Balance Sheet As at December 31, 2006

	Note	2006	2005
		(Rupees in thousand)	
Share capital and reserves			
Authorized capital			
100,000,000 (2005: 20,000,000) ordinary shares of Rs 10 each		1,000,000	200,000
Issued, subscribed and paid up capital	5	199,563	153,510
Reserves	6	823,740	673,740
Retained earnings		7,486,418	401,505
		8,509,721	1,228,755
Underwriting provisions			
Provision for outstanding claims [including IBNR]		197,282	182,528
Provision for unearned premium		352,438	205,576
Commission income unearned		72,697	43,155
Total underwriting provisions		622,417	431,259
Creditors and accruals			
Premium received in advance		17,535	20,551
Amounts due to other insurers/ reinsurers		122,705	103,547
Accrued expenses	7	45,307	31,319
		185,547	155,417
Borrowings			
Long term finance - secured	8	620,000	740,000
Other Liabilities			
Short term running finance - secured	9	356,543	383,119
Sundry creditors	10	103,175	17,998
Unclaimed dividend		1,646	1,401
TOTAL LIABILITIES		1,889,328	1,729,194
TOTAL EQUITY AND LIABILITIES		10,399,049	2,957,949

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

Syed Hyder Ali
Director

Shamim Ahmad Khan
Director

Balance Sheet As at December 31, 2006

	Note	2006	2005
		(Rupees in thousand)	
Cash and bank deposits			
Cash and other equivalents	11	111	110
Current and other accounts	12	9,094	14,621
Deposits maturing within 12 months	13	130,352	245,357
		139,557	260,088
Investments	14	9,246,735	1,873,786
Deferred taxation	15	13,489	13,151
Other assets			
Premiums due but unpaid - unsecured	16	130,428	104,968
Amounts due from other insurers/reinsurers			
- unsecured	17	195,655	132,009
Accrued investment income		4,829	44,724
Reinsurance recoveries against outstanding claims		31,862	58,942
Prepayments - prepaid reinsurance premium ceded		171,519	92,312
- others		8,987	2,932
Taxation		50,678	33,066
Sundry receivables	18	113,226	44,397
		707,184	513,350
Fixed assets			
Tangible	19		
Furniture, fixtures and office equipment		11,099	7,795
Motor vehicles		27,902	15,378
Capital work in progress	20	253,083	223,080
		292,084	246,253
Goodwill	21	–	51,321
TOTAL ASSETS		10,399,049	2,957,949

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

Syed Babar Ali
Chairman

Syed Javed Hassan
Principal Officer and Chief Executive

IGI Insurance

Profit and Loss Account For the Year Ended December 31, 2006

(Rupees in thousand)

	Note	Fire and property	Marine, aviation and transport	Motor	Others including miscellaneous	2006 Total	2005 Total
Revenue account							
Net premium revenue		56,336	87,188	248,155	34,792	426,472	316,153
Administrative surcharge recovered		1,285	2,356	10,844	2,113	16,598	10,368
Total premium revenue		57,621	89,544	258,998	36,905	443,069	326,521
Net claims		(14,153)	(19,428)	(156,058)	2,658	(186,982)	(142,906)
Expenses	4.25	(31,758)	(22,240)	(39,272)	(11,645)	(104,915)	(87,737)
Net commission		44,726	49,728	(21,347)	2,649	75,757	94,187
Underwriting result		56,436	97,605	42,321	30,567	226,929	190,065
Amortization of goodwill	21					(51,321)	(51,322)
Investment income						7,315,629	258,822
Other income	22					15,318	4,535
Financial charges	23					(107,241)	(53,804)
General and administration expenses	24					(61,799)	(40,806)
						7,110,586	117,425
						7,337,515	307,490
Income from associated companies - net of tax						19,594	19,267
Profit before taxation						7,357,109	326,757
Taxation	25					(14,739)	(37,014)
Profit after taxation						7,342,370	289,743
Profit and loss appropriation account							
Balance at the commencement of the year						401,505	167,026
Adjustment resulting from change in accounting policy						–	160,702
Adjusted balance at the commencement of the year - restated						401,505	327,728
Profit after taxation for the year						7,342,370	289,743
Dividend Rs 4.00 per share (2004: Rs 4.50 per share)						(61,404)	(55,264)
Transfer to general reserve						(150,000)	(130,000)
Transfer to reserve for bonus shares						(46,053)	(30,702)
						7,084,913	73,777
Balance unappropriated profit at the end of the year						7,486,418	401,505
Basic earnings per share - Rupees	29					367.92	14.52

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

Syed Hyder Ali
Director

Shamim Ahmad Khan
Director

Syed Babar Ali
Chairman

Syed Javed Hassan
Principal Officer and Chief Executive

IGI Insurance

Statement of Changes in Equity For the Year Ended December 31, 2006

(Rupees in thousand)

	Share Capital	Capital reserves			Revenue reserves			
	Issued, subscribed and paid-up	Reserve for exceptional losses	Reserve for contingencies	Premium on issue of shares	General reserve	Reserve for bonus shares	Unappropriated profit	Total
Balance as at December 31, 2004 as previously reported	122,808	3,267	30,000	35,762	604,711	30,702	167,026	994,276
Effect of change in accounting policy (note 4.1):								
- Transferred to general reserve declared subsequent to the year ended December 31, 2004	-	-	-	-	(130,000)	-	130,000	-
- Transferred to reserve for issue of bonus shares declared subsequent to the year ended December 31, 2004	-	-	-	-	-	(30,702)	30,702	-
Balance as at December 31, 2004 as restated	122,808	3,267	30,000	35,762	474,711	-	327,728	994,276
Transferred to general reserve	-	-	-	-	130,000	-	(130,000)	-
Transferred to reserve for issue of bonus shares	-	-	-	-	-	30,702	(30,702)	-
Final dividend for the year ended December 31, 2004 - Rs 4.5 per share	-	-	-	-	-	-	(55,264)	(55,264)
Net profit for the year	-	-	-	-	-	-	289,743	289,743
Nominal value of bonus shares issued	30,702	-	-	-	-	(30,702)	-	-
Balance as at December 31, 2005 as restated	153,510	3,267	30,000	35,762	604,711	-	401,505	1,228,755
Transferred to general reserve	-	-	-	-	150,000	-	(150,000)	-
Transferred to reserve for issue of bonus shares	-	-	-	-	-	46,053	(46,053)	-
Nominal value of bonus shares issued	46,053	-	-	-	-	(46,053)	-	-
Final dividend for the year ended December 31, 2005 - Rs 4.0 per share	-	-	-	-	-	-	(61,404)	(61,404)
Net profit for the year	-	-	-	-	-	-	7,342,370	7,342,370
Balance as at December 31, 2006	199,563	3,267	30,000	35,762	754,711	-	7,486,418	8,509,721

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

Syed Hyder Ali
Director

Shamim Ahmad Khan
Director

Syed Babar Ali
Chairman

Syed Javed Hassan
Principal Officer and Chief Executive

Cash Flow Statement For the Year Ended December 31, 2006

	2006	2005
	(Rupees in thousand)	
Operating cash flows		
Underwriting activities		
Premiums received	870,245	610,059
Reinsurance premiums paid	(450,460)	(315,755)
Claims paid	(239,686)	(196,657)
Reinsurance and other recoveries received	94,539	66,094
Commissions paid	(60,084)	(34,565)
Commissions received	176,445	122,000
Net cash inflow from underwriting activities	390,999	251,176
Other operating activities		
Income tax paid	(32,689)	(49,607)
General and management expenses paid	(111,385)	(81,040)
Other operating payments	(46,957)	(23,553)
Other operating receipts	27,801	13,577
Net cash outflow from other operating activities	(163,231)	(140,623)
Total cash flow from all operating activities	227,768	110,553
Investment activities		
Profit/return received	21,657	13,644
Dividends received	275,596	192,983
Payments for investments	(10,558,421)	(902,960)
Proceeds from disposal of investments	10,332,611	11,904
Redemption of TFCs	7,007	3,723
Fixed capital expenditure	(59,804)	(239,580)
Proceeds from disposal of fixed assets	10,639	4,974
Total cash inflow/(outflow)from investing activities	29,286	(915,312)
Financing activities		
Loans received	–	700,000
Loans repaid	(120,000)	(60,000)
Dividends paid	(61,159)	(55,137)
Advances given	(62,609)	(39,200)
Financial charges paid	(107,241)	(53,804)
Total cash (outflow)/inflow from financing activities	(351,009)	491,859
Net cash outflow from all activities	(93,955)	(312,900)
Cash at the beginning of the period	(123,031)	189,869
Cash at the end of the period	(216,986)	(123,031)

Cash Flow Statement For the Year Ended December 31, 2006

	2006	2005
	(Rupees in thousand)	
Reconciliation to profit and loss account		
Operating cash flows	227,768	110,553
Depreciation	(7,449)	(6,821)
Amortization of goodwill	(51,321)	(51,322)
Financial charges	(107,241)	(53,804)
Gain on disposal of fixed assets	4,115	1,326
Increase in assets other than cash	171,458	84,607
Increase in liabilities other than term finances	(306,465)	(74,097)
Provision for diminution in value of available for sale investments	–	(1,328)
Diminution in value of held for trading investment	(14,958)	6,982
Others		
Gain on disposal of investments	7,149,511	10,903
Dividend and other investment income	257,358	243,477
Share of profit from associate	19,594	19,267
Profit after taxation	7,342,370	289,743
Definition of cash		
Cash in hand and at banks, stamps in hand and short term placements with banks		
Cash for the purposes of the Statement of Cash Flows consists of:		
Cash and other equivalents		
Cash in hand	4	42
Stamps in hand	107	68
	111	110
Current and other accounts		
Current Accounts	1,492	7,853
Saving Accounts	7,602	6,768
	9,094	14,621
Deposits maturing within 12 months		
Cash with State Bank of Pakistan	352	357
Term Deposit Receipts with banks	130,000	245,000
	130,352	245,357
Short term running finance	(356,543)	(383,119)
	(216,986)	(123,031)

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

Syed Hyder Ali Director	Shamim Ahmad Khan Director	Syed Babar Ali Chairman	Syed Javed Hassan Principal Officer and Chief Executive

IGI
Insurance

Statement of Premiums For the Year Ended December 31, 2006

Business underwritten inside Pakistan

(Rupees in thousand)

Direct and facultative	Premiums written	Unearned premium reserve Opening	Unearned premium reserve Closing	Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded Opening	Prepaid reinsurance premium ceded Closing	Reinsurance expense	Net premium revenue 2006	Net premium revenue 2005
Class										
Fire and Property Damage	272,463	71,008	112,885	230,586	218,736	58,648	103,134	174,250	56,336	34,650
Marine, Aviation and Transport	190,801	23,179	21,672	192,307	114,167	11,114	20,162	105,119	87,188	77,524
Motor	336,929	91,834	166,604	262,159	21,374	9,074	16,444	14,005	248,155	180,457
Miscellaneous	99,905	19,555	51,277	68,183	51,694	13,476	31,780	33,391	34,792	23,522
Total	900,098	205,576	352,438	753,236	405,972	92,312	171,519	326,764	426,472	316,153

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

Syed Hyder Ali
Director

Shamim Ahmad Khan
Director

Syed Babar Ali
Chairman

Syed Javed Hassan
Principal Officer and Chief Executive

IGI
Insurance

Statement of Claims For the Year Ended December 31, 2006

Business underwritten inside Pakistan

(Rupees in thousand)

Direct and facultative	Claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance and other recoveries revenue	Net claims expense 2006	Net claims expense 2005
Class										
Fire and Property Damage	55,418	65,619	50,407	40,206	45,126	39,671	20,598	26,053	14,153	10,302
Marine, Aviation and Transport	32,280	28,023	36,979	41,235	25,248	7,304	3,864	21,807	19,428	22,197
Motor	134,804	48,269	83,570	170,104	14,598	6,226	5,674	14,046	156,058	97,027
Miscellaneous	17,185	40,617	26,327	2,895 *	9,568	5,741	1,725 **	5,552	(2,658)	13,380
Total	239,686	182,528	197,282	254,440	94,539	58,942	31,862	67,459	186,982	142,906

* This is net of Rs 15.5 million being the provision for outstanding claims relating to acquired business, no longer payable written back.

** This is net of Rs 3.1 million being reinsurance and other recoveries in respect of outstanding claims relating to acquired business, no longer receivable written off.

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

Syed Hyder Ali
Director

Shamim Ahmad Khan
Director

Syed Babar Ali
Chairman

Syed Javed Hassan
Principal Officer and Chief Executive

Statement of Expenses For the Year Ended December 31,2006

Business underwritten inside Pakistan

(Rupees in thousand)

Direct and facultative	Commissions paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expenses	Other management expenses	Underwriting expense	Commissions from reinsurers	Net underwriting expenses 2006	Net underwriting expenses 2005
Class									
Fire and Property Damage	28,319	–	–	28,319	31,758	60,077	73,045	(12,968)	(18,031)
Marine, Aviation and Transport	14,341	–	–	14,341	22,240	36,580	64,069	(27,489)	(29,539)
Motor	21,776	–	–	21,776	39,272	61,049	429	60,620	40,457
Miscellaneous	6,711	–	–	6,711	11,645	18,356	9,360	8,996	663
Total	71,146	–	–	71,146	104,915	176,062	146,903	29,159	(6,450)

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

Syed Hyder Ali
Director

Shamim Ahmad Khan
Director

Syed Babar Ali
Chairman

Syed Javed Hassan
Principal Officer and Chief Executive

Statement of Investment Income For the Year Ended December 31,2006

	2006	2005
	(Rupees in thousand)	
Income from trading investments		
(Loss)/gain on trading (i.e. buying and selling difference)	(4,955)	10,903
Dividend income (earned while holding the securities)	8,272	3,524
	3,317	14,427
Income from non-trading investments		
Held to maturity		
Return on Government Securities	273	70
Return on other fixed income securities and deposits	26,213	13,084
	26,486	13,154
Available for sale		
Dividend income	222,600	226,799
Gain on sale of availale for sale investments	7,081,205	–
	7,303,805	226,799
Diminution in value of held for trading investments	(14,958)	6,982
Provision for diminution in value of available for sale investments	–	(1,328)
Less: Investment related expenses	(3,021)	(1,212)
Net investment income	7,315,629	258,822

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

Syed Hyder Ali
Director

Shamim Ahmad Khan
Director

Syed Babar Ali
Chairman

Syed Javed Hassan
Principal Officer and Chief Executive

1. The company and its operations

IGI Insurance Limited (Formerly International General Insurance Company of Pakistan Limited) (a Packages group company) was incorporated in Pakistan as a public limited company in 1953 under the Companies Act, 1913 (now Companies Ordinance, 1984) and is quoted on the Karachi and Lahore Stock Exchanges. The company is engaged in providing General Insurance Services in spheres of Fire, Marine, Motor and Miscellaneous. The registered office of the company is situated at 7th Floor, The Forum, Suite Nos. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi-75600, Pakistan

2 Statement of compliance

2.1 These financial statements have been prepared in accordance with the requirements of the Insurance Ordinance 2000, the SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 and approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 or directives issued by the securities and exchange commission of Pakistan differ with the requirements of these standards, the requirements of the Insurance Ordinance, 2000, the SEC (Insurance) Rules, 2002, the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 Standards, Interpretations and amendments to published approved accounting standards

2.2.1 Amendments to published standards effective in 2006

IAS 19 (Amendment) - 'Employee Benefits' is mandatory for Company's accounting period beginning on January 01, 2006. Its adoption by the Company only impacts the format and extent of disclosures presented in the financial statements.

2.2.2 Amendments to published standards not yet effective

Certain amendments to IAS 1 'Presentation of financial statements' - Capital Disclosure have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after January 01, 2007. Adoption of these amendments would impact the nature and extent of disclosures made in the future financial statements of the company.

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

3. Basis of measurement

These financial statements have been prepared under the historical cost convention, except for revaluation of certain financial instruments at fair value and recognition of certain employee retirement benefits at present value.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for outstanding claims including incurred but not reported (IBNR) - (note 4.2)

b) Defined benefit plans - (note 4.14, note 18.1 and note 18.1.1)

c) Classification of investments - (note 4.10 and note 14)

d) Provision for taxation including the amount relating to tax contingency - (note 4.8, note 6.2 and note 25)

e) Provision for doubtful receivables - (note 4.6, note 4.15, note 16 and note 17)

f) Useful life and residual values of fixed assets - (note 19.1)

4. Significant accounting policies

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

4.1 Transfer between reserves

During the year the company has changed its accounting policy pertaining to recognition of transfer between reserves including those for issuance of bonus shares made subsequent to the balance sheet date. As per the new policy transfer between reserves including those for issuance of bonus shares made subsequent to the balance sheet date are considered as non-adjusting events and are not recorded in the financial statements. Previously, such transfer between reserves including those for issuance of bonus shares were being treated as adjusting events in the financial statements of the company and were recorded as liability and disclosed as appropriations in the financial statements respectively. The new policy is in accordance with the requirements of International Accounting Standard 10 (IAS-10): "Events after Balance Sheet Date". The change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with the treatment specified in International Accounting Standard 8 (IAS-8): "Accounting Policies, Changes in Accounting Estimates and Errors".

Had there been no change in accounting policy the balance of retained earnings as at December 31, 2005 would have been lower by Rs 196.053 million and the balance of reserve for issuance of bonus shares and the balance of general reserve would have been higher by Rs 46.053 million and Rs 150 million respectively. However, there is no effect on shareholders' equity for the current year.

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

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

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

4.3 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognized as a liability by the company. This liability is calculated by applying the 1/24th method as specified in the SEC (Insurance) Rules, 2002.

4.4 Commission income unearned

Unearned commission income from the reinsurers represents the portion of income relating to the unexpired period of coverage and is recognized as a liability.

4.5 Commission

Commission expense

Commission expense is charged to the profit and loss account at the time the policies are accepted.

Commission income

Commission income from reinsurers is recognized at the time of issuance of the underlying insurance policy by the company. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the reinsurance premium to which it relates. Profit commission, if any, which the company may be entitled to under the terms of reinsurance, is recognized on accrual basis.

4.6 Amount due to/from other insurers/reinsurers

Amounts due to/from other insurers/reinsurers are carried at cost less provision for impairment. Cost represents the fair value of the consideration to be paid/received in future for the services received / rendered.

4.7 Creditors, accruals and provisions

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

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

4.8 Taxation

Current

Provision for 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 includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed 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 arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

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

4.9 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 finances under mark-up arrangements.

4.10 Investments

4.10.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. These are classified into the following categories:

- Investments in equity instruments of associated undertakings
- Held to maturity
- Available for sale
- Held for trading

All 'regular way' purchases and sales of financial assets are accounted for at settlement date.

4.10.2 Measurement

Investments in equity instruments of associated undertakings

Subsequent to initial recognition at cost, investments in equity instruments of associated undertakings where the company has significant influence are stated using the equity method.

The company is part of the Packages Group and is being accounted for as an associate in accordance with IAS 28 'Investments in Associates' in the consolidated financial statements of the group. As at balance sheet date, the company's interest in Packages Limited stands at 22.27%. However, the said percentage of share holding has not resulted in creation of a significant influence over the operations of Packages Limited as the company does not have the power to participate in financial and operating policy decisions of Packages Limited. Accordingly this investment, classified as "available for sale", is being accounted for in accordance with the SEC (Insurance) Rules 2002.

Held to maturity

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

Any premium paid or discount availed on acquisition of held to maturity investments is deferred and included in the income for the period on a straight-line-basis over the term of the investment.

Available for sale

The financial assets including investments in associated undertakings where the company does not have significant influence that are intended to be held for an indefinite period of time or may be sold in response to the need for liquidity are classified as available for sale.

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

Had these investments been measured at fair value as required by IAS 39, the company's net equity would have been higher by Rs 421.543 million.

Held for trading

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

Subsequent to initial recognition these are re-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.

4.11 Sale and repurchase agreements

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

4.12 Fixed assets

Tangible

These are stated at cost, signifying historical cost, less accumulated depreciation and any identified impairment loss.

Depreciation on all fixed assets is charged to profit on the straight line method so as to write off depreciable amount of an asset over its useful life at the rates stated in note 19. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

Depreciation on additions to fixed assets is charged from the month in which an asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that fixed assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognised in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

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

4.13 Goodwill

Goodwill represents the excess of cost of an acquisition over the fair value of the acquired net identifiable assets at the date of acquisition. It is stated at cost less accumulated amortization and any accumulated impairment losses.

Amortization of goodwill is charged to profit on a straight line basis over its estimated useful life at an annual rate of 33.33%.

4.14 Staff retirement benefits

The main features of the schemes operated by the company for its employees are as follows:

a. Defined contribution plan

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

b. Defined benefit plan

All permanent employees of the company participate in an approved funded defined gratuity plan. Monthly contributions are made to the fund on the basis of actuarial recommendation at the rate of 7.35 percent per annum of the basic salaries. The latest actuarial valuation was carried out as at December 31, 2006. The actual returns on plan assets during the year were Rs 0.908 million. The actual return on plan assets represent the difference between the fair value of plan assets at the beginning of the year and at the end of the year after adjustments for contributions made by the company as reduced by benefits paid during the year.

The future contribution rates of these plans include allowances for deficit and surplus. Projected unit credit method, using the following significant assumptions, is used for valuation of these scheme:

- Discount rate 11 percent per annum;
- Expected rate of increase in salary level 8.89 percent per annum; and
- Expected rate of return on investments 11 percent per annum.

Plan assets comprise of fixed-interest bonds and cash to the extent of 44% and 56% respectively.

The Company is expected to contribute Rs 1.5 million to the gratuity fund in the next financial year.

The company's policy with regard to actuarial gains/losses is to follow minimum recommended approach under IAS 19 "Employee benefits".

c. Compensated absences

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

Retirement benefits are payable to employees on completion of prescribed qualifying period of service under these schemes.

4.15 Premiums due but unpaid

These are recognized at cost, which is the fair value of the consideration given less provision for impairment, if any.

4.16 Claims recoveries

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

4.17 Prepaid reinsurance expense

Premium for reinsurance contracts operative on a proportional basis is recorded as a liability on attachment of the underlying risks reinsured. The reinsurance for proportional reinsurance contracts, the reinsurance expense is recognized in accordance with the pattern of recognition of premium income to which they relate.

4.18 Financial instruments

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

Financial instruments carried on the balance sheet include cash and bank deposits, loans, investments, premiums due but unpaid, amounts due from other insurers/reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amounts due to other insurers / reinsurers, accrued expenses, long term finance, sundry creditors, short term running finance and unclaimed dividends. 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 financial statements only when there is a legally enforceable right to set off the recognized amount and the company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.20 Segment reporting

The company's operating businesses are organized and managed separately according to the nature of services provided with each segment representing a strategic business unit that serves different markets.

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

Marine insurance provides coverage 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 burglary, loss of cash in safe and cash in transit, personal accident, money, engineering losses and other covers.

4.21 Revenue recognition

Premium income

Premium income under a policy is recognized over the period of insurance from the date of issue of the policy to which it relates to its expiry as follows:

(a) For direct business, evenly over the period of the policy; and
(b) For proportional reinsurance business, evenly over the period of underlying insurance policies.

Where the pattern of incidence of risk varies over the period of the policy, premium is recognized as revenue in accordance with the pattern of the incidence of risk.

Dividend income and bonus shares

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

Gain/loss on sale of investments is taken to the profit and loss account in the year of sale as per settlement date.

Income on held to maturity investments

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

Miscellaneous income

Other revenues are recognized on accrual basis.

4.22 Premium deficiency reserve

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

The management considers that the unearned premium reserve for all classes of business as at the year end was adequate to meet the expected future liability after reinsurance 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. Hence, no reserve for the same has been made in these financial statements.

4.23 Impairment

The carrying amount of the assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If such indication exists, the recoverable amount of such assets is estimated and the impairment losses are recognized in the profit and loss account currently.

Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Changes in the provisions are recognized as income/expense currently.

4.24 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

The company charges all exchange differences to profit and loss account.

IGI Insurance

Notes to the Financial Statements For the Year Ended December 31, 2006

4.25 Expenses of management

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

	2006	2005
	(Rupees in thousand)	
Salaries, wages and benefits	68,076	51,823
Rent, rates and taxes	10,150	11,083
Electricity, gas etc.	2,805	3,088
Repairs and maintenance	3,265	1,504
Conveyance	416	993
Education and training	790	1,758
Computer	2,927	1,352
Communication	4,086	4,011
Service	7,752	1,726
Registration, subscription and association	37	21
Provision for doubtful debts	3,408	11,342
Inspection fee	1,031	248
Security expenses	3,194	–
	107,936	88,949
Less: Investment related expenses	3,021	1,212
	104,915	87,737

4.26 Administrative surcharge

This represents documentation and other charges recovered by the company from policy holders in respect of polices issued, at a rate of 5% of the premium restricted to a maximum of Rs. 2,000 per policy.

4.27 Zakat

Zakat deductible compulsorily under the Zakat and Ushr Ordinance, 1980 is accounted for in the year of deduction.

4.28 Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved.

5. Issued subscribed and paid up capital

2006 (Number of Shares)	2005 (Number of Shares)		2006 (Rupees in thousand)	2005 (Rupees in thousand)
1,942,187	1,942,187	ordinary shares of Rs 10 each fully paid in cash	19,422	19,422
18,014,144	13,408,837	ordinary shares of Rs 10 each issued as fully paid bonus shares	180,141	134,088
19,956,331	15,351,024		199,563	153,510

Ordinary shares of the company held by associated undertakings as at December 31, 2006 are as follows:

	2006 (Number of Shares)	2005 (Number of Shares)
Packages Limited	2,118,138	1,629,337
Treet Corporation Limited	29	11,024
Industrial Technical and Educational Institute	3,392,048	2,609,269
Loads Limited	172,250	132,500
	5,682,465	4,382,130

6. Reserves

		2006 (Rupees in thousand)	2005 (Rupees in thousand)
Capital Reserves			
Reserves for exceptional losses	- note 6.1	3,267	3,267
Reserves for contingencies	- note 6.2	30,000	30,000
Premium on issue of shares		35,762	35,762
		69,029	69,029
Revenue Reserves			
General Reserve			
- Opening balance		604,711	474,711
- Transfer from the profit and loss account		150,000	130,000
- Closing balance		754,711	604,711
Reserve for bonus shares			
- Opening balance		–	–
- Transfer from profit and loss account		46,053	30,702
- Transfer to ordinary share capital account		(46,053)	(30,702)
- Closing balance		–	–
		754,711	604,711
		823,740	673,740

6.1 The reserve for exceptional losses amounting to Rs 3.267 million (2005: Rs 3.267 million) is a specific purpose reserve created to provide for possible losses on exceptional insurance claims and is, at present, not available for dividend distribution.

6.2 The reserve for contingencies is a specific purpose reserve to meet any eventualities which may arise due to any disputed income tax demand and is, at present, not available for dividend distribution.

7. Accrued expenses

	2006 (Rupees in thousand)	2005 (Rupees in thousand)
Accrued expenses	34,327	25,444
Central Excise Duty	4,759	1,398
Federal Insurance Fee	695	476
Car Finance Payable	3,375	3,051
Provident Fund	547	–
Miscellaneous	1,604	950
	45,307	31,319

8. Long term finance - secured

Loan	Lender	2006 (Rupees in thousand)	2005 (Rupees in thousand)	Rate of interest per annum	Number of instalments	Interest payable	Security
1.	MCB Bank Limited	200,000	200,000	3 months average KIBOR Ask rate + 0.85%	Lump sum payment in September 2009	Quarterly	The facility is secured against pledge of company's investment in listed securities of 275,000 shares in Nestle Pakistan Limited having market value of Rs 287.1 million and 50,000 shares in Unilever Pakistan Limited having a market value of Rs 100 million.
2.	Standard Chartered Bank (Pakistan) Limited	280,000	360,000	3 months average KIBOR Ask rate + 0.75%	7 half yearly equal instalments ending May 2010	Quarterly	The facility is secured against pledge of company's investment in listed securities of 685,417 shares in Nestle Pakistan Limited having a market value of Rs. 715.575 million.
3.	ABN Amro Bank N.V.	140,000	180,000	6 months average KIBOR Ask rate + 0.80%	7 half yearly equal instalments ending May 2010	Quarterly	The facility is secured against pledge of company's investment in listed securities of 205,172 shares in Nestle Pakistan Limited having a market value of Rs 214.200 million and 21,724 shares of Unilever Pakistan Limited having a market value of Rs 43.448 million.
		620,000	740,000				

Included in Loan No. 2 and 3 are current maturities of Rs 80 million and 40 million respectively.

9. Short term running finance - secured

Short term running finances available from a consortium of commercial banks under markup arrangements amount to Rs 750 million (2005: Rs. 600 million). The rates of mark up range from Re 0.2893 to Re 0.3072 per Rs 1,000 per diem. The aggregate running finances are secured against pledge of shares held by the company.

		2006	2005
		(Rupees in thousand)	
10. Sundry creditors			
Agent comission payable		29,060	17,998
Provision for tenderable gain	- note 10.1	73,261	–
Others		854	–
		103,175	17,998

10.1 This represents the tenderbale gain earned by the company through sale and purchase of Packages Limited's shares which is transferable to the company in accordance with the requirements of section 224 of the Companies' Ordinance, 1984.

	2006	2005
	(Rupees in thousand)	
11. Cash and other equivalents		
Cash in hand	4	42
Stamps in hand	107	68
	111	110
12. Current and other accounts		
Current accounts	1,492	7,853
Saving accounts	7,602	6,768
	9,094	14,621

The balances in saving accounts bear mark-up which ranges from 0.17% to 6% per annum.

		2006	2005
		(Rupees in thousand)	
13. Deposits maturing within 12 months			
Statutory deposit with State Bank of Pakistan		352	357
Term Deposit Receipts (TDR) with banks	- note 13.1	130,000	245,000
		130,352	245,357

TDRs bear mark-up ranging from 11.50% to 12.37% per annum.

13.1 These includes Rs. 100 million (2005: Rs 100 million) placed with IGI Investment Bank Limited (Formerly First International Investment Bank Limited) an associated undertaking.

		2006	2005
		(Rupees in thousand)	
14. Investments			
The investments comprise of the following:			
Equity instruments of associated companies	- note 14.1	253,766	122,280
Held to maturity	- note 14.2	28,194	35,201
Available for sale	- note 14.3	8,737,946	1,653,363
Held for trading	- note 14.4	226,830	62,942
		9,246,735	1,873,786

14.1 Equity instruments of associated companies

	2006	2005
Quoted		
IGI Investment Bank Limited (Formerly First International Investment Bank Limited)		
11,522,738 (2005: 4,401,717) fully paid ordinary shares of Rs 10 each	125,148	–
Equity held 24.99%		
Unquoted		
J&P Coats Pakistan (Pvt) Limited		
41,828 (2005: 41,828) fully paid ordinary shares of Rs 10 each	14,458	26,508
Equity held 20.91%		
Loads Limited		
1,249,260 (2005: 1,249,260) fully paid ordinary shares of Rs 10 each	114,160	95,772
Equity held 20.82%		
Dane Foods Limited		
2,643,161 (2005: 2,643,161) fully paid ordinary shares of Rs 10 each		
Equity held 30.62%		
In liquidation, break-up value is Rs Nil per share based on audited accounts for the year ended June 30, 2000.		
Cost	26,432	26,432
Less: Provision for diminution in value	(26,432)	(26,432)
	–	–
	253,766	122,280

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

14.1.2 The company's share of the results of its associated companies and its share of the assets, liabilities and revenues are as follows.

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit/ (loss)
2005					
J&P Coats Pakistan (Pvt) Limited	Pakistan	132,003	105,495	122,928	(5,801)
Loads Limited	Pakistan	145,865	50,093	90,317	25,068
Dane Foods Limited	Pakistan	–	–	–	–
		277,868	155,588	213,245	19,267
2006					
J&P Coats Pakistan (Pvt) Limited	Pakistan	139,058	124,600	134,642	(12,050)
Loads Limited	Pakistan	176,903	68,417	176,143	20,887
Dane Foods Limited	Pakistan	–	–	–	–
IGI Investment Bank Limited (Formerly First International Investment Bank Limited)	Pakistan	1,526,327	1,383,307	32,817	10,757
		1,842,288	1,576,324	343,602	19,594

The share of profit from IGI Investment Bank Limited is based on unaudited results.

14.2 Held to maturity

		2006	2005
		(Rupees in thousand)	
Government/Semi-Government securities	- note 14.2.1	6,676	9,352
Term finance certificates	- note 14.2.2	21,518	25,849
		28,194	35,201

14.2.1 Government/Semi-Government securities

Number of certificate 2006	2005	Face value Rupees	Company's name	2006 (Rupees in thousand)	2005
1	1	1,000,000	Pakistan Investment Bonds-I	1,000	1,000
1	2	2,675,875	Pakistan Investment Bonds-II	2,676	5,352
600	600	5,000	WAPDA Bonds	3,000	3,000
				6,676	9,352

14.2.2 Term finance certificates

Number of certificate 2006	2005	Face value Rupees	Company's name	2006 (Rupees in thousand)	2005
1	1	2,500,000	Bank Al Habib Limited	1,773	2,499
40	40	100,000	Dawood Leasing Company Limited	4,000	4,000
20	20	100,000	Dewan Salman Fibres Limited - II	1,248	1,248
20	20	100,000	IGI Investment Bank Limited - II (Formerly First International Investment Bank Limited)	88	88
164	164	5,000	Jahangir Siddiqui & Co.Limited.	615	820
259	259	5,000	Maple Leaf Cement Limited	216	647
70	70	100,000	NDLC-IFIC Bank Limited	171	171
600	600	5,000	Pak Mobile Communication Limited	2,400	3,000
–	258	5,000	Reliance Weaving Mills Limited	–	553
175	175	5,000	Securetel SPV Limited (Formerly SPV Limited)	146	219
30	30	100,000	Shakarganj Mills Limited-II	111	111
50	50	100,000	Sui Southern Gas Company Limited	833	2,498
–	200	5,000	Trust Investment Bank Limited (PILCORP)	–	73
75	75	100,000	Union Bank Limited	7,493	7,496
25	25	100,000	United Bank Limited	2,425	2,426
				21,518	25,849

14.3 Available for sale

		2006	2005
Related parties	- note 14.3.1		
- Quoted		8,534,450	1,432,129
- Unquoted		86,116	70,436
		8,620,566	1,502,565
Others	- note 14.3.2		
- Quoted		97,535	127,279
- Unquoted		19,846	23,519
		117,381	150,798
		8,737,946	1,653,363

14.3.1 Related Parties

Associated companies

Quoted

Number of Shares 2006	Number of Shares 2005	Percentage equity held %	Face value per share Rupees	Company's name		2006 (Rupees in thousand)	2005 (Rupees in thousand)
15,559,336	15,424,636	22.27%	10	Packages Limited		3,195,501	1,092,770
4,304,797	4,299,197	9.49%	10	Nestle Pakistan Limited	- note 14.5	4,169,189	135,822
290,432	290,432	2.17%	50	Unilever Pakistan Limited	- note 14.5	582,059	33,828
187,353	187,353	3.72%	10	Mitchell's Fruit Farms Limited		10,887	2,702
1,161,894	1,161,894	12.05%	10	Aventis Limited		280,654	29,207
544,206	544,206	13.01%	10	Treet Corporation		110,224	6,839
–	301,743	–	10	Wazir Ali Industries Limited - Cost		–	12,480
				Less: Provision for diminution in value		–	(7,169)
						–	5,311
130,122	130,122	3.25%	10	Zulfeqar Industries Limited		19,561	1,301
711,300	711,300	2.37%	10	Tri-Pack Films Limited		35,152	31,992
–	4,401,717	–	10	IGI Investment Bank Limited (Formerly First International Investment Bank Limited)		–	39,859
68,220	68,220	0.88%	10	Siemens Pakistan Engineering Company Limited	- note 14.6	67,801	7,132
7,248,000	4,530,000	3.01%	10	TRG Pakistan Limited		72,598	45,367
				Less: Provision for diminution in value		(9,176)	–
						63,422	45,367
						8,534,450	1,432,129
				Market value as at December 31		8,950,233	7,690,781

Unquoted

Number of Shares 2006	Number of Shares 2005	Percentage equity held %	Face value per share Rupees	Company's name		2006	2005
12,433,934	12,433,934	3.48%	10	Coca Cola Beverages Pakistan Limited. Break-up value is Rs 4.93 per share based on unaudited accounts for the period ended December 31, 2006			
				Cost		134,665	134,665
				Less: Provision for diminution in value		(84,780)	(84,780)
				Chief executive: Mr. John Mituhall Guarino		49,885	49,885
1,549,999	1,549,999	19.37%	10	Bayer Cropscience (Private) Limited. Break-up value is Rs 18.15 per share based on audited accounts for the year ended December 31, 2005			
				Cost		31,232	31,232
				Less: Provision for diminution in value		(3,097)	(10,681)
				Chief Executive: Mr. Pierre-Louis Dupont	28,135	20,551	
216,216	–	2.46%	10	Systems Limited. Break-up value is Rs 24.60 per share based on audited accounts for the year ended December 31, 2006			
				Cost		10,000	–
				Less: Provision for diminution in value	(1,904)	–	
				Chief Executive: Mr. Ashraf Kapadia		8,096	–
						86,116	70,436
				Breakup value as at December 31		98,270	89,632

14.3.2 Others

Quoted

Number of Shares 2006	Number of Shares 2005	Percentage equity held %	Face value per share Rupees	Company's name		2006 (Rupees in thousand)	2005 (Rupees in thousand)
–	2,109,375	–	10	International Housing Finance Limited		–	23,438
300	346	Nil	10	Exide Pakistan Limited		–	–
36,432	36,432	0.15%	10	BOC Pakistan Limited		5,143	22
738,260	1,069,673	0.44%	10	Engro Chemicals Pakistan Limited		45,213	63,074
23,187	37,250	0.05%	10	Shell Pakistan Limited		5,932	11,912
2,274	2,000		500	Unit Trust of Pakistan - Islamic Fund		1,000	1,000
326,259	109,958		103.92	Dawood Money Market Fund		31,000	11,000
67,423	51,923		50	Meezan Islamic Fund		2,000	2,000
77,116	70,119		51.1	Arif Habib - Pakistan Income Fund		3,000	3,000
58,614	43,228		89.09	Arif Habib - Pakistan Stock Market Fund		2,000	2,000
200,000	700,000		10	UTP Large Capital Fund		1,873	5,862
37,500	400,000		10	Pakistan Strategic Allocation Fund		372	3,971
						97,535	127,279
				Market value as at December 31		193,247	267,225

Unquoted

Number of Shares 2006	Number of Shares 2005	Percentage equity held %	Face value per share Rupees	Company's name		2006	2005
44	44		100	Kissan Fruit Growers Private Limited. Break-up value is Rs 549.28 per share based on audited accounts for the year ended September 30, 2005 Chief Executive: Mr Syed M. Mohsin		4	4
32	32		100	Punjab Fruit Growers Private Limited. Break-up value is Rs 105.58 per share based on audited accounts for the year ended September 30, 2005 Chief Executive: Mr Syed M. Mohsin		3	3
1,705	1,705		10	Haider Fruit Growers Private Limited. Break-up value is Rs 9.63 per share based on audited accounts for the year ended June 30, 2005			
				Cost		17	17
				Less: Provision for diminution in value		(1)	(1)
				Chief Executive: Mr Syed M. Mohsin		16	16
350	350		100	Petroleum Development Pakistan Limited	- note 14.7	–	–
500	500		100	National Steel of Pakistan Limited	- note 14.7	–	–
65,000	65,000		10	CDC Private Limited. Break-up value is Rs 70.22 per share based on audited accounts for the year ended June 30, 2006		9,110	9,110
				Chief Executive: Muhammad Hanif Jakhura			
1,000,000	1,000,000		10	DHA Cogen Limited. Break-up value is Rs 10 per share based on audited accounts for the year ended June 30, 2006		10,125	10,125
				Chief Executive: Mr Waqas Mohsin			
317,121	317,121		10	Techlogix International Limited. Break-up value is Rs 1.57 per share based on audited accounts for the year ended Decmeber 31, 2005.			
				Cost		4,261	4,261
				Less: Provision for diminution in value		(3,673)	–
				Chief Executive: Mr Kawan Khawaja		588	4,261
						19,846	23,519
				Break-up value as at December 31		15,196	18,066

14.4 Held for trading

Number of Shares 2006	Number of Shares 2005	Face value per share Rupees	Company's name	2006 (Rupees in thousand)	2005 (Rupees in thousand)
Others					
–	150,000	10	Abamco Capital Fund	–	2,025
10,500	–	10	AKD Index Tracker Fund	105	–
99,852	–	10	AMZ Plus Income Fund	10,615	–
50,000	–	10	Arif Habib Securities Limited	10,805	–
200,000	–	10	Atlas Fund of Funds	1,600	–
–	200,000	10	Abamco Stock Market Fund	–	3,210
75,000	–	10	Askari Commercial Bank Limited	7,871	–
–	75,000	10	Bank of Punjab Limited	–	7,684
100,000	–	10	Bosicor Pakistan Limited	1,540	–
500,000	–	10	BSJS Balanced Fund Limited	5,700	–
200,000	–	10	Bank AlFalah Limited	8,360	–
213,900	–	10	Engro Chemicals Lmited	36,149	–
200,000	–	10	D.G. Khan Cement Limited	12,590	–
65,000	–	10	Dandot Cement Limited	787	–
–	100,000	10	FFC Bin Qasim Limited	–	3,815
701,500	75,000	10	First Dawood Mutual Fund	4,455	701
150,000	–	10	Faysal Bank Limited	9,075	–
–	200,000	10	Hub Power Company Limited	–	4,800
3,300	3,000	10	Kohinoor Textile Mills Limited	75	123
202,797	–	10	KASB Liquid Fund	21,450	–
9,850	9,850	10	Maple Leaf Cement Limited	171	392
9,000	9,000	10	Maple Leaf Cement Limited - Preference shares	86	75
400,000	–	10	Meezan Balance Fund	3,440	–
3,053,952	–	10	NAFA Cash Fund	32,241	–
–	5,000	10	National Bank of Pakistan Limited	–	997
3,000	–	10	Nishat Mills Limited	263	–
125,000	–	10	Oil and Gas Development Corporation Limited	14,338	–
52	42	10	Pak Electron Limited	3	2
25,000	10,000	10	Pak Oilfields Limited	8,744	4,280
–	15,000	10	Pakistan Petroleum Limited	–	3,154
–	135,000	10	Pak Premier Fund	–	2,086
–	100,000	10	Pak PTA Limited	–	805
–	50,000	10	Pakistan Telecommunication Company Limited	–	3,270
25,000	50,000	10	PICIC	1,561	3,240
175,000	135,000	10	PICIC Growth Fund	4,979	6,696
110,000	–	10	Pakistan Premier Fund	1,430	–
475,000	450,000	10	PICIC Investment Fund	6,888	8,190
1,854	–	10	PICIC Insurance Limited	35	–
–	5,750	10	Prime Commercial Bank Limited	–	147
100,000	50,000	10	Southern Electric Power Company Limited	595	550
–	400,000	10	Telecard Limited	–	6,700
1	1	10	Union Bank Limited	–	–
30,499	–	10	UTP Income Fund	16,230	–
600,000	–	10	Zephyr Textile Limited	4,650	–
				226,830	62,942

14.5 1,165,589 shares of Nestle Pakistan Limited with book value of Rs 1,128.86 million and 71,724 shares of Unilever Pakistan Limited with a book value of Rs. 143.74 million are pledged as security against long term finance and short term running finance as referred to in note 8 and 9 resepctively.

14.6 Investments with a carrying value of Rs 0.052 million (2005: Rs 0.052 million) are held jointly by the company and its nominee.

14.7 These represent investments in Bangladesh.

15. Deferred taxation

	2006 (Rupees in thousand)	2005 (Rupees in thousand)
The liability for deferred taxation comprises time differences relating to:		
Accelerated tax depreciation	1,440	1,440
Investment in associated companies	(6,155)	(5,300)
Provision for doubtful receivables	5,163	3,970
Amortization of goodwill	13,041	13,041
	13,489	13,151

16. Premiums due but unpaid

	2006	2005
Unsecured		
- Considered good	130,428	104,968
- Considered doubtful	8,104	–
	138,532	104,968
Less: Provision for doubtful receivables	8,104	–
	130,428	104,968

17. Amounts due from other insurers/reinsurers

	2006	2005
Unsecured		
- Considered good	195,655	132,009
- Considered doubtful	6,646	11,342
	202,301	143,351
Less: Provision for doubtful receivables	6,646	11,342
	195,655	132,009

18. Sundry receivables

		2006	2005
Advances - Considered Good	- note 18.2	4,449	692
Deposits		3,635	1,905
Agent Balances		1,580	1,397
Gratuity	- note 18.1	1,753	1,203
Carry over transactions	- note 18.2	101,809	39,200
		113,226	44,397

18.1 Gratuity

The amounts recognised in the balance sheet are as follows:

		2006	2005
		(Rupees in thousand)	
Fair value of plan assets	- note 18.1.2	3.253	2,566
Present value of defined benefit obligation	- note 18.1.1	(3,666)	(3,279)
Unrecognised acturial (gains) / losses		2,166	1,916
(Liability) / assets as at December 31		1,753	1,203
Balance as at January 1		1,203	821
Charge for the year	- note 18.1.3	(777)	(643)
Company's contribution		1,327	1,025
		1,753	1,203

18.1.1 The movement in fair value of defined benefit obligation is as follows:

	2006	2005
Present value of defined benefit	3,279	3,932
Service cost	644	478
Interest cost	287	316
Benefits paid	(1,548)	(1,663)
Experience gain / (loss)	1,004	216
Present value of defined benefit	3,666	3,279

18.1.2 The movement in fair value of plan assets is as follows:

	2006	2005
Fair value as at January 1	2,566	3,022
Expected return on plan assets	261	250
Contributions	1,327	1,025
Benefits paid	(1,548)	(1,663)
Experience gain / (loss)	647	(68)
Fair value as at December 31	3,253	2,566

Plan assets are comprised as follows:

	2006	2005
Fixed interest bonds	1,431	2,181
Cash	1,822	385
	3,253	2,566

18.1.3 Charge for the year

	2006	2005
Current service cost	644	478
Interest cost	287	316
Expected return on investments	(261)	(250)
Recognition of actuarial loss	107	99
Expense for the year	777	643

The present value of defined benefit obligation, fair value of plan assets and surplus or deficit of gratuity fund is as follows:

	2006	2005	2004	2003	2002
	(Rupees in thousand)				
As at December 31					
Present value of defined benefit obligation	3,666	3,279	3,932	3,776	2,419
Fair value of plan assets	3,253	2,566	3,022	2,772	2,082
Loss	413	713	910	1,004	337
Experience adjustment on obligation	13%	16%	5%	19%	30%
Experience adjustment on plan assets	11%	12%	-2%	-8%	11%

18.2 Included in advances and carry over transactions are amounts of Rs 1,842 thousand (2005: Rs Nil) and Rs 101,809 thousand (2005: Rs 39,200 thousand) respectively, representing balance receivable from IGI Investment Bank Limited (Formerly First International Investment Bank Limited).These are in the normal course of business and are interest free.

19. Fixed assets

Tangible

(Rupees in thousand)

	Cost as at January 1, 2006	Additions/ (deletions)	Cost as at December 31, 2006	Accumulated depreciation as at January 1, 2006	Depreciation charge/ (deletions) for the year	Accumulated depreciation as at December 31, 2006	Book value as at December 31, 2006	Depreciation rates
Furniture and fixtures	4,595	1,592	5,752	2,048	435	2,299	3,453	10
		(435)			(184)			
Office equipment	6,044	1,315	6,942	3,450	774	3,988	2,954	10-20
		(417)			(236)			
Computer equipment	14,023	3,819	17,732	11,368	1,782	13,040	4,692	33.33
		(110)			(110)			
	24,662	6,726	30,426	16,866	2,991	19,327	11,099	
		(962)			(530)			
Motor vehicles	25,202	23,074	37,103	9,824	4,458	9,201	27,902	20
		(11,173)			(5,081)			
2006	49,864	29,800	67,529	26,690	7,449	28,528	39,001	
		(12,135)			(5,611)			
2005	41,787	16,501	49,864	24,646	6,821	26,691	23,173	
		(8,424)			(4,776)			

19.1 International Accounting Standards (IAS) 16; "Property plant and equipment (revised 2003) is applicable to financial statements covering annual periods beginning on or after January 1, 2005. The revised IAS 16 requires a review of residual value of assets, useful lives and depreciation method at each financial year end. Accordingly, the management carried out a review of the residual values and useful lives of its fixed assets during the current year. Based on this review, the management has revised its estimate in respect of residual value of vehicles to 25 percent of cost. Previously, residual value of these assets was considered as nil. Had the accounting estimate not been revised the depreciation charge for the year would have been higher by Rs 0.461 million and the profit before tax for the year would have been lower by the same amount.

19.2 Disposal of operating fixed assets

Particulars of the assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of Disposal
		(Rupees in thousand)				
Vehicles Executives						
Honda City LRD-8730	Zubeela Khokhar	836	670	166	412	Company Policy
Hyundai Santro LZG-607	Faisal Shahzad	537	233	304	438	Company Policy
Hyundai LRX-9262	Athar Chaudhry	526	228	298	397	Company Policy
Coure IDL-7162	Muhammad Hisham	413	261	152	232	Company Policy
Suzuki Baleno HZ-976	Muhammad Amjad	860	143	717	768	Company Policy
Suzuki Alto AEK-664	Ghaisuddin Ahmed	281	122	159	246	Company Policy
Suzuki Cultus ADX-973	Mir Mehmood Ali	333	178	155	315	Company Policy
Honda City LWG-1890	Athar Saleem Chaudhry	993	66	927	992	Company Policy
Suzuki Mehran LZZ-3386	Dr. Fawad Sarwar	400	80	320	333	Company Policy
Suzuki Mehran FSF-667	Muhammad Akmal	452	98	354	453	Company Policy
Outsiders						
Honda City AEL-864	Wasi Ahmad	440	235	205	410	Negotiation
Honda Civic BRG-13	Shahzad Ahmed	579	473	106	360	Negotiation
Honda City KC-960	Fareed Khan	908	76	832	885	Negotiation
Suzuki Alto LXV-3070	Muhammad Saeed	422	288	134	243	Negotiation
Honda Civic LRD-8585	Muhammad Akram	612	306	306	400	Negotiation
Honda Civic LRD-261	Muhammad Irfan Sagheer	650	45	605	600	Negotiation
Honda City RIY-9437	Fareed Khan	588	333	255	650	Negotiation
Furntiure and fixture - Carpet	Bakson	209	97	112	15	Negotiation
Office and electrical equipments - Photocopier		116	44	72	116	Insurance claim
Other assets with Book Value less than Rs 50,000		1,980	1,635	345	2,374	
		12,135	5,611	6,524	10,639	

20. Capital work in progress

This represents the acquisition cost of head office building and certain renovation expenses.

	2006	2005
	(Rupees in thousand)	
21. Goodwill		
Opening balance	51,321	102,643
Recognized during the year	–	–
Amortization for the year	(51,321)	(51,322)
Closing balance	–	51,321
22. Other income		
Income from financial assets		
Finance income from carry over transactions	10,877	3,123
Income from non-financial assets		
Gain on disposal of fixed assets	4,115	1,326
Miscellaneous	326	86
	4,441	1,412
	15,318	4,535

		2006	2005
		(Rupees in thousand)	
23. Financial charges			
Mark-up on			
- Long term finance		70,851	47,322
- Short term running finance		35,869	6,174
Bank charges		521	308
		107,241	53,804
24. General and administrative expenses			
Office renovation		1,200	689
General office premium		2,684	1,551
Motor car expenses		5,041	3,422
Tour and travelling		7,990	4,832
Club expenses		119	22
Representation expenses		590	729
Books and periodicals		103	197
Stationary and printing		3,033	2,803
Depreciation	- note 19	7,449	6,821
Donations		476	1,502
Directors' fee		20	–
Zakat		7	–
Office cleaning and maintenance		146	348
Bad debts		–	25
Auditors' remuneration	- note 24.1	589	414
Advertisement expenses		21,815	6,134
Legal and professional		10,239	10,431
Sundry expenses		298	886
		61,799	40,806
24.1 Auditors' remuneration			
Audit fee		300	180
Fee for review of financial statements		100	85
Special audit		–	110
Statutory returns		85	–
Certification fee		10	–
Out of pocket expenses		94	39
		589	414
25. Taxation			
For the year			
- Current		28,735	40,000
- Deferred		(338)	(3,215)
		28,397	36,785
Prior years			
- Current		(13,658)	10,165
- Deferred		–	(9,936)
		(13,658)	229
		14,739	37,014

25.1 Tax Charge Reconciliation

	2006 % age	2005 % age
Numerical reconciliation between the average effective tax rate and the applicable tax rate.		
Applicable tax rate	35.00	35.00
Tax effect of amounts that are:		
Not deductible for tax purposes	–	0.92
Chargeable to tax at different rates	(34.53)	(22.92)
Effect of rebates and others	(0.08)	(1.75)
Change in prior year's tax	(0.19)	0.07
	(34.80)	(23.68)
Average effective tax rate charged to profit and loss account.	0.20	11.32

26. Remuneration of Chief Executive, Director and Executives

26.1 The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the Chief Executive, Director and Executives of the company is as follows:

(Rupees in thousand)

	Chief Executive 2006	Chief Executive 2005	Director 2006	Director 2005	Executives 2006	Executives 2005
Managerial remuneration	2,088	1,401	600	555	3,947	4,458
Retirement benefits (including provident fund)	362	216	–	–	685	687
Housing and utilities	1,316	1,063	300	56	2,253	2,278
Medical expenses	204	145	–	–	237	199
Conveyance allowance	315	254	–	–	461	784
Others	522	1,447	383	–	817	663
	4,807	4,526	1,283	611	8,400	9,069
Number of persons	1	1	1	1	4	4

Chief Executive and executives of the company were also provided with company maintained cars and residential telephones.

26.2 Remuneration to other directors

Aggregate amount charged in the financial statements for the year for fee to 7 directors (2005: 7 director) was Rs 19,500 (2005: Rs. 18,000).

27. Transactions with related parties

Related parties comprise associated undertakings, other related companies, directors of the company and post employment benefit plans. The company in the normal course of business carries out transactions with various related parties. Remuneration of directors is disclosed in note 26. Amounts due to/from and other significant transactions with related parties are as follows:

Relationship with the company	Nature of transactions	2006 (Rupees in thousand)	2005 (Rupees in thousand)
i. Associated undertakings	Insurance premium	39,838	79,879
	Insurance commission	302	3,968
	Claims paid	25,034	1,859
	Dividend received	2,499	4,172
	Premium receivable	7,811	2,306
	Commission payable	–	448
	Dividend paid	530	477
ii. Other related parties	Insurance premium	290,814	301,893
	Insurance commission	13,603	15,011
	Claims paid	32,562	53,073
	Dividend received	170,050	127,774
	Premium receivable	26,927	36,634
	Commission (receivable)/payable	(2,262)	11,897
	Profit on TFCs received	–	7,995
	Dividend paid	6,318	6,018
	Sale of investments	169	–
iii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	777	2,128

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

28. Segment Reporting

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

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

	Fire		Marine		Motor and Miscellaneous		Total	
	2006	2005	2006	2005	2006	2005	2006	2005
							(Rupees in thousand)	
Other information								
Segment assets	418,116	303,828	203,622	159,082	360,583	215,971	982,321	678,881
Unallocated corporate assets							9,416,728	2,279,068
Consolidated total assets							10,399,049	2,957,949
Segment liabilities	293,969	207,986	139,992	100,527	479,418	264,842	913,379	573,355
Unallocated corporate liabilities							975,949	1,155,839
Consolidated total liabilities							1,889,328	1,729,194
Capital expenditure	9,021	5,399	6,317	4,319	14,462	6,783	29,800	16,501
Depreciation	2,255	2,231	1,579	1,786	3,615	2,804	7,449	6,821

29. Basic earnings per share

	2006	2005
	(Rupees in thousand)	
Profit after taxation attributable to ordinary shares	7,342,370	289,743
	Number of shares	
Weighted average number of ordinary shares issued and subscribed at the end of the year	19,956,331	19,956,331
	Rupees per shares	
Earnings per share	367.92	14.52

No figure for diluted earning per share has been presented as the company has not issued any instruments which would have an impact on earnings per share when exercised.

30. Financial assets and liabilities

(a) Yield/ mark-up rate risk

	Interest/mark up bearing			Non interest/mark up bearing			Total		Credit Risk	
	Maturity upto one year	Maturity after one year	Sub total	Maturity upto one year	Maturity after one year	Sub total	2006	2005	2006	2005
					Rupees in thousands					
Financial assets										
Cash and bank deposits	137,597	–	137,597	1,960	–	1,960	139,557	260,088	139,089	189,555
Investments	–	28,194	28,194	9,218,541	–	9,218,541	9,246,735	1,873,786	9,246,735	1,873,786
Premium due but unpaid	–	–	–	130,428	–	130,428	130,428	104,968	130,428	104,968
Amount due from other insurers/reinsurers	–	–	–	195,655	–	195,655	195,655	132,009	195,655	132,009
Accrued investment income	–	–	–	4,829	–	4,829	4,829	44,724	4,829	44,724
Sundry receivables	101,809	–	101,809	11,417	–	11,417	113,226	44,397	113,226	44,397
2006	239,406	28,194	267,600	9,562,830	–	9,562,830	9,830,430	2,459,972	9,829,962	2,389,439
2005	256,458	30,511	286,969	2,173,003	–	2,173,003				
Financial liabilities										
Provision for outstanding claims	–	–	–	197,282	–	197,282	197,282	182,538		
Amounts due to other insurers\reinsurers	–	–	–	122,705	–	122,705	122,705	103,547		
Accrued expenses	–	–	–	45,307	–	45,307	45,307	31,319		
Dividends	–	–	–	1,646	–	1,646	1,646	1,401		
Long term finance	120,000	500,000	620,000	–	–	–	620,000	740,000		
Short term finance	356,543	–	356,543	–	–	–	356,543	383,119		
Sundry Creditors	–	–	–	103,175	–	103,175	103,175	17,998		
2006	476,543	500,000	976,543	470,115	–	470,115	1,446,658	1,459,922		
2005	383,119	740,000	1,123,119	336,793	–	336,793				
On-balance sheet sensitivity gap	(237,137)	(471,806)	(708,943)	9,092,716	–	9,092,716	8,383,772			
Total yield/mark-up rate risk sensitivity gap	(237,137)	(471,806)	(708,943)				(708,943)			
Cumulative yield/mark-up rate risk sensitivity gap	(237,137)	(708,943)								

The effective interest/markup rates for monetory assets and liabilities are disclosed in respective notes to these financial statements.

(b) Liquidity risk

Liquidity risk is the risk that an enterprise will be unable to meet its funding requirements. To guard against the risk, company has diversified funding sources and assets are managed with liquidity in mind. The maturity profile is monitored to ensure adequate liquidity is maintained.

(c) Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted. The Company's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits Company's exposure to credit risk through monitoring of client's credit exposure, review and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that is not exposed to significant conservation of credit risk as its financial assets are adequately diversified on organization of sound financial standing covering various industrial sector and segments.

(d) Reinsurance risk

Reinsurance ceded do not relieve the company from its obligation to policy holders and as a result the company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreement.

In common with other insurance companies, in order to minimize the financial exposure arising from large claims, the company in the normal course of business, enters into agreement with other parties for reinsurance purposes.

To minimize its exposure to significant losses from reinsurer insolvencies, the company obtains reinsurance from a number of reinsurers, who are dispersed over several geographical regions.

31. Fair Value of Financial Instruments

The carrying value of all the financial instruments reported in the financial statements approximate their fair value except for investments available for sale included in note 14.3. Fair value is determined on the basis of objective evidence at each reporting date.

32. Events after the Balance Sheet date

Subsequent to Decemeber 31, 2006 the company conducted an extra ordinary general meeting on February 2, 2007 in order to change its name from International General Insurance Company of Pakistan Limited to IGI Insurance Limited. Accordingly, the approval of SECP has been obtained along with the revised certificate of incorporation, ratifying the change of name.

The Board of Directors have proposed a final dividend for the year ended December 31, 2006 of Rs 4.00 (2005: Rs 4.00) per share, amounting to Rs 79,825 million (2005: Rs 61.404 million) at their meeting held on March 05, 2007 for the approval of the members at the Annual General Meeting to be held on April 27, 2007. The Board has also recommended to transfer Rs 7,280 million (2005: Rs 150 million) to general reserves and Rs 119.738 million (2005: Rs 46.053 million) to reserve for issue of bonus shares respectively from unappropriated profit.

IGI Insurance

Notes to the Financial Statements For the Year Ended December 31, 2006

33. Date of Authorization for Issue

These financial statements were authorized for issue on March 05, 2007 by the Board of Directors of the company.

34. Corresponding Figure

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison. However, no significant rearrangements have been made.

Syed Hyder Ali Director	Shamim Ahmad Khan Director	Syed Babar Ali Chairman	Syed Javed Hassan Principal Officer and Chief Executive

IGI
Insurance

Form of Proxy

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

I/We ____
(name)

of ____ being member(s)

of **IGI Insurance Limited,** and holder of ______________________ Ordinary Shares as per Share
(number of shares)

Registered **Folio No.** __________ and/or **CDC Participant I.D. No.** _________ and **Sub Account No.** ________

hereby appoint another member _________________________ of ______________________
(name)

or failing him/her another member ____
(name)

of ____

as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the fifty third Annual General Meeting of the Company to be held on Friday, April 27, 2007 at 3:00 P.M. at the registered office of the Company at 7th Floor, The Forum Suite No. 701-713, G-20, Block 9, Khayaban-e-Jami, Clifton, Karachi-75600 and at any adjournment thereof.

Signed this ____________________ day of _____________ 2007.

1. **Witness:**
   Signature ________________
   Name ________________
   Address ________________
   ____
   NIC or
   Passport No. ________________

2. **Witness:**
   Signature ________________
   Name ________________
   Address ________________
   ____
   NIC or
   Passport No. ________________

Signature:

Please affix Rupees Five Revenue Stamp

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

Notes: Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting.

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

The shareholders having shares deposited with the Central Depository Company (CDC) are requested to bring their Original National Identity Cards and CDC account number for verification.

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AFFIX
CORRECT
POSTAGE

The Company Secretary,

IGI Insurance Limited,
(Formerly International General Insurance Company of Pakistan Limited),
7th Floor, The Forum, Suite Nos. 701-713,
G-20, Block 9, Khayaban-e-Jami, Clifton,
Karachi-75600, Pakistan

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