

4.17 Staff retirement benefits

4.17.1 Non-Life Business

4.17.1.1 Defined contribution plan

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

4.17.1.2 Defined benefit plan

All permanent employees of IGI General participate in an approved funded defined gratuity plan. Contributions to the fund are made based on actuarial recommendations. The most recent actuarial valuation was carried out for the year ended December 31, 2017 using the Projected Unit Credit Method. Amounts arising as a result of 'Remeasurements', representing the actuarial gains and losses and the difference between the actual investment returns and the return implied by the net interest cost are recognised in the Balance Sheet immediately, with a charge or credit to 'Other Comprehensive Income' in the periods in which they occur.

4.17.1.3 Accumulating compensated absences

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

4.18 Financial instruments

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

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

4.19 Offsetting of financial assets and financial liabilities

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

4.20 Asset classified as held for sale

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

4.21 Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing services that are subject to risks and returns that are different from those of other business segments. The Group accounts for segment reporting of operating results of general insurance business using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The reported operating segments are also consistent with the internal reporting provided to Strategy Committee and Board of Directors which are responsible for allocating resources and assessing performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

4.21.1 Non-Life Business

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

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

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

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

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

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

Investment segment includes the investments that are transferred as part of Scheme of Arrangement to IGI Investments (Pvt.) Limited.

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.

4.21.2 Takaful Business

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

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

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

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

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

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

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

4.22 Impairment

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

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

4.23 Foreign currency transactions and translations

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

4.24 Borrowings

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

4.25 Borrowing costs

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

4.26 Share capital

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

4.27 **Expenses of management - Non-Life Insurance**

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

4.28 **Dividends and appropriations to reserves**

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

5 **BUSINESS COMBINATION**

5.1 **Amalgamation of IGI investment Bank Limited**

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

The proposal for the amalgamation and the scheme of amalgamation were approved by the shareholders of both the Companies in their meetings held on February 22, 2017 and the Honorable Sindh High Court, through its order dated December 16, 2017, under Companies Ordinance, 1984 sanctioned the amalgamation scheme of IGI Investment Bank Limited with and into IGI Insurance Limited.

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

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

5.2 The business combination has been accounted for by applying the purchase method. The cost of the acquisition has been measured at the fair value of the purchase consideration in the form of shares of IGI Insurance Limited. The Group had recorded the assets and liabilities acquired in the business combination at provisional values in the financial statements for the year ended December 31, 2016. During the year the management has completed the exercise in respect of identification and determination of the fair values to be assigned to the acquiree's identifiable assets and liabilities. IFRS 3 'Business Combination' requires adjustments to be made to the provisional values on the initial accounting subsequent to completion of fair valuation exercise, and to be incorporated in the financial statements with effect from the acquisition date. As a result, the provisional values determined by the management have been adjusted with effect from the acquisition date.

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

	Restated Rupees in '000
Consideration paid	411,659
Fair value of previously held equity interest	290,451
Carrying value of net identifiable assets acquired	(314,962)
Tax synergies	(279,150)
Goodwill	107,998

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5.3 The adjustments to the fair values of assets and liabilities acquired as part of the business combination are as follows:

	IGI Investment Bank's carrying amounts as at December 31, 2016 (based on audited financial statements)	Fair value adjustments	Fair values as at December 31, 2016
	------------------- Rupees in '000 -------------------		
ASSETS			
Fixed assets	3,671	-	3,671
Long-term investments	223,957	237,800	461,757
Long-term deposits	4,414	-	4,414
Current maturity of non-current assets	-	26,900	26,900
Current maturity of long-term loans and advances - net	221,313	13,100	234,413
Short-term investments	9,702	-	9,702
Taxation - net	146,915	-	146,915
Prepayments and other receivables	5,899	-	5,899
Cash and bank balances	4,527	-	4,527
Total Assets	620,398	277,800	898,198
LIABILITIES			
Long-term loans	300,860	-	300,860
Current maturity of non-current liabilities	216,110	-	216,110
Deferred tax liabilities	-	11,724	11,724
Interest and mark-up accrued	9,671	-	9,671
Trade and other payables	44,871	-	44,871
Total Liabilities	571,512	11,724	583,236
NET ASSETS	48,886	266,076	314,962

The above adjustments have been incorporated in these special purpose consolidated financial statements with effect from the date of amalgamation. The requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" have been considered and the impacts of the above adjustments have been incorporated in these special purpose consolidated financial statements by restating the comparative figures. The effects are summarised below :

	December 31, 2016 (Rupees in '000)
Impact on Balance Sheet	
- Increase in deferred liabilities	11,724
- Increase in current maturity of long-term loans and advances - net	26,900
- Increase in current maturity of net investment in finance lease	13,100
- Decrease in goodwill	55,026

There is no impact of these adjustments on profit and loss account, statement of comprehensive income, cash flow statement and earnings per share. The third Balance Sheet at the beginning of the preceding period has not been presented as the above mentioned changes did not have any effect on the results of the year ended December 31, 2015. The figures pertaining to post combination reserve and profit or loss pertaining to the operations of IGI Investment Bank Limited have not been disclosed as the business combination was effective as at the close of business on December 31, 2016.

	Note	2017	2016
		Rupees in '000	
6 FIXED ASSETS			
Operating assets	6.1	277,116	262,298
Capital work in progress	6.3	492	3,007
		277,608	265,305

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6.1 Operating assets

	Furniture, fixtures and office equipment					Motor vehicles		
	Furniture and fixtures	Office equipment	Computer equipment	Sub total	Buildings	Owned	Leased	Total
	(Rupees in '000)							
As at January 1, 2016								
Cost	28,163	42,965	40,192	111,320	183,595	110,601	-	405,516
Accumulated depreciation	(11,107)	(22,284)	(30,048)	(63,439)	(75,147)	(48,043)	-	(186,629)
Net book value as at January 1, 2016	17,056	20,681	10,144	47,881	108,448	62,558	-	218,887
For the year ended December 31, 2016								
Opening net book value	17,056	20,681	10,144	47,881	108,448	62,558	-	218,887
Additions / Transfer								
- Cost	9,810	2,955	778	13,543	33,311	9,856	49,544	106,254
- Accumulated depreciation	-	-	-	-	(11,167)	-	-	(11,167)
	9,810	2,955	778	13,543	22,144	9,856	49,544	95,087
Assets acquired as part of business combination-net	289	37	52	378	760	2,529	-	3,667
Disposals								
- Cost	(5,052)	(712)	(460)	(6,224)	-	(22,082)	(2,059)	(30,365)
- Accumulated depreciation	1,513	575	440	2,528	-	16,230	103	18,861
	(3,539)	(137)	(20)	(3,696)	-	(5,852)	(1,956)	(11,504)
Depreciation charge	(2,859)	(4,465)	(4,050)	(11,374)	(9,911)	(19,040)	(3,514)	(43,839)
Net book value as at December 31, 2016	20,757	19,071	6,904	46,732	121,441	50,051	44,074	262,298
As at December 31, 2016								
Cost	33,210	45,245	40,562	119,017	206,499	100,904	47,485	473,905
Accumulated depreciation	(12,453)	(26,174)	(33,658)	(72,285)	(85,058)	(50,853)	(3,411)	(211,607)
Net book value as at December 31, 2016	20,757	19,071	6,904	46,732	121,441	50,051	44,074	262,298
Additions / transfers								
- Cost	6,518	4,163	10,665	21,346	6,378	600	45,737	74,061
- Accumulated depreciation	-	-	-	-	-	-	-	-
	6,518	4,163	10,665	21,346	6,378	600	45,737	74,061
Disposals								
- Cost	(2,021)	(2,203)	-	(4,224)	-	(22,828)	-	(27,052)
- Accumulated depreciation	1,562	1,970	-	3,532	-	20,038	-	23,570
	(459)	(233)	-	(692)	-	(2,790)	-	(3,482)
Depreciation charge	(2,863)	(4,800)	(5,693)	(13,356)	(16,734)	(14,823)	(10,848)	(55,761)
Net book value as at December 31, 2017	23,953	18,201	11,876	54,030	111,085	33,038	78,963	277,116
As at December 31, 2017								
Cost	37,707	47,205	51,227	136,139	212,877	78,676	93,222	520,914
Accumulated depreciation	(13,754)	(29,004)	(39,351)	(82,109)	(101,792)	(45,638)	(14,259)	(243,798)
Net book value as at December 31, 2017	23,953	18,201	11,876	54,030	111,085	33,038	78,963	277,116
Annual rate of depreciation	10%	10-20%	20-33.33%		5-10%	20-33%	20-33%	

The cost of fully depreciated property and equipment still in use amounts to Rs. 75.503 million (2016: Rs. 58.611 million).

6.2 Disposal of operating fixed assets

Particulars of the assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in '000)					
Assets with book value of more than Rs. 50,000						
Motor Vehicles- Own						**Employees / Agents / Outsiders**
Suzuki Alto	917	795	122	452	Company policy	Muhammad Imran
Suzuki Alto	908	681	227	558	Company policy	Mohsin Bilal Bari
Suzuki Alto	966	708	258	734	Negotiation	Abdul Hafiz
Suzuki Alto	895	358	537	771	Negotiation	Muhammad Aleem
Toyota Corolla	2,309	845	1,464	1,668	Company policy	Abdul Haseeb Kabasti
Honda CG 125	91	6	85	106	Company policy	Amjad Dildar
	6,086	3,393	2,693	4,289		
Furniture and Fixtures						
Various Furniture	1,607	1,250	357	236	Negotiation	Abdul Quddus
Various Furniture	414	312	102	-	Donation*	Ali Institute
	2,021	1,562	459	236		
Office Equipment						
Samsung S7 Edge	160	50	110	53	Insurance claim	Al-Falah Insurance

Particulars of the assets	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of purchaser
	(Rupees in '000)					
Assets with book value of more than Rs. 50,000						
Motor Vehicles- Own						**Employees / Agents / Outsiders**
Toyota Vitz	1,087	1,068	19	521	Company policy	Muhammad Rafique
Suzuki Cultus	1,017	1,000	17	451	Company policy	Arsalan Zafar
Suzuki Cultus	1,016	1,000	16	451	Company policy	Madiha Ahmed
Suzuki Alto	682	682	-	470	Negotiation	Perwaz Majeed
Suzuki Cultus	1,016	1,016	-	451	Company policy	Bilal Liaqat
Suzuki Cultus	1,022	1,022	-	454	Company policy	Hafeez
Suzuki Alto	753	753	-	334	Company policy	Sadia Kamran
Honda City	947	947	-	650	Company policy	Syed Mazhar
Honda Civic	2,216	2,216	-	1,017	Company policy	Faisal Khan
Toyota Corolla	1,445	1,445	-	1,025	Negotiation	Tahir Nadeem
Toyota Corolla	1,626	1,626	-	850	Company policy	Muhammad Arif
Toyota Corolla	1,829	1,829	-	925	Company policy	Rana Jamil
Toyota Corolla	1,731	1,731	-	768	Company policy	Nadeem Akhtar
CD-70	70	70	-	31	Company policy	Qaiser Khan
CD-70	69	69	-	31	Company policy	Faisal Khursheed
CD-70	42	42	-	7	Company policy	Asif Masih
Honda CD 70	40	36	4	-	Company policy	Tariq Mahmood
Unique UD 70	49	18	31	22	Company policy	Abdul Saboor
Star 5	41	41	-	-	Donation*	Zameer
Metro Dabang Bike	44	34	10	12	Company policy	Ali Raza Zaidi
	16,742	16,645	97	8,470		
Office equipments						
Various Office Equipment	1,850	1,840	10	284	Negotiation	Abdul Quddus
Samsung S7 Edge	75	38	37	60	Insurance claim	Al-Falah Insurance
Apple I Phone	70	23	47	20	Negotiation	Muhammad Nadeem
HTC One Mobile	48	19	29	8	Company policy	Suhail Mustafa
	2,043	1,920	123	372		
2017	27,052	23,570	3,482	13,420		

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

		Note	2017	2016
6.3	**Capital work in progress**		(Rupees in '000)	
	Advance to suppliers		492	3,007

		Note	2017	2016 Restated
7	**INTANGIBLES**		--- (Rupees in '000) ---	
	Computer software		5,197	2,167
	Goodwill	9.1.3	-	107,998
			5,197	110,165

7.1 Intangible Assets

	2017							
	Cost			Accumulated Amortisation / Impairment				
	As at Jan 1, 2017	Additions	As at Dec 31, 2017	As at Jan 1, 2017	For the year	As at Dec 31, 2017	WDV as at Dec 31, 2017	Useful life
	(Rupees in '000)							
Goodwill	107,998	-	-	-	107,998	-	-	Indefinite
Computer Software	15,104	4,355	19,459	12,937	1,325	14,262	5,197	5 years
	123,102	4,355	19,459	12,937	109,323	14,262	5,197	

	2016							
	Cost			Accumulated Amortisation / Impairment				
	As at Jan 1, 2016	Additions	As at Dec 31, 2016	As at Jan 1, 2016	For the year	As at Dec 31, 2016	WDV as at Dec 31, 2016	Useful life
	(Rupees in '000)							
Goodwill	-	107,998	107,998	-	-	-	107,998	Indefinite
Computer Software	13,900	1,204	15,104	12,044	893	12,937	2,167	5 years
	13,900	109,202	123,102	12,044	893	12,937	110,165	

7.2 The cost of fully amortised intangibles still in use amounts to Rs. 11.983 million.

8 INVESTMENT PROPERTY

	2017							
	Cost			Accumulated Depreciation				
	As at Jan 1, 2017	Additions/ Transfers	As at Dec 31, 2017	As at Jan 1, 2017	For the year / Transfers	As at Dec 31, 2017	WDV as at Dec 31, 2017	Useful life
	(Rupees in '000)							
Building	213,357	15,028 -	228,385	42,210	6,829 -	49,039	179,346	20 years

	2016							
	Cost			Accumulated Depreciation				
	As at Jan 1, 2016	Additions / Transfers	As at Dec 31, 2016	As at Jan 1, 2016	For the year / Transfers	As at Dec 31, 2016	WDV as at Dec 31, 2016	Useful life
	(Rupees in '000)							
Building	232,330	- (18,973)	213,357	41,761	11,616 (11,167)	42,210	171,147	20 years

8.1 The market value of the investment properties is Rs. 692.903 million as per valuation carried out by various independent professional valuers as at December 31, 2017.

	Note	2017	2016 Restated
9 LONG TERM INVESTMENTS		--- (Rupees in '000) ---	
The investments comprise of the following:			
- Investments in subsidiaries	9.1	1,163,982	1,302,714
- Investments in associates	9.2	6,732,028	6,430,337
- Held to maturity investments	9.3	321,211	125,072
- Available for sale investments	9.4	53,752,409	7,820,888
		61,969,630	15,679,011

9.1 Investments in subsidiaries

	Note	2017	2016
Quoted equity instrument			
IGI Life Insurance Limited 57,846,319 (2016: 49,593,895) fully paid shares of Rs. 10 each Equity held 81.967% (2016: 81.967%) Market value Rs. 91.10 per share (2016: Rs. 85.92 per share)	9.1.2	858,831	858,831
Unquoted			
IGI Finex Securities Limited 52,000,000 (2016: 52,000,000) fully paid shares of Rs. 10 each Equity held 100% (2016: 100%)	9.1.1 & 9.1.3	305,151	441,883
IGI General Insurance Limited 100,000 (2016: 100,000) fully paid shares of Rs. 10 each Equity held 100% (2016: 100%)	9.1.4	-	1,000
IGI Investments (Pvt.) Limited 10,000 (2016: 10,000) fully paid shares of Rs. 100 each Equity held 100% (2016: 100%)	9.1.5	-	1,000
		305,151	443,883
		1,163,982	1,302,714

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	2017
	Rupees in '000

9.1.1 Movement in provision against investments

Opening balance	91,190
Transferred under scheme of arrangement	(97,101)
Charge for the year	176,596
Reversals during the year	-
Closing balance	170,685

9.1.2 During the year ended December 31, 2017, the Holding Company received 8,252,424 shares as a result of a bonus issue made by IGI Life Insurance Limited. 824,910 shares were withheld by IGI Life Insurance Limited in respect of issuance of bonus in current and previous year as issuance of bonus shares had been made taxable through Finance Act, 2014.

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

As at December 31, 2017, the Holding Company has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the Company.

9.1.3 The Company had acquired 100% shareholding of IGI Finex Securities Limited as a result of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited as at December 31, 2016.

During the year, the management taking cognizance of the change in tax regime applicable for the companies engaged in brokerage business, as an indicator for impairment, assessed the future profitability / recoverable amount of the Company's investment in IGI Finex Securities Limited. As a result of this exercise, the management has recognised an impairment loss of Rs. 136.732 million against the Holding Company's investment in IGI Finex Securities Limited at December 31, 2017. Accordingly the goodwill arising on the acquisition of IGI Investment Bank Limited / IGI Finex Securities Limited amounting to Rs. 107.998 million has also been fully impaired.

9.1.3.1 In determining the recoverable amount, the management has used certain key assumptions regarding the future business, economic and market conditions considering the applicable tax regime. Key assumptions include market share of the Company, average commission rate, growth in market volumes, cost to income ratios, returns on funds deployed, timing of write offs etc. A significant change in the assumptions used may impact the value of investment.

The growth rates and margins used to estimate future profitability are based on past performance, market trends and the management experience of growth rates and margins achievable. The management believes that the assumptions used in estimating the future profitability are consistent with past performance and trends. The discount rates and growth rates used in the valuation and impairment exercise are as follows:

	2017	2016
Discount rate	17.5%	18.3%
Terminal growth rate	6%	7%

9.1.4 The Company incorporated a wholly owned subsidiary namely IGI General Insurance Limited on 18 November, 2016. The objective of this company is to carry on all kinds of general insurance business (excluding life insurance) and General Takaful (Islamic Insurance) as Window Takaful Operator. As more fully explained in note 1 to these special purpose consolidated financial statements, the Insurance segment of the Company has been transferred to this subsidiary company with effect from close of business on January 31, 2017 in accordance with the Scheme of Arrangement sanctioned by the High Court of Sindh.

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During the year, IGI General Insurance Limited has been taken as part of the Group for the purpose of these special purpose financial statements.

9.1.5 The Company incorporated a wholly owned subsidiary namely IGI Investments (Pvt.) Limited on 31 October, 2016. The objective of this company is to act as an investment holding Company and for that purpose invest, acquire, sell and hold investments. As more fully explained in note 1 to these special purpose consolidated financial statements, the Investment segment of the Company has been transferred to this subsidiary company with effect from close of business on January 31, 2017 in accordance with the Scheme of Arrangement sanctioned by the High Court of Sindh.

During the year, IGI Investments (Pvt.) Limited has been taken as part of the Group for the purpose of these special purpose financial statements.

	2017	2016
	--- (Rupees in '000) ---	
9.2 Investment in associates		
- Quoted		
Packages Limited		
24,653,801 fully paid ordinary shares of Rs. 10 each	5,732,028	5,430,337
Equity held 27.58%		
Market value Rs. 695.58 per share		
	5,732,028	5,430,337
Unquoted		
Packages Construction (Private) Limited	1,000,000	1,000,000
100,000,000 fully paid ordinary shares of Rs. 10 each		
Equity held 24.84%	1,000,000	1,000,000
	6,732,028	6,430,337

	2017	2016
9.3 Held to maturity		
Government securities	321,211	125,072

Government securities

Particulars	Maturity year	Effective yield % per annum	Profit payment	2017	2016
Held to maturity					
Pakistan Investment Bonds	2019	13.22%	Half yearly	14,726	14,594
Pakistan Investment Bonds	2021	13.08%	Half yearly	14,551	14,452
Pakistan Investment Bonds	2020	13.98%	Half yearly	23,915	23,604
Pakistan Investment Bonds	2022	12.00%	Half yearly	60,525	60,519
Pakistan Investment Bonds	2022	11.25%	Half yearly	1,028	1,032
Pakistan Investment Bonds	2022	12.76%	Half yearly	10,914	10,871
Pakistan Investment Bonds	2019	6.34%	Half yearly	195,552	-
				321,211	125,072

9.3.1 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.

9.3.2 Market value of Pakistan Investment Bonds carried at amortised cost amounts to Rs. 339.538 million (2016: Rs. 150.594 million) as at December 31, 2017.

	Note	2017	2016
		--- (Rupees in '000) ---	
9.4 Available for sale			
Term Finance Certificates	9.4.1	3,280	3,280
Quoted equity instruments	9.4.2	53,599,211	7,667,690
Unquoted equity instruments	9.4.3	149,918	149,918
		53,752,409	7,820,888

	2017	2016
	--- (Rupees in '000) ---	

9.4.1 Term Finance Certificates

	2017	2016
Available for sale		
Unlisted term finance certificates	3,280	3,280

9.4.2 Quoted equity instruments

Number of ordinary shares of Rs. 10 each					
December 2017	December 2016	Particulars	Note	2017	2016
				--- (Rupees in '000) ---	
		Related parties			
3,750,417	3,750,417	Tri-Pack Films Limited		564,610	564,610
		Others			
1,352,992	1,352,992	Agritech Limited	9.4.2.1	17,156	17,156
70,031	70,031	Siemens Pakistan Engineering Company Limited		68,529	125,442
4,364,666	4,364,666	Nestle Pakistan Limited		6,472,825	6,472,825
1,841,739	1,841,739	Sanofi Aventis Pakistan Limited		391,348	391,348
458,611	458,611	International Industries Limited		37,395	37,395
292,738	292,738	Mitchell's Fruit Farms Limited		21,437	21,437
4,188,033	4,188,033	Systems Limited		45,532	45,532
199,169	199,169	Zulfiqar Industries Limited		19,561	19,561
				7,073,783	7,130,696
		Less: Provision for impairment		(10,567)	(27,616)
		Unrealised surplus on revaluation		45,971,385	-
		Fair value of the quoted equity instruments		53,599,211	7,667,690

9.4.2.1 This represents ordinary shares of Agritech Limited which are subject to sale lock-in-period of 5 years in terms of the Share Purchase Agreement (SPA) dated July 26, 2012 between Azgard Nine Limited (ANL) and various lenders including the Company. However, as per the Share Purchase Agreement (SPA), the sale restriction is not applicable to transactions between the lenders of ANL.

9.4.3 Unquoted equity instruments

Number of ordinary shares				
December 2017	December 2016	Particulars	2017	2016
			--- (Rupees in '000) ---	
9,500,000	9,500,000	DHA Cogen Limited	19,125	19,125
12,433,934	12,433,934	Coca Cola Beverages Pakistan Limited	119,940	134,665
843,975	843,975	LSE Financial Services Limited	11,732	11,732
44	44	Kissan Fruit Growers (Private) Limited	4	4
32	32	Punjab Fruit Growers (Private) Limited	3	3
1,705	1,705	Haider Fruit Growers (Private) Limited	16	17
350	350	Petroleum Development Pakistan Limited	1	1
500	500	National Steel of Pakistan Limited	1	1
689,583	649,998	Central Depository Company of Pakistan	9,110	9,110
464,827	464,827	Visionet Systems Inc.	5,423	5,423
1,872,198	1,497,758	Techlogix International Limited	7,949	6,979
			173,304	187,060
		Less: Provision for impairment	(23,386)	(37,142)
			149,918	149,918

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10 DEFERRED TAX ASSET / (LIABILITY) - NET

	2017	2016 Restated
	--- (Rupees in '000) ---	
Deferred tax asset arising on deductible temporary difference:		
- Provision for doubtful receivables	45,248	40,914
- Fixed Assets	1,400	-
- Leased assets including deposits under lease contracts	104,045	-
- Defined benefit plan	3,725	2,972
- Liabilities against assets subject to finance lease	23,471	13,324
	177,889	57,210
Deferred tax liabilities arising on taxable temporary differences:		
- Accelerated tax depreciation	34,853	36,156
- Net investment in finance lease	73,379	-
- Fair value of long term loans and advances	5,905	-
- Fair value of long term investments	7,663	-
- Assets subject to finance lease	23,689	13,663
- Impairment / fair value adjustments on investment in IGI Finex Securities Limited	22,740	11,724
	(168,229)	(61,543)
	9,660	(4,333)

11 PREMIUMS DUE BUT UNPAID

	Note	2017	2016
		--- (Rupees in '000) ---	
Unsecured			
- Considered good		432,211	412,117
- Considered doubtful		102,741	83,894
		534,952	496,011
Provision for doubtful receivables	11.3	(102,741)	(83,894)
		432,211	412,117

11.1 This includes an amount of Rs 21.496 million (2016: 12.602 million) receivable from Tri-Pack Films Limited - a related party.

11.2 The aggregate amount due by directors, chief executive and executives of the Company amounts to Rs. 0.355 million (2016: 0.678 million).

11.3 Provision for doubtful receivables

	Note	2017	2016
		--- (Rupees in '000) ---	
Balance as at January 1		83,894	77,666
Provision made during the year		18,847	12,891
Write off		-	(6,663)
Balance as at December 31		102,741	83,894

12 AMOUNTS DUE FROM OTHER INSURERS / REINSURERS

	Note	2017	2016
Unsecured			
- Considered good		269,603	355,249
- Considered doubtful		41,423	41,423
		311,026	396,672
Provision for doubtful receivables	12.1	(41,423)	(41,423)
		269,603	355,249

12.1 Provision for doubtful receivables

	2017	2016
Balance as at January 1	41,423	39,236
Provision made during the year	-	2,187
Balance as at December 31	41,423	41,423

13 PREPAYMENTS AND SUNDRY RECEIVABLES

	Note	2017	2016
		--- (Rupees in '000) ---	
Advances - considered good		5,671	4,641
Net investment in finance lease	13.1	231,495	234,413
Security deposits		39,933	-
Sales tax recoverable		19,475	15,703
Salvage recoverable		78,889	27,438
Others		44,863	40,090
		420,326	322,285

13.1 This represents residual values relating to net investment in finance lease of IGI Investment Bank acquired as part of business combination.

14 CASH AND BANK BALANCES

	Note	2017	2016
		--- (Rupees in '000) ---	
Cash at banks under:			
- deposit accounts	14.1	18,188	4,573
- current accounts		1,611,288	21,565
		1,629,476	26,138
Policy stamps in hand		2,684	374
Deposits maturing within 12 months		960,000	700,000
Term Deposit Receipts	14.2	1,989,897	-
		4,582,057	726,512

14.1 The balances in PLS savings accounts carry mark-up ranging between 3% to 4.75% per annum.

14.2 This includes a term deposit receipt carrying mark-up at 5.25% per annum maturing on February 04, 2018.

15 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

2017	2016		2017	2016
(Number of shares)			(Rupees in '000)	
1,942,187	1,942,187	Ordinary shares of Rs. 10 each issued as fully paid in cash	19,422	19,422
120,747,345	120,747,345	Ordinary shares of Rs. 10 each issued as fully paid bonus shares	1,207,473	1,207,473
122,689,532	122,689,532		1,226,895	1,226,895

Ordinary shares of the Company held by related parties are as follows:

	2017	2016
	(Number of shares)	
Packages Limited	13,022,093	13,022,093
Babar Ali Foundation	8,302,939	4,630,539
Industrial Technical and Educational Institute	20,853,966	20,853,966
	42,178,998	38,506,598

16 LONG TERM FINANCES

	Note	2017	2016
		Rupees in '000	
Secured			
Long term loan	16.1	2,500,000	1,000,000
Unsecured			
Local currency - from sponsor	16.2	226,000	231,000
Local currency - from subsidiary	16.3	69,860	69,860
Current maturity of loan from subsidiary		(69,860)	(69,860)
		2,726,000	1,231,000

Afzal

16.1 The Holding Company obtained a long term finance facility amounting to Rs. 1,500 million from Habib Bank Limited during the current year for the purpose of injecting equity in its subsidiary IGI General Insurance Limited. The loan carries markup rate at 6 month KIBOR + 0.3% per annum. Principal repayment is to be made in 10 equal semi-annual installments starting from the 6th month after the disbursement and subsequently, every six months thereafter. The facility is secured against pledge of shares held by IGI Investment (Pvt) Limited one of the subsidiary of the Holding Company.

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

16.2 This represents long-term financing acquired by the Group as part of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from December 31, 2016 that has been retained by the Group as part of the scheme of arrangement.

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

16.3 This represents long-term financing acquired by the Group as part of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited as at December 31, 2016 that has subsequently been retained by the Group as part of the Scheme of Arrangement.

During 2015, IGI Investment Bank Limited (the Investment Bank) had entered into a long term loan agreement with its wholly owned subsidiary (IGI Finex Securities Limited) for Rs. 85 million. Under the terms of the loan agreement, the loan was to be disbursed in multiple tranches, on such dates and in such amount as may be mutually agreed by the parties to the agreement.

The loan carries markup rate at 1 month KIBOR + 2% and is repayable at the earlier of the expiry of 36 months from the date of disbursement of first tranche of the loan or upon occurrence of any change in the shareholding of the Investment Bank or the board of directors of the Investment Bank that would result in change of control of the Investment Bank from the persons in whose hands it vests as of the date of the Loan Agreement ('the Due Date'), as the case may be. The Investment Bank may, at its discretion, prepay all or any portion of the aforesaid loan at any time prior to the Due Date. As at January 31, 2016, the Investment Bank had received Rs.69.860 million out of the total amount of the loan i.e. Rs.85 million. The loan term matured on November 10, 2017. As at December 31, 2017 the entire amount of the loan is overdue and is payable by the Group to IGI Finex Securities Limited. Subsequent to the year end the Board of Directors of the Group has approved the extension in repayment of this loan alongwith markup till April 30, 2018.

17 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	Note	2017	2016
		Rupees in '000	
Present value of minimum lease payments		78,235	42,980
Less: Current maturity shown under current liabilities	17.3	(13,339)	(6,503)
		64,896	36,477

17.1 The Group has entered into lease agreements with various leasing companies for lease of motor vehicles. The liabilities under these agreements are payable by the year 2018 - 2021 and are subject to finance charge at rates ranging from 3.98% - 4.16% per annum.

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

Ali

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

	Minimum Lease Payments	Future Finance Charges	2017	2016
			Present value of lease liability	
Not later than one year	16,190	2,851	13,339	6,503
Later than one year and not later than five years	70,220	5,324	64,896	36,477
	86,410	8,175	78,235	42,980

	Note	2017	2016
		Rupees in '000	
18 SHORT TERM FINANCE - SECURED			
Running finances		-	48,017
Term finances	18.1	1,600,000	1,300,000
		1,600,000	1,348,017

18.1 Short term credit facilities available from various commercial banks under mark-up arrangements amount to Rs. 3,250 million. The rates of mark-up on these facilities range from 6.13% to 6.47% per annum. These facilities are secured against pledge of shares held by the Group. The facilities were granted to the Group under various sanctioned advisory letters applicable up to June 30, 2018.

	Note	2017	2016
		Rupees in '000	
19 TRADE AND OTHER PAYABLES			
Federal excise duty		21,656	6,264
Federal insurance fee		1,397	893
Agent commission payable		124,347	110,298
Cash margin		219,424	169,534
Withholding tax payable		-	206
Certificates of deposit	19.1	5,313	6,082
Deposits under lease contracts	19.2	207,107	210,028
Accrued expenses	19.3	44,221	211,517
Payable to defined benefit plan	29.3	12,419	9,588
Others		183,186	63,640
		819,070	788,050

19.1 This represents certificates of deposit acquired by the Group as part of the amalgamation of IGI Investment Bank Limited (the Investment Bank) with and into IGI Insurance Limited as at December 31, 2016 that has been retained by the Group as part of the Scheme of Arrangement.

The Investment Bank has made repayment of all deposits along with mark-up, except for four depositors with aggregate deposits amounting to Rs.5.313 million since they are either untraceable or their deposit is under lien as per court order for payment of FED / CED. These Certificates of Deposit have already matured and mark-up payable on these till maturity is Rs.0.158 million. In order to secure the amount for repayment of such deposits till the time parties are traced or lien matter settled, the Investment Bank had placed an amount of Rs.6.422 million in Market Treasury Bills which has matured during the year. The Securities and Exchange Commission of Pakistan (SECP), while granting No Objection Certificate (NOC) to the amalgamation of IGI Insurance Limited and IGI Investment Bank Limited has, advised to form a trust, appoint Central Depository Group (CDC) as the trustee to invest the outstanding deposits amounting to Rs. 5.313 million in PIBs and transfer the same in the name of trustee for onward payment to depositors of IGIBL as and when the depositors are traced after due verification. Subsequent to the year end the Group has paid 4.699 million out of these deposits.

19.2 This represents security deposits under lease contracts acquired as part of the amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from December 31, 2016 that has subsequently been retained by the Group as part of the Scheme of Arrangement, against which an equivalent amount of residual value is receivable.

19.3 This includes interest amounting to Rs. 15.240 million accrued on loan from IGI Finex Securities Limited (subsidiary).

20 CONTINGENCIES AND COMMITMENTS

20.1 Holding Company

The following contingencies were acquired by the Holding Company as part of amalgamation of IGI Investment Bank Limited with and into IGI Insurance Limited with effect from December 31, 2016 that has been retained by the Holding Company as part of scheme of arrangement.

- A suit had been filed against the Investment Bank before the High Court of Sindh (the Court) for declaration, damages for Rs. 81.570 million and recovery of Rs. 1 million along with interest, markup in connection with the transaction of asset backed securitisation between the parties. Issues had been framed for determination by the Court and the matter is at the stage of the evidence of the parties. The management, based on the advice of its legal advisor is confident that the matter will be decided in favour of the Holding Company.

- A suit had been filed against the Investment Bank impleaded as defendant No. 6 before the High Court of Sindh for declaration, permanent injunctions, specific performance, settlement and/or rendition of accounts and/or cancellation of cheques and damages of Rs.100 million. The Investment Bank arranged lease finance for buses which were given on lease to a customer. The Court granted leave to defend the suit to all the defendants and the matter is at the stage of evidence of the parties. The management, based on the advice of its legal advisor is confident that the matters will be decided in favour of the Holding Company.

20.2 IGI General Insurance Limited

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

IGI General is defending a suit filed against it and the beneficiary by the Federation of Pakistan amounting to Rs. 4.929 million. The petition is pending for hearing before Civil Court judge. The management, based on a advice of the legal counsel, is hopeful that the outcome of the case will be decided in favor of IGI General.

An appeal was filed before the Commissioner - Appeals, Sindh Revenue Board (SRB) against the order passed by the Assistant Commissioner, SRB under section 23(1) of the Sindh Sales Tax on Services Act, 2011 for tax periods July 2011 to December 2012 in respect of re-insurance accepted transactions which was decided against IGI General. Against the order of the Commissioner - Appeals, further appeal has been filed before the Appellate Tribunal, SRB on January 16, 2015, which was also decided against IGI General. IGI General has filed an appeal in the Honourable High Court which is pending adjudication. The management, based on a advice of the legal counsel, is hopeful that the outcome of the case will be decided in favor of IGI General.

IGI General has filed Suit 1249 of 2016 before the Honourable High Court of Sindh at Karachi. Through this Suit, IGI General has impugned show cause notice dated 26.04.2016 issued by the Assistant Commissioner-2 SRB alleging that that IGI General has received reinsurance services amounting to Rs. 2,717 million from foreign reinsurance companies for the period July 2011 to December 2014 and demanding Sindh Sales Tax on Services thereon under Tariff Heading 98.13.1000 and its sub-heading 98.13. 6000 in the Second Schedule read with Section 3(2) and Section 9(2) of the Sindh Sales Tax on Services Act, 2011. IGI General has prayed, inter alia, that it is not liable to pay Sindh Sales Tax on Services on the reinsurance services it receives from foreign reinsurance companies and that the show cause notice dated April 26, 2016 is ultra vires the Constitution and the Sindh Sales Tax on Services Act, 2011. In addition, IGI General has also challenged the constitution of the Sindh Revenue Board and the appointment of its Chairman. On May 23, 2016, the Honorable Sindh High Court passed an interim Order suspending the operation of the show cause notice and restraining coercive action against IGI General in pursuance thereof. The management, based on a advice of the legal counsel, is hopeful that the outcome of the case will be decided in favor of IGI General.

20.3 IGI Investments (Pvt) Limited

There are no material contingencies and commitments as at December 31, 2017.

21 OPERATING REVENUE

	2017	2016
	--- (Rupees in '000) ---	
Net premium revenue	1,788,045	1,380,740
Dividend income	2,592,746	1,898,895
Return on government securities	16,005	15,840
Fee, commission and brokerage	124,146	48,895
Gain on sale of securities	-	10,962

		Note	2017	2016
			--- (Rupees in '000) ---	
22	**OPERATING EXPENSES**			
	Net claims		986,949	697,866
	Commission expense - net		32,071	-
	Management expenses	22.1	478,938	408,632
			1,497,958	1,106,498
22.1	**Management expenses**			
	Salaries, wages and benefits		338,188	302,427
	Rent, rates and taxes		32,694	28,175
	Utilities		9,438	10,314
	Repairs and maintenance		5,583	5,604
	Education and training		5,928	2,756
	Computer expenses		4,678	2,843
	Communication		8,670	8,773
	Provision for doubtful debts		18,847	15,078
	Inspection fee		2,666	2,790
	Health Plan Administrative services		167	-
	Security expenses		52,079	29,872
			478,938	408,632
23	**OTHER INCOME**			
	From financial assets			
	Profit on saving accounts and term deposits		102,955	8,297
	From non-financial assets			
	Rental income		24,425	21,507
	Gain on disposal of fixed assets		9,938	6,040
	Other income		145	-
			34,508	27,547
			137,463	35,844
24	**GENERAL AND ADMINISTRATIVE EXPENSES**			
	Salaries, allowances and benefits		38,033	12,696
	Depreciation and amortisation		63,915	56,348
	General office premium		10,596	
	Motor car expenses		23,357	
	Auditors' remuneration	24.1	16,918	64,641
	Rent, rates and taxes		1,476	-
	Travelling and entertainment		32,861	28,826
	Entertainment expenses		7,153	
	Telephone, telex and fax		454	-
	Vehicle expenses		-	20,053
	Donations		162	20,666
	Printing, postage and stationery		8,480	7,583
	Insurance		1,272	7,074
	Lighting, heating and cooling		161	-
	Repairs and maintenance		5,049	3,211
	Computer expenditure		716	-
	Brokerage and commission		1	-
	Legal and professional fees		106,081	61,222
	Subscriptions		2,079	-
	Advertisement		12,409	14,821
	Workers' Welfare Fund		-	12,330
	Investment related expenses		-	15,275
	Other expenses		3,315	2,407
			334,488	327,153

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		2017	2016
		--- (Rupees in '000) ---	
24.1	**Auditors' remuneration**		
	Fee for statutory audit	2,250	1,000
	Fee for interim review	950	400
	Fee for audit of consolidated financial statements	800	750
	Fee for audit of regulatory returns, special certifications and sundry services	12,466	8,755
	Other advisory services	-	53,486
	Out of pocket expenses	452	250
		16,918	64,641

25 FINANCE COSTS

Markup on long term finances	67,300	39,892
Markup on short term finances	101,699	66,488
Markup on lease vehicles	2,832	917
Bank charges	959	1,393
	172,790	108,690

26 TAXATION

For the year		
- Current	536,414	584,932
- Deferred	(21,344)	(7,789)
Prior year	-	56,108
	515,070	633,251

26.1 Tax charge reconciliation

Profit before tax	2,373,927	2,067,126
Tax calculation at the rate of 30% (31% for 2016)	712,178	640,809
Prior year	-	56,108
Effect of items taxable under lower rates	(282,546)	(54)
Effect of permanent differences	67,354	(63,848)
Reversal of impairment	17,950	-
Others	134	236
	515,070	633,251

26.2 IGI Holdings

Income tax returns for the tax years 2011, 2012, 2013, 2014, 2015 and 2016 have been filed by IGI Investment Bank

on due dates that are deemed to be assessed under the provisions of section 120 of the Income Tax Ordinance, 2001.

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

For the same period as aforesaid, as per latest Assessment Orders issued by the tax authorities with respect to the respective assessment / tax years, aggregate tax liability of Rs.164.409 million has been assessed and aggregate tax deductions and credits of Rs.338.734 million have been allowed and Rs. 100.081 million has been refunded by the tax authorities leading to an aggregate assessed refund (after prior year adjustments etc.) of Rs.70.406 million, subject to verification which is currently underway.

Matters that are being contested mainly include the following:

a) The rate of tax applied in computing the tax liability of the Investment Bank was the one applicable to a banking company instead of the rate applicable for a public company (Assessment years 1991-92 to 2000-01). The Lahore High Court, Lahore vide orders in CTR No.04 of 2005 and CTR No. 02 of 2008 for the assessment years 1993-1994 to 1997-98 had decided this issue in favour of the Investment Bank by rejecting the Reference Application filed by the tax department.

b) The tax payer company is a non banking finance company in accordance with the provisions of section 2(10) of Income Tax Ordinance, 1979 read with Section 5(b) & 5(c) of the Banking Companies Ordinance ,1962. In light of said provisions the taxpayer company is an investment finance company, so its dividend income should be taxed as a separate block of income at reduced rate. The above mentioned issue is decided in favour of the taxpayer Company by The Lahore High Court, Lahore vide orders in CTR No.04 of 2005 and CTR No. 02 of 2008 for the assessment years 1993-1994 to 1997-98.

c) Addition on account of depreciation as a result of restricting the claim of depreciation upto net income from leased assets (Tax year 2003).

d) Disallowance of certain expenses and additions to taxable income on account of lease key money, lease rentals, excess perquisites and miscellaneous expenses relating to various assessment years (Assessment years 1995-96 to 2000-01).

e) Charging minimum tax under section 113 of the Ordinance without allowing adjustment of tax paid under final tax regime (Tax years 2008 and 2010).

f) Disallowance of initial depreciation on leased commercial vehicles (Tax years 2004, 2005, 2006 and 2007).

g) Addition as a result of proration of expenses between exempt income (capital gains), dividend income and business income (Assessment / Tax years 2002-03, 2003, 2004, 2005, 2006 and 2007).

h) Addition on account of allocation of finance cost to brokerage and commission income amounting to Rs.18.445 million (Tax Year 2009).

i) Addition on account of specific provisions of Rs.117.639 million (Tax Year 2009).

The management and its tax advisor are confident that all above matters will eventually be decided in favor of the Holding Company.

26.3 IGI General Insurance

The income tax assessments of IGI General have been finalised up to and including the tax year 2017. However, IGI General has filed appeals in respect of certain assessment years which mainly relate to the following:

26.3.1 While finalising the assessment for the year 1999-2000 the Taxation Officer has not allowed credit for tax paid under section 54 amounting to Rs. 3 million for which rectification application is filed which is pending.

IGI General has also filed applications in respect of certain mistakes made in the orders passed under section 124 of the Income tax Ordinance for 2001-2002 and 2002-2003. The applications filed were rejected by the T.O. against which appeals have been filed with the CIT (A) which are pending.

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

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

26.3.3 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. IGI General filed a writ petition before the High Court of Sindh which has restrained the department to take up the amended proceedings.

The additional Commissioner Audit zone III LTU Karachi issued another notice under section 122(5A) of the Ordinance in May 14, 2014 and passed an amended assessment order under section 122(5A) by disallowing provision for IBNR and allocation of expense against capital gains and dividend income. As a result of amended assessment demand of Rs. 63.166 million was created. Against the disallowances made by the ACIR, IGI General has filed an appeal before the Commissioner Inland Revenue (Appeals) and also filed an application for stay of demand. Pursuant to the stay application, the CIR(A) has granted stay of demand to IGI General. Against the above disallowance, the company filed an appeal before the learned Appellate Tribunal Inland Revenue. Further, IGI General challenged the assessment order on the ground that the assessment was barred by limitation of time. Moreover, the department filed a cross appeal before the ATIR challenging the relief granted by the CIR(A). The ATIR has decided both the appeals on the point of limitation of law as contained under section 122(2) of the Ordinance and have decided the appeal in favor of IGI General. Moreover, the departmental appeal has also been rejected being treated as infructuous. The department has filed a reference application before the Sindh High Court against the order of the ATIR which is pending adjudication.

Moreover, pursuant to the decision of the CIR(A), the ACIR has passed an appeal effect order duly incorporating the relief granted by the CIR(A) in respect of allocation of expenses and tax refundable of Rs. 18.030 million has been determined.

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

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

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

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

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

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

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

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

26.3.7 In case of tax year 2012, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of the company under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR amounting to Rs. 33 million in the amended assessment order. As a result of the amended assessment, demand of Rs. 106.563 million was created. IGI General has obtained stay from the Honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, IGI General also filed an appeal before CIR(A) which is pending adjudication. The stay from the Honorable Sindh High Court has been disposed off subsequently with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.

26.3.8 In case of tax year 2013, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 35% for the year) by treating such income as business income of IGI General under Fourth Schedule to the Ordinance. Further, the ACIR has also disallowed provision of IBNR, claim of brought forward loss for the tax year 2012 and has also made an addition on account of disposal of fixed assets at less than fair market value(FMV) in the amended assessment order . As a result of the amended assessment, demand of Rs. 95.008 million was created. Against the aforesaid order, IGI General has filed an appeal before CIR(A). Pursuant to the appeal, the learned CIR(A) vide appellate order No. 10/A-1 dated 05 October 2016 has decided the following issues in favor of IGI General:

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

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

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

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26.3.10 In case of tax year 2015, the Additional Commissioner Inland Revenue (ACIR) has passed an amended assessment order under section 122(5A) of the Ordinance wherein tax on dividend and property income has been charged at corporate tax rate (i.e. 33% for the year) by treating such income as business income of IGI General under Fourth Schedule to the Ordinance. Further, the ACIR has levied Super tax under section 4B of the ordinance amounting to Rs. 27.743 million and Workers' Welfare Fund for the year. As a result of the amended assessment, demand of Rs. 234.287 million was created. IGI General has obtained stay from the honorable Sindh High court in respect of the above tax demand. Further, against the aforesaid order, IGI General has also filed an appeal before CIR(A) which is pending adjudication. The stay from the Honorable Sindh High Court has been disposed off subsequently with the directions that no coercive measures taken by the Tax Authorities till the decision of the CIR(A) on the appeal filed which is pending adjudication.

The ACIR also passed an order under section 221 of the Ordinance charging Super tax under section 4B amounting to Rs 27.912 million. Without prejudice to the stance in appeal, IGI General made payment of Rs 20.000 million in respect of the Super tax liability under section 4B whereas the remaining Super tax demand of Rs 7.913 million was adjusted against the refund of tax year 2008. IGI General filed an application with the ACIR requesting to annul the order based on various legal grounds, however, no order was passed in this regard. Moreover, IGI General also filed an appeal before the CIR(A) in respect of the order passed under section 221 of the Ordinance. Pursuant to the above appeal, the CIR(A) passed the appellate order wherein the action of the ACIR in charging super tax under section 221 of the Ordinance was annulled. IGI General has written a letter to the concerned taxation officer for passing appeal effect order in line with the appellate order passed by the CIR(A), which is pending. The tax department has also filed further appeal before the ATIR against the order passed by the CIR(A), which is pending adjudication.

26.3.11 The case for tax year 2015 was further selected for audit under section 177 of the Ordinance. IGI General submitted all the information requested through the Information and Document Request (IDR) pursuant to which a show-cause notice was issued in December 2017. IGI General has submitted its response in respect of the issues raised in the show-cause notice, however, no assessment order has yet been passed.

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

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

27 (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

27.1 Basic / diluted earnings per share

	2017	2016
	(Rupees in '000)	
Profit for the year	1,858,857	1,433,875
	(Number of shares)	
Weighted average number of ordinary shares	122,689,532	122,689,532
	(Rupees)	
Earnings per share	15.15	11.69

28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES OF HOLDING COMPANY

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

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28.1 Holding Company

	Chief Executive		Directors		Executives*	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Fee for attending board meeting	-	-	-	3,425	-	-
Managerial remuneration	889	9,278	180	1,800	17,852	66,400
Bonus	268	6,420	-	-	365	16,197
Retirement benefits (including provident fund)	154	1,610	-	-	1,552	11,520
Housing and utilities	492	5,228	-	-	7,530	37,970
Medical expenses	89	928	-	-	818	4,448
Conveyance allowance	-	431	-	-	951	7,665
Others	129	2,151	-	-	638	4,332
	2,021	26,046	180	5,225	29,706	148,532
Number of persons	1	1	1	1	5	55

* In addition to the above an amount of Rs.14.971 million (2016: Rs. 66.50 million) was charged by the Holding Limited to its subsidiary company under group shared services arrangement between the Holding Limited and its subsidiary.

28.2 Subsidiary companies

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	
	2017	2016	2017	2016	2017	2016
	(Rupees in '000)					
Fee for attending board meeting	-	-	1,425 **	-	-	-
Managerial remuneration	9,780	-	1,980	-	72,680	-
Bonus	10,860	-	-	-	29,995	-
Retirement benefits (including provident fund)	1,697	-	-	-	- 12,610	-
Housing and utilities	5,459	-	-	-	41,520	-
Medical expenses	978	-	-	-	5,371	-
Conveyance allowance	588	-	-	-	9,880	-
Others	6,324	-	-	-	6,322	-
	35,686	-	3,405	-	178,378	-
Number of persons	1	-	5	-	60	-

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

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

29 DEFINED BENEFIT PLAN - APPROVED GRATUITY FUND

29.1 Salient features

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

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

Final salary risks

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

Asset volatility

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

Discount rate fluctuation

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

Investment risks

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

Mortality risks

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

Longevity risks

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

Withdrawal risks

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

29.2 Valuation results

The Group operates an approved funded gratuity scheme for all eligible employees. The liability is determined using actuarial valuation and the latest valuation was carried out as at December 31, 2017. The information provided in notes 29.3 to 29.14 has been obtained from the actuarial valuation carried out as at December 31, 2017. The following significant assumptions have been used for valuation of this scheme:

	2017	2016
	Per annum	
a) Expected rate of increase in salary level	9.5%	9.5%
b) Discount rate	9.5%	9.5%
c) Expected return on plan assets	9.5%	9.5%
d) Normal retirement age (years)	58	58

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

	Note	2017	2016
		(Rupees in '000)	
29.3 Amounts recognised in the balance sheet:			
Present value of defined benefit obligation	29.5	84,971	68,205
Less: Fair value of plan assets	29.5	(72,552)	(58,617)
Payable to defined benefit plan		12,419	9,588

		2017	2016
29.4 Movement in liability / (asset) during the year			
Assumed (asset) / obligation under Scheme of Arrangement		9,588	(378)
Charge to profit and loss account		9,829	13,409
Other comprehensive loss / (income)		1,795	4,290
Contribution to the fund during the year		(8,793)	(7,733)
Obligation at the end of the year		12,419	9,588

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29.5 Movement in defined benefit obligation

	2017		
	Present value of obligation	Fair value of plan assets	Total
	(Rupees in '000)		
As at January 1	-	-	-
Balances transferred under Scheme of Arrangement	68,205	(58,617)	9,588
Current service cost	9,336	-	9,336
Past service cost	-	-	-
Interest expense / (income)	6,479	(5,986)	493
	84,020	(64,603)	19,417
Remeasurements:			
- Gain from change in financial assumptions	-	-	-
- Loss from change in financial assumptions	951	844	1,795
- Loss on actual salary increase	-	-	-
- Loss from change in experience adjustments	-	-	-
	951	844	1,795
Contributions during the year	-	(8,793)	(8,793)
Benefit payments	-	-	-
As at December 31	84,971	(72,552)	12,419

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

29.6 Amounts recognised in the profit and loss account:

	2017	2016
	(Rupees in '000)	
Current service cost	9,336	8,634
Interest cost	6,479	5,003
Past service cost	-	5,199
Expected return on investments	(5,986)	(5,427)
Expense for the year	9,829	13,409

29.7 Actual return on plan assets

	2017	2016
Expected return on assets	5,986	5,427
Actuarial (loss) / gain	(844)	(591)
	5,142	4,836

29.8 Analysis of present value of defined benefit obligation

	2017	2016
Split by vested / non-vested		
(i) Vested benefits	84,971	68,205
(ii) Non-vested benefits	-	-
	84,971	68,205

29.9 Sensitivity analysis

Particulars	As at December 31, 2017: Change in assumption	Increase / (decrease) in present value of defined benefit obligation (%)	Increase / (decrease) in present value of defined benefit obligation Rupees in '000	As at December 31, 2016: Change in assumption	Increase / (decrease) in present value of defined benefit obligation (%)	Increase / (decrease) in present value of defined benefit obligation Rupees in '000
Discount rate	+1%	-8.50%	(7,223)	+1%	-10.44%	(7,122)
	-1%	10.50%	8,922	-1%	12.28%	8,377
Salary increase rate	+1%	11.00%	9,347	+1%	12.67%	8,640
	-1%	9.00%	7,647	-1%	-10.94%	(7,459)
Life expectancy / withdrawal rate	+1%	0.00%	-	+1%	0.00%	-
	-1%	0.00%	-	-1%	0.00%	-

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

29.10 Plan assets comprise of the following:

	2017 (Rupees '000)	Percentage composition	2016 (Rupees '000)	Percentage composition
Equity investments	14,869	20.49%	4,939	8.43%
Cash and bank deposits	9,045	12.47%	5,557	9.48%
Government securities	48,638	67.04%	48,121	82.09%
Fair value of plan assets	72,552	100.00%	58,617	100.00%

29.11 As per the actuarial recommendations, the expected return on plan assets was taken as 9.50% (2016: (9.50%), which is representative of yields on long-term Government bonds. Due to the increased volatility of share prices in recent months, there is no clear indication of return on equity. It is therefore assumed that the yield on equity matches the return on debt.

29.12 Based on actuarial advice, the Group intends to charge an amount of Rs 9.130 million in the financial statements for the year ending December 31, 2018.

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

	Less than a year	Between 1-2 Years	Between 2-5 years	Over 5 years	Total
	(Rupees in '000)				
At December 31, 2017					
Gratuity	1,386	4,351	4,030	235,119	244,886
At December 31, 2016					
Gratuity	1,386	4,351	4,030	235,119	244,886

29.14 5 year data on the deficit / (surplus) of the plan is as follows:

	2017	2016	2015	2014	2013
	(Rupees in '000)				
Present value of defined benefit obligation	84,971	68,205	54,384	45,053	28,040
Fair value of plan assets	(72,552)	(58,617)	(54,762)	(43,221)	(31,661)
Deficit / (surplus)	12,419	9,588	(378)	1,832	(3,621)

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30 DEFINED CONTRIBUTION PLAN - PROVIDENT FUND

The Group has set up a provident fund for its permanent employees and contributions were made by the Group to the Trust in accordance with the requirements of Section 227 of the repealed Companies Ordinance, 1984. The total charge against provident fund for the year ended December 31, 2017 was Rs. 10.219 million . The net assets based on audited financial statements of Provident Fund as at June 30, 2017 are Rs. 96.069 million out of which 79% was invested in different financial instruments categories as provided in Section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose. The fair value and carrying value of investments of the provident fund as at June 30, 2017 were Rs. 77.771 million and Rs. 75.999 million respectively. The above investments out of provident fund have been made in accordance with the requirement of Section 227 of the repealed Companies Ordinance, 1984 and the rules formulated for this purpose.

Break up of investments	2017 Rupees in '000	2017 % of the size of the fund
Government securities	68,836	79.58%
Listed securities	5,334	6.17%
Bank deposits	12,330	14.25%
Total	86,500	100.00%

31 STAFF STRENGTH

	2017	2016
	(Number of employees)	
Number of employees as at December 31	158	148
Average number of employees during the year	159	130

32 OPERATING SEGMENT

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

Non-Life Insurance

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

Investments business

- The investment segment pertains to the operating results of IGI Investments (Pvt) Limited in which strategic investments of the Group are held.

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

	2017											
	General Insurance											
						Window Takaful Operations						
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Investment Business	Aggregate Total
	(Rupees in '000)											
Segment assets	959,302	228,086	323,504	82,021	630,515	23,051	1,257	13,830	-	1,015	55,837,717	58,100,298
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	11,697,737
Consolidated total assets												69,798,035
Segment liabilities	1,042,393	280,315	847,045	246,310	801,956	28,604	1,823	30,609	-	1,670	2,707,317	5,988,042
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	2,376,120
Consolidated total liabilities												8,364,162

	2016					
	General Insurance					
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Aggregate Total
	(Rupees in '000)					
Segment assets	832,867	198,477	259,859	58,102	553,944	1,903,249
Unallocated assets	-	-	-	-	-	17,550,123
Consolidated total assets						19,453,372
Segment liabilities	835,342	220,149	611,425	173,688	781,704	2,622,308
Unallocated liabilities	-	-	-	-	-	3,218,513
Consolidated total liabilities						5,840,821

32.3 Segment-wise operating results of the Group are presented below:

	2017										
	NON-LIFE INSURANCE									Investment Business	Total
						Window Takaful Operations					
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellaneous	Fire and property damage	Marine, aviation and transport	Motor	Miscellaneous		
	(Rupees in '000)										
Premium	172,541	214,331	913,601	230,836	256,736	-	-	-	-	-	1,788,045
Net claims	(80,780)	(80,953)	(464,478)	(207,259)	(153,479)	-	-	-	-	-	(986,949)
Fee, commission and brokerage	166,658	95,060	23	-	73,739	-	-	-	-	-	335,480
Net commission	(67,131)	(44,338)	(56,536)	(6,303)	(69,097)	(1,041)	(88)	(999)	(35)	-	(245,568)
Wakalah fee income	-	-	-	-	-	1,476	534	1,589	95	-	3,694
Net Investment Income	-	-	-	-	-	-	-	-	-	1,902,621	1,902,621
Expenses	(105,109)	(52,813)	(167,526)	(34,015)	(80,753)	(1,544)	(166)	(1,726)	(81)	(38,722)	(482,455)
	86,179	131,287	225,084	(16,741)	27,146	(1,109)	280	(1,136)	(21)	1,863,899	2,314,868
Other operating income											850,931
Unallocated general and administrative expenses											(334,488)
Financial charges											(172,790)
(Provision) / reversal of provision against investments - net											(176,596)
Impairment of goodwill											(107,998)
Profit before taxation											2,373,927

	2016					
	NON-LIFE INSURANCE					Total
	Fire and property damage	Marine, aviation and transport	Motor	Health	Miscellane-ous	
	Rupees in '000					
Revenue account						
Net premium revenue	93,683	199,938	767,622	159,646	157,160	1,378,049
Net claims	(43,062)	(62,209)	(388,361)	(141,368)	(62,158)	(697,158)
Expenses	(126,801)	(54,903)	(139,610)	(26,026)	(56,103)	(403,443)
Net commission	85,939	54,424	(75,448)	(5,589)	(10,431)	48,895
Underwriting Result	9,759	137,250	164,203	(13,337)	28,468	326,343
Other operating income						1,958,335
Financial charges						(108,690)
Unallocated general and administrative expenses						(327,153)
(Provision) / reversal of provision against investments - net						218,291
Impairment of goodwill						-
Profit before taxation						2,067,126

33 TRANSACTIONS WITH RELATED PARTIES

	Subsidiaries		Associates		Directors		Post employment benefit plans		Key management personnel (including directors)		Other related parties	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Transactions												
Premium Underwritten	509	4,577	37,762	87,785	73	-	-	-	38	737	258,902	167,894
Premium Collected	380	5,539	10,073	118,288	479	-	-	-	38	249	407,460	278,947
Claims Expense	110	1,480	90	16,888	174	-	-	-	-	134	45,362	58,676
Commission Expense	-	-	1,919	4,966	-	-	-	-	-	-	22,270	11,298
Commission Paid	-	-	-	5,232	-	-	-	-	-	-	16,422	12,893
Rental Income	2,232	17,204	-	-	-	-	-	-	-	-	21,627	3,433
Fixed Assets Purchased	-	-	-	-	-	-	-	-	-	-	-	-
Fixed Assets Disposed	-	-	-	615	-	-	-	-	-	1,779	-	-
Dividend Income	73,709	-	-	-	-	-	-	-	-	-	-	-
Dividend Received	-	40,989	607,741	330,572	-	-		-		-	37,504	6,767
Dividend Paid	-	-	-	52,088	-	-	-	-	-	155,514	-	-
Key Management Personnel Compensation	-	-	-	-	38,266	-	-	-	95,438	66,244		-
Rent Expense	-	-	-	-	-	-	-	-	-	-	-	-
Markup expense on long term loan	5,774	-	-	-	-	-	-	-	-	-	-	-
Long term loan paid	-	-	-	-	-	-	-	-	5,000	-	-	-
Investment/ (Disinvestment) in Shares - Net of Provision for Impairment	-	417,133	301,691	2,697,185	-	-	-	-	-	-	-	299,625
Brokerage Commission	-	8,527	-	-	-	-	-	-	-	-	-	-
Charge in respect of Gratuity Fund	-	-	-	-	-	-	9,129	13,409	-	-	-	-
Charge in respect of Provident Fund	-	-	-	-	-	-	10,219	9,827	-	-	-	-
Contribution to Gratuity Fund	-	-	-	-	-	-	8,093	7,733	-	-	-	-
Contribution to Provident Fund	-	-	-	-	-	-	6,400	9,045	-	-	-	-
Charge for Administrative Services	-	-	-	-	-	-	-	-	-	-	-	-
Insurance Premium Paid	-	2,930	3,927	-	-	-	-	-	-	-	-	-
Medical Insurance Premium Paid	-	-	-	-	-	-	-	-	-	-	-	-
Receipts against Group Shared Services	2,165	35,412	210	2,722	-	-	-	-	-	-	-	-

	Subsidiaries		Associates		Directors		Post employment benefit plans		Key management personnel (including directors)		Other related parties	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
Balances												
Premium Receivable	-	1,132	-	5,704	144	-	-	-	-	678	21,496	9,459
Commission Payable	-	-	-	226	-	-	-	-	-	-	5,234	4,071
Investment in Shares	1,163,982	1,302,714	6,732,028	6,430,337	-	-	-	-	-	-	524,946	564,610
Other Receivable	-	30,279	-	1,903	-	-	-	-	-	-	43,671	-
Other Payable	182	-	-	-	-	-	-	-	-	-	9,160	-
Dividend recievable	-	-	-	-	-	-	-	-	-	-	-	-
Long term loan	69,860	-	-	-	-	-	-	-	226,000	-	-	-
Markup payable on long term loan	15,240	-	-	-	-	-	-	-	-	-	-	-
(Payable to)/ receivable from Gratuity Fund	-	-	-	-	-	-	(12,419)	(9,588)	-	-	-	-
(Payable to)/ receivable from Provident Fund	-	-	-	-	-	-	(4,027)	(1,942)	-	-	-	-

34 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets and financial liabilities

Financial assets

Loans and receivables - amortised cost

	2017	2016
	(Rupees in '000)	
Cash and bank deposits		
Cash and other equivalents	2,684	374
Current and other accounts	1,629,476	26,138
Deposits maturing within 12 months	2,949,897	700,000
	4,582,057	726,512
Current assets - others		
Premiums due but unpaid - unsecured	432,211	412,117
Amounts due from other insurers / reinsurers - unsecured	269,603	355,249
Accrued income on investments and deposits	19,490	-
Reinsurance recoveries against outstanding claims	723,743	649,453
Current maturity of long term loan and advances	19,684	26,900
Window Takaful Operations - total assets	60,473	-

	2017	2016
	(Rupees in '000)	
Investments - held to maturity	321,211	125,072
Investments - held for trading	-	-
Investments - available for sale	53,752,409	7,820,888
Long-term deposits	4,414	4,414
Financial Liabilities		
Amortised cost		
Provision for outstanding claims (including IBNR)	1,226,184	944,954
Amounts due to other insurers / reinsurers	347,883	352,078
Accrued expenses	178,622	-
Current portion of long term liabilities	83,199	76,363
Trade and other payables	796,017	788,050
Short term finances - secured	1,600,000	1,348,017
Long term finances - secured	2,726,000	1,231,000
Unclaimed dividend	13,821	14,104
Window Takaful Operations - total liabilities	8,894	-
Liabilities against assets subject to finance lease	64,896	36,477
	7,045,516	4,791,043

35 RISK MANAGEMENT

35.1 Risk management framework

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

35.2 Insurance risks

35.2.1 Insurance risk

The Group 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 Group is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Group 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 Group from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis.

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

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

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

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

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

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

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

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

35.2.2 Reinsurance Arrangements

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

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

The Group's class wise risk exposure (based on maximum loss coverage in a single policy is as follows:

	2017		
	Maximum sum insured	Reinsurance cover	Highest net liability
	(Rupees in '000)		
Fire and property damage	37,272,240	37,230,977	41,263
Marine, aviation and transport	12,077,761	5,193,437	6,884,324
Motor	74,555	-	74,555
Health	1,000	-	1,000
Miscellaneous	13,500,000	8,100,000	5,400,000
Window Takaful Operations	6,254,766	5,863,987	390,779
	69,180,322	56,388,401	12,791,921

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	2016		
	Maximum sum insured	Reinsurance cover	Highest net liability
	(Rupees in '000)		
Fire and property damage	31,967,718	31,923,718	44,000
Marine, aviation and transport	10,600,479	8,480,383	2,120,096
Motor	27,000	-	27,000
Health	1,000	-	1,000
Miscellaneous	26,646,410	26,544,370	102,040
	69,242,607	66,948,471	2,294,136

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

	2017		
	Gross liabilities	Gross assets	Net liabilities / (assets)
	(Rupees in '000)		
Fire and property damage	1,042,393	959,302	83,091
Marine, aviation and transport	280,315	228,086	52,229
Motor	847,045	323,504	523,541
Health	246,310	82,021	164,289
Miscellaneous	801,956	630,515	171,441
Window Takaful Operations	62,706	39,153	23,553
	3,218,019	2,223,428	994,591

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

35.2.3 Uncertainty in the estimation of future claims payment

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

An estimated amount of the claim is recorded immediately on intimation to the Group. The estimation of the amount is based on the amount notified by the policy holder, management judgment or preliminary assessment by the independent surveyor appointed for this purpose. The initial estimates include expected settlement cost of the claims. For the estimation of provision of claims incurred but not reported (IBNR), the Group uses actuarial advice as more fully explained in note 4.6 to these special purpose consolidated financial statements.

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

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35.2.4 Key assumptions

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

35.2.5 Sensitivities

As the Group enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below:

	Effect of 10% increase in claims		Effect of 10% decrease in claims	
	Profit and Loss	Equity	Profit and Loss account	Equity
	(Rupees in '000)			
Fire and property damage	(5,543)	(5,543)	5,543	5,543
Marine, aviation and transport	(5,328)	(5,328)	5,328	5,328
Motor	(30,305)	(30,305)	30,305	30,305
Health	(13,863)	(13,863)	13,863	13,863
Miscellaneous	(10,289)	(10,289)	10,289	10,289
Window Takaful Operations	(336)	(336)	336	336
	(65,664)	(65,664)	65,664	65,664

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	2013	2014	2015	2016	2017	Total
	(Rupees in '000)					
Estimate of ultimate claims cost:						
At end of accident year	322,760	232,592	324,613	332,103	363,401	1,575,469
One year later	321,070	216,453	371,882	358,703	-	1,268,108
Two years later	315,575	220,697	370,112	-	-	906,384
Three years later	316,198	217,108	-	-	-	533,306
Four years later	311,939	-	-	-	-	311,939
Estimate of cumulative claims	311,939	217,108	370,112	358,703	363,401	1,621,263
Cumulative payments to date	(305,825)	(207,512)	(263,625)	(357,908)	(170,366)	(1,305,236)
Liability recognised in the balance sheet	6,114	9,596	106,487	795	193,035	316,027

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

35.3 Financial risk

(i) Market risk

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

(a) Interest rate risk

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

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

	2017							
		Interest / mark-up bearing			Non-interest / mark-up bearing			
	Interest Rates	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
		(Rupees in '000)						
Financial assets								
Cash and bank deposits	3.00% - 5.25%	2,968,085	-	2,968,085	1,613,972	-	1,613,972	4,582,057
Investments	6.34%-13.98%	-	321,211	321,211	53,752,409	-	53,752,409	54,073,620
Long-term deposits		-	-	-	4,414	-	4,414	4,414
Premium due but unpaid		-	-	-	432,211	-	432,211	432,211
Amounts due from other insurers / reinsurers - unsecured		-	-	-	269,603	-	269,603	269,603
Accrued income on investments and deposits		-	-	-	19,490	-	19,490	19,490
Reinsurance recoveries against outstanding claims		-	-	-	723,743	-	723,743	723,743
Current maturity of long term loan and advances		-	-	-	19,684	-	19,684	19,684
Window Takaful Operations - total assets	5.50% - 5.75%	25,000	-	25,000	35,473	-	35,473	60,473
Sundry receivables		-	-	-	400,851	-	400,851	400,851
		2,993,085	321,211	3,314,296	57,271,850	-	57,271,850	60,586,146
Financial liabilities								
Provision for outstanding claims [including IBNR]		-	-	-	1,226,184	-	1,226,184	1,226,184
Amounts due to other insurers / reinsurers		-	-	-	347,883	-	347,883	347,883
Experience refund payable		-	-	-	-	-	-	-
Accrued expenses		-	-	-	178,622	-	178,622	178,622
Sundry creditors		-	-	-	796,017	-	796,017	796,017
Short term finances - secured	6.13% to 6.47%	1,600,000	-	1,600,000	-	-	-	1,600,000
Long term finance-secured	6.24% to 6.47%	-	2,500,000	2,500,000	-	226,000	226,000	2,726,000
Current portion of long term liabilities	6.25% to 6.28%	83,199	-	83,199	-	-	-	83,199
Unclaimed dividend		-	-	-	13,821	-	13,821	13,821
Window Takaful Operations - total liabilities		-	-	-	8,894	-	8,894	8,894
Liabilities against assets subject to finance lease	3.98% - 4.16%	-	64,896	64,896	-	-	-	64,896
		1,683,199	2,564,896	4,248,095	2,571,421	226,000	2,797,421	7,045,516
		1,309,886	(2,243,685)	(933,799)	54,700,429	(226,000)	54,474,429	53,540,630

	2016							
		Interest / mark-up bearing			Non-interest / mark-up bearing			
	Interest Rates	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	Total
		(Rupees in '000)						
Financial assets								
Cash and bank deposits	3.5% - 7.20%	704,573	-	704,573	21,939	-	21,939	726,512
Investments	5.80% - 13.98%	-	125,072	125,072	7,820,888	-	7,820,888	7,945,960
Long-term deposits		-	-	-	4,414	-	4,414	4,414
Premium due but unpaid		-	-	-	412,117	-	412,117	412,117
Amounts due from other insurers / reinsurers - unsecured		-	-	-	355,249	-	355,249	355,249
Accrued income on investments and deposits		-	-	-	-	-	-	-
Reinsurance recoveries against outstanding claims		-	-	-	649,453	-	649,453	649,453
Current maturity of long term loan and advances		-	-	-	26,900	-	26,900	26,900
Sundry receivables		-	-	-	306,582	-	306,582	306,582
		704,573	125,072	829,645	9,597,542	-	9,597,542	10,427,187
Financial liabilities								
Provision for outstanding claims [including IBNR]		-	-	-	944,954	-	944,954	944,954
Amounts due to other insurers / reinsurers		-	-	-	352,078	-	352,078	352,078
Accrued expenses		-	-	-	-	-	-	-
Sundry creditors		-	-	-	788,050	-	788,050	788,050
Short term finances - secured	5.99% to 6.55%	1,348,017	-	1,348,017	-	-	-	1,348,017
Long term finances - secured	6.36% to 8.99%	69,860	1,000,000	1,069,860	-	231,000	231,000	1,300,860
Liabilities against assets subject to finance lease	3.89% - 4.13%	6,503	36,477	42,980	-	-	-	42,980
Unclaimed dividend		-	-	-	14,104	-	14,104	14,104
		1,424,380	1,036,477	2,460,857	2,099,186	231,000	2,330,186	4,791,043
		(719,807)	(911,405)	(1,631,212)	7,498,356	(231,000)	7,267,356	5,636,144

Sensitivity analysis

Interest / mark-up rate risk is the risk that value of a financial instrument or future cash flows of a financial instrument will fluctuate due to changes in the market interest/mark-up rates. Sensitivity to interest / mark up rate risk arises from mismatches of financial assets and liabilities that mature or re-price in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. Borrowing arrangements have variable rate pricing that is dependent on the Karachi Inter Bank Offer Rate (KIBOR) as indicated in respective notes. The table below summarises Group's interest rate risk as of December 31, 2017 and 2016 and shows the effects of a hypothetical 1% increase and a 1% decrease in interest rates as at the year end.

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	Profit and Loss	
	Increase	Decrease
	(Rupees in '000)	
As at December 31, 2017		
Cash flow sensitivity - variable rate financial instruments	(4,391)	4,391
As at December 31, 2016		
Cash flow sensitivity - variable rate financial instruments	(2,843)	2,843

(b) Foreign currency risk

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

(ii) Liquidity risk

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

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

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

	2017			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in '000)			
Provision for outstanding claims	1,226,184	1,226,184	1,226,184	-
Amounts due to other insurers / reinsurers	347,883	347,883	347,883	-
Experience refund payable	-	-	-	-
Accrued expenses	178,622	178,622	178,622	-
Sundry creditors	796,017	796,017	796,017	-
Short term finances - secured	1,600,000	1,600,000	1,600,000	-
Long term finance-secured	2,726,000	2,726,000	-	2,726,000
Current portion of long term liabilities	83,199	83,199	83,199	-
Unclaimed dividend	13,821	13,821	13,821	-
Window Takaful Operations - total liabilities	8,894	8,894	-	8,894
Liabilities against assets subject to finance lease	64,896	64,896	-	64,896
	7,045,516	7,045,516	4,245,726	2,799,790

	2016			
	Carrying amount	Contractual cash flow	Upto one year	More than one year
	(Rupees in '000)			
Provision for outstanding claims	944,954	944,954	944,954	-
Amount due to other insurers / reinsurers	352,078	352,078	352,078	-
Accrued expenses	-	211,517	211,517	-
Unclaimed dividend	14,104	14,104	14,104	-
Short term finance	1,348,017	1,348,017	1,348,017	-
Long term finances	1,300,860	1,300,860	69,860	1,231,000
Liabilities against assets subject to finance lease	42,980	42,980	6,503	36,477
Sundry creditors	788,050	567,030	567,030	-
	4,791,043	4,781,540	3,514,063	1,267,477

iii) Credit risk

Credit risk is the risk that arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures by undertaking transactions with a large number of counterparties in various industries and by continually assessing the credit worthiness of counterparties.

Concentration of credit risk occurs when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The Group's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits the Group's exposure to credit risk through monitoring of client's exposure and conservative estimates of provisions for doubtful assets, if any. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in entities of sound financial standing, covering various industrial sectors.

	2017	2016
	(Rupees in '000)	
- Current and other accounts	1,629,476	26,138
- Deposits maturing within 12 months	2,949,897	700,000
- Premiums due but unpaid	432,211	412,117
- Amount due from other insurers / reinsurers	269,603	355,249
- Accrued income on investments and deposits	19,490	7,460
- Prepaid reinsurance premium ceded	481,956	419,825
- Reinsurance recoveries against outstanding claims	723,743	649,453
- Sundry receivables	484,512	333,614
	6,990,888	2,903,856

The Group did not hold any collateral against the above during the year. The management continuously monitors the credit exposure towards the policyholders and other insurers / reinsurers and makes provision against those balances considered doubtful of recovery. During the period no receivables were further impaired. The movement in the provision for doubtful debt account is shown in note 11.3 and 12.1. The remaining past due balances were not impaired as they relate to a number of policy holders and other insurers / reinsurers for whom there is no recent history of default.

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

	Rating	Rating	
	Agency	Short Term	Long Term
Bank deposits			
Allied Bank	PACRA	A1+	AA+
Bank Al Habib	PACRA	A1+	AA+
Bank Alfalah Limited	JCR-VIS	A-1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	AA-
Bank Islami	PACRA	A1	A+
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Soneri Bank Limited	PACRA	A1+	AA-
Standard Chartered Bank	PACRA	A1+	AAA
Summit Bank Limited	JCR VIS	A1	A-
Bank of Punjab	PACRA	A1+	AA
United Bank Limited	JCR VIS	A1+	AAA
Meezan Bank	JCR VIS	A1+	AA
Certificate of Deposits			
Standard Chartered Bank	PACRA	A1+	AAA
Bank Al Habib Limited	PACRA	A1+	AA+
Faysal Bank Limited	PACRA	A1+	AA
Summit Bank Limited	JCR VIS	A1	A-

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

	2017	2016
	(Rupees in '000)	
Upto 1 year	551,904	676,933
1-2 years	131,404	73,977
2-3 years	41,909	26,220
Over 3 years	120,761	115,553
	845,978	892,683
Window Takaful Operations		
Upto six months	10,949	-

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

	2017	2016
	------(Rupees in '000)------	
Sector wise analysis of premiums due but unpaid		
Foods and beverages	15,416	20,777
Financial services	37,244	23,573
Pharmaceuticals	42,417	58,741
Textile and composites	89,354	97,061
Plastic industries	305	388
Engineering	29,268	36,051
Other manufacturing	27,047	12,779
Miscellaneous	293,901	246,641
	534,952	496,011
Window Takaful Operations		
Textile	2,625	-
Engineering	2,144	-
Pharmaceuticals	480	-
Food	300	-
Others	5,400	-
	10,949	-

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2017	2016
	---------- (Rupees in '000) ----------				
A- or above (including PRCL)	284,613	603,820	386,130	1,274,563	1,422,133
BBB and B+	1,968	84,045	66,619	152,632	28,392
Others	24,445	35,878	29,207	89,530	15,425
Total	311,026	723,743	481,956	1,516,725	1,465,950

	2017				
Window Takaful Operations	Amount due from re-takaful operators	Re-takaful recoveries against outstanding claims	Prepaid re-takaful contribution ceded	2017	2016
	---------- (Rupees in '000) ----------				
A or above	8,799	-	8,796	17,595	-
BBB	143	-	1,951	2,094	-
Others	682	-	-	682	-

36 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Group to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2017, the Group held the following financial instruments measured at fair value:

	As at December 31, 2017		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets carried at fair value			
Available-for-sale investments	53,599,211	-	-

	As at December 31, 2016		
	Level 1	Level 2	Level 3
	Rupees in '000		
Assets carried at fair value			
Available-for-sale investments	7,667,690	-	-

37 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group'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 Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

38 CORRESPONDING FIGURES

Corresponding figures have been rearranged and re classified wherever necessary. There has been no significant rearrangements during the year other than those disclosed in note 5.3 to these special purpose consolidated financial statements. Comparative information represents balances relating to the standalone financial statements of IGI Holding Company as at December 31, 2016.

39 DATE OF AUTHORISATION FOR ISSUE

These special purpose consolidated financial statements were authorised for issue on 10 DEC 2018 by the Board of Directors of the Group.

40 EVENTS AFTER BALANCE SHEET DATE

The Board of Directors has proposed a final dividend for the year ended December 31, 2017 of Rs. 4.00 per share (2016: Rs. 8.00 per share), amounting to Rs 496.107 million (2016: Rs 992.213 million) in its meeting held on March 21, 2018 for the approval of the members at the annual general meeting to be held on April 27, 2018. These special purpose consolidated financial statements for the year ended December 31, 2017 do not include the effect of these appropriations which will be accounted for in the special purpose consolidated financial statements for the year ending December 31, 2018.

Chief Executive Officer | Director | Chief Financial Officer