



Habib Insurance
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Habib Insurance Company Ltd.
80th Annual Report 2022

Habib Insurance Company Limited

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Proxy Form

Habib Insurance Company Limited

Company Information

Board of Directors

Chairman	:	Rafiq M. Habib
Directors	:	Abbas D. Habib
		Mansoor G. Habib
		Muhammad Hyder Habib
		Qumail R. Habib
		Aun Mohammad A. Habib
		Shahid Ghaffar
		Ali Fadoo
		Maleeha Humayun Bangash
Chief Executive	:	Syed Ather Abbas
Chief Financial Officer	:	Murtaza Hussain
Company Secretary	:	Muhammad Maaz Akbar
Auditors	:	KPMG Taseer Hadi & Co. Chartered Accountants
Share Registrar	:	M/s. CDC Share Registrar Services Limited CDC House, 99-B, Block-B SMCHS, Main Shahrah-e-Faisal Karachi-74400
Shariah Advisory Board	:	Mufti Imtiaz Alam Mufti Muhammad Ashraf Alam Mufti Muhammad Hanif
Registered Office	:	1st Floor, State Life Bldg. No. 6 Habib Square, M. A. Jinnah Road P.O. Box 5217, Karachi-74000 Pakistan Tel : (92-21) 32424030/38/39 Fax : (92-21) 32421600 UAN : (92-21) 111 03 03 03 Website : www.habibinsurance.net

Habib Insurance Company Limited

Review Report by the Chairman on the Overall Performance of the Board

Alhamdulillah, I am pleased to present a report on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Company's objectives.

As required under the Code of Corporate Governance, an annual evaluation of the Board of the Company is carried out. The purpose of this evaluation is to ensure the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

Accordingly, performance evaluation of the Board was conducted in 2022 as per mechanism approved by the Board. It was concluded that the overall performance of the Board, including effectiveness of the role played by the Board in achieving the Company's objectives, was found to be generally satisfactory.

Overall objective of performance evaluation of the Board is to ensure sustainable growth and development of the Company, with focus on the following areas:

- (a) Creating an Effective Board
- (b) Running an Effective Board
- (c) Understanding the Business including Risk
- (d) Performance Evaluation
- (e) Ethical & Values Driven
- (f) Strategic Objectives
- (g) Ideas for Improvement

Lastly, I wish to acknowledge the commitment and diligence of my fellow Directors, the executive team and all the employees of the Company for their hard work and contribution towards the growth of the Company.

Karachi: May 05, 2023

RAFIQ M. HABIB
Chairman

Habib Insurance Company Limited

Eightieth Report of the Directors to the Shareholders for the year ended December 31, 2022

The Shareholders,

The Board of Directors have pleasure in presenting the Eightieth Annual Report, alongwith the audited accounts of the Company for the year ended December 31, 2022.

	Rupees in '000
Profit after tax for the year 2022	111,091
Amount available after appropriations for the year 2021	19,027
	<u>130,118</u>
The Board of Directors now propose:	
Payment of dividend at Rs. 0.625 per share of Rs. 5/- each i.e. @ 12.5%	77,422
Transfer to Reserves	50,000
Unappropriated profit carried forward	2,696
	<u>130,118</u>
Basic earnings per share	0.90

The Directors are pleased to recommend payout of 12.5% to shareholders as mentioned above.

By the Grace of Allah, the written gross premium grew by 32% to Rs. 3 billion. The net premium revenue was Rs. 1.2 billion compared to Rs. 806.2 million last year despite a substantial increase in the amount placed in reserves, the benefit of which will accrue in subsequent period. There was an underwriting loss of Rs. 20.6 million, largely due to certain provisions taken in the accounts resulting from the exercise of coinsurance reconciliations. These provisions will be reversed in the subsequent year after the settlements with coinsurance companies are made.

The investment income for the year was Rs. 124.6 million as against 141.03 million, largely due to capital losses realized and impairment on equity securities recorded during the year. The dividend income rose to Rs. 150.2 million. As a result, the profit after tax of the Company for 2022 was Rs. 111.1 million.

The Pakistan Rating Agency has assigned A++ Insurer Financial Strength (IFS) rating to the Company. This denotes a strong capacity to meet policy holders and contract obligations.

The GDP of Pakistan during the fiscal year 2022 registered a growth of 5.97%. Present macroeconomic challenges have led to inflationary pressure on the economy. In order to address the external account situation and to reduce the inflationary wave, the State Bank of Pakistan during the course of the year raised the policy rate by 6.25% to 16%, which has now been increased to 21%. Going forward, with further foreign repayment obligations of USD 75bn during FY24-26, the external account would likely remain in a tight spot where the resumption of the IMF program would be of utmost critical importance.

The KSE 100 Index closed at 40420 as at December 31, 2022, a decrease of 9.4% over the preceding year and is presently around 41463 level as on April 27, 2023.

Looking ahead for the year 2023, the Company will continue its effort to strive for progress to Inshallah attain better underwriting results through focusing on expansion of business, without compromising on its cautious underwriting, alongwith sustained investment income.

As always, we are indeed thankful to all our clients and customers who have placed confidence in our Company. A special mention is made for all the support and guidance we have received from our Reinsurers. The Board of Directors would like to express their appreciation to all staff members of the Company for their dedication and hard work throughout the year.

We pray to Allah for Peace and Prosperity for our Nation, Ameen!

Habib Insurance Company Limited

Composition of Board

The Board of Directors of the Company consist of nine (9) Directors (One Female and Eight Male directors). Composition of Board is as under;

Independent Directors - Male	Mr. Shahid Ghaffar Mr. Ali Fadoo
Independent Director - Female	Ms. Maleeha Humayun Bangash
Non-Executive Directors	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib
Executive Director	Mr. Aun Mohammad A. Habib

Corporate Social Responsibility (CSR)

The Company is fully committed to the concept of Corporate Social Responsibility and fulfills this responsibility by engaging in a wide range of activities which include:

- Corporate philanthropy amounting to Rs. 3.2 million by way of donations during the year for social and educational development and welfare of lesser privileged sections of society.
- Providing a safe and healthy work environment, energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and "No Smoking Zone".
- Business ethics, requiring all members to comply with the Company's "Code of Conduct", and to ensure the highest levels of business and personal ethics.
- Amicable staff relations, recognition of merit and performance, and on-going opportunities for learning and growth of staff, both on-the-job and through formal training programmes;
- Employment through a transparent procedure, without discrimination on the basis of religion, caste, language, etc.; and
- Contribution to the national exchequer by the Company by way of direct taxes of Rs. 29.5 million during the year; furthermore, an additional amount of over Rs. 493.8 million was deducted/ collected by the Company on account of withholding taxes, sales tax on services and federal excise duties on behalf of and disbursed to the Government of Pakistan.

Risk Management Framework

The Company has had a Risk Management Framework commensurate with its size nature of business. This framework has developed over the years and continues to be refined and improved, and the process is overseen by the Risk Management Committee. The Company aims to take business risks in a prudent manner, guided by a conservative outlook. Business risks and mitigation factors are described in detail in Notes 37 & 38 of the Notes to the Conventional Financial Statements and Notes 28, 29 & 31 of Window Takaful Operations Financial Statements.

Board Committees

Audit Committee

The Audit Committee of the Company comprises of three members with representation of an Independent Director as Chairman who is also financially literate and two Non-Executive Directors. The Audit Committee met four times during the year. Attendance of meetings is as follows:

		No. of Meetings attended
Mr. Shahid Ghaffar	Chairman	3
Mr. Mansoor G. Habib	Member	3
Mr. Qumail R. Habib	Member	4

Ethics, Nomination, Human Resource & Remuneration Committee

The Ethics, Nomination, Human Resource & Remuneration Committee comprises of four members with representation of an Independent Director as Chairman, two Non-Executive Directors, an Executive Director & Chief Executive.

Mr. Ali Fadoo	Chairman
Mr. Rafiq M. Habib	Member
Mr. Abbas D. Habib	Member
Mr. Aun Mohammad A. Habib	Member
Syed Ather Abbas	Member

Habib Insurance Company Limited

The committee met twice during the year. At the time of the meeting the Committee comprised of the following members and their attendance in the meetings was as follows:

		No. of Meetings attended
Mr. Ali Fadoo	Chairman	2
Mr. Rafiq M. Habib	Member	2
Mr. Abbas D. Habib	Member	-
Mr. Aun Mohammad A. Habib	Member	2
Mr. Shabbir Gulamali	Member	1

Investment Committee

The Investment Committee comprises of seven members with the representation of two Independent Directors, two Non-Executive Directors, an Executive Director, Chief Executive & Chief Financial Officer. The Investment Committee met four times during the year. Attendance of meetings is as follows:

		No. of Meetings attended
Mr. Shahid Ghaffar	Chairman	—
Mr. Mansoor G. Habib	Member	2
Mr. Qumail R. Habib	Member	2
Mr. Aun Mohammad A. Habib	Member	4
Ms. Maleeha Humayun Bangash	Member	3
Mr. Shabbir Gulamali	Member	3
Mr. Murtaza Hussain	Member	4
Syed Ather Abbas	Member	1

Leave of absence was granted to all the directors who could not attend the meeting.

During the year Syed Ather Abbas was appointed as a member in place of Mr. Shabbir Gulamali and one meeting was held after his appointment which was attended by him.

Directors Training Programme

Out of nine Directors of the Company, five have already attended the Directors' Training Programme. Four Directors are exempt from this requirement based on their qualification and experience.

Directors' Remuneration Policy

The Board of Directors has approved a 'Policy and Procedure for Fixing Remuneration of Directors', which states that:

- No director shall determine own remuneration. Remuneration shall be subject to approval of the Board of Directors.
- Remuneration shall be appropriate and commensurate with the level of responsibility and expertise, to attract and retain directors needed to govern the Company successfully and to encourage value addition. However, it shall not be at a level that could be perceived to compromise their independence.

The details of the remuneration of Directors are disclosed in Note 32.

Auditors

The present auditors, M/s. KPMG Taseer Hadi & Co. Chartered Accountants, retire and do not offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended the appointment of Grant Thornton Anjum Rahman as auditors of the Company for the year ending December 31, 2023, at a fee to be mutually agreed.

Statement on Corporate and Financial Reporting Framework

1. The financial statements prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

Habib Insurance Company Limited

2. The proper book of accounts of the Company has been maintained.
3. Appropriate accounting policies have been consistently applied in the preparation of financial statements, changes if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards and Islamic Financial Accounting Standards as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for the last six years is annexed.
9. Information about the taxes and levies is given in the notes to the financial statements.
10. Value of investments and balance in deposit accounts of Provident Fund as at December 31, 2022 is Rs. 103.1 million.
11. During the year four Board meetings were held and the attendance of the Directors is as follows:

Date of Meeting	Attended by
March 31, 2022	Mr. Rafiq M. Habib Mr. Mansoor G. Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Mr. Shahid Ghaffar Mr. Ali Fadool Mr. Shabbir Gulamali Chief Executive
April 28, 2022	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Mr. Ali Fadool Ms. Maleeha Humayun Bangash Mr. Shabbir Gulamali Chief Executive
August 30, 2022	Mr. Rafiq M. Habib Mr. Mansoor G. Habib Mr. Qumail R. Habib Mr. Shahid Ghaffar Mr. Ali Fadool Mr. Aun Mohammad A. Habib Ms. Maleeha Humayun Bangash Mr. Shabbir Gulamali Chief Executive
October 27, 2022	Mr. Rafiq M. Habib Mr. Mansoor G. Habib Mr. Muhammad Hyder Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Mr. Ali Fadool Ms. Maleeha Humayun Bangash Syed Ather Abbas Chief Executive

Leave of absence was granted to all the directors who could not attend the meeting.

12. The pattern of shareholding and additional information regarding pattern of shareholding is annexed.

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13. Except as stated below, no trades in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Purchased

	No. of Shares
Mr. Mansoor G. Habib	23,500
Mr. Aun Mohammad A. Habib	13,384
Ms. Farah Fatima Habib wife of Mr. Muhammad Hyder Habib	915,856
Mr. Qumail R. Habib	3,822
Mr. Abbas D. Habib	8,149

Sold

	No. of Shares
Mr. Mansoor G. Habib	3,000

On behalf of the Board of Directors

AUN MOHAMMAD A. HABIB
Director

SYED ATHER ABBAS
Chief Executive

Karachi: May 05, 2023

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Six Years' Review at a Glance

Years	2022	2021	2020	2019	2018	2017
	(Rupees in '000)					
Gross Written Premium/ Contribution	3,022,231	2,295,087	1,804,618	1,705,935	1,345,436	1,163,365
Net Insurance Premium/ Contribution	1,414,026	911,418	792,021	774,736	532,595	555,977
Investment Income	124,572	141,031	94,145	94,810	196,665	215,224
Net Insurance/ Takaful Claims	749,397	431,983	385,467	432,933	313,987	373,716
Profit after Tax	111,091	107,024	61,663	70,087	105,310	109,956
Paid-up Capital	619,374	619,374	619,374	619,374	619,374	619,374
Reserves & Retained Earnings	548,928	635,700	680,874	629,807	719,185	816,253
Total Assets	4,543,639	4,193,752	4,017,876	3,640,667	3,282,403	3,276,059
Cash Dividend - %	12.5	12.5	10	10	15	15

Habib Insurance Company Limited

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Habib Insurance Company Limited

Review of the Statement of compliance with the Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurer, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (combined called 'the Code') prepared by the Board of Directors of **Habib Insurance Company Limited** ("the Company") for the year ended 31 December 2022 in accordance with the requirements of the Code.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code as applicable to the Company for the year ended 31 December 2022.

Date: May 08, 2023
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

UDIN: CR202210201qJQSHMaE5

Habib Insurance Company Limited

INDEPENDENT AUDITOR'S REPORT

To the members of Habib Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Habib Insurance Company Limited** ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2022 and of the total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for 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 Financial Statements section of our report. We are independent of the Company 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Habib Insurance Company Limited

Following are the key audit matters:

S.No.	Key audit matter(s)	How the matters were addressed in our audit
1	<p>Valuation of Incurred but not reported (IBNR) claims reserves.</p> <p>(Refer notes 3.20.2 and 23 of the annexed financial statements)</p> <p>As at December 31, 2022, provision for IBNR amounted to Rs. 81.014 million.</p> <p>The provision for IBNR claims is calculated by the Company as per the requirement of Securities Exchange Commission of Pakistan under circular No. 9 of 2016, for each class of business under the "Chain Ladder Method "or any other alternate method as allowed under the provisions of the Guidelines.</p> <p>The calculation of provision for IBNR claims involve estimation and judgement. Because of the significance of the impact of these judgements/estimations, we considered the area of IBNR as a key audit matter.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> • Evaluated the design and implementation of the relevant controls over the measurement and calculation of IBNR reserves and. Also, evaluated the appropriateness of methodologies and assumptions used for the purpose. • Evaluated the completeness, accuracy and reliability of the underlying data used by the management to support the actuarial valuation. • Involved an independent actuarial expert to test the working of IBNR and assess the reasonableness of the assumptions used therein. • Assessed whether the financial statements disclosures in relation to the valuation of IBNR reserves are compliant with the relevant accounting and reporting standards applicable in Pakistan.

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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the Other Information. The Other Information comprises the information included in the Company's Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs as applicable in Pakistan 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Habib Insurance Company Limited

- 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

Date: May 08, 2023
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

UDIN: AR202210201HciGjVvk0

HABIB INSURANCE COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2022 ----- (Rupees in '000) -----	2021 -----
Assets			
Property and equipment	5	56,102	68,892
Intangible assets	6	449	666
Investments			
Equity securities	7	821,124	1,210,429
Government securities	8	715,268	183,188
Term finance certificates	9	100,573	-
Loans, deposits and other receivables	10	182,727	164,898
Insurance / reinsurance receivables	11	886,380	1,181,492
Reinsurance recoveries against outstanding claims	23	637,543	553,170
Salvage recoveries accrued		38,933	51,077
Deferred commission expense	25	146,080	131,216
Prepayments	14	525,417	490,231
Taxation - provision less payment		5,835	3,387
Cash and bank	15	306,241	88,566
		<u>4,422,672</u>	<u>4,127,212</u>
Total Assets of Window Takaful Operations - Operator's Fund		120,967	66,540
Total Assets		<u>4,543,639</u>	<u>4,193,752</u>
Equities and Liabilities			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	16	619,374	619,374
Reserves	17	414,961	493,054
Unappropriated profits		133,967	142,646
Total Equity		1,168,302	1,255,074
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	23	959,567	786,589
Unearned premium reserves	22	1,202,472	1,002,575
Premium deficiency reserves		6,188	6,324
Unearned reinsurance commission	25	156,637	160,786
Retirement benefit obligations	12	130,311	130,859
Deferred taxation	13	17,290	82,023
Lease liability against right of use assets	18	30,908	37,528
Premium received in advance		60,189	15,992
Insurance / reinsurance payables	19	425,363	379,589
Other creditors and accruals	20	303,447	298,916
		<u>3,292,372</u>	<u>2,901,181</u>
Total Liabilities of Window Takaful Operations - Operator's Fund		82,965	37,497
Total Liabilities		<u>3,375,337</u>	<u>2,938,678</u>
Total Equity and Liabilities		<u>4,543,639</u>	<u>4,193,752</u>
Contingencies and commitments			
	21		

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



Chairman

Director

Director

Chief Executive Officer

Chief Financial Officer

HABIB INSURANCE COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Net insurance premium	22	1,227,979	806,165
Net insurance claims	23	(627,306)	(380,257)
Premium deficiency		136	(173)
Net commission and other acquisition cost	25	85,289	43,963
Insurance claims and acquisition expense		(541,881)	(336,467)
Management expenses	26	(706,756)	(498,442)
Underwriting results		(20,658)	(28,744)
Investment income	27	124,572	141,031
Other income	28	39,259	74,216
Other expenses	29	(11,314)	(10,785)
Results of operating activities		131,859	175,718
Finance cost	30	(3,282)	(10,924)
Profit/ (loss) before tax from Window Takaful Operations - Operator's Fund		12,619	(17,137)
Profit for the year before tax		141,196	147,657
Income tax expense	31	(30,105)	(40,633)
Profit for the year		111,091	107,024
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit and loss account</i>			
Unrealised loss on available-for-sale investments during the year		(188,243)	(106,857)
Less: Net (loss) / gain transferred to profit and loss on disposal / redemption / impairment of investment		11,906	(28,171)
		(176,337)	(135,028)
Related tax impact		48,244	39,158
		(128,093)	(95,870)
Other comprehensive income from Window Takaful Operations - Operator's Fund - net of tax		-	(60)
<i>Items not to be reclassified to profit and loss account in the subsequent year</i>			
Actuarial gain on defined benefit plan	12.5	7,918	7,549
Related tax impact		(266)	(1,880)
		7,652	5,669
Other comprehensive loss		(120,441)	(90,261)
Total comprehensive income for the year		(9,350)	16,763
----- (Rupees) -----			
Earnings per share - rupee	32	0.90	0.86

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

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Chairman

Director

Director

Chief Executive

Chief Financial Officer

HABIB INSURANCE COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022	2021
	----- (Rupees in '000) -----	
Operating cash flow		
(a) Underwriting activities		
Insurance premium received	2,969,705	1,844,288
Reinsurance premium paid	(1,200,774)	(1,016,191)
Claims paid	(1,301,630)	(1,076,729)
Reinsurance and other recoveries received	775,073	664,573
Commission paid	(316,562)	(187,265)
Commission received	385,074	286,863
Net cash flows from underwriting activities	1,310,886	515,539
(b) Other operating activities		
Income tax paid	(43,473)	(51,093)
Other operating payments	(705,513)	(495,949)
Other operating receipts	5,203	4,441
Loans advanced	(5,815)	(11,834)
Loan repayment received	17,655	11,509
Net cash flows from other operating activities	(731,943)	(542,926)
Total cash flows from all operating activities	578,943	(27,387)
Investment activities		
Profit / return received	34,161	28,733
Dividend received	149,641	99,216
Payment for investments	(2,473,280)	(1,116,371)
Proceeds from investments	2,016,448	932,131
Fixed capital expenditure	(9,758)	(23,912)
Proceeds from sale of property and equipment	5,625	162,485
Total cash flows from investing activities	(277,163)	82,282
Financing activities		
Payments against leased liabilities	(8,931)	(85,169)
Dividends paid	(75,174)	(60,701)
Total cash flows from financing activities	(84,105)	(145,870)
Net cash flows from all activities	217,675	(90,975)
Cash and cash equivalents at beginning of year	88,566	179,541
Cash and cash equivalents at end of year	306,241	88,566
Reconciliation to profit and loss account		
Operating cash flows	578,943	(27,387)
Depreciation and amortisation expense	(18,627)	(34,044)
Financial charges expense	(3,282)	(10,924)
Profit on disposal of property and equipment	2,079	61,358
Profit / return received	34,161	34,122
Capital gain	(11,906)	28,171
Dividends income	149,641	99,216
Provision for gratuity	(24,827)	(22,203)
Provision for impairment	(37,696)	(1,879)
Gratuity paid	17,093	1,464
Income tax paid	43,473	51,093
Provision of taxation	(30,105)	(40,633)
(Decrease)/ Increase in assets other than cash	(81,929)	38,010
Decrease in liabilities other than borrowings	(518,546)	(52,203)
Profit after tax from conventional insurance operations	98,472	124,161
Profit / (Loss) from Window Takaful Operations - Operator's Fund	12,619	(17,137)
Profit after taxation	111,091	107,024

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



Chairman

Director

Director

Chief Executive

Chief Financial Officer

HABIB INSURANCE COMPANY LIMITED
STATEMENT OF CHANGES IN SHARE HOLDERS EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Attributable to equity holders of the Company					
	Share capital	Capital reserves- Reserve for exceptional losses	Revenue reserves		Unappropriated profit	Total Equity
			General reserves	Available-for-sale investments reserve		
	----- (Rupees in '000) -----					
Balance as at January 1, 2021	619,374	9,122	255,000	324,862	91,890	1,300,248
Total comprehensive income for the year ended December 31, 2021						
Profit after tax	-	-	-	-	107,024	107,024
Other comprehensive income - net of tax	-	-	-	(95,870)	5,669	(90,201)
Other comprehensive income for the year from Window Takaful Operations	-	-	-	(60)	-	(60)
Total comprehensive income for the year	-	-	-	(95,930)	112,693	16,763
Transaction with owner directly recorded with equity						
Final dividend for the year ended December 31, 2020 of Rs.0.5 per share	-	-	-	-	(61,937)	(61,937)
Balance as at December 31, 2021	619,374	9,122	255,000	228,932	142,646	1,255,074
Balance as at January 01, 2022	619,374	9,122	255,000	228,932	142,646	1,255,074
Total comprehensive income for the year ended December 31, 2022						
Profit after tax	-	-	-	-	111,091	111,091
Other comprehensive income - net of tax	-	-	-	(128,093)	7,652	(120,441)
Total comprehensive income for the year	-	-	-	(128,093)	118,743	(9,350)
Transaction with owner directly recorded with equity						
Final dividend for the year ended December 31, 2021 of Rs.0.625 per share	-	-	-	-	(77,422)	(77,422)
Transfer to general reserve	-	-	50,000	-	(50,000)	-
Balance as at December 31, 2022	619,374	9,122	305,000	100,839	133,967	1,168,302

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



Chairman

Director

Director

Chief Executive

Chief Financial Officer

HABIB INSURANCE COMPANY LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Habib Insurance Company Limited (the Company) was incorporated as a Public Limited Company in the year 1942 under the Companies Act, 1913 (now the Companies Act, 2017). The registered office of the Company is situated at Habib Square, M.A. Jinnah Road, Karachi and the shares of the Company are quoted on the Pakistan Stock Exchange Limited. The Company is engaged in general insurance business comprising of Fire and property, Marine and transport, Motor, Group hospitalization and other classes.

The Company, as an Operator, was allowed to work as Window Takaful Operator on July 18, 2018 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations (WTO) in Pakistan. The registered office of the Operator is situated at Habib Square, M.A. Jinnah Road, Karachi.

- 1.2** The Company operates through the following locations in Pakistan;

Locations	Address
Head Office	State Life Building No. 6, Habib Square, M.A. Jinnah Road, Karachi.
Karachi Branch	Head Office: State Life Building No. 6A Habib Square, M.A. Jinnah Road, Karachi.
Rawalpindi Branch	1st Floor, Majeed Plaza, Bank Road, Rawalpindi Cantt.
Dera Ghazi Khan Branch	Block No. 17, Jampur Road, Dera Ghazi Khan.
Faisalabad Branch	Fatima Tower, 2nd Floor, Kohinoor Plaza, Faisalabad. P-6161, West Canal Road, adjacent to Toyota Faisalabad Motors & behind HBL Canal Road Branch, Faisalabad.
Multan Branch	Fiesta Gardens, OPP Income, Tax Office, L.M.Q. Road, Multan.
Lahore Branches	Room No. 01, 3rd Floor, Leeds Centre, Main Boulevard, Gulberg III, Lahore. 43, Ground Floor, Al-Noor Building, Bank Square, Lahore.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Statement of compliance

- 2.1.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017, Takaful Rules, 2012 and the General Takaful Accounting Regulations, 2019.

In case requirement differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, Takaful Rules, 2012 and the General Takaful Accounting Regulations, 2019, shall prevail.

- 2.1.2** Total assets, liabilities and profit and loss of the Operator's Fund of the General Takaful Operations of the Company have been presented as a single line item in the financial statements in accordance with the requirements of General Takaful Accounting Regulations, 2019.

Further, a separate set of financial statements of the General Takaful operations has been annexed to these financial statements as per the requirements of the Takaful Rules, 2012.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost basis except for available for sale investments that are measured at fair values.



2.3 Functional and presentation currency

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

2.4 Standards, Interpretations and amendments

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

There are certain new and standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after January 01, 2022 but are considered not to be relevant or do not have any significant effect on the Company and therefore have not been detailed in these financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8. Application of this amendment is not expected to have any impact on the Company's financial statements.
- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above). Application of this amendment is not expected to have any impact on the Company's financial statements.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies.
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

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- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. Application of this amendment is not expected to have any material impact on the Company's financial statements, based on the balances currently held.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. Application of this amendment is not expected to have any material impact on the Company's financial statements, based on the balances currently held.
- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact. Application of this amendment is not expected to have any material impact on the Company's financial statements, based on the balances currently held.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.
- IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023, however it is yet to be notified by the Securities and Exchange Commission of Pakistan. In addition, the Company has opted for the temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Further details relating to the temporary exemption from the application of IFRS 9 are given in the notes below.

The management is in the process of assessing the impacts of these standards and amendments on the financial statements of the Company.

- Temporary Exemption from the Application of IFRS 9 (Financial Instruments)

As an insurance company, the management has opted for the temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the Company doesn't engage in significant activities unconnected with insurance based on historical available information. Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are as follows:



Financial assets with contractual cash flows that meet the SPPI criteria

	As at December 31,	
	2022	2021
	----- (Rupees in '000) -----	
Debt securities – Available for sale		
Opening fair value	183,188	329,937
Additions / (disposals during the year)	638,242	(178,443)
Adjustment in the fair value	(5,589)	31,694
Closing fair value	<u>815,841</u>	<u>183,188</u>

Financial assets with contractual cash flows that do not meet the SPPI criteria

Equity Securities – Available for sale

Opening fair value	1,210,429	985,611
Disposals during the year / additions during the year	(180,861)	121,902
Impairment	(37,696)	(208)
Adjustment in the fair value	(170,748)	103,124
Closing fair value	<u>821,124</u>	<u>1,210,429</u>

Other details of financial assets which pass the SPPI test are as follows:

Gross carrying amounts and fair values of financial instruments that pass the SPPI test:

Rating	December 31, 2022					
	AAA	AA+	AA-	Others*	Sovereign Bonds	Unrated / Unavailable
	----- (Rupees in '000) -----					
Cash and bank	303,212	50	-	-	-	-
Investments in debt securities						
- available for sale	-	-	100,573		715,268	-
Insurance / reinsurance receivable	-	-	-	-	-	886,380
Loans, deposits, and other receivables	-	-	-	-	-	156,413
Reinsurance recoveries against outstanding claims	-	110,464	-	496,347	-	30,732
Salvage recoveries accrued	-	-	-	-	-	38,933
	<u>303,212</u>	<u>110,514</u>	<u>100,573</u>	<u>496,347</u>	<u>715,268</u>	<u>1,112,458</u>
Rating	A	AA++	A++	A+	AA	Total
* Reinsurance recoveries against outstanding claims	<u>454,389</u>	<u>38,349</u>	<u>1,661</u>	<u>1,899</u>	<u>49</u>	<u>496,347</u>
Rating	December 31, 2021					
	AAA	AA+	AA-	Others*	Sovereign Bonds	Unrated / Unavailable
	----- (Rupees in '000) -----					
Cash and bank	87,777	50	-	-	-	-
Investments in debt securities						
- available for sale	-	-	-	-	183,188	-
Insurance / reinsurance receivable	-	-	-	-	-	1,181,492
Loans, deposits, and other receivables	-	-	-	-	-	145,582
Reinsurance recoveries against outstanding claims	-	23,446	-	239,317	-	290,407
Salvage recoveries accrued	-	-	-	-	-	51,077
	<u>87,777</u>	<u>23,496</u>	<u>-</u>	<u>239,317</u>	<u>183,188</u>	<u>1,668,558</u>
Rating	A	AA++	A++	A+	AA	Total
* Reinsurance recoveries against outstanding claims	<u>200,963</u>	<u>35,625</u>	<u>4</u>	<u>2,681</u>	<u>44</u>	<u>239,317</u>

Ratings are by different rating agencies including Pakistan Credit Rating Agency (PACRA), JCR-VIS and Moody's in case of overseas reinsurance entities.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are consistent to all the years presented. Details of these accounting policies are as follows:

3.1 Property and Equipment

3.1.1 Tangible assets - owned

Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation on tangible fixed assets except vehicles is charged to income applying the straight line method at the rates specified in note 5.1 to the financial statements after taking into account residual value, if any. The useful lives, residual values and depreciation method are reviewed and adjusted if appropriate, at each reporting date. Depreciation on additions is charged for the full month in which an asset is put to use and on deletions up to the month immediately preceding the deletion.

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indications exist and where the carrying values exceeds the estimated recoverable amounts the assets are written down to their recoverable amounts.

Capital work-in-progress is stated at cost less any impairment in value. It includes advances to the suppliers for the tangible assets.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized and assets so replaced, if any, are retired. Gain or loss on disposal of fixed asset is included in income currently.

3.1.2 Intangible assets

These are stated at cost less accumulated amortization and any provision for impairment loss. Amortization of intangible fixed assets is charged to income applying the straight line method at the rates specified in note 6 to the financial statements after taking into account residual value, if any.

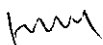
Full month's amortization is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortization method is reviewed, and adjusted if appropriate, at each reporting date.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

3.1.3 Leases - Right-of-use assets and related liabilities

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly lease properties for its operations and recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of the right-of-use asset or end of lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate of the Company. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised. The Company has elected not to recognize right-of-use assets and lease liabilities for short term and low value assets. The lease payments associated with these leases are recognized as an expense on a straight line basis over the lease term. The right-of-use assets are presented in the same line item as it presents underlying assets for the same nature it owns.



3.2 Insurance contracts

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. These contracts are entered with group companies, corporate clients, and individuals residing or located in Pakistan.

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

Insurance contracts are classified into following main categories:

3.2.1 Fire and property

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

3.2.2 Marine and transport

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

3.2.3 Motor

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

3.2.4 Health

Group hospitalization insurance provides cover to compensate personal accident, hospitalization and outpatient medical coverage to the insured.

3.2.5 Other classes

Other classes includes mainly bankers blanket bond, liability, engineering, etc.

3.3 Commission

Deferred commission expense

Commission expense incurred in obtaining and recording policies is deferred and recognized in the Statement of Comprehensive Income as an expense in accordance with the pattern of recognition of premium revenue.

Commission income

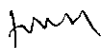
Commission income from reinsurers is recognized on the date of commencement of the underlying insurance policy. These are deferred and recognized as liability and recognized in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

Profit commission and sliding sales commission, if any, under the terms of reinsurance arrangements, is recognized when due.

3.4 Unearned Premium

Premium under a policy is recognized on the time of the commencement of the policy.

The unearned premium reserve is the unexpired portion of the premium including administrative surcharge. Unearned premiums have been calculated by applying 1/24th / 1/6th method as applicable and specified in the Insurance Rules, 2017. Remaining portion is recognized in the Statement of Comprehensive Income.



3.5 Premium deficiency

The Company is required as per Insurance Rules, 2017, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting 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 in the statement of comprehensive income and the same are recognized as a liability.

The Company determines adequacy of liability of premium deficiency by carrying out an analysis of expired periods. For this purpose actuarial valuation has been carried out to determine the amount of premium deficiency reserve as required by under Insurance Rules, 2017 issued by the Securities and Exchange Commission of Pakistan on January 09, 2012.

Provision has been made for Health business as the unearned premium reserve for the class of business as at the year end is not adequate to meet the expected future liability after reinsurance from claims and other expenses, expected to be incurred after the reporting date in respect of policies in force at the reporting date.

3.6 Reinsurance contracts held

Insurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in THE same categories of insurance contracts for the purpose of these financial statements. The Company recognizes the entitled benefits under the contract as reinsurance assets. Outward reinsurance premiums are accounted for in the same period as the related premiums for the direct or accepted reinsurance business being reinsured.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

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

The deferred portion of reinsurance premium ceded is recognized as a prepayment which is calculated in accordance with the pattern of recognition of revenue.

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

3.7 Receivables and payables

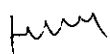
3.7.1 Receivables related to Insurance contract

Receivables related to insurance contracts are recognized and due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that the insurance receivable is impaired, as a result of one or more events that occurred after the initial recognition, the Company reduces the carrying amount of the insurance receivables and recognizes that impairment loss in the statement of comprehensive income.

Provision for impairment in premium receivables is estimated on a systematic basis after analyzing the receivables as per their ageing.

3.7.2 Creditors, accruals and provisions

Liabilities for creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in 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 and 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 financial statement date and adjusted to reflect the current estimate.

3.8 Reinsurance recoveries against outstanding claims

Claims recoveries against outstanding claims from the reinsurer and salvage 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.

3.9 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

The Company presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to the Board of Directors who assess the performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Assets and liabilities that are directly attributable to specific segments are assigned to them, while the carrying amount of certain assets (liabilities) used (incurred) jointly by two or more segments are allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

The Company has four primary business segments for reporting purposes, namely fire and property, marine and transport, motor and other classes. The nature and business activities of these segments are disclosed in note no. 3.2. Income and expenses directly attribute to a particular segment is so allocated. Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as other expenses.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the financial statement at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and current and saving accounts with bank.

3.11 Revenue recognition

3.11.1 Premium

The revenue recognition policy for premium is given under note 3.4.

3.11.2 Commission income

The revenue recognition policy for commission from reinsurer is given under note 3.3.

3.11.3 Dividend income

Dividend income is recognized when the right to receive the dividend is established.

3.11.4 Gain / loss on sale / redemption of investments

Gain / loss on sale / redemption of investments is taken to profit and loss account in the year of sale / redemption.



3.11.5 Income on debt securities and bank balances

Income from debt securities investments and bank balances is recognized on a time proportionate basis taking account the effective yield on the investment / bank balance.

3.12 Investments

These comprises of the following:

- In equity securities
- In debt securities

3.12.1 Recognition

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the profit and loss account. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. These are recognized and classified as follows:

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

3.12.2 Measurement

3.12.2.1 Investment at fair value through profit or loss (held for trading)

At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading.

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

3.12.2.2 Available-for-sale

Available-for-Sale investments are those non-derivative instruments / contracts that are designated as available-for-sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial measurement, the available-for-sale investments are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for period within statement of comprehensive income.

Fair value of the listed equity shares are determined with reference to the rates quoted on the stock exchange, while the fair value of the mutual funds units and of term finance certificates are determined with reference to the rates quoted on the MUFAP website. The fair value of the Government securities are determined with reference the rates quoted on the PKRV page.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the Statement of Comprehensive Income.

3.12.2.3 Held-to-maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held-to-maturity.



Subsequently, these are measured at amortized cost less provision for impairment in value, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

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

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the Statement of Comprehensive Income.

3.13 Off setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statement, if the Company has a legally enforceable right to set-off and the Company intends either to settle the assets and liabilities on a net basis or to realize the asset and settle the liability simultaneously.

3.14 Taxation

3.14.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the tax rates enacted on substantially enacted as at the year end. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

3.14.2 Deferred

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

3.15 Staff retirement benefits

3.15.1 Defined contribution plan

The Company operates a recognized Provident Fund scheme for its employees. Equal contributions are made by the Company and the employees at the applicable rate.

3.15.2 Defined benefit plan

The Company operates an unfunded approved gratuity scheme for all of its eligible permanent employees. Gratuity is based on employees' last drawn basic salary.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to the Statement of Comprehensive Income. The most recent valuation was carried out as of December 31, 2022 using the "Projected Unit Credit Method".

Remeasurement of the defined benefit liability, which comprises actuarial gain and losses are recognized immediately in other comprehensive income. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the then net defined benefit liability (asset), taking into account any change in the net defined benefit liability (asset) during the year as a result of contribution and benefit payments. Net interest expense and other expense related to defined benefit plans are recognized in the Statement of Comprehensive Income.



When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognized immediately in Statement of Comprehensive Income. The Company recognizes gain and loss on the settlement of a defined benefit plan when the settlement occurs.

3.15.3 Employees' compensated absences

The Company accounts for its liability towards accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. An actuarial valuation has been carried out using Projected Unit Credit method to determine the amount of charge and liability to be recognized at the financial statement date. Charge for these benefits are immediately recognized in the Statement of Comprehensive Income.

3.16 Impairment of assets

A financial asset is assessed at each financial statement date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is an objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset. If a decline in fair value is significant or prolonged, than there is an objective evidence, of impairment regardless of how long management intends to hold the investment.

The carrying amount of non financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exist, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use an its fair value less cost of sell. An impairment loss is recognized the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognized in the Statement of Comprehensive Income. Provision of impairment are reviewed at each financial statement date and are adjusted to reflect the current best estimates. Change in the provisions are recognized as an income or expense.

3.17 Dividend distribution

Dividend declaration and reserve appropriations are recognized when approved.

3.18 Foreign currency translations

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into rupees at the rates of exchange which approximate those prevailing at the financial statement date. Exchange differences are taken to the profit and loss account.

3.19 Salvage recoveries accrued

Salvage recoveries are recognized as an asset and measured at the amount expected to be received.

3.20 Provision

3.20.1 Claims

Insurance claims include all claims incurred 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.

3.20.2 Provision for outstanding claims

The Company recognizes liability in respect of all claims incurred up to the financial statement date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual estimates (comprising of reports by the surveyors).



3.20.3 Claims incurred but reported

The provision for claims incurred but not reported (IBNR) is made at the financial statement date. In accordance with SECP circular No. 9 of 2016, the Company takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

3.21 Financial instruments

Financial assets and financial liabilities within the scope of IAS-39 are recognized at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognized 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 Statement of Comprehensive Income. Fair value of long term financial assets at discounted interest rates are determined initially and the difference carried forward as a prepayment (staff bonus), which then is expensed out over the period in which the services are rendered.

3.22 Earnings per share

The company presents basic and diluted earning per share (EPS). Basic EPS is calculated by dividing profit after tax for the year attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is not calculated separately, as the Company does not have any convertible instruments in issue.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
Property and equipment	3.1
Premium deficiency	3.5
Insurance / reinsurance receivable - impairment	3.7.1
Provision for outstanding claims including IBNR	3.20.2
Taxation	3.14
Staff retirement benefits	3.15
Impairment of assets	3.16

5	PROPERTY AND EQUIPMENT	Note	2022 ----- (Rupees in '000) -----	2021
	Property and Equipment	5.1	30,319	32,702
	Right-of-use assets	5.2	25,783	36,190
			<u>56,102</u>	<u>68,892</u>

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5.1 Property and Equipment

December 31, 2022

	Cost				Accumulated Depreciation				Written Down Value	Depreciation Rate %
	As at January 01, 2022	Additions	Disposals	As at December 31, 2022	As at January 01, 2022	Charge for the year	Disposals	As at December 31, 2022	As at December 31, 2022	
(Rupees in '000)										
Computer equipments	17,732	3,246	1,203	19,775	13,737	2,671	1,095	15,313	4,462	33
Furniture and fixtures	29,356	1,898	444	30,810	13,870	2,547	244	16,173	14,637	10
Office equipment	15,591	2,422	514	17,499	9,448	2,176	261	11,363	6,136	20
Motor vehicles - Owned	16,895	2,192	3,164	15,923	9,817	1,200	178	10,839	5,084	10*
	<u>79,574</u>	<u>9,758</u>	<u>5,325</u>	<u>84,007</u>	<u>46,872</u>	<u>8,594</u>	<u>1,778</u>	<u>53,688</u>	<u>30,319</u>	

* being depreciated on the basis of remaining useful lives ranging between 3 years to 10 years.

December 31, 2021

	Cost				Accumulated Depreciation				Written Down Value	Depreciation Rate %
	As at January 01, 2021	Additions	Disposals	As at December 31, 2021	As at January 01, 2021	Charge for the year	Disposals	As at December 31, 2021	As at December 31, 2021	
(Rupees in '000)										
Computer equipments	15,465	2,867	600	17,732	11,772	2,555	590	13,737	3,995	33
Furniture and fixtures	23,026	9,046	2,716	29,356	14,309	2,259	2,698	13,870	15,486	10
Office equipment	11,903	4,233	545	15,591	7,979	1,838	369	9,448	6,143	20
Motor vehicles - Owned	27,573	7,766	18,444	16,895	10,584	3,909	4,676	9,817	7,078	20
Motor vehicles - Leased	128,139	14,626	142,765	-	37,055	13,227	50,282	-	-	Various over the contract period
	<u>206,106</u>	<u>38,538</u>	<u>165,070</u>	<u>79,574</u>	<u>81,699</u>	<u>23,788</u>	<u>58,615</u>	<u>46,872</u>	<u>32,702</u>	

5.1.2 Effective January 01, 2022, the Company has revised its estimate of the useful lives of the motor vehicles and have changed the depreciation rate from 20% to 10% per annum. The revision has been made after considering the expected pattern of the recovery of economic benefits associated with the use of these assets. The revision has been accounted for as a change in accounting estimate as defined in International Accounting Standards. Had the revision in the useful lives not been made, depreciation expense for the year would have been higher by Rs. 2.226 million, while profit for the year before tax and carrying value of these assets would have been lower by Rs. 2.226 million. Effect of the above revision, resulting in the (decrease) / increase of expenses for the future years would be as follows:

	December 31, 2023	December 31, 2024	December 31, 2025	Later years
(Rupees in '000)				
	<u>784</u>	<u>(276)</u>	<u>(543)</u>	<u>(2,191)</u>

Impact of reduction / (increase) of expenses in future years

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5.1.3 Details of tangible assets disposed off during the year are as follows:

Category of assets	Cost	Accumulated Depreciation	Book value	Sale proceeds	Gain/ (loss)	Mode of disposals	Sold to
(Rupees in '000)							
Motor vehicles - owned	66	8	58	55	(3)	Claim	IGI General Insurance Limited
	1,670	-	1,670	1,905	235	Negotiation	Muhammad Asif (Employee)
	429	34	395	775	380	Negotiation	Konain Raza (Employee)
	999	136	863	2,250	1,387	Negotiation	Zeeshan Abbas (Employee)
	3,164	178	2,986	4,985	1,999		
Office equipment	514	261	253	242	(11)	Negotiation	Various
Computer equipment	1,203	1,095	108	307	199	Negotiation	Various
Furniture and fixtures	444	244	200	92	(108)	Negotiation	Various
2022	5,325	1,778	3,547	5,626	2,079		
2021	22,305	8,332	13,973	23,711	9,738		

5.1.4 Cost of above assets include cost of tangible operating assets amounting to Rs. 15.404 million having net book value equal to NIL at the reporting date and are still in use. (December 31, 2021 Rs. 19.256 million).

5.2 Right-of-use assets

December 31, 2022									Written Down Value	Depreciation Rate %
Cost				Accumulated Depreciation				As at January 01, 2022	As at December 31, 2022	
As at January 01, 2022	Additions	Deletions / Adjustments	As at December 31, 2022	As at January 01, 2022	Charge for the year	Deletions / Adjustments	As at December 31, 2022	As at January 01, 2022	As at December 31, 2022	
(Rupees in '000)										
Leasehold property	47,753	-	591	47,162	11,563	9,816	-	21,379	25,783	Various over the contract period
	47,753	-	591	47,162	11,563	9,816	-	21,379	25,783	
December 31, 2021									Written Down Value	Depreciation Rate %
Cost				Accumulated Depreciation				As at January 01, 2021	As at December 31, 2021	
As at January 01, 2021	Additions	Deletions / Adjustments	As at December 31, 2021	As at January 01, 2021	Charge for the year	Deletions / Adjustments	As at December 31, 2021	As at January 01, 2021	As at December 31, 2021	
(Rupees in '000)										
Leasehold property	69,779	6,402	28,428	47,753	9,007	9,258	6,702	11,563	36,190	Various over the contract period
	69,779	6,402	28,428	47,753	9,007	9,258	6,702	11,563	36,190	

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6 INTANGIBLE ASSETS

		December 31, 2022							Written Down	Amortisation Rate
		Cost			Accumulated Amortisation				Value	%
		As at	Additions	Write off	As at	As at	Charge for the	Write off	As at	As at
		January 01,			December 31,	January 01,	year		December 31,	December 31,
		2022			2022	2022			2022	2022
Owned		(Rupees in '000)								
Computer Software		13,694	-	-	13,694	13,028	217	-	13,245	449
										20
		December 31, 2021							Written Down	Amortisation Rate
		Cost			Accumulated Amortisation				Value	%
		As at	Additions	Write off	As at	As at	Charge for the	Write off	As at	As at
		January 01,			December 31,	January 01,	year		December 31,	December 31,
		2021			2021	2021			2021	2021
Owned		(Rupees in '000)								
Computer Software		15,091	-	1,397	13,694	12,900	998	870	13,028	666
										20

6.1 Cost of above assets include cost of intangible operating assets amounting to Rs.12.610 million having net book value equal to NIL at the reporting date and are still in use. (December 31, 2021: Rs. 9.859 million).

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7 INVESTMENTS IN EQUITY SECURITIES

Note	2022				2021			
	Cost	Impairment / Provision	Revaluation surplus / (deficit)	Carrying Value	Cost	Impairment / Provision	Revaluation surplus / (deficit)	Carrying Value
Available-for-sale ----- (Rupees in '000) -----								
Related parties - Listed ordinary shares								
Bank AL Habib Limited	84,100	-	26,460	110,560	84,100	-	53,920	138,020
Habib Metropolitan Bank Limited	249,082	-	(21,415)	227,667	135,800	-	37,101	172,901
Indus Motor Company Limited	17,453	-	6,680	24,133	17,453	-	12,062	29,515
Thal Limited	-	-	-	-	70,824	-	72,991	143,815
	350,635	-	11,725	362,360	308,177	-	176,074	484,251

Others

Listed ordinary shares	7.1	322,694	(38,460)	132,668	416,902	546,409	(764)	137,601	683,246
Listed preference shares	7.3	19,331	-	3,921	23,252	18,971	-	1,502	20,473
Mutual funds		540	-	1,576	2,116	504	-	1,878	2,382

Modaraba certificates - listed 7.2

Orix Modaraba	1,319	-	62	1,381	1,319	-	421	1,740
First Habib Modaraba	13,695	-	1,418	15,113	13,695	-	4,642	18,337
	15,014	-	1,480	16,494	15,014	-	5,063	20,077
	708,214	(38,460)	151,370	821,124	889,075	(764)	322,118	1,210,429

7.1 Impairment in investment securities

	2022				2021		
	Cost	Impairment	Carrying Value		Cost	Impairment	Carrying Value
	----- (Rupees in '000) -----						
Panther Tyres Limited	5,420	(3,372)	2,048	International Industries Limited	1,527	(764)	763
The Hub Power Company Limited	60,462	(14,039)	46,423				
Engro Polymers & Chemicals Limited	8,359	(2,011)	6,348				
International Steel Limited	8,484	(3,949)	4,535				
International Industries Limited	1,527	(1,111)	416				
Lucky Cement Limited	20,775	(9,610)	11,165				
Jubilee General Insurance Company Limited	9,683	(4,368)	5,315				
	114,710	(38,460)	76,250				

7.2 Modaraba certificates

Company name	Chief Executive Officer	Nominal value	Number of certificates
Orix Modaraba	Mr. Raheel Qamar Ahmed	Rs.10	108,750
First Habib Modaraba	Mr. Muhammad Shoaib Ibrahim	Rs.5	2,015,000

7.3 Preference shares

Company name	Chief Executive Officer	Nominal value	Number of shares
Engro Polymers & Chemicals Limited - Preference Shares	Mr. Jahangir Paracha	Rs.10	1,836,114

Preference shares of Engro Polymer & Chemicals Limited were issued on December 18, 2020 and are perpetual. The dividends are cumulative in nature and will be calculated at 6 Months KIBOR + 3.50% on the issue date and then repriced at the end of June 30 and December 31, each year. The company has the option to purchase the entire portfolio from investor through 30 days notice after the expiry of 12 months from issue Date. The conversion Option can be exercised by the investor after the expiry of 80 months from the issue date into 1:1 (One preference shares equals to one ordinary share).

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8 INVESTMENT IN GOVERNMENT SECURITIES

	Note	2022 ----- (Rupees in '000) -----	2021
Available for sale			
Pakistan Investment Bonds (PIBs)	8.1	62,295	88,023
Treasury Bills	8.2	652,973	95,165
		<u>715,268</u>	<u>183,188</u>

8.1 PIBs have face value of Rs. 70.0 million (market value of Rs.62,295 million) [December 31, 2021: Rs. 90.0 million (market value of Rs. 88,023 million)]. These carry mark-up ranging from 10.45% to 13.46% (December 31, 2021: 9.5% to 12%) per annum and will mature on August 05, 2024 and September 09, 2024. These PIBs have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of Section 29 of the Insurance Ordinance, 2000 and circular No. 15 of 2008 dated July 07, 2008 issued by the SECP. These investments can be replaced with alternate eligible securities.

8.2 Treasury Bills (T-Bills) have face value of Rs. 739.7 million (market value of Rs. 652.97 million) [December 31, 2021: Rs. 100.0 million (market value of Rs. 95,165 million)]. It carries yield at 16.81% and will mature between July 2023 to October 2023. Treasury bills are held in the IPS account maintained with Bank AL Habib Limited (related party).

9 INVESTMENT IN TERM FINANCE CERTIFICATES - unsecured (available for sale)

INVESTMENT IN TERM FINANCE CERTIFICATES - unsecured (available for sale)					December 31, 2022	
Name of Company	Name of Chief Executive	Term/ Profit Payment	No. of Certificates	Cost	Impairment / provision	Carrying value
----- (Rupees in '000) -----						
Bank Alfalah Limited	Mr. Atif Bajwa	Perpetual and 6 Monthly Non- cumulative KIBOR+ 2% (19.02% at the year end)	<u>20,000</u>	<u>100,000</u>	<u>-</u>	<u>100,573</u>

10 LOANS, DEPOSITS AND OTHER RECEIVABLES - Considered good

	Note	2022 ----- (Rupees in '000) -----	2021
Accrued investment income		6,137	3,833
Security deposits		16,413	14,231
Advances	10.1	2,946	7,075
Advance to commission agents		13,151	10,836
Loans to employees	10.2	40,319	45,137
Receivable against sale of investments		85,483	-
Receivable from Window Takaful operations (for expenses incurred on their behalf)		-	1,453
Receivable against sale of vehicle to employees		-	75,429
Receivable from employees - Parents insurance policy		1,472	1,819
Input sales tax		9,901	5,085
Receivable from a Trust	10.3	6,905	-
		<u>182,727</u>	<u>164,898</u>

10.1 This includes Rs. Nil million (2021: Rs.3.62 million) receivable from related parties.

10.2 The loans are secured against provident fund balances or deposits of the title documents. These loans are recoverable in monthly instalments over the loan periods and includes Rs. 6.893 million (2021: Rs. 17.659 million) receivable in 2023 representing the current portion of loans to employees. The loans carry mark-up rate ranging from 8.33% to 19.34% (2021: 8.33% to 15.67%) per annum.

10.3 Due from a Trust, which is a related party for their share of Corporate and Social Responsibility expenses already incurred by the Company.

11 INSURANCE / REINSURANCE RECEIVABLES - Unsecured and considered good

	Note	2022 ----- (Rupees in '000) -----	2021
Due from insurance contract holders		615,037	617,232
Considered good		20,488	18,689
Considered doubtful			
Less: Provision for impairment of receivables from Insurance contract holders	11.1	(20,488)	(18,689)
		<u>615,037</u>	<u>617,232</u>
Due from other insurers / reinsurers (note 19.2)		271,343	564,260
Considered good		16,894	6,500
Considered doubtful			
Less: Provision for impairment of due from other insurers / reinsurers	11.2	(16,894)	(6,500)
		<u>271,343</u>	<u>564,260</u>
		<u>886,380</u>	<u>1,181,492</u>

11.1 Movement of balance due from the contract holders considered doubtful

Opening balance	18,689	17,018
Provision for impairment of balances due from insurance contract holders	1,799	1,671
Closing balance	<u>20,488</u>	<u>18,689</u>

11.2 Movement of the balances due from other insurer / reinsurer considered doubtful

Opening balance	6,500	6,500
Provision for impairment of balances due from the insurer / reinsurer	10,394	-
Closing balance	<u>16,894</u>	<u>6,500</u>



12 RETIREMENT BENEFIT OBLIGATIONS

Defined benefit obligation - unfunded gratuity scheme

The Company is operating an unfunded gratuity scheme for its permanent employees who become eligible for gratuity after five years of service. Gratuity entitlement is based on the last drawn basic salaries. The obligation under this scheme is determined under an actuarial valuation carried out by a qualified actuary using the Projected Unit Credit Method. The latest valuation was carried out as of December 31, 2022.

		2022 (Number of Employees)	2021			
The number of employees covered under the defined benefit scheme are:		125	120			
12.1	The following principal actuarial assumptions were used for the valuation of above mentioned scheme:					
		2022	2021			
Financial assumptions						
- Discount rate (per annum compounded)		14.25%	11.75%			
- Salary increase per annum		14.25%	11.75%			
Demographic assumptions						
- Expected service length of the employees		15 years	15 years			
- Normal retirement		60 years	60 years			
- Rate of employee turnover		Light	Light			
- Mortality rate		SLIC (2001-05)-1	SLIC (2001-05)-1			
	Note	2022	2021			
		----- (Rupees in '000) -----				
12.2	Liability in financial statement					
	Present value of defined benefit obligations	12.3	130,311	130,859		
12.3	Reconciliation of defined benefit obligations					
	Present value of defined benefit obligations as at January 01,		130,859	119,302		
	Current service cost	12.5	9,623	9,626		
	Interest cost		14,840	12,576		
	Benefits paid		(17,093)	(1,464)		
	Liability transferred to WTO		-	(1,632)		
	Actuarial gain on obligation	12.5	(7,918)	(7,549)		
	Present value of defined benefit obligations as at December 31,		130,311	130,859		
12.4	Charge for the defined benefit plan					
	Cost recognised in profit and loss					
	Current service cost		9,623	9,626		
	Interest cost		14,840	12,576		
			24,463	22,202		
12.5	Actuarial gain on defined benefit obligation recognised in other comprehensive income					
	Loss due to change in financial assumptions		1,433	892		
	Gain due to change in experience adjustments		(9,351)	(8,441)		
			(7,918)	(7,549)		
12.6	Sensitivity analysis					
	Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations on various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:					
			2022	2021		
			----- (Rupees in '000) -----			
	Increase in discount rate by 0.5%		(123,696)	(126,090)		
	Decrease in discount rate by 0.5%		137,289	139,259		
	Increase in expected future increment in salary by 0.5%		137,558	139,538		
	Decrease in expected future increment in salary by 0.5%		(123,398)	(125,781)		
12.7	Comparison for five years					
	As at December 31,	2022	2021	2020	2019	2018
		----- (Rupees in '000) -----				
	Defined benefit obligation	130,311	130,859	119,302	88,470	83,629
	Experience adjustment loss on obligation (as percentage of plan obligations)	-7.18%	-6.45%	-1.93%	-3.99%	2.97%

12.8 Others	2022 ----- (Rupees in '000) -----	2021
Expected contributions to the fund in the following year (as per the actuarial advise)	<u>18,348</u>	<u>18,348</u>
Expected benefit payments to retirees in the following year	<u>4,944</u>	<u>4,944</u>
Weighted average duration of the defined benefit obligation (year)	<u>10.42</u>	<u>9.92</u>
13 DEFERRED TAXATION		
Deductable differences in respect of:		
Provisions for:		
- doubtful debts (insurance / reinsurance receivable)	<u>(11,588)</u>	<u>(7,305)</u>
- compensated absences	<u>(6,836)</u>	<u>(7,934)</u>
- impairment on available-for-sale investments	<u>(11,923)</u>	<u>-</u>
	<u>(30,347)</u>	<u>(15,239)</u>
Lease liability - net	<u>(1,588)</u>	<u>(388)</u>
	<u>(31,935)</u>	<u>(15,627)</u>
Taxable temporary differences in respect of:		
Accelerated depreciation	<u>1,917</u>	<u>2,364</u>
Actuarial gain on defined benefit plan	<u>2,455</u>	<u>2,189</u>
Unrealized gain on available-for-sale investments	<u>44,853</u>	<u>93,097</u>
	<u>49,225</u>	<u>97,650</u>
Deferred tax Liability	<u>17,290</u>	<u>82,023</u>
13.1 Reconciliation of deferred tax		
Opening balance	<u>82,023</u>	<u>124,128</u>
Directly recognised in other comprehensive income due to actuarial gain on staff retirement benefit	<u>266</u>	<u>1,880</u>
Directly recognised in other comprehensive income due to unrealized gain on available-for-sale investments	<u>(48,244)</u>	<u>(39,158)</u>
Directly recognized in the Statement of Comprehensive Income (profit or loss)	<u>(16,755)</u>	<u>(4,827)</u>
Closing balance	<u>17,290</u>	<u>82,023</u>
14 PREPAYMENTS		
Prepaid reinsurance premium ceded	<u>501,272</u>	<u>463,940</u>
Prepaid insurance on leased vehicles	<u>-</u>	<u>1,404</u>
Prepaid employees group/ health insurance	<u>9,154</u>	<u>8,089</u>
Others	<u>14,991</u>	<u>16,798</u>
	<u>525,417</u>	<u>490,231</u>
14.1 This includes the prepaid discount effect of Rs. 11.421 million (2021: Rs. 15.236 million) relating to staff loans.		
15 CASH AND BANK		
Cash and cash equivalent		
- Cash in hand	<u>194</u>	<u>486</u>
- Policy stamps	<u>2,785</u>	<u>253</u>
	<u>2,979</u>	<u>739</u>
Cash at bank		
- Current accounts	<u>32,301</u>	<u>30,349</u>
- Saving accounts	<u>270,961</u>	<u>57,478</u>
	<u>303,262</u>	<u>87,827</u>
	<u>306,241</u>	<u>88,566</u>

15.1 These balances are held with a related party and carries mark-up rates ranging between 9.25% and 14.75% (2021: 6.5% to 8.25%) per annum.

16	SHARE CAPITAL		2022	2021
	Authorized Capital		----- (Rupees in '000) -----	
	130,000,000	130,000,000 Ordinary shares of Rs.5 each	650,000	650,000

16.1 Issued, subscribed and paid - up share capital

	123,874,755	123,874,755 Ordinary shares of Rs 5 each at the beginning and end of the year	619,374	619,374
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16.2 At December 31, 2022 Habib Insurance Company Limited's associated undertaking held 5.735 million (4.63%) [2021: 5.735 million (4.63%)] number of ordinary shares of Rs.5 each.

17	RESERVES	Note	2022	2021
			----- (Rupees in '000) -----	
	Capital Reserves			
	Reserve for exceptional losses	17.1	9,122	9,122
	Revenue Reserves			
	General reserves		305,000	255,000
	Available-for-sale investments reserve		100,839	228,932
			405,839	483,932
			414,961	493,054

17.1 Under the Income Tax Act, 1922 applicable to insurance companies, the Company had set aside in prior years amounts up to ten percent of premium earnings, net of reinsurances of the year as a reserve for exceptional losses, which was treated as an allowable deduction in arriving at the taxable income. This option was withdrawn by the Income Tax Ordinance, 1979 with retrospective effect from the accounting year ended December 31, 1978. Accordingly, the Company has ceased to set aside such amounts, but has retained the reserves created up to December 31, 1978.

18	LEASE LIABILITY - against right-of-use assets (leasehold property)	Note	2022	2021
			----- (Rupees in '000) -----	
	Lease liability	18.1	30,908	37,528
	Current portion		14,536	11,990
	Non-current portion		16,372	25,538
			30,908	37,528

18.1 Lease Liability

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

	2022			2021		
	Minimum Lease Payments	Financial Charges	Present value of minimum lease payments	Minimum Lease Payments	Financial Charges	Present value of minimum lease payments
	----- (Rupees in '000) -----					
Not later than one year	15,111	575	14,536	15,409	3,419	11,990
Later than one year but not later than five years	20,549	4,177	16,372	28,642	3,104	25,538
	35,660	4,752	30,908	44,051	6,523	37,528

Above lease liability has been discounted at rates ranging between 9.69% to 15.07% per annum.

19	INSURANCE / REINSURANCE PAYABLES	Note	2022	2021
			----- (Rupees in '000) -----	
	Due to other insurers / reinsurers	19.1	425,363	379,589
19.1 Due to other insurers / reinsurers				
	- Foreign reinsurers		166,350	148,418
	- Local reinsurers		230,959	94,609
	- Co-insurers		28,054	136,562
			425,363	379,589

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The Company has co-insurance and re-insurance arrangements with various insurance and a domestic re-insurance company. Under the above arrangements, the receivable and payable balances originate mainly due to premiums collected or claims settled by the lead insurer on behalf of other co-insurers, and in case of re-insurance, the premium ceded to and claims recoverable from the re-insurer under the respective contracts. As per the prevailing industry practices, settlements of balances under co-insurance arrangements are done between the respective insurance companies in normal course of business. The current balances of co-insurers and re-insurer reflected in the records of the Company are based on the underlying contracts and transactions. As advised by SECP, the process for reconciliation of these balances with the respective insurance companies will be formalized as per the guidelines suggested by the Insurance Association of Pakistan for the insurance industry.

20	OTHER CREDITORS AND ACCRUALS	Note	2022 ----- (Rupees in '000) -----	2021
	Agents commission payable		118,451	113,900
	Federal excise duty		37,739	41,844
	Federal insurance fee		2,677	3,860
	Accrued expenses	20.1	30,172	38,630
	Withholding income tax payable		4,689	-
	Payable for the purchase of listed equity shares		13,380	-
	Unclaimed dividends		65,058	62,810
	Sundry creditors	20.2	30,090	37,289
	Payable to Window Takaful Operations		415	-
	Others		776	583
			<u>303,447</u>	<u>298,916</u>

20.1 This includes provision for staff compensated absences amounting to Rs. 22.05 million (2021: Rs. 27.3 million) The liability is determined through an actuarial valuation carried out under the projected unit credit (PUC) actuarial cost method (by an actuary). An amount of Rs 7.3 million (2020: reversal of Rs. 1.1 million) has been charged to profit and loss account in the current year based on the actuarial advice.

20.2 This includes outstanding claims in respect of which cheques aggregating to Rs. 29.625 million (2021: Rs. 37.29 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimants.

The following is the ageing as required by SECP Circular No. 11 of 2014 dated May 19, 2014:

Claims not encashed	Age-wise break-up					Total
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	
	----- (Rupees in '000) -----					
2022	894	709	4,201	1,056	22,765	29,625
2021	6,077	709	7,355	2,253	20,895	37,289

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 A case has been instituted against the Company for the recovery of insurance claim of Rs. 6.28 million along with liquidated damages. The said suit is being adjudicated before the Honourable Insurance Tribunal. The suit is at the stage of arguments and is being argued on maintainability. It may get dismissed at the maintainability stage in favour of the Company. The Company has a good prima facie case.

In addition, an insurance appeal is pending before the Division Bench of the Honourable Lahore High Court in which the Company has challenged an ex-parte judgement of Rs. 1.645 million against the Company. The High Court was pleased to grant an injunctive order subject to the furnishing of surety of Rs. 1.645 million which has been furnished. The Company has a good prima facie case with future stages of available appeals.

21.1.2 Tax related contingencies are reported in note 31.2 to the financial statements.

21.2 Commitments

There are no commitments as at December 31, 2022.

	2022	2021
	----- (Rupees in '000) -----	
22 NET INSURANCE PREMIUM		
Written gross premium	2,637,092	2,039,761
Add: Unearned premium reserve opening	1,002,575	818,033
Less: Unearned premium reserve closing	(1,202,472)	(1,002,575)
Premium earned	2,437,195	1,855,219
Less: Reinsurance premium ceded	1,246,548	1,078,321
Add: Prepaid reinsurance premium opening	463,940	434,673
Less: Prepaid reinsurance premium closing	(501,272)	(463,940)
Reinsurance expense	1,209,216	1,049,054
Net insurance premium	1,227,979	806,165

23 NET INSURANCE CLAIMS

Claims paid	1,301,630	1,076,729
Add: Outstanding claims including IBNR closing	959,567	786,589
Less: Outstanding claims including IBNR opening	(786,589)	(819,119)
Claims expense	1,474,608	1,044,199
Less: Reinsurance and other recoveries received	775,073	664,573
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	676,476	604,247
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(604,247)	(604,878)
Reinsurance and other recoveries revenue	847,302	663,942
Net insurance claims	627,306	380,257

24 CLAIM DEVELOPMENT

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year:

Accident year	2018 & Prior	2019	2020	2021	2022
	----- (Rupees in '000) -----				
<u>Estimate of ultimate claims costs:</u>					
At end of accident year	2,993,618	652,310	1,022,555	1,170,579	1,396,022
One year later	968,286	963,737	908,388	1,241,781	-
Two year later	810,855	955,231	913,179	-	-
Three year later	773,714	951,442	-	-	-
Four year later	716,794	-	-	-	-
Current estimate of ultimate claims cost	716,794	951,442	913,179	1,241,781	1,396,022
Cumulative payments to date	(501,183)	(935,656)	(872,834)	(1,086,541)	(863,437)
Liability for outstanding claims	215,611	15,786	40,345	155,240	532,585

	2022	2021
	----- (Rupees in '000) -----	
25 NET COMMISSION INCOME		
Commissions paid or payable	321,113	247,895
Add: Deferred commission - opening	131,216	98,200
Less: Deferred commission - closing	(146,080)	(131,216)
Commission expense	306,249	214,879
Less: Commission from reinsurers	387,389	291,882
Commission received or receivable	160,786	127,746
Less: Unearned reinsurance commission - closing	(156,637)	(160,786)
Commission from reinsurers	391,538	258,842
Net commission income	85,289	43,963

26	MANAGEMENT EXPENSES	Note	2022	2021
			----- (Rupees in '000) -----	-----
	Employee benefit cost	26.1	504,337	377,823
	Travelling expenses		46,203	19,098
	Advertisement and sales promotion		1,867	699
	Printing and stationary		6,263	4,209
	Depreciation		18,690	35,462
	Amortisation		217	998
	Rent, rates and taxes		7,870	6,618
	Legal and professional charges	26.2	30,405	7,534
	Electricity, gas and water		12,276	7,582
	Entertainment		9,389	5,151
	Office repairs and maintenance		7,815	11,628
	Bank charges		727	413
	Postages, telegrams and telephone		12,244	9,824
	Annual supervision fee SECP		2,654	2,592
	Bad and doubtful debts		37,966	1,671
	Miscellaneous		7,833	7,140
			<u>706,756</u>	<u>498,442</u>
26.1	This includes Rs. 239.117 million (2021: Rs. 215.542 million) being salaries and other benefits and Rs. 11.439 million (2021: Rs. 10.435 million) being contribution to employees' provident fund. This also includes staff vehicles expenses of Rs. 113.233 million (2021: Rs. 39.105 million), earlier included as a separate line item.			
26.2	This includes Rs. 19.310 million services charges charged by the co-insurance companies.			
27	INVESTMENT INCOME	Note	2022	2021
			----- (Rupees in '000) -----	-----
	Income from equity securities - available-for-sale			
	- Dividend income		150,210	99,473
	Income from debt securities - available-for-sale			
	- Pakistan Investment Bonds		8,854	13,790
	- Treasury Bills		11,181	-
	- Term Finance Certificates		4,233	-
			<u>24,268</u>	<u>13,790</u>
	Net realised gain on investments - available-for-sale			
	- Equity securities		15,141	9,501
	- Mutual funds units		10,763	1,233
	- Debt securities		-	21,187
			<u>25,904</u>	<u>31,921</u>
	Net realised loss on investments - available-for-sale			
	- Equity securities		(37,810)	(3,750)
	Total investment income		<u>162,572</u>	<u>141,434</u>
	Less: Impairment in value of investments - available-for-sale			
	- Equity securities		(37,696)	(208)
	Less: Investment related expenses		<u>(304)</u>	<u>(195)</u>
			<u>124,572</u>	<u>141,031</u>
28	OTHER INCOME		2022	2021
	Return on bank balances		11,628	4,635
	Gain on sale of fixed assets		2,079	61,358
	Return on loan to employees		4,803	2,834
	Liabilities no longer payable, written back		20,261	-
	Miscellaneous		488	5,389
			<u>39,259</u>	<u>74,216</u>
29	OTHER EXPENSES		2022	2021
	Auditor's remuneration	29.1	3,933	2,936
	Subscription		4,181	4,649
	Donations	29.2	3,200	3,200
			<u>11,314</u>	<u>10,785</u>

	2022	2021
	----- (Rupees in '000) -----	
29.1 Auditor's remuneration		
Audit fee	1,146	1,032
Review of condensed interim financial statements	490	375
Special certifications	1,207	835
	<u>2,843</u>	<u>2,242</u>
Sindh sales tax	291	218
Out-of-pocket expenses	799	476
	<u>3,933</u>	<u>2,936</u>

29.2 Details of donation of Rs. 3.2 million (2021: Rs. 3.2 million) are as follows:

Name of Directors	Interest in Donee	Name of Donee	Address of Donee	Amount (Rupees in '000)
Mr. Rafiq M.Habib, Mr. Mansoor G.Habib & Mr. Aun Mohammad A.Habib	Trustee	Al-Sayyeda Benevolent Trust	UBL Building, I.I. Chundrigar Road, Karachi	640
Mr. Aun Mohammad A.Habib	Trustee	Rehmatbai Habib Widows & Orphans Trust	UBL Building, I.I. Chundrigar Road, Karachi	640
Mr. Aun Mohammad A.Habib	Trustee	Rehmatbai Habib Food & Clothing Trust	UBL Building, I.I. Chundrigar Road, Karachi	640
Mr. Mansoor G.Habib & Mr. Aun Mohammad A.Habib	Trustee	Habib Poor Fund	UBL Building, I.I. Chundrigar Road, Karachi	640
Mr. Rafiq M.Habib	Trustee	Habib Medical Trust	UBL Building, I.I. Chundrigar Road, Karachi	640
				<u>3,200</u>

	2022	2021
	----- (Rupees in '000) -----	
30 FINANCE COST		
Mark-up on short term financing	95	164
Mark-up on lease liabilities	3,187	10,760
	<u>3,282</u>	<u>10,924</u>

31 TAXATION		
For the year		
Current	57,622	44,194
Prior	(10,762)	1,266
Deferred	(16,755)	(4,827)
	<u>30,105</u>	<u>40,633</u>

31.1 Relationship between tax expense and accounting profit		
Profit before taxation	<u>141,196</u>	<u>147,657</u>
Tax at enacted rate of 29% (2021: 29%)	40,947	42,821
Prior year tax	(10,762)	1,266
Super tax on taxable income @ 1%	1,952	-
Others	(2,031)	(3,454)
	<u>30,106</u>	<u>40,633</u>



31.2 Details of pending tax appeals / cases / notices are as follows:

- The Income Tax department has made an assessment order for the tax year 2018 by adding back certain expenses, written off of bad debts, loan to employees, capitalization of renovation expenses and provision for gratuity. The Company had filed an appeal before the Commissioner, Inland Revenue (Appeals-I) [CIR-A] on which partial relief was allowed to the Company and amount of Rs 1.5 million was payable by the Company. The second appeal has been filed, which is pending for adjudication. The management, based on the discussion with the tax advisor believes that the case will be decided in favour of the Company.
- The Income Tax department has issued an assessment order for the tax years 2011, 2012, 2014, 2015 and 2016 raised additional tax demand of Rs. 23 million, Rs.12.6, Rs. 2.4 million, Rs. 4.4 million and Rs. 23.24 respectively by charging tax on dividend and capital gain as single basket, disallowance of provision for IBNR, non-deduction of tax on commission payment, addition of cash withdrawals, provision for impairment, provision for gratuity, provision for workers welfare fund, donations, capital expenditure, renovation of rented premises, bonus shares and loan to employees. The Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) in respect of above tax years. The appeals are yet to be fixed for hearing. The management, based on the discussion with the tax advisor believes that the case will be decided in favour of the Company.
- The Income Tax department has filed an appeal before the Sindh High Court against the appellate order passed by the ATIR for the tax year 2009 and 2012 raised additional tax demand of Rs. 3.4 and Rs. 12.6 respectively. The aforesaid appeal is pending for adjudication. The management, based on the discussion with the tax advisor believes that the case will be decided in favour of the Company.
- In respect of tax years 2000, 2001, 2008 and 2009 Civil Appeals were filed by the Commissioner Inland Revenue (CIR) against the Consolidated Judgment passed by the Honourable High Court of Sindh (SHC) on the issue of allocation of Expenses towards dividend income under section 67 of the Income Tax Ordinance, 2001 (the Ordinance). Civil Appeals were ordered to be heard ex-parte. An application was filed for setting aside the order for ex-parte proceedings and to allow enter appearance to argue the case on merits. The Income Tax department had filed civil petition leave to appeal against the judgement passed by the SHC in the Honorable Supreme Court of Pakistan (SCP). The Civil petition leave to appeal has been granted and converted into Civil Appeal. The proceedings are still pending before the Honorable Supreme Court of Pakistan (SCP). The main appeals along with the said applications were last fixed for hearing on February 16, 2022; however, on the said date the matter was adjourned. No further date of hearing has been communicated till date. The management, based on the discussion with the tax advisor believes that the case will be decided in favour of the Company.
- In respect of tax year 2005, the Company had challenged the notice issued by Federal Board of Revenue under section 122(9) for further amendment of assessment under section 122(5A) of the Ordinance. The SHC has granted an interim stay order and the matter is still pending before the Court. The management, based on the discussion with the tax advisor believes that the case will be decided in favour of the Company.
- An appeal is pending before the Commissioner Appeals Sindh Revenue Board, Karachi relating to sales tax on reinsurance. The Company obtained the interim stay order from Honorable High Court of Sindh, Karachi till the judgement passed by Commissioner Appeals SRB. Tax amount involved is Rs. 190 million. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company, hence no provision is recorded in the financial statements.
- The Company received show cause notice from the office of Assistant Commissioner Sindh Revenue Board, Karachi for short payment of sales tax on reinsurance services obtained from July till December 2011 and January 2012 till December 2013. The adjudication proceedings are under process. The Company obtained the interim stay order from Honorable High Court of Sindh, Karachi. Tax amount involved is Rs. 72 million would arise. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company, hence no provision is recorded in the financial statements.
- The Company has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order Commissioner (Appeals) who confirmed the order passed under section 161/205 of the Income Tax Ordinance, 2001 (the Ordinance), for the tax year 2020, whereby an unjustified demand amounting to Rs.69.8 million was raised under section 161/205/182 of the Ordinance. The Appeal has not yet been heard. The recovery of demand has been stayed vide an stay order issued by ATIR. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company, hence no provision is recorded in the financial statements.
- During the year, a show cause notice for short payment of sales tax Rs. 326.46 million has been issued by Assistant Commissioner - Sindh Revenue Board (SRB), for the period from January 2014 to December 2014 and January 2015 to December 2015. The adjudication proceeding are under process and an interim stay order has been obtained from the Honorable High Court of Sindh. Against in the case also, the Company believes on the on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company, hence no provision is recorded in the financial statements.

32 EARNINGS PER SHARE – BASIC AND DILUTED

	2022	2021
	----- (Rupees in '000) -----	
Profit after tax for the year	<u>111,091</u>	<u>107,024</u>
	----- (Number of Shares) -----	
Weighted average number of ordinary shares of Rs. 5 each	<u>123,874,755</u>	<u>123,874,755</u>
	----- (Rupees) -----	
Earnings per share	<u>0.90</u>	<u>0.86</u>

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

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33 COMPENSATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES / KEY MANAGEMENT PERSONNEL

The aggregate amount charged to in the financial statements, including all benefits, to the Chief Executive Officer, Directors and Executives of the Company are as follows:

		Chief Executive Officer *		Directors		Executives		Total	
		2022	2021	2022	2021	2022	2021	2022	2021
Note		----- (Rupees in '000) -----							
Fee		-	-	530	690	-	-	530	690
Managerial remuneration	33.1	15,741	11,904	23,414	19,658	174,793	99,851	213,948	131,413
Bonus		1,968	1,713	3,025	2,750	15,679	11,774	20,672	16,237
Retirement benefits		739	669	1,159	1,100	6,324	5,953	8,222	7,722
Vehicle allowance		3,211	1,553	-	-	40,815	15,640	44,026	17,193
Others		-	-	1,398	2,482	-	-	1,398	2,482
		21,659	15,839	29,526	26,680	237,611	133,218	288,796	175,737
Number of persons		2	1	9	9	44	52	55	62

* During the year a new Chief Executive was appointed by the Board.

33.1 Managerial remuneration includes basic salary, house rent allowance and utility allowance.

The Chief Executive Officer, Executive director and other executives of the Company are entitled to medical reimbursement up to a prescribed limit as per Company's policy. They are also entitled to avail benefits under the unfunded approved gratuity scheme operated by the Company.

In addition the Executive Director is provided with free use of Company maintained car in accordance with his entitlement.

33.2 Chief Executive Officer and the Directors of the Company are considered as the Key Management Personnel of the Company.



34 TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, companies with common directors, major shareholders, staff retirement funds, directors and key management personnel.

The balances with the related parties and transactions with them, other than those which have been specifically disclosed elsewhere in the financial statements, are as follows:

<i>Transactions and balances with related parties</i>	2022	2021
	----- (Rupees in '000) -----	
<i>Transactions during the year with associated companies</i>		
Premium written	443,660	340,070
Claims paid	154,038	283,377
Dividend received	43,991	33,825
Dividend paid	6,931	4,558
Interest received on bank accounts	11,628	4,635
Bank charges	701	372
Fees paid	530	690
Lease rentals paid	-	22,504
Security deposit paid	-	2,870
Capital Expenditure	-	53,736
Interest expense	95	6,485
Donations	3,200	3,200
Premium ceded to reinsurer	325,163	313,954
Commission income	114,548	78,442
Reinsurance recoveries received	127,902	167,641
<i>Balances with associated companies</i>		
Premium due but unpaid	44,194	268,350
Claims outstanding	92,889	87,200
Bank balances	286,127	73,687
Investment held	362,359	484,251
Reinsurance payable	(73,921)	(68,618)
<i>Transactions during the year with other related parties including key management personnel</i>		
Brokerage expenses paid	151	170
Contribution to the provident fund	11,439	10,442
Remuneration of key management personnel	51,185	42,519
<i>Balances with other related parties including key management personnel</i>		
Premium due but unpaid	-	101
Receivable from a Trust	6,905	-

34.1 Remuneration to the key management personnel are in accordance with the terms of their employment (refer note 33). Contribution to the provident fund is in accordance with the Company's staff services rules and other transactions with the related parties are in accordance with the agreed terms.

	2022					
	Fire and property	Marine and transport	Motor	Health	Other classes	Aggregate
	(Rupees in '000)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative surcharge)	1,053,092	461,617	1,239,775	16,418	261,252	3,032,154
Less: Federal Excise Duty	133,037	51,765	148,719	1,931	33,169	368,621
Federal Insurance Fee	9,075	4,056	10,803	148	2,359	26,441
Gross written premium (inclusive of Administrative Surcharge)	910,980	405,796	1,080,253	14,339	225,724	2,637,092
Gross direct premium	897,872	392,497	1,041,955	14,310	221,680	2,568,314
Facultative inward premium	5,307	368	832	-	-	6,507
Administrative surcharge	7,801	12,931	37,466	29	4,044	62,271
	910,980	405,796	1,080,253	14,339	225,724	2,637,092
Insurance premium earned	841,802	435,240	936,659	14,895	208,599	2,437,195
Insurance premium ceded to reinsurers	(688,458)	(218,042)	(192,718)	-	(109,998)	(1,209,216)
Net insurance premium	153,344	217,198	743,941	14,895	98,601	1,227,979
Premium deficiency reserve	-	-	-	136	-	136
Commission income	220,843	81,213	64,011	-	25,471	391,538
Net underwriting income	374,187	298,411	807,952	15,031	124,072	1,619,653
Insurance claims	284,094	383,124	676,509	20,366	110,515	1,474,608
Insurance claims recovered from reinsurers	(230,940)	(282,207)	(284,874)	-	(49,281)	(847,302)
Net Claims	53,154	100,917	391,635	20,366	61,234	627,306
Commission expense	(141,085)	(50,933)	(82,404)	(201)	(31,626)	(306,249)
Management expenses	(244,148)	(108,756)	(289,514)	(3,843)	(60,495)	(706,756)
Net insurance claims and expenses	(385,233)	(159,689)	(371,918)	(4,044)	(92,121)	(1,013,005)
Underwriting result	(64,200)	37,805	44,399	(9,379)	(29,283)	(20,658)
Investment income - unallocated						124,572
Other income - unallocated						39,259
Other expenses - unallocated						(11,314)
Results of operating activities						131,859
Financial charges - unallocated						(3,282)
Loss from Window Takaful Operations - Operator's Fund						12,619
Profit before tax						141,196
Segment assets						
Allocated Assets						
Premium due but unpaid	261,863	71,812	193,872	13,492	73,998	615,037
Prepaid reinsurance premium ceded	352,659	10,945	75,310	-	62,358	501,272
Reinsurance recoveries against outstanding claims	426,257	79,327	42,009	-	89,950	637,543
Salvage recoveries outstanding	956	31,256	6,663	-	58	38,933
Deferred commission expense	73,689	3,646	53,280	97	15,368	146,080
	1,115,424	196,986	371,134	13,589	241,732	1,938,865
Unallocated Assets						
Fixed Assets, at cost less depreciation						56,551
Amounts due from other insurers/ reinsurers						271,343
Cash and Cash equivalents						306,241
Loans - secured, considered good						40,319
Investments						1,636,965
Accrued investment income						6,137
Receivable against sale of investments						85,483
Advances, deposits and prepayments						50,788
Taxation provision less payments						5,835
Prepayments						24,145
						2,483,807
Total Assets						4,422,672
Unallocated assets of General Takaful Operations - Operator's Fund						120,967
						4,543,639
Allocated Liabilities						
Outstanding Claims	475,379	183,739	143,207	4,358	152,884	959,567
Unearned Premium	474,329	32,199	581,119	9,025	105,800	1,202,472
Unearned Reinsurance Commission	110,753	4,436	24,751	-	16,697	156,637
Premium Deficiency Reserve	-	-	-	6,188	-	6,188
	1,060,461	220,374	749,077	19,571	275,381	2,324,864
Unallocated liabilities						
Premiums received in advance						60,189
Amounts due to other insurers/reinsurers						425,363
Staff retirement benefits						130,311
Deferred tax						17,290
Financial lease liability						30,908
Other creditors and accruals						303,447
						967,508
Total Liabilities						3,292,372
Unallocated liabilities of General Takaful Operations - Operator's Fund						82,965
						3,375,337

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	2021					
	Fire and property	Marine and transport	Motor	Group hospitalisation	Other classes	Aggregate
	(Rupees in '000)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative surcharge)	826,440	405,042	906,846	15,598	194,756	2,348,682
Less: Federal Excise Duty	103,836	45,289	111,565	1,817	26,013	288,520
Federal Insurance Fee	6,992	3,562	7,847	136	1,864	20,401
Gross written premium (inclusive of Administrative Surcharge)	715,612	356,191	787,434	13,645	166,879	2,039,761
Gross direct premium	691,904	343,611	756,087	13,615	163,289	1,968,506
Facultative inward premium	16,872	625	2,506	-	83	20,086
Administrative surcharge	6,836	11,955	28,841	30	3,507	51,169
	715,612	356,191	787,434	13,645	166,879	2,039,761
Insurance premium earned	679,927	343,659	660,865	13,455	157,313	1,855,219
Insurance premium ceded to reinsurers	(585,171)	(184,216)	(200,663)	-	(79,004)	(1,049,054)
Net insurance premium	94,756	159,443	460,202	13,455	78,309	806,165
Premium deficiency reserve	-	-	-	(173)	-	(173)
Commission income	108,365	65,197	71,226	-	14,054	258,842
Net underwriting income	203,121	224,640	531,428	13,282	92,363	1,064,834
Insurance claims	407,987	150,384	343,375	11,125	131,328	1,044,199
Insurance claims recovered from reinsurers	(381,868)	(83,715)	(127,673)	-	(70,686)	(663,942)
Net Claims	26,119	66,669	215,702	11,125	60,642	380,257
Commission expense	(112,475)	(38,457)	(39,932)	(51)	(23,964)	(214,879)
Management expenses	(174,869)	(87,040)	(192,420)	(3,334)	(40,779)	(498,442)
Net insurance claims and expenses	(287,344)	(125,497)	(232,352)	(3,385)	(64,743)	(713,321)
Underwriting result	(110,342)	32,474	83,374	(1,228)	(33,022)	(28,744)
Investment income - unallocated						141,031
Other income - unallocated						74,216
Other expenses - unallocated						(10,785)
Results of operating activities						175,718
Financial charges - unallocated						(10,924)
Loss from Window Takaful Operations - Operator's Fund						(17,137)
Profit before tax						147,657
Segment assets						
Allocated Assets						
Premium due but unpaid	142,983	127,641	271,490	8,506	66,612	617,232
Prepaid reinsurance premium ceded	298,199	30,382	93,722	-	41,637	463,940
Reinsurance recoveries against outstanding claims	408,528	30,925	37,313	-	76,404	553,170
Salvage recoveries outstanding	16,130	20,799	14,055		93	51,077
Deferred commission expense	72,046	7,325	40,540	181	11,124	131,216
	937,886	217,072	457,120	8,687	195,870	1,816,635
Unallocated Assets						
Fixed Assets, at cost less depreciation						69,558
Amounts due from other insurers/ reinsurers						564,260
Cash and Cash equivalents						88,566
Loans - secured, considered good						48,166
Investments						1,393,617
Accrued investment income						3,833
Advances, deposits and prepayments						114,109
Taxation provision less payments						3,387
Prepayments						25,081
						2,310,577
Total Assets						4,127,212
Unallocated assets of General Takaful Operations - Operator's Fund						66,540
						4,193,752
Allocated Liabilities						
Outstanding Claims	454,076	93,746	106,752	3,435	128,581	786,590
Unearned Premium	405,147	61,643	437,526	9,582	88,676	1,002,574
Unearned Reinsurance Commission	103,214	12,392	34,404	-	10,776	160,786
Premium Deficiency Reserve	-	-	-	6,324	-	6,324
	962,437	167,781	578,682	19,341	228,033	1,956,274
Unallocated liabilities						
Premiums received in advance						15,992
Amounts due to other insurers/reinsurers						379,589
Staff retirement benefits						130,859
Taxation - provision less payments						-
Deferred tax						82,023
Financial lease liability						37,528
Other creditors and accruals						298,916
						944,907
Total Liabilities						2,901,181
Unallocated liabilities of General Takaful Operations - Operator's Fund						37,497
						2,938,678

36 MOVEMENT IN INVESTMENTS**Available-for-Sale
Rs. '000**

As at January 01, 2021	1,315,548
Additions	1,116,371
Transfer due to reclassification	-
Disposals (sale and redemption)	(932,129)
Fair value net gains (excluding net realized gains)	(106,789)
Impairment of investments	(208)
Amortisation of premium / discount	824
As at December 31, 2021	1,393,617
 Additions	 2,473,280
Disposals (sale and redemption)	(2,016,448)
Fair value net gains (excluding net realized gains)	(188,243)
Impairment of investments	(37,696)
Amortisation of premium / discount	12,455
As at December 31, 2022	<u>1,636,965</u>

37 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

The Company issue contracts that transfer insurance risk or financial risk or both. This section summarises the insurance risks and the way the Company manages them.

37.1 Insurance risk management**37.1.1 Insurance risk**

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year, except that in case of marine insurance policies, these may be of lesser periods.

The Company accepts insurance through issuance of general insurance contracts. For these general insurance contracts the most significant risks arise from fire, atmospheric disturbance, earthquakes, transit, theft and third party liabilities, etc.

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

37.1.2 Frequency and severity of claims

Risk associated with general insurance contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the insured events. This has been managed by having in place underwriting strategy, reinsurance arrangements and proactive claim handling procedures.

The reinsurance arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on Company's net retentions.

37.1.3 Uncertainty in the estimation of future claim payments

Claims on general insurance contracts are payable on a claim occurrence basis. The Company is liable for all insured events as per terms and condition of the insurance contract.

The key source of estimation uncertainty at the financial statement date relates to valuation of outstanding claims, whether reported or not, and includes expected claims settlement costs. Considerable judgment by management is required in the estimation of amounts due to policyholders arising from claims made under insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying and possibly significant degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. Qualitative judgments are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence, changes in market factors such as public attitude to claiming and economic conditions. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the financial statement date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the financial statement date. The details of estimation of outstanding claims (including IBNR) are given under note 3.20.

There are several variable factors which affect the amount and timing of recognised claim liabilities. 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 initial recognised amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated. Outstanding claims are reviewed on a periodic basis.

37.1.4 Key assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected income. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate case to case basis with due regard to the claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Core estimates are reviewed regularly and are updated as and when new information is available.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, in which case information about the claim event is available. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

The premium liabilities have been determined such that the total premium liability provisions (unearned premium reserve and premium deficiency reserve) would be sufficient to service the future expected claims and expenses likely to occur on the unexpired policies as of financial statement date. The expected future liability is determined using estimates and assumptions based on the experience during the expired period of the contracts and expectations of future events that are believed to be reasonable.

37.1.5 SENSITIVITY ANALYSIS

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

The claim liabilities are sensitive to the incidence of insured events and severity / size of claims. As the Company enters into short term insurance contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of reinsurance. The impact of 10% increase / decrease in incidence of insured events on profit before tax and shareholder's equity is as follows:



	Underwriting results /		Shareholder's equity	
	profit before tax			
	2022	2021	2022	2021
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Impact of change in claims liabilities +10% / -10%				
Fire and property	5,315	2,612	3,667	1,855
Marine and transport	10,092	6,667	6,963	4,734
Motor	39,164	21,570	27,023	15,315
Group hospitalisation	2,037	1,113	1,406	790
Other classes	6,124	6,064	4,226	4,305
	62,732	38,026	43,285	26,999

37.1.6 Concentration of risk

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 risk 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 process, 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 specification as laid down by IAP (Insurance Association of Pakistan). For instance, the presence of perfect party walls, double fire proof iron doors, physical separation between the building 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.

For marine risks, complete underwriting details such as sums insured, mode of transport (air / inland transit), vessel identification, sailing dates, origin and destination of the shipments, per carry limits, accumulation of sum insured on a single voyage etc. are taken into consideration.

The ability to manage catastrophic risk is tied managing the density of risk within a particular area. For catastrophic aggregates, the system assigns precise geographic CRESTA (Catastrophe Risk Evaluating and standardising Target Accumulations) codes with reference to the accumulation of sum insured in force at any particular location against natural perils.

A number of proportional and non-proportional reinsurance arrangements are in place to protect the net account. Apart from the adequate event limit which is a multiple of the treaty capacity or the primary recovery from the proportional treaty, any loss over and above the said limit would be recovered from the non-proportional treaty which is very much in line with the risk management philosophy of the Company.

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

The concentration of risk by type of contracts based on single risk with maximum exposure is summarised below.

	Gross sum insured		Reinsurance		Net	
	2022	2021	2022	2021	2022	2021
	----- (Rupees in '000) -----					
Fire and property	10,583,552	8,827,396	10,579,052	8,823,896	4,500	3,500
Marine and transport	2,078,510	1,600,473	2,077,010	1,598,973	1,500	1,500
Motor	126,000	67,500	99,000	48,500	27,000	19,000
Group hospitalisation	1,500	1,500	-	-	1,500	1,500
Other classes	881,739	580,395	877,239	576,895	4,500	3,500
	13,671,301	11,077,264	13,632,301	11,048,264	39,000	29,000

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The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

38.1 Credit risk

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

38.1.1 Management of credit risk

The Company's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Company in the following manner:

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.
- The risk of counterparty exposure due to failed agreements causing a loss to the Company is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.
- Loans given to employees are deductible from the salary of the employees.
- Cash is held with reputable banks only.

To reduce the credit risk, the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery.

38.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31, is as follows:

	2022		2021	
	Balance as per the financial statements	Maximum exposure	Balance as per the financial statements	Maximum exposure
	----- (Rupees in '000) -----			
Investment in equity securities	821,124	-	1,210,429	-
Investments in debt securities	815,841	100,573	183,188	-
Loans, deposits and other receivables	156,413	156,413	145,582	145,582
Insurance / reinsurance receivables	886,380	886,380	1,181,492	1,181,492
Reinsurance recoveries against outstanding claims	637,543	637,543	553,170	553,170
Salvage recoveries accrued	38,933	38,933	51,077	51,077
Balances with banks	303,262	303,262	87,827	87,827
Window Takaful Operations	97,004	97,004	16,817	16,817
	3,756,500	2,220,108	3,429,582	2,035,965

Investments of Rs. 715.268 million (2021: Rs. 183.188 million) is not considered to be exposed to credit risk.

38.1.3 Past due / impaired assets

Age analysis of premium due but unpaid at the reporting date was:

	2022		2021	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
Up to 1 year	537,741	-	593,704	-
1-2 years	77,205	-	38,718	13,519
2-3 years	19,255	19,164	3,499	5,170
Over 3 years	1,324	1,324	-	-
Total	635,525	20,488	635,921	18,689

Age analysis of amount due from other insurers / reinsurers at the reporting date was:

	2022		2021	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
Up to 1 year	133,664	-	405,454	-
1-2 years	98,442	-	91,501	-
Over 2 years	56,131	16,894	73,805	6,500
Total	288,237	16,894	570,760	6,500

Age analysis of reinsurance and other recoveries against outstanding claims at the reporting date was:

	2022		2021	
	Gross	Impairment	Gross	Impairment
	----- (Rupees in '000) -----			
Up to 1 year	(640)	-	30,661	-
1-2 years	31,845	-	194,471	-
Over 2 years	645,271	-	379,115	-
Total	676,476	-	604,247	-

In respect of the aforementioned insurance and reinsurance assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, reinsurance recoveries are made when corresponding liabilities are settled.

38.1.4 Credit Rating and Collateral

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

	Short / Long term Rating	Rating Agency	2022 ----- (Rupees in '000) -----	2021
Habib Bank Limited	A1+ / AAA	JCR-VIS	17,135	14,140
Habib Metropolitan Bank Limited	A1+ / AA+	PACRA	50	50
Bank AL Habib Limited	A1+ / AAA	PACRA	286,077	73,637
			<u>303,262</u>	<u>87,827</u>

38.1.5 The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. The Company is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poor's with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all reinsurance assets relating to outward treaty cessions recognised by the rating of the entity from which it is due is as follows:

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	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2022	2021
	(Rupees in '000)				
A or above (including PRCL)	288,237	676,476	501,272	1,465,985	1,632,447

38.1.6 Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

Sector-wise analysis of premium due but unpaid at the reporting date was:

	December 31, 2022		December 31, 2021	
	(Rupees in '000)	%	(Rupees in '000)	%
Automobiles	160,617	26.1	172,076	27.9
Banks, modaraba and leasing	5,560	0.9	106,463	17.2
Textile and composite	159,531	25.9	73,072	11.8
Sugar	27,455	4.5	26,409	4.3
Chemicals and allied industries	41,140	6.7	22,266	3.6
Glass, ceramics and tiles	13,945	2.27	-	-
Cable, engineering and steel	5,625	0.9	2,665	0.4
Food and confectionary	37,411	6.1	31,879	5.2
Pharmaceuticals	11,689	1.9	7,513	1.2
Others	152,064	24.7	174,889	28.3
	615,037	100	617,232	100

38.1.7 Settlement risk

The company's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

38.1.8 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

38.1.9 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring financial statement liquidity ratios against internal and external requirements and maintaining debt financing plans.

38.1.10 Maturity analysis for financial assets and liabilities

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the financial statement date to maturity date and represents the undiscounted cash flows. The information given below is based on contractual reprising or maturity dates, whichever is earlier.

	December 31, 2022						
	Interest/ Markup bearing			Non-Interest/ Non-markup bearing			
	Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total	Total
	----- (Rupees in '000) -----						
FINANCIAL ASSETS							
Investments							
Equity securities	-	-	-	821,124	-	821,124	821,124
Government securities	652,973	62,295	715,268	-	-	-	715,268
Other debt securities	100,573	-	100,573	-	-	-	100,573
Loans and other receivables	12,556	27,763	40,319	116,410	-	116,410	156,729
Insurance/ reinsurance receivables	-	-	-	886,380	-	886,380	886,380
Reinsurance recoveries against outstanding claims	-	-	-	637,543	-	637,543	637,543
Salvage recoveries accrued	-	-	-	38,933	-	38,933	38,933
Cash and bank balances	270,961	-	270,961	35,280	-	35,280	306,241
Window Takaful Operations - Operator's Fund	-	-	-	97,004	-	97,004	97,004
As at December 31, 2022	1,037,063	90,058	1,127,121	2,632,674	-	2,632,674	3,759,795

FINANCIAL LIABILITIES

Outstanding claims including IBNR	-	-	-	-	959,567	959,567	959,567
Lease liability against right-of-use assets	14,536	16,372	30,908	-	-	-	30,908
Insurance/ reinsurance payables	-	-	-	425,363	-	425,363	425,363
Other creditors and accruals	-	-	-	258,343	-	258,343	258,343
Financial Liabilities - OPF	-	-	-	34,760	-	34,760	34,760
As at December 31, 2022	14,536	16,372	30,908	718,466	959,567	1,678,033	1,708,941

December 31, 2021						
Interest/ Markup bearing			Non-Interest/ Non-markup bearing			
Maturity up to one year	Maturity after one year	Sub Total	Maturity up to one year	Maturity after one year	Sub Total	Total
(Rupees in '000)						

FINANCIAL ASSETS

Investments							
Equity securities	-	-	-	1,210,429	-	1,210,429	1,210,429
Government securities	135,303	47,885	183,188	-	-	-	183,188
Loans and other receivables	17,659	27,478	45,137	96,765	-	96,765	141,902
Insurance/ reinsurance receivables	-	-	-	1,181,492	-	1,181,492	1,181,492
Reinsurance recoveries against outstanding claims	-	-	-	553,170	-	553,170	553,170
Salvage recoveries accrued	-	-	-	51,077	-	51,077	51,077
Cash and bank balances	57,478	-	57,478	31,088	-	31,088	88,566
Window Takaful Operations - Operator's Fund	-	-	-	16,817	-	16,817	16,817
As at December 31, 2021	210,440	75,363	285,803	3,140,838	-	3,140,838	3,426,641

FINANCIAL LIABILITIES

Outstanding Claims including IBNR	-	-	-	-	786,589	786,589	786,589
Lease liability against right-of-use assets	11,990	25,538	37,528	-	-	-	37,528
Insurance/ reinsurance payables	-	-	-	379,589	-	379,589	379,589
Other creditors and accruals	-	-	-	253,212	-	253,212	253,212
Financial Liabilities - OPF	-	-	-	22,408	-	22,408	22,408
As at December 31, 2021	11,990	25,538	37,528	655,209	786,589	1,441,798	1,479,326

Details of the interest rates on interest bearing financial instruments are given in the respective notes. Besides please also refer note 38.3.1.

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38.2 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	December 31, 2022					Fair value measurement using		
	Available for sale	Loans & receivables	Other financial assets	Financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
Equity securities - quoted	802,514	-	-	-	802,514	802,514	-	-
Mutual fund units	2,116	-	-	-	2,116	-	2,116	-
Modaraba certificates	16,494	-	-	-	16,494	16,494	-	-
Debt securities	715,268	-	-	-	715,268	-	715,268	-
Other debt securities	100,573	-	-	-	100,573	-	100,573	-
Financial assets not measured at fair value								
Loans, deposits and other receivables	-	156,729	-	-	156,729	-	-	-
Insurance / reinsurance receivable	-	886,380	-	-	886,380	-	-	-
Reinsurance recoveries against outstanding claims	-	637,543	-	-	637,543	-	-	-
Salvage recoveries accrued	-	38,933	-	-	38,933	-	-	-
Cash and bank balances	-	-	306,241	-	306,241	-	-	-
Total financial assets of Window Takaful Operations - Operator's Fund	-	-	97,004	-	97,004	-	-	-
	1,636,965	1,719,585	403,245	-	3,759,795	819,008	817,957	-
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	-	-	-	(959,567)	(959,567)	-	-	-
Lease liability against right-of-use asset	-	-	-	(30,908)	(30,908)	-	-	-
Insurance/ reinsurance payables	-	-	-	(425,363)	(425,363)	-	-	-
Other creditors and accruals	-	-	-	(258,343)	(258,343)	-	-	-
Total financial liabilities of Window Takaful Operations - Operator's Fund	-	-	-	(34,760)	(34,760)	-	-	-
	-	-	-	(1,708,941)	(1,708,941)	-	-	-
December 31, 2021								
	Available for sale	Loans & receivables	Other financial assets	Financial liabilities	Total	Fair value measurement using		
						Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
Equity securities - quoted	1,187,970	-	-	-	1,187,970	1,187,970	-	-
Mutual fund units	2,382	-	-	-	2,382	-	2,382	-
Modaraba certificates	20,077	-	-	-	20,077	20,077	-	-
Debt securities	183,188	-	-	-	183,188	-	183,188	-
Financial assets not measured at fair value								
Loans, deposits and other receivables	-	141,902	-	-	141,902	-	-	-
Insurance / reinsurance receivable	-	1,181,492	-	-	1,181,492	-	-	-
Reinsurance recoveries against outstanding claims	-	553,170	-	-	553,170	-	-	-
Salvage recoveries accrued	-	51,077	-	-	51,077	-	-	-
Cash and bank balances	-	-	88,566	-	88,566	-	-	-
Total financial assets of Window Takaful Operations - Operator's Fund	35,051	-	15,823	-	50,874	-	-	-
	1,428,668	1,927,641	104,389	-	3,460,698	1,208,047	185,570	-
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	-	-	-	(786,589)	(786,589)	-	-	-
Lease liability against right-of-use asset	-	-	-	(37,528)	(37,528)	-	-	-
Insurance/ reinsurance payables	-	-	-	(379,589)	(379,589)	-	-	-
Other creditors and accruals	-	-	-	(253,212)	(253,212)	-	-	-
Total financial liabilities of Window Takaful Operations - Operator's Fund	-	-	-	(22,408)	(22,408)	-	-	-
	-	-	-	(1,479,326)	(1,479,326)	-	-	-

The fair value of the investments have been determined in the manner explained in note number 3.12.2.2.

The carrying values of remaining financial assets and liabilities reflected in these financial statements approximate to their fair value.

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38.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However the Company is exposed to interest rate risk and other price risk.

38.3.1 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. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks, staff loans and government securities. The Company limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

38.3.1.1 Sensitivity analysis

At the financial statement date the interest rate profile of the Company's interest-bearing financial instrument are as follows:

	2022 Effective interest rate (in %)	2021	2022 ----- (Rupees in '000) -----	2021
Financial assets				
Assets subject to fixed rate				
- Pakistan Investment Bond	10.45% - 13.46%	9.50% - 12.00%	62,295	88,023
- Treasury bills	12.93%	10.93%	652,973	95,165
- Other debt securities	19.02%	-	100,573	-
- Loan to employees	8.33% to 19.34%	8.33% to 15.67%	40,319	45,137
Assets subject to variable rate				
- Bank balances	9.25% - 14.75%	6.50% - 8.25%	270,961	57,478
			<u>1,127,121</u>	<u>285,803</u>
Financial liabilities				
- Lease liabilities	9.69% - 15.07%	9.69% - 15.07%	(30,908)	(37,528)
			<u>1,096,213</u>	<u>248,275</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and equity of the Company.

Cash flow sensitivity analysis for variable rate instruments

A hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	2022		2021	
	Mark-up 100 bps		Mark-up 100 bps	
	Increase	Decrease	Increase	Decrease
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Cash flow sensitivity				
- variable rate financial assets	27,096	(27,096)	5,748	(5,748)

Please also refer 38.1.9.

38.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. Company is exposed to equity price risk since it has investments in quoted equity securities and investments in available for sale debt securities at the financial statement date.

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

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold. The Company has no significant concentration of price risk.

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38.3.2.1 Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2022 and 2021 and shows the effects of a hypothetical 10% increase / (decrease) in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Fair value (Rupees in '000)	Hypothetical price change	Estimated fair value after change in prices -----	Increase / (decrease) in shareholders' equity (Rupees in '000)	Increase (decrease) in profit before tax -----
2022	821,124	10% increase 10% decrease	903,236 739,012	82,112 (82,112)	82,112 (82,112)
2021	1,210,429	10% increase 10% decrease	1,331,472 1,089,386	121,043 (121,043)	121,043 (121,043)

38.3.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

38.4 Capital Management

The Company's objective when managing capital is to safe guard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

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

The statement of solvency is presented in note 39 to the financial statements. The Company meets the solvency requirement as required in the Insurance Ordinance, 2000.

38.5 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2022		
	Liabilities	Equity	
		Ordinary Share Capital	Reserves (including unappropriated)
	----- (Rupees in '000) -----		
Balance as at January 01, 2022	2,938,678	619,374	635,700
Changes from financing cash flow			
- Dividend for 2021	-	-	(77,422)
- Lease liability	(8,931)	-	-
Other Liability related changes during the year (including of WTO operations)	445,590	-	-
Equity related changes during the year	-	-	(9,350)
Balance as at December 31, 2022	3,375,337	619,374	548,928
	2021		
	Liabilities	Equity	
		Ordinary Share Capital	Reserves (including unappropriated)
	----- (Rupees in '000) -----		
Balance as at January 01, 2021	2,717,628	619,374	680,874
Changes from financing cash flow			
- Dividend for 2020	-	-	(61,937)
- Lease liability	(85,169)	-	-
Other Liability related changes during the year (including of WTO operations)	306,219	-	-
Equity related changes during the year	-	-	16,763
Balance as at December 31, 2021	2,938,678	619,374	635,700

2022 2021
(Rupees in '000)

Assets

Property and equipment	56,102	68,892
Intangible assets	449	666
Investments		
Equity securities	821,124	1,210,429
Debt securities	715,268	183,188
Term finance certificate	100,573	-
Loans and other receivables	182,727	164,898
Insurance/ reinsurance receivable	886,380	1,181,492
Reinsurance recoveries against outstanding claims	637,543	553,170
Salvage recoveries accrued	38,933	51,077
Deferred commission expense	146,080	131,216
Prepayments	525,417	490,231
Taxation - payment less provisions	5,835	3,387
Cash and bank deposits	306,241	88,566
Total assets - Operator's Fund (WTO Operations)	120,967	66,540
Total assets (A)	4,543,639	4,193,752

**In-admissible assets as per following clauses of section 32(2)
of the Insurance Ordinance, 2000**

Property and equipment	56,102	68,892
Intangible assets	449	666
Investments		
Equity securities	206,237	469,707
Term finance certificate	3,562	-
Loans, deposits and other receivables	9,158	13,070
Insurance / reinsurance receivable	414,595	280,949
Total of In-admissible Assets (B)	690,103	833,284

Total of Admissible Assets (C=A-B)	3,853,536	3,360,468
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Total Liabilities**Underwriting provisions**

Outstanding claims including IBNR	959,567	786,589
Unearned premium reserves	1,202,472	1,002,575
Unearned reinsurance commission	156,637	160,786
Premium deficiency reserve	6,188	6,324
Deferred taxation	17,290	82,023
Financial lease liability	30,908	37,528
Premium received in advance	60,189	15,992
Retirement benefit obligations	130,311	130,859
Insurance / reinsurance payables	425,363	379,589
Other creditors and accruals	303,447	298,916
Total liabilities - Operator's Fund (WTO Operations)	82,965	37,497
Total Liabilities (D)	3,375,337	2,938,678

Total Net Admissible Assets (E=C-D)	478,199	421,790
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Minimum Solvency Requirement (higher of the following)

273,351 209,462

Method A - U/s 36(3)(a)	150,000	150,000
Method B - U/s 36(3)(b)	273,079	203,971
Method C - U/s 36(3)(c)	273,351	209,462

Excess in Net Admissible Assets over Minimum Requirements

204,848 212,328

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40 SUBSEQUENT EVENTS - NON ADJUSTING

In the meeting held on May 05, 2023 the Board of Directors of the Company proposed a final cash dividend of Rs. 0.625 per share (2021: Rs.0.5 per share) amounting to Rs. 77.422 million (2021: Rs. 61.937 million) for the year ended December 31, 2022, for approval by the members in Annual General Meeting to be held on May 29, 2023.

41 NUMBER OF EMPLOYEES

The total average number of employees during the year end as at December 2021 and 2020 are as follows:

	2022	2021
At year end	<u>265</u>	<u>242</u>
Average during the year	<u>254</u>	<u>238</u>

42 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on May 05, 2023 by the Board of Directors of the Company in its meeting held on that date.

43 GENERAL

Figures has been rounded off to the nearest thousand rupees.



Chairman

Director

Director

Chief Executive

Chief Financial Officer

Habib Insurance Company Limited

Financial Statements

Window Takaful Operations

Habib Insurance Company Limited

Shariah Advisory Board's Report to the Board of Directors for the year ended December 31, 2022

The Company, Habib Insurance Company Limited commenced Window Takaful Operations on October 1, 2018. By the grace of Almighty Allah and sincere efforts of Management, the year under review was the fourth successful year of Window Takaful Operations.

As per the charter of the Company, it is mandatory on the management and employees to ensure application of Shariah guidelines issued by the Shariah Advisory Board and to ensure Shariah compliance in all activities of the Company. The prime responsibility for ensuring Shariah compliance of the Company's operations thus lies with the management.

We acknowledge that as Shariah Advisory Board members of Takaful Operator, it is our responsibility to provide Shariah guidelines and develop framework for assurance that the financial arrangements, contracts and transactions undertaken by the Takaful Operator with its participants and stakeholders are in compliance with the requirements of Shariah rules and principles.

During the year, the Company executed variety of established Takaful transactions which are approved by the Shariah Advisory Board of the company. The Company is offering Shariah Compliant services in the following areas:

- Fire and Property Takaful
- Engineering Takaful
- Marine Takaful
- Motor Takaful
- Miscellaneous Takaful

The Company invests its available funds in the approved Shariah Compliant avenues.

The Takaful Operator's activities and operations are periodically checked and monitored by Shariah Advisory Board. In order to have an independent assessment of the Shariah Governance and Compliance environment of the Takaful operations under taken by the Operator and the conformity of Takaful operations with Shariah rules and principles an external Shariah audit was conducted. Further, Shariah Compliance review through Shariah Compliance officer was conducted as well. Based on their reports and statement of compliance with the Shariah Principles submitted by the Operator/Management to the Board of Director, We hereby present our report as follows:

In our opinion and to the best of our knowledge, the financial arrangements, products and transactions entered into by the Company and the Waqf, as the case may be, for the year ended December 31, 2022 are in compliance with the requirements of the Shariah rules and guidelines as prescribed by the Shariah Advisory Board and Allah knows the best. However, the following are recommended:

- The Operator/ management should take concrete measures to play pivotal role in sound and transparent growth of Takaful countrywide.
- Necessary steps should be taken to educate all staff including business development staff about the concept and practice of Takaful.

May Allah bless us with the best Tawfeeq to achieve these precious tasks and bestow us with success in world and in the world hereafter, and forgive us for our mistakes. A'ameen.

Mufti Muhammad Hanif
Shariah Advisor & Member
Shariah Advisory Board

Mufti Muhammad Ashraf Alam
Member
Shariah Advisory Board

Mufti Imtiaz Alam
Chairman & Member
Shariah Advisory Board

Karachi: May 05, 2023

Habib Insurance Company Limited

Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Shariah Principles

We were engaged by the Board of Directors of **Habib Insurance Company Limited** ("the Company") to report on the management's assessment of compliance of the Window Takaful Operations ("Takaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year ended 31 December 2022, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Applicable Criteria

The criteria against which the subject matter information (the Statement) is assessed comprise of the provisions of Takaful Rules, 2012.

Responsibilities of the Management

The Board of Directors / management of the Company are responsible for designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Takaful Operations with the Takaful Rules, 2012.

The Board of Directors / management of the Company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Takaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Habib Insurance Company Limited

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Takaful Operations compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the board of directors;
- Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and
- Review the statement of management's assessment of compliance of the Takaful transactions during the year ended 31 December 2022 with the Takaful Rules, 2012.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended 31 December 2022, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Date: May 08, 2023

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Habib Insurance Company Limited

Statement of Compliance with the Takaful Rules, 2012 and Sharia Rules and Principles

The financial arrangements, contracts and transactions, entered into by Habib Insurance Company Limited - Window Takaful Operations (the Operator) for the year ended December 31, 2022 are in compliance with the Takaful Rules, 2012 and the Shariah Rules and Principles determined by the Shariah Advisory Board of the Operator, (Shariah Rules and Principles).

Further, we confirmed that:

- The Company has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisory Board along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisory Board and Board of Directors have been implemented;
- The Operator has imparted trainings/ orientations and ensured availability of all manuals/ agreements approved by Shariah Advisory Board/ Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff, management;
- All the products and policies have been approved by Shariah Advisory Board and the financial arrangement including investments made, policies, contracts and transactions entered into by Window Takaful Operations are in accordance with the policies approved by Shariah Advisory Board; and
- The assets and liabilities of Window Takaful Operations (Participant Takaful Fund and Operator's fund) are segregated from its other assets and liabilities, at all times in accordance with provisions of the Takaful Rules, 2012

This has been duly confirmed by the Shariah Advisory Board of the Operator.

Karachi: May 05, 2023

SYED ATHER ABBAS
Chief Executive

Habib Insurance Company Limited

INDEPENDENT AUDITOR'S REPORT

To the members of Habib Insurance Company Limited – Window Takaful Operations

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Habib Insurance Company Limited - Window Takaful Operations** ("the Operator"), which comprise the statement of financial position as at 31 December 2022, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's affairs as at December 31, 2022 and of the total comprehensive income, the changes in fund and its cash flows for the year then ended.

Basis for 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 Financial Statements section of our report. We are independent of the Operator 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.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other Information, we are required to report that fact. We have nothing to report in this regard.

Habib Insurance Company Limited

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of directors are responsible for overseeing the Operator's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs as applicable in Pakistan 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Operator'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 Operator'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 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 Operator to cease to continue as a going concern.

Habib Insurance Company Limited

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Operator as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Operator's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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

Date: May 08, 2023

Karachi

UDIN: AR202210201QU6R0ZHtj

KPMG Taseer Hadi & Co.
Chartered Accountants

HABIB INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

		Operator's Fund (OPF)		Participant's Fund (PTF)	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Note		(Rupees in '000)			
ASSETS					
Investments					
Musharika certificates	5	-	35,051	-	80,116
Loans and other receivables	6	-	249	2,823	1
Takaful / retakaful receivables	7	-	-	130,585	142,414
Retakaful recoveries against outstanding claims		-	-	61,818	20,408
Salvage recoveries accrued		-	-	25	1,210
Deferred Wakala expense	19	-	-	44,221	13,019
Deferred commission expense	20	23,498	14,423	-	-
Receivable from PTF	21	7,469	7,577	-	-
Taxation - payments less provision		-	694	5,640	803
Prepayments	8	465	300	55,998	43,143
Cash and bank balances	9	89,535	8,246	211,907	45,081
Total Assets		120,967	66,540	513,017	346,195
EQUITIES AND LIABILITIES					
Capital Reserves Attributable to Company's Shareholders					
Share capital	1.2	50,000	50,000	-	-
Accumulated deficit		(11,998)	(20,957)	-	-
Total Shareholders Equity		38,002	29,043	-	-
Participants' Takaful Fund (PTF)					
Ceded money	1.2	-	-	500	500
Accumulated surplus		-	-	100,534	76,011
Reserves		-	-	(342)	(342)
Balance of Participants' Takaful Fund		-	-	100,692	76,169
Qard-e-Hasna		-	-	-	-
Liabilities					
PTF underwriting provisions					
Outstanding claims including IBNR	15	-	-	118,074	48,618
Unearned contribution reserve	13	-	-	182,731	130,184
Reserve for unearned retakaful rebate	14	-	-	11,254	8,646
		-	-	312,059	187,448
Unearned Wakala Fee	19	44,221	13,019	-	-
Contribution received in advance		-	-	19,697	7,328
Takaful / retakaful payable	12	-	-	65,713	63,136
Other creditors and accrual	10	35,168	22,846	7,387	4,537
Payable to OPF	21	-	-	7,469	7,577
Taxation - payments less provision		1,620	-	-	-
Retirement benefit obligation	11	1,956	1,632	-	-
		82,965	37,497	100,266	82,578
Total Liabilities		82,965	37,497	412,325	270,026
Total Equity and Liabilities		120,967	66,540	513,017	346,195
Contingencies and commitments					
	26				

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman

Director

Director

Chief Executive

Chief Financial Officer

HABIB INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

		December 31, 2022	December 31, 2021
	Note	(Rupees in '000)	
Participant's Takaful Fund			
Contribution earned	13	274,835	184,486
Less: Contribution ceded to retakaful	13	(146,545)	(94,963)
Net contribution revenue		128,290	89,523
Retakaful rebate earned	14	24,458	16,138
Net underwriting income		152,748	105,661
Net Claims - reported / settled		(106,669)	(45,472)
- IBNR		(15,422)	(6,254)
	15	(122,091)	(51,726)
Surplus before investment income		30,657	53,935
Other expenses	16	(1,427)	-
Other Income	17	2,442	-
Provision for impairment	7	(24,304)	(424)
Investment income	18	17,155	5,625
Surplus transferred to accumulated surplus		24,523	59,136
		24,523	59,136
Total comprehensive income for the year		24,523	59,136
Operator's Takaful Fund			
Wakala fee	19	57,757	15,730
Commission expense	20	(40,566)	(22,675)
Management expenses	22	(12,207)	(12,103)
		4,984	(19,048)
Investment income	18	9,300	3,067
Other expenses	23	(1,665)	(1,156)
Profit / (loss) before taxation		12,619	(17,137)
Taxation	25	(3,660)	-
Profit / (loss) after taxation attributable to shareholders		8,959	(17,137)
Other comprehensive income:			
Unrealised loss on available-for-sale investments during the year		-	(1,555)
Net gain transferred to profit and loss on disposal / redemption / impairment of investments		-	1,470
Related tax impact		-	25
Other comprehensive loss for the year		-	(60)
Total comprehensive income/ (loss) for the year		8,959	(17,197)

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman

Director

Director

Chief Executive

Chief Financial Officer

HABIB INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2022

	OPF		PTF	
	2022	2021	2022	2021
	(Rupees in '000)			
Operating activities				
(a) Takaful activities				
Contribution received	-	-	382,846	189,824
Retakaful contribution paid	-	-	(156,823)	(86,983)
Claims paid	-	-	(135,113)	(70,882)
Retakaful and other recoveries received	-	-	42,253	26,104
Commission paid	(39,521)	(19,990)	-	-
Wakala fee	89,067	12,407	(89,067)	(12,407)
Commission received	-	-	27,066	18,544
Net cash inflows from takaful activities	49,546	(7,583)	71,162	64,200
(b) Other operating activities				
Other operating payments	(13,166)	(13,544)	(9,812)	-
Other operating receipts	-	-	-	-
Net cash flows from other operating activities	(13,166)	(13,544)	(9,812)	-
Total cash flows from all operating activities	36,380	(21,127)	61,350	64,200
Investment activities				
Profit / return received	3,052	486	11,285	5,625
Dividend received	3,283	2,581	8,835	-
Qard-e-hasna	-	10,209	-	(10,209)
Payments for investments	(194,016)	(35,000)	(135,324)	(80,000)
Proceeds from investments	232,590	36,363	220,680	-
Total cash flows from investing activities	44,909	14,639	105,476	(84,584)
Cash flow from financing activities	-	-	-	-
Net cash flows from all activities	81,289	(6,488)	166,826	(20,384)
Cash and cash equivalents at beginning of year	8,246	14,734	45,081	65,465
Cash and cash equivalents at end of period	89,535	8,246	211,907	45,081
Reconciliation to profit and loss account				
Operating cash flows	36,380	(21,127)	61,350	64,200
Leave encashment	(30)	58	-	-
Profit / return received	3,052	486	11,285	5,625
Provision for impairment	-	-	(24,304)	(424)
Provision for taxation	(3,660)	-	-	-
Dividends received	3,283	1,111	8,835	-
Capital gain	-	1,470	-	-
(Increase)/ decrease in assets other than cash	2,313	6,751	74,103	64,460
(Decrease)/ Increase in liabilities	(32,379)	(5,886)	(106,746)	(74,725)
Profit/ (loss) after taxation	8,959	(17,137)	24,523	59,136
Attributed to:				
Operator's Fund	8,959	(17,137)	-	-
Participants' Takaful Fund	-	-	24,523	59,136
	8,959	(17,137)	24,523	59,136

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman

Director

Director

Chief Executive

Chief Financial Officer

HABIB INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
STATEMENT OF CHANGES IN FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Operator's Fund			Total
	Statutory Fund	Accumulated (Deficit)/ Surplus	Available-for- sale reserve	
	----- (Rupees in '000) -----			
Balance as at January 01, 2021	50,000	(3,820)	60	46,240
Comprehensive income for the year				
Loss after tax for the year	-	(17,137)	-	(17,137)
Other comprehensive loss - net gain on sale of available for sale investments	-	-	(85)	(85)
Related tax impact	-	-	25	25
Total comprehensive income for the year	-	(17,137)	(60)	(17,197)
Balance as at December 31, 2021	50,000	(20,957)	-	29,043
Balance as at January 01, 2022	50,000	(20,957)	-	29,043
Comprehensive income for the year				
Income for the year	-	8,959	-	8,959
Total comprehensive income for the year	50,000	(11,998)	-	38,002
Balance as at December 31, 2022	50,000	(11,998)	-	38,002

	Participants' Takaful Fund			Total
	Ceded money	Accumulated surplus	Available-for- sale reserve	
	----- (Rupees in '000) -----			
Balance as at January 01, 2021	500	16,875	(342)	17,033
Comprehensive income for the year				
Surplus for the year	-	59,136	-	59,136
Other Comprehensive income	-	-	-	-
Total comprehensive income for the year	-	59,136	-	59,136
Balance as at December 31, 2021	500	76,011	(342)	76,169
Comprehensive income for the year				
Surplus for the year	-	24,523	-	24,523
Other Comprehensive income	-	-	-	-
Total comprehensive income for the year	-	24,523	-	24,523
Balance as at December 31, 2022	500	100,534	(342)	100,692

The annexed notes from 1 to 36 form an integral part of these financial statements.



Chairman

Director

Director

Chief Executive

Chief Financial Officer

HABIB INSURANCE COMPANY LIMITED - WINDOW TAKAFUL OPERATIONS
NOTES TO OR FORMS PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Habib Insurance Company Limited (the Operator) was incorporated in Pakistan in 1942 as a public limited company under the Companies Act, 2017 to carry on general insurance business. The Operator was allowed to work as Window Takaful Operator on July 18, 2018 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations (WTO) in Pakistan. The Operator is listed at Pakistan Stock Exchange Limited. The registered office of the Operator is situated at Habib Square, M.A. Jinnah Road, Karachi.
- 1.2** The Operator transferred statutory fund of Rs. 50 million in a separate bank account for the Window Takaful Operations as per the requirement of circular 8 of 2014. The Operator has formed a Waqf for Participants' Fund, Participants Takaful Fund (PTF) by executing the Waqf deed dated June 12, 2018 and deposited a cede money of Rs. 0.5 million. The cede money is required to be invested in Shari'ah compliant remunerative instrument which may be used to acquire immovable Waqf property if Shari'ah and law so warrants. Waqf Deed governs the relationship of Operator and participants for management of takaful operations, investments of participants' funds and investments of the Operator's funds approved by the shari'ah advisor of the Operator.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These financial statements are prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, the Takaful Rules, 2012 and the General Takaful Accounting Regulations, 2019.

In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Takaful Rules 2012 and the General Takaful Accounting Regulations, 2019 shall prevail.

These financial statements reflect the financial position and results of operations of both the Operator (OPF) and Participants' Takaful Fund (PTF) (collectively WTO) in a manner that the assets, liabilities, income and expenses of the Operator and Participants' Takful Fund remain separately identifiable.

2.1 Basis of measurement

These financial statements have been prepared under the historical cost basis except for available for sale investments that are measured at fair value.

2.2 Functional and presentation currency

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

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

There are certain new and standards, interpretations and amendments that are mandatory for the WTO's accounting periods beginning or after January 01, 2022 but are considered not to be relevant or do not have any significant effect on the WTO and therefore have not been detailed in these financial statments.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 January 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after 1 January 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also



amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8. Application of this amendment is not expected to have any impact on the WTO's financial statements.

- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, companies will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. These amendments also specify the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above). Application of this amendment is not expected to have any impact on the WTO's financial statements.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies.
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. Application of this amendment is not expected to have any material impact on the WTO's financial statements, based on the balances currently held.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. Application of this amendment is not expected to have any material impact on the WTO's financial statements, based on the balances currently held.
- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since

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implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact. Application of this amendment is not expected to have any material impact on the WTO's financial statements, based on the balances currently held.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.
- IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023, however it is yet to be notified by the Securities and Exchange Commission of Pakistan. In addition, the Company has opted for the temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance. Further details relating to the temporary exemption from the application of IFRS 9 are given in the notes below.

The management is in the process of assessing the impacts of these standards and amendments on the financial statements of the WTO.

- Temporary Exemption from the Application of IFRS 9 (Financial Instruments)

As an insurance entity, the management has opted for the temporary exemption from the application of IFRS 9 as allowed by the International Accounting Standards Board (IASB) for entities whose activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the entity doesn't engage in significant activities unconnected with insurance based on historical available information. Additional disclosures, as required by IASB, for being eligible to apply the temporary exemption from the application of IFRS 9 are as follows:

Financial assets with contractual cash flows that meet the SPPI criteria

Operator's Fund	Operators' Fund		Participant Takaful Fund	
	As at December 31,		As at December 31,	
	2022	2021	2022	2021
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Opening fair value	35,051	-	80,116	-
(Disposals) / additions during the year	(35,051)	35,000	(80,116)	80,000
Adjustment in the fair value	-	51	-	116
Closing fair value	-	35,051	-	80,116

Financial assets with contractual cash flows that do not meet the SPPI criteria

Equity Securities – Available for sale

Opening fair value	-	36,448	-	20,481
(Disposals) / additions during the year	-	(36,363)	-	20,370
Adjustment in the fair value	-	(85)	-	(40,851)
Closing fair value	-	-	-	-

Other details of financial assets which pass the SPPI test are as follows:

Gross carrying amounts and fair values of other financial instruments that pass the SPPI test:

Operator's Fund	Rating	December 31, 2022		December 31, 2021	
		AAA	Unrated / Unavailable	AAA	Unrated / Unavailable
		----- (Rupees in '000) -----			
Bank balances		89,535	-	8,246	-
Receivable from PTF		-	7,469	-	7,577
		89,535	7,469	8,246	7,577

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Participant's Takaful Fund

Rating	December 31, 2022		December 31, 2021	
	AAA	Unrated / Unavailable	AAA	Unrated / Unavailable
----- (Rupees in '000) -----				
Bank balances	211,901	-	45,076	-
Takaful / retakaful receivable	-	130,585	-	142,414
Loans and other receivables	-	2,823	-	1
Retakaful recoveries against outstanding claims	-	61,818	-	20,408
Salvage recoveries accrued	-	25	-	1,210
	<u>211,901</u>	<u>195,251</u>	<u>45,076</u>	<u>164,033</u>

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are consistent to all the years presented. Details of these accounting policies are as follows:

3.1 Takaful contracts

The takaful contracts are based on the principles of Wakala. 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.

A separate Participants Takaful Fund (PTF) has been created in which all contribution received under general takaful contribution net off any government levies and administrative surcharge are credited. The role of takaful operator is of the management of the PTF. At the initial stage of the setup of the PTF, the takaful operator makes an initial donation to the PTF. The terms of the takaful contracts are in accordance with the generally accepted principles and norms of insurance business suitably modified with guidance by the Shariah Advisor of the Takaful operator.

These contracts are entered with group companies, corporate clients, and individuals residing or located in Pakistan.

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

Takaful contracts are classified into following main categories:

3.1.1 Fire and property

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

3.1.2 Marine and transport

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

3.1.3 Motor

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

3.1.4 Other classes

Other classes includes mainly bankers blanket bond, liability, engineering, etc.

3.2 Commission**3.2.1 Deferred commission expense**

Commission expense incurred in obtaining and recording takaful contracts is deferred and recognised in the Statement of Comprehensive Income as an expense in accordance with the pattern of recognition of contribution revenue.

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3.2.2 Rebate income

Rebate income from retakaful operator is recognised on the date of the commencement of the underlying takaful contract. These are deferred and recognised as liability and recognised in the Statement of Comprehensive Income as revenue in accordance with the pattern of recognition of the retakaful contributions.

3.3 Unearned Contribution

Contribution under a policy is recognised on the time of commencement of the takaful contract.

The unearned contribution reserve is the unexpired portion of the contribution including administrative surcharge. Unearned premiums have been calculated by applying 1/24th / 1/6th method as applicable and specified in the Insurance Rules, 2017. Remaining portion is recognized in the Statement of Comprehensive Income.

3.4 Contribution deficiency reserve

The WTO is required as per Insurance Rules, 2017, 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 retakaful, from claims and other expenses, including retakaful expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of the unexpired takaful contract in that class of business at the balance sheet date. The movement in the contribution deficiency reserve is recorded as an expense in the Statement of Comprehensive Income and the same is recognized as a liability.

The WTO determines adequacy of liability of contribution deficiency by carrying out analysis of expired periods. For this purpose actuarial valuation has been carried out to determine the amount of contribution deficiency reserve as required by under Insurance Rules, 2017 issued by the Securities and Exchange Commission of Pakistan on January 09, 2012. However, the management, including on the basis of this actuarial valuation as of December 31, 2022, consider that no contribution deficiency reserve is required to be maintained.

3.5 Retakaful contracts held

Takaful contracts entered into by the WTO (for PTF) with retakaful operator for compensation of losses suffered on takaful contracts issued are retakaful contracts. These retakaful contracts include both facultative and treaty arrangement contracts and are classified in same categories of takaful contracts for the purpose of these financial statements. The WTO recognizes the entitled benefits under the contract as retakaful assets. Outward retakaful contribution are accounted for in the same period as the related contribution for the direct or accepted retakaful business being covered under the retakaful arrangement.

Retakaful liabilities represent balances due to retakaful entities. Amounts payable are estimated in a manner consistent with the related retakaful contract.

Retakaful assets represent balances due from retakaful companies. Amounts recoverable from retakaful operator are estimated in a manner consistent with the provision for outstanding claims or settled claims associated with the retakaful contract and are in accordance with the related retakaful contract. Retakaful assets are not offset against related retakaful liabilities. Income or expenses from retakaful contracts are not offset against expenses or income from related retakaful assets / liabilities.

The deferred portion of retakaful contribution ceded is recognized as a prepayment which is calculated in accordance with the pattern of recognition of revenue.

The WTO assesses its retakaful assets for impairment on financial statement date. If there is an objective evidence that the retakaful asset is impaired, the WTO reduces the carrying amount of the retakaful asset to its recoverable amount and recognises that impairment loss in the Statement of Comprehensive Income.

3.6 Receivables and payables

3.6.1 Receivables related to Takaful contract

Receivables related to takaful contracts are recognized and due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that the takaful receivable is impaired, as a result of one or more events that occurred after the initial recognition, the WTO reduces the carrying amount of the takaful receivables accordingly and recognizes that impairment loss in the Statement of Comprehensive Income.



Provision for impairment on contribution receivables is estimated on a systematic basis after analyzing the receivables as per their ageng.

3.6.2 Creditors, accruals and provisions

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

Provisions are recognised when the WTO has a present legal or constructive obligation as a result of past events and 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 financial statement date and adjusted to reflect the current estimate.

3.7 Retakaful recoveries against outstanding claims

Claims recoveries against outstanding claims from the retakaful operators and salvage are recognised as an asset at the same time as the claims which give rise to the right of recovery are recognised as a liability and are measured at the amount expected to be received.

3.8 Segment reporting

An operating segment is a component of the WTO that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the WTO's other components. All operating segments' results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

The WTO presents segment reporting of operating results using the classes of business as specified under the Insurance Rules, 2017 and General Takaful Accounting Regulation, 2019. The reported operating segments are also consistent with the internal reporting provided to the Board of Directors who assess the performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

Assets, liabilities and capital expenditures that are directly attributable to specific segments are assigned to them, while the carrying amount of certain assets (liabilities) used (incurred) jointly by two or more segments are allocated to segments on a reasonable basis. Those assets and liabilities which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities.

The WTO has four primary business segments for reporting purposes, namely fire and property, marine and transport, motor and other classes. The nature and business activities of these segments are disclosed in note no. 3.1. Income and expenses directly attribute to a particular segment is so allocated. Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as other expenses.

3.9 Cash and cash equivalents

Cash and cash equivalents are carried in the financial statement at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and current and saving accounts with banks.

3.10 Revenue recognition

3.10.1 Contribution

The revenue recognition policy for Contribution is given under note 3.3.

3.10.2 Retakaful rebate income

The revenue recognition policy for rebate from retakaful operators is given under note 3.2.

3.10.3 Dividend income

Dividend income is recognized when the right to receive the dividend is established.



3.10.4 Gain / loss on sale / redemption of investments

Gain / loss on sale / redemption of investments is taken to the Statement of Comprehensive Income in the year of sale / redemption.

3.10.5 Income on debt securities and bank balances

Income from debt securities and bank balances is recognised on a time proportionate basis taking account the effective yield on the investment / bank balance.

3.10.6 Wakala and Mudarib fees

The Takaful operator manages the general takaful operations for the Participants. The wakala fee for January 2022 was 10% and for the remaining period of the year it was 25% (2021: 10%) of the gross contribution on all classes of business as per the approval of the Shariah Advisory Board. Wakala fee is recognized on the same basis on which the related revenue is recognized. Unexpired portion of wakala fee is recognized as liability of OPF and asset of PTF.

The Takaful operator also manages the participants' investment as Mudarib and charges 30% of the investment / deposit income earned by the Participants' Takaful Fund as Mudarib's share (for the period from January 01, 2022 to September 30, 2022 it was 10% per annum).

3.11 Investments

These comprises of the following:

- In equity securities
- In debt securities

3.11.1 Recognition

All investments are initially recognised at cost, being the fair value of the consideration given and include transaction costs except for held for trading investments in which case transaction costs are charged to the Statement of Comprehensive Income. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the WTO commits to purchase or sell the investments. These are recognised and classified as follows:

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

3.11.2 Measurement

3.11.2.1 Investment at fair value through profit or loss (held for trading)

At the time of acquisition, quoted investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or are part of portfolio for which there is a recent actual pattern of short term profit taking are classified as held for trading.

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

3.11.2.2 Available-for-sale

Available-for-Sale investments are those non-derivative instruments / contracts that are designated as available-for-sale or are not classified in any other category.

At the time of acquisition, investments which are intended to be held for an undefined period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available-for-sale.

Subsequent to initial measurement, the available-for-sale investments are remeasured at fair value. Surplus / (deficit) on revaluation from one reporting date to other is taken to other comprehensive income in the statement of comprehensive income. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is transferred to profit and loss for period within statement of comprehensive income.

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Fair value of the listed equity shares are determined with reference to the rates quoted on the stock exchange, while the fair value of the mutual funds units and of term finance certificates are determined with reference to the rates quoted on the MUFAP website. The fair value of the Government securities are determined with reference the rates quoted on the PKRV page.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the Statement of Comprehensive Income.

3.11.2.3 Held-to-maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold till maturity, are classified as held-to-maturity.

Subsequently, these are measured at amortised cost less provision for impairment in value, if any. Amortised cost is calculated by taking into account any discount or premium on acquisition by using the effective yield method.

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.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the Statement of Comprehensive Income.

3.12 Off setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statement, if the WTO has a legally enforceable right to set-off and the WTO intends either to settle the assets and liabilities on a net basis or to realise the asset and settle the liability simultaneously.

3.13 Taxation

3.13.1 Current (of OPF)

Provision for current taxation is based on taxable income of the operator for the year determined in accordance with the tax rates enacted on substantially enacted as at the year end. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years / relating to the operators fund operated.

3.13.2 Deferred (of OPF)

Deferred tax is accounted for using the balance sheet liability method, in respect of temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts 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 periods when the asset is utilized 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.

3.14 Staff retirement benefits

3.14.1 Defined contribution plan

The WTO operates a recognised Provident Fund scheme for its employees. Equal contributions are made by the WTO and the employees at the applicable rate.



3.14.2 Defined benefit (operator) plan

The WTO operates an unfunded approved gratuity scheme for all of its eligible permanent employees. Gratuity is based on employees' last drawn basic salary.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to the Statement of Comprehensive Income. The most recent valuation was carried out as of December 31, 2022 using the "Projected Unit Credit Method".

Remeasurement of the defined benefit liability, which comprises actuarial gain and losses are recognized immediately in other comprehensive income. The WTO determines the net interest expense (income) on the net defined benefit liability (asset) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the then net defined benefit liability (asset), taking into account any change in the net defined benefit liability (asset) during the year as a result of contribution and benefit payments. Net interest expense and other expense related to defined benefit plans are recognized in the Statement of Comprehensive Income.

When the benefits of the plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised immediately in Statement of Comprehensive Income. The WTO recognises gain and loss on the settlement of a defined benefit plan when the settlement occurs.

3.14.3 Employees' compensated absences

The WTO accounts for its liability towards accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. An actuarial valuation has been carried out using Projected Unit Credit method to determine the amount of charge and liability to be recognized at the financial statement date. Charge for these benefits are immediately recognized in the Statement of Comprehensive Income.

3.15 Impairment of assets

A financial asset is assessed at each financial statement date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is an objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset. If a decline in fair value is significant or prolonged, than there is an objective evidence, of impairment regardless of how long management intends to hold the investment.

The carrying amount of non financial assets is reviewed at each financial statement date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exist, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less cost of sell. An impairment loss is recognised when the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognised in the Statement of Comprehensive Income. Provision for impairment are reviewed at each financial statement date and are adjusted to reflect the current best estimates. Change in the provisions are recognised as an income or expense.

3.16 Foreign currency translations

Transactions in foreign currencies are accounted for in rupees at the rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into rupees at the rates of exchange which approximate those prevailing at the financial statement date. Exchange differences are taken to the profit and loss account.

3.17 Salvage recoveries accrued

Salvage recoveries are recognized as an asset and measured at the amount expected to be received.

3.18 Provision

3.18.1 Claims

Takaful claims include all claims incurred 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.



3.18.2 Provision for outstanding claims

The WTO recognizes liability in respect of all claims incurred up to the financial statement date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual estimates (comprising of reports by the surveyors).

3.18.3 Claims incurred but not reported

The provision for claims incurred but not reported (IBNR) is made at the financial statement date. In accordance with SECP circular No. 9 of 2016, the WTO takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

3.19 Financial instruments

Financial assets and financial liabilities within the scope of IAS-39 are recognized at the time when the WTO becomes a party to the contractual provisions of the instrument and are derecognized when the WTO 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 Statment of Comprehensive Income. Fair value of financial assets at discounted interest rates are determined initially and the difference carried forward as a prepayment (staff bonus), which then is expensed out over the period in which the services are rendered.

3.20 Takaful surplus

Takaful surplus attributable to the participants is calculated after charging all direct cost and setting aside various reserves. Allocation to participants, if applicable, is made after adjustment of claims paid to them during the year.

3.21 Qard-e-Hasna

Qard-e-hasna is provided by Operators' Fund to Participants' Takaful Fund in case of deficit in PTF. Qard-e-Hasna is recognised at the amount provided to Participant Takaful Fund less impairment, if any.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 WTO's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In the process of applying the WTO's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	<i>Note</i>
Contribution deficiency reserve	3.4
Takaful / retakaful receivable - impairment	3.6.1
Provision for outstanding claims including IBNR	3.18
Taxation	3.13
Staff retirement benefits	3.14
Impairment of assets	3.15



5	INVESTMENT IN MUSHARKA CERTIFICATES - held to maturity	December 31, 2022			December 31, 2021		
		Cost	Impairment / provision	Carrying Value	Cost	Impairment / provision	Carrying Value
		(Rupees in '000)					
	OPF						
	First Habib Modaraba	-	-	-	35,000	-	35,051
	PTF						
	First Habib Modaraba	-	-	-	80,000	-	80,116
6	LOANS AND OTHER RECEIVABLES	December 31, 2022			December 31, 2021		
		Operator's Fund	Participant Takaful Fund	Total	Operator's Fund	Participant Takaful Fund	Total
	Note	(Rupees in '000)					
	Agent commission receivable	-	-	-	249	-	249
	Receivable from conventional operations	6.1	2,823	2,823	-	1	1
		-	2,823	2,823	249	1	250
6.1	This represents contribution received in advance. The amount was credited in the conventional operations bank account.						
7	TAKAFUL / RETAKAFUL RECEIVABLE - Unsecured				December 31, 2022	December 31, 2021	
					Note	(Rupees in '000)	
	Due from Takaful contract holders					79,223	73,638
	Considered good				7.1	20,602	1,988
	Considered doubtful					(20,602)	(1,988)
	Less: Provision for impairment of receivables from takaful contract holders					79,223	73,638
	Due from other takaful / retakaful operators - Considered good					51,362	68,776
						130,585	142,414
7.1	Movement of considered doubtful						
	Opening balance					1,988	1,564
	Add: Provision for impairment of due from other takaful / retakaful operators					18,614	424
	Closing balance					20,602	1,988
8	PREPAYMENTS	December 31, 2022			December 31, 2021		
		Operator's Fund	Participant Takaful Fund	Total	Operator's Fund	Participant Takaful Fund	Total
	Note	(Rupees in '000)					
	Retakaful contribution ceded	-	55,998	55,998	-	43,143	43,143
	Others	8.1	465	465	300	-	300
		465	55,998	56,463	300	43,143	43,443
8.1	This represents annual maintenance charges of Takaful software.						
9	CASH AND BANK	December 31, 2022			December 31, 2021		
		Operator's Fund	Participant Takaful Fund	Total	Operator's Fund	Participant Takaful Fund	Total
	Note	(Rupees in '000)					
	Cash and cash equivalent						
	Policy stamps	-	6	6	-	5	5
	Cash at bank						
	Profit and loss sharing (PLS) accounts	9.1	89,535	211,901	8,246	45,076	53,322
		89,535	211,907	301,442	8,246	45,081	53,327
9.1	These balances are held with a related party and carry profit at a range of 9.25% to 14.75% (2021: 6.5% to 8.25%).						
10	OTHER CREDITORS AND ACCRUALS	December 31, 2022			December 31, 2021		
		Operator's Fund	Participant Takaful Fund	Total	Operator's Fund	Participant Takaful Fund	Total
	Note	(Rupees in '000)					
	Federal takaful fee	-	475	475	-	454	454
	Federal Excise Duty	-	6,658	6,658	-	4,083	4,083
	Commission payable	30,129	-	30,129	20,009	-	20,009
	Provision for compensated clearance	10.1	408	408	438	-	438
	Payable to Habib Insurance Company Limited - Conventional Operations	10.2	2,407	2,407	1,453	-	1,453
	Other creditors	228	254	482	170	-	170
	Other accrued expenses	1,996	-	1,996	776	-	776
		35,168	7,387	42,555	22,846	4,537	27,383

10.1 This includes provision for staff compensated absences amounting to Rs. 0.408 million (2021: Rs. 0.438 million). The liability is determined through an actuarial valuation carried out under the projected unit credit (PUC) actuarial cost method (by an actuary). An amount of Rs. 0.03 million (2021: Rs. 0.058 million) has been charged to profit and loss account in the current year based on the actuarial advice.

10.2 Due for expenses incurred on behalf of the PTF Operations.

11 RETIREMENT BENEFIT OBLIGATIONS

Defined benefit obligation - unfunded gratuity scheme

11.1 The Company is operating an unfunded gratuity scheme for its permanent employees. Gratuity entitlement is based on the last drawn basic salaries. The obligation under this scheme is determined under an actuarial valuation carried out by a qualified actuary using the Projected Limit Credit Method. The latest valuation was carried out as of December 31, 2022.

	2022 (No. of Employees)	2021
The number of employees covered under the defined benefit scheme are:	2	2
11.2 The following principal actuarial assumptions were used for the valuation of above mentioned scheme:	2022	2021
Financial assumptions		
- Discount rate (per annum compounded)	14.25%	11.75%
- Salary increase per annum	14.25%	11.75%
Demographic assumptions		
- Expected service length of the employees	15 years	15 years
- Normal retirement	60 years	60 years
- Rate of employee turnover	Light	Light
- Mortality rate	SLIC (2001-05)-1	SLIC (2001-05)-1
11.3 Liability in financial statements	2022 (Rupees in '000)	2021
Present value of defined benefit obligations	1,956	1,632
11.4 Reconciliation of / movement in defined benefit obligations		
Present value of defined benefit obligations as at January 01,	1,632	-
Current service cost	164	816
Interest cost	200	816
Actuarial gain on obligation	(40)	-
Present value of defined benefit obligations as at December 31,	1,956	1,632
11.5 Charge for the defined benefit plan		
Cost recognised in profit and loss		
Current service cost	164	816
Interest cost	200	816
	364	1,632
11.6 Actuarial gain on defined benefit obligation recognised in other comprehensive income		
Actuarial gain on defined benefit obligation		
- (Gain)/ Loss due to change in financial assumptions	22	26
- (Gain)/ Loss due to change in experience adjustments	(62)	(26)
	(40)	-
11.7 Sensitivity analysis		
Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations on various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:	2022 (Rupees in '000)	2021
Increase in discount rate by 0.5%	(1,814)	(1,505)
Decrease in discount rate by 0.5%	2,110	1,770
Increase in expected future increment in salary by 0.5%	2,114	1,773
Decrease in expected future increment in salary by 0.5%	(1,809)	(1,501)

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12 TAKAFUL/ RETAKAFUL PAYABLE

December 31, December 31,
2022 2021
(Rupees in '000)

Due to other takaful/ retakaful operators

65,713 63,136

12.1 Due to other takaful / retakaful

- Foreign retakaful
- Local retakaful
- Co-takaful

16,735 29,550
46,482 13,225
2,495 20,361
65,713 63,136

The Company has co-insurance and re-insurance arrangements with various insurance and a domestic re-insurance company. Under the above arrangements, the receivable and payable balances originate mainly due to premiums collected or claims settled by the lead insurer on behalf of other co-insurers, and in case of re-insurance, the premium ceded to and claims recoverable from the re-insurer under the respective contracts. As per the prevailing industry practices, settlements of balances under co-insurance arrangements are done between the respective insurance companies in normal course of business. The current balances of co-insurers and re-insurer reflected in the records of the Company are based on the underlying contracts and transactions. As advised by SECP, the process for reconciliation of these balances with the respective insurance companies will be formalized as per the guidelines suggested by the Insurance Association of Pakistan for the insurance industry.

13 NET CONTRIBUTION

December 31, December 31,
2022 2021
(Rupees in '000)

Written gross contribution

385,139 255,326

Less: Wakala Fee

(57,757) (15,730)

Contribution Net of Wakala Fee

327,382 239,596

Add: Unearned contribution reserve opening

130,184 75,074

Less: Unearned contribution reserve closing

(182,731) (130,184)

Contribution earned

274,835 184,486

Retakaful contribution ceded

159,400 105,435

Add: Prepaid retakaful contribution opening

43,143 32,671

Less: Prepaid retakaful contribution closing

(55,998) (43,143)

Retakaful expense

146,545 94,963

Net contribution

128,290 89,523

14 RETAKAFUL REBATE

Retakaful rebate received

27,066 18,544

Add: Unearned retakaful rebate - opening

8,646 6,240

Less: Unearned retakaful rebate - closing

(11,254) (8,646)

Retakaful rebate

24,458 16,138

15 TAKAFUL CLAIMS EXPENSE

Claims paid

135,113 70,882

Add: Outstanding claims including IBNR closing

118,074 48,618

Less: Outstanding claims including IBNR opening

(48,618) (59,783)

Claims expense

204,569 59,717

Retakaful and other recoveries received

42,253 26,104

Add: Retakaful and other recoveries in respect of
outstanding claims net of impairment - closing

61,843 21,618

Less: Retakaful and other recoveries in respect of
outstanding claims net of impairment - opening

(21,618) (39,731)

Retakaful and other recoveries revenue

82,478 7,991

Net claim expense

122,091 51,726

16 OTHER EXPENSES - PTF

This represents co-takaful service charges.

17 OTHER INCOME - PTF

This represents the amounts pertaining to liabilities written back that are no longer payable.

18	INVESTMENT INCOME - net	Note	Operator's Fund		Participant Takaful Fund	
			December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
----- (Rupees in '000) -----						
	Income from mutual fund units - available-for-sale					
	Dividend income		3,283	1,060	8,835	-
	Capital gain		-	1,470	-	-
	Income from mutual fund units - available-for-sale					
	Profit on certificate of Musharika		2,194	51	5,651	116
	Profit on certificate of Sharikah		-	-	1,775	-
	Return on bank balances		858	486	3,859	5,509
	Mudarib fees	18.1	2,965	-	(2,965)	-
	Total investment income		9,300	3,067	17,155	5,625

18.1 Introduced from the current year.

19	WAKALA FEE	Note	December 31, 2022	December 31, 2021
(Rupees in '000)				
	Gross Wakala Fee		88,959	24,995
	Add: Deferred wakala fee - opening		13,019	3,754
	Less: Deferred wakala fee - closing		(44,221)	(13,019)
	Net wakala fee		57,757	15,730

20	COMMISSION EXPENSE			
	Commissions paid or payable		49,641	29,070
	Add: Deferred commission - opening		14,423	8,028
	Less: Deferred commission - closing		(23,498)	(14,423)
	Commission expense		40,566	22,675

21	RECEIVABLE FROM PTF/ PAYABLE TO OTF			
	Opening balance		7,577	(5,011)
	Wakala fee income		88,959	24,995
	Wakala fee received		(92,032)	(12,407)
	Mudarib fees		2,965	-
	Closing balance		7,469	7,577

22	MANAGEMENT EXPENSES - OPF			
	Employee benefit cost	22.1	4,491	5,152
	Travelling expenses		-	211
	Utilities - electricity and water		1,745	895
	Repairs and maintenance		1,978	3,386
	Vehicle running expenses		428	234
	Legal and professional charges		2,522	1,475
	Postages, telegrams and telephone		341	185
	Miscellaneous		702	565
			12,207	12,103

22.1 This includes Rs. 2.918 million (2021: Rs. 2.718 million) being salaries and other benefits Rs. 0.162 million (2021: Rs. 0.134 million) being contribution to employees' provident fund.

23	OTHER EXPENSES - OPF	Note	December 31, 2022	December 31, 2021
(Rupees in '000)				
	Auditors remuneration	23.1	1,170	1,122
	Subscription		495	34
			1,665	1,156

23.1	Auditor's remuneration			
	Audit fee		746	701
	Review of condensed interim financial statements		281	295
	Out-of-pocket expenses		143	126
			1,170	1,122



24 CLAIM DEVELOPMENT - PTF

The following table shows the development of claims over a period of time on gross basis. For each class of business the uncertainty about the amount and timings of claims payment is usually resolved within a year:

Accident year	2018	2019	2020	2021	2022
	(Rupees in '000)				
Estimate of ultimate claims costs:					
At end of accident year	1,931	27,242	87,248	82,069	223,366
One year later	1,213	23,328	64,951	62,870	-
Two year later	1,028	23,233	65,229	-	-
Three year later	-	23,367	-	-	-
Estimate of cumulative claims	-	23,367	65,229	62,870	223,366
Cumulative payment made to	-	(22,662)	(58,902)	(59,996)	(115,198)
Liability for outstanding claims	-	705	6,327	2,874	108,168

25 TAXATION

December 31,
2022
(Rupees in '000)

For the year
Current

3,660

25.1 Relationship between tax expense and accounting profit

Profit / (Loss) before taxation

12,619 (17,137)

Tax at enacted rate of 29% (2021: 29%)

3,660

25.2 Deferred tax of Rs. 4.97 million (2021: Rs. 4.97 million) on losses has not been recognized under prudence.

26 CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

There are no contingencies outstanding as at December 31, 2022.

26.2 Commitments

There are no commitments as at December 31, 2022.

27 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, major share holders, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions. The transactions and balances with related parties are as follows:

27.1 Operator's Fund

December 31,
2022
(Rupees in '000)

Transactions

Wakala fee charged during the year

88,959 24,995

Mudarib fees charged during the year

2,965 -

Qard-e-Hasna repayment received during the year

- 10,209

Transactions during the year with associated companies

Profit on bank accounts

858 486

Balances with associated companies

Bank balances

84,830 8,246

Transactions during the year with other related parties including key management personnel

Contribution to the provident fund

162 134

27.2 Participants' Takaful Fund

Transactions

Associated companies

- Contribution written
- Claim paid
- Profit on bank accounts

Others

- Mudarib fee charged during the year
- Qard-e-Hasna repaid during the year

Commission income

Balances

Associated companies

- Contribution due but unpaid
- Claim outstanding
- Bank balance

December 31, 2022 December 31, 2021
(Rupees in '000)

19,649	12,560
8,371	9,040
3,859	5,270
2,965	-
-	10,209
17,196	11,791
2,441	9,774
4,411	3,227
186,557	19,779

28 MOVEMENT IN INVESTMENTS

Operator's Fund

	Held to Maturity	Available for sale	Total
	(Rupees in '000)		
As at January 01, 2021	-	36,448	36,448
Additions	35,000	-	35,000
Disposals (sale and redemption)	-	(36,363)	(36,363)
Fair value net gains (excluding net realized gains)	-	(85)	(85)
Amortisation of premium / discount	51	-	51
As at December 31, 2021	35,051	-	35,051
Disposals (sale and redemption)	(35,000)	-	(35,000)
Fair value net gains (excluding net realized gains)	(51)	-	(51)
As at December 31, 2022	-	-	-

Participant Takaful Fund

	Held to Maturity	Available for sale	Total
	(Rupees in '000)		
As at January 01, 2021	-	-	-
Additions	80,000	-	80,000
Disposals (sale and redemption)	-	-	-
Fair value net gains (excluding net realized gains)	-	-	-
Amortisation of premium / discount	116	-	116
As at December 31, 2021	80,116	-	80,116
Disposals (sale and redemption)	(80,000)	-	(80,000)
Fair value net gains (excluding net realized gains)	(116)	-	(116)
As at December 31, 2022	-	-	-

29 MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

The Operator (PTF) issues contracts that transfers takaful risk or financial risk or both. This section summarises the takaful risks and the way the Operator manages them.

29.1 Takaful risk management

29.1.1 Takaful risk

The risk under any takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the participant. Generally most takaful contracts carry the takaful risk for a period of one year, although in case of marine contracts, it may be of lesser period.

The Operator's risk exposure is mitigated by employing a comprehensive framework to identify, assess, manage and monitor risk. This framework includes implementation of underwriting strategies which aim to ensure that the underwritten risks are well diversified in terms of type and amount of the risk. Adequate retakaful is arranged to mitigate the effect of the potential loss to the PTF from individual to large or catastrophic insured events. Further, the Operator adopts strict claim review policies including active management and prompt pursuing of the claims and regular detailed review of claim handling procedures and frequent investigation of possible false claims to reduce the takaful risk.

29.1.2 Frequency and severity of claims

Risk associated with general takaful contracts includes the reasonable possibility of significant loss as well as the frequent occurrence of the covered events. This has been managed by having in place underwriting strategy, retakaful arrangements and proactive claim handling procedures.

The retakaful arrangements against major risk exposure include excess of loss, quota share, surplus arrangements and catastrophic coverage. The objective of having such arrangements is to mitigate adverse impacts of severe losses on PTF's net retentions.

29.1.3 Uncertainty in the estimation of future claim payments

Claims on takaful contracts are payable on a claim occurrence basis. The PTF is liable for all covered events that occur during the term of the takaful contracts respectively, including the event reported after the expiry of the takaful contract term.

An estimated amount of the claim is recorded immediately on the intimation to the Operator. The estimation of the amount is based on management judgement or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR claims is determined based on actuary advice and is estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Operator 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 initial recognised amount. Outstanding claims are reviewed on a periodic basis.

29.1.4 Key assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected income. The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate case to case basis with due regard to the claim circumstances, information available from surveyors and historical evidence of the size of similar claims. Core estimates are reviewed regularly and are updated as and when new information is available.

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

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Operator, in which case information about the claim event is available. IBNR provisions are initially estimated at a gross level and a separate calculation is carried out to estimate the size of the reinsurance recoveries. The estimation process takes into account the past claims reporting pattern and details of reinsurance programs.

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29.1.5 Sensitivity analysis

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

The claim liabilities are sensitive to the incidence of covered events and severity / size of claims. As the Operator enters into short term takaful contracts, it does not assume any significant impact of changes in market conditions on unexpired risks. However, some results of sensitivity testing are set out below, showing the impact on profit before tax net of retakaful. The impact of 10 % increase / decrease in incidence of covered events on gross claim liabilities, underwriting results, net claim liabilities, profit before tax and shareholder's equity is as follows:

	Participants' Takaful Fund	
	December 31, 2022	December 31, 2021
	Underwriting results and Fund balance	Underwriting results and Fund balance
	----- (Rupees in '000) -----	
Average claim cost		
Fire and property	6,503	1,211
Marine and transport	1,718	(89)
Motor	12,147	4,742
Other classes	90	108
	<u>20,457</u>	<u>5,972</u>

29.1.6 Concentration of risk

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 risk 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 insured property.

The adequate event limit is a multiple of the treaty capacity or the primary recovery from excess of loss treaty, which is very much in line with the risk management philosophy of the Operator. Retakaful ceded does not relieve the Operator from its obligation towards participants and, as a result the Operator remains liable for the portion of outstanding claims retakaful to the extent that retakaful operator fails to meet the obligation under the retakaful agreements. The Operator minimises its exposure to significant losses by obtaining retakaful from a number of retakaful, who are dispersed over several geographical regions.

The concentration of risk by type of contracts based on single risk with maximum exposure is summarised below:

	December 31, 2022		
	Gross sum covered	Retakaful	Net
	----- (Rupees in '000) -----		
Fire and property	2,400,000	2,385,000	15,000
Marine and transport	457,235	450,376	6,859
Motor	36,500	33,000	3,500
Other classes	279,072	270,107	8,965
	<u>3,172,807</u>	<u>3,138,483</u>	<u>34,324</u>

	December 31, 2021		
	Gross sum covered	Retakaful	Net
	----- (Rupees in '000) -----		
Fire and property	1,030,551	1,011,795	18,756
Marine and transport	680,064	672,441	7,623
Motor	26,000	24,500	1,500
Other classes	35,116	26,337	8,779
	<u>1,771,731</u>	<u>1,735,073</u>	<u>36,658</u>

Signature

30 SEGMENT INFORMATION

30.1 Participants' Takaful Fund

	December 31, 2022				
	Fire & property	Marine & transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Contribution receivable (inclusive of Federal Excise duty and administrative surcharge)	129,125	42,003	264,333	5,907	441,368
Less: Federal Excise Duty	(16,597)	(4,575)	(30,635)	(658)	(52,465)
Federal Insurance Fee	(1,111)	(368)	(2,238)	(47)	(3,764)
Gross Written Contribution (inclusive of Administrative Surcharge)	111,417	37,060	231,460	5,202	385,139
Wakala fees	(16,709)	(5,558)	(34,711)	(780)	(57,757)
Takaful contribution earned	94,083	38,186	194,055	6,268	332,592
Takaful contribution ceded to retakaful operators	(85,100)	(31,602)	(24,756)	(5,087)	(146,545)
Net takaful contribution	(7,726)	1,026	134,588	401	128,290
Retakaful rebate	16,492	6,798	114	1,054	24,458
Net underwriting income	8,766	7,824	134,702	1,455	152,748
Takaful claims	(65,025)	(17,175)	(121,465)	(904)	(204,569)
Takaful claims recovered from retakaful	59,428	14,974	7,418	658	82,478
Net claims	(5,597)	(2,201)	(114,047)	(246)	(122,091)
Surplus before investment income	3,170	5,623	20,655	1,209	30,657
Provision for impairment					(24,304)
Other expenses					(1,427)
Other income					2,442
Net investment income	1,774	3,147	11,558	677	17,155
Surplus transferred to balance of PTF	4,944	8,770	32,213	1,886	24,523
Allocated Assets					
Premium due but unpaid	11,202	11,927	55,886	208	79,223
Prepaid reinsurance premium ceded	51,002	2,948	480	1,568	55,998
Reinsurance recoveries against outstanding claims	47,438	11,650	256	2,474	61,818
Deferred Wakala expense	14,263	854	28,595	509	44,221
Salvage recoveries outstanding	-	25	-	-	25
	123,905	27,404	85,217	4,759	241,285
Unallocated Assets					
Amount due from other insurers/ reinsurers					51,362
Cash and Cash equivalents					211,907
Loan - secured, considered good					2,823
Taxation - provision less payment					5,640
					271,732
Total Assets					513,017
Allocated Liabilities					
Outstanding Claims	52,504	13,500	48,662	3,408	118,074
Unearned Premium	58,010	3,577	119,062	2,082	182,731
Reserve for unearned retakaful rebate	10,235	645	42	332	11,254
	120,749	17,722	167,766	5,822	312,059
Unallocated liabilities					
Contribution received in advance					19,697
Amount due to other insurer/ reinsurers					65,713
Other creditors and accruals					7,387
Payable to OPF					7,469
					100,266
Total liabilities					412,325

30.2 Operator's Fund

Wakala fee	57,757
Commission expense	(40,566)
Management expenses	(12,207)
	4,984
Investment income	9,300
Other expenses	(1,665)
Loss before taxation	12,619
Taxation	(3,660)
Loss after tax for the period	8,959
Segment assets	120,967
Segment liabilities	82,965

SEGMENT INFORMATION

	December 31, 2021				
	Fire & property	Marine & Transport	Motor	Other Classes	Aggregate
Participants' Takaful Fund	(Rupees in '000)				
Contribution receivable (inclusive of Federal Excise duty and administrative surcharge)	89,157	31,236	166,892	6,435	293,720
Less: Federal Excise Duty	(11,465)	(3,788)	(19,831)	(786)	(35,870)
Federal Insurance Fee	(768)	(270)	(1,430)	(56)	(2,524)
Gross Written Contribution (inclusive of Administrative Surcharge)	<u>76,924</u>	<u>27,178</u>	<u>145,631</u>	<u>5,593</u>	<u>255,326</u>
Wakala fees	(4,739)	(1,674)	(8,972)	(345)	(15,730)
Takaful contribution earned	64,773	26,924	102,387	6,132	200,216
Takaful contribution ceded to retakaful operators	(54,566)	(22,070)	(13,585)	(4,742)	(94,963)
Net takaful contribution	<u>5,468</u>	<u>3,180</u>	<u>79,830</u>	<u>1,045</u>	<u>89,523</u>
Retakaful rebate	<u>10,371</u>	<u>4,757</u>	<u>75</u>	<u>935</u>	<u>16,138</u>
Net underwriting income	<u>15,839</u>	<u>7,937</u>	<u>79,905</u>	<u>1,980</u>	<u>105,661</u>
Takaful claims	(12,112)	885	(47,414)	(1,076)	(59,717)
Takaful claims recovered from retakaful	9,277	(632)	(1,421)	767	7,991
Net claims	<u>(2,835)</u>	<u>253</u>	<u>(48,835)</u>	<u>(309)</u>	<u>(51,726)</u>
Surplus before investment income	13,004	8,190	31,070	1,671	53,935
Provision for impairment	-	-	-	-	(424)
Net investment income	27	18	67	4	116
Profit on bank balances	-	-	-	-	5,509
Surplus transferred to balance of PTF	<u>13,031</u>	<u>8,208</u>	<u>31,137</u>	<u>1,675</u>	<u>59,136</u>
Allocated Assets					
Premium due but unpaid	12,959	9,572	50,060	1,047	73,638
Prepaid reinsurance premium ceded	36,077	4,074	331	2,661	43,143
Reinsurance recoveries against outstanding claims	12,393	5,600	-	2,415	20,408
Deferred Wakala expense	4,068	470	8,166	315	13,019
Salvage recoveries outstanding	-	10	1,200	-	1,210
	<u>65,497</u>	<u>19,726</u>	<u>59,757</u>	<u>6,438</u>	<u>151,418</u>
Unallocated Assets					
Amount due from other insurers/ reinsurers					68,776
Investment					80,116
Cash and Cash equivalents					45,081
Loan - secured, considered good					1
Taxation - provision less payment					803
					<u>194,777</u>
Total Assets					<u><u>346,195</u></u>
Allocated Liabilities					
Outstanding Claims	14,922	6,595	23,880	3,221	48,618
Unearned Premium	40,675	4,702	81,658	3,149	130,184
Reserve for unearned retakaful rebate	7,195	873	31	547	8,646
	<u>62,792</u>	<u>12,170</u>	<u>105,569</u>	<u>6,917</u>	<u>187,448</u>
Unallocated liabilities					
Contribution received in advance					7,328
Amount due to other insurer/ reinsurers					63,136
Other creditors and accruals					4,537
Payable to OPF					7,577
					<u>82,578</u>
Total Liabilities					<u><u>270,026</u></u>
Operator's Fund					
Wakala fee					15,730
Commission expense					(22,675)
Management expenses					(12,103)
					<u>(19,048)</u>
Investment income					2,581
Other expenses					(1,156)
Loss before taxation					<u>(17,623)</u>
Profit on bank balance					486
Other income					-
Loss after tax for the period					<u><u>(17,137)</u></u>
Segment assets					<u><u>66,540</u></u>
Segment liabilities					<u><u>37,497</u></u>

31 MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

Insurance and financial risk management objectives and policies are consistent with those disclosed in financial statements for the year ended December 31, 2022.

31.1 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 Operator 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.

31.1.1 Management of credit risk

The Operator's policy is to enter into financial contracts in accordance with the guidelines set by the Board of Directors. Credit risk is managed and controlled by the management of the Operator in the following manner:

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.
- The risk of counterparty exposure due to failed agreements causing a loss to the Operator is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.
- Loans given to employees are deductible from the salary of the employees.
- Cash is held with reputable banks only.

To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/reinsurers and makes provision against those balances considered doubtful of recovery.

31.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31, 2022 is as follows:

December 31, 2022			
Operator's Fund		Participant Takaful Fund	
Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
----- (Rupees in '000) -----			
Loans and other receivables	-	2,823	2,823
Takaful / retakaful receivable	-	130,585	130,585
Retakaful recoveries against outstanding claims	-	61,818	61,818
Salvage recoveries accrued	-	25	25
Receivable from PTF	7,469	-	-
Balances with banks	89,535	211,901	211,901
	<u>97,004</u>	<u>407,152</u>	<u>407,152</u>

December 31, 2021			
Operator's Fund		Participant Takaful Fund	
Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
----- (Rupees in '000) -----			
Investments in debt securities	35,051	80,116	80,116
Loans and other receivables	249	1	1
Takaful / retakaful receivable	-	142,414	142,414
Retakaful recoveries against outstanding claims	-	20,408	20,408
Salvage recoveries accrued	-	1,210	1,210
Receivable from PTF	7,577	-	-
Balances with banks	8,246	45,076	45,076
	<u>51,123</u>	<u>289,225</u>	<u>289,225</u>

31.1.3 Past due / impaired assets

Age analysis of contribution due but unpaid at the reporting date was:

	December 31, 2022		December 31, 2021	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)		(Rupees in '000)	
Upto 1 year	82,875	3,652	70,122	-
1-2 years	13,510	13,510	5,055	1,988
Over 2 years	3,441	3,441	449	-
Total	<u>99,826</u>	<u>20,603</u>	<u>75,626</u>	<u>1,988</u>

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Age analysis of amount due from other takaful / retakaful Operators at the reporting date was:

	2022		2021	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Upto 1 year	45,187	-	37,463	-
1-2 years	16,246	-	19,054	-
Over 2 years	4,680	-	12,259	-
Total	66,113	-	68,776	-

Age analysis of retakaful and other recoveries against outstanding claims at the reporting date was:

	2022		2021	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Up to 1 year	49,060	-	4,915	-
1-2 years	(3,920)	-	16,703	-
Over 2 years	16,703	-	-	-
Total	61,843	-	21,618	-

In respect of the aforementioned takaful and retakaful assets, the Company takes into account its past history / track record of recoveries and financial position of the counterparties while creating provision for impairment. Further, retakaful recoveries are made when corresponding liabilities are settled.

31.1.4 Credit Rating and Collateral

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

	Short/ Long term Rating	Rating Agency	December 31, 2022		December 31, 2021	
			Operator's Fund	Participant Takaful Fund	Operator's Fund	Participant Takaful Fund
			(Rupees in '000)		(Rupees in '000)	
Bank AL Habib Limited	A1+ / AAA	PACRA	84,830	186,557	8,246	19,779
Habib Bank Limited	A1+ / AAA	JCR-VIS	4,705	7,429	-	-
Meezan Bank Limited	A1+ / AAA	JCR-VIS	-	17,915	-	25,297
			89,535	211,901	8,246	45,076

The Operator enters into re-takaful / co-takaful arrangements with re-takaful / other takaful operators having sound credit ratings accorded by reputed credit rating agencies. The Operator is required to comply with the requirements of circular no. 32 / 2009 dated October 27, 2009 issued by SECP which requires an insurance company to place at least 80% of their outward treaty cessions with reinsurers rated 'A' or above by Standard & Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of re-takaful assets relating to outward treaty cessions recognised by the rating of the entity from which it relates is as follows:

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2022	2021
				(Rupees in '000)	
A or above (including PRCL)	51,362	61,843	55,998	169,203	133,537

31.1.5 Concentration of credit risk

Concentration of credit risk arises when a number of counterparties have a similar type of business activities. As a result, any change in economic, political or other conditions would effect their ability to meet contractual obligations in similar manner. The company manages concentration of credit risk through diversification of activities among individuals, groups and industry segments.

Sector-wise analysis of contribution due but unpaid at the reporting date was:

	Participant Takaful Fund		Participant Takaful Fund	
	December 31, 2022		December 31, 2021	
	(Rupees in '000)	%	(Rupees in '000)	%
Automobiles	22,015	27.79	34,004	46.18
Banks, modaraba and leasing	1,049	1.32	7,833	10.64
Textile and composite	38,317	48.37	9,940	13.50
Chemicals and allied industries	2,953	3.73	526	0.71
Cable, engineering and steel	1,684	2.13	3,792	5.15
Food and confectionary	3,535	4.46	2,558	3.47
Sugar	671	0.85	2,898	3.94
Pharmaceuticals	126	0.16	2,130	2.89
Others	8,873	11.20	9,957	13.52
	79,223	100	73,638	100



31.1.6 Settlement risk

The Operator's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed on sale.

This risk is addressed more or less in accordance with the parameters set out in the credit risk management above.

31.2 Liquidity risk

Liquidity risk is the risk that the Operator will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Operator could be required to pay its liabilities earlier than expected or may face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

31.2.1 Management of liquidity risk

The Operator's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Operator's reputation. Due to nature of the business, the Operator maintains flexibility in funding by maintaining committed credit lines available. The Operator's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to fulfil its obligation; monitoring balance sheet liquidity ratios against internal and external requirements and maintaining debt financing plans.

31.2.2 Maturity analysis of financial assets and liabilities

The table below analyses the Operator's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments): The information given below is based on contractual repricing on maturity dates, which ever is earlier.

December 31, 2022		
Interest / Markup bearing	Non-Interest / Non-markup bearing	Total
Maturity upto one year	Maturity upto one year	
(Rupees in '000)		
Operator's Fund		
FINANCIAL ASSETS		
Receivable from PTF	-	7,469
Cash and bank balances	89,535	-
As at December 31, 2022	89,535	97,004
FINANCIAL LIABILITIES		
Other Creditors and accruals	-	34,760
As at December 31, 2022	-	34,760
Net	89,535	62,244
December 31, 2021		
Interest / Markup bearing	Non-Interest / Non-markup bearing	Total
Maturity upto one year	Maturity upto one year	
(Rupees in '000)		
Operator's Fund		
FINANCIAL ASSETS		
Loans and receivables	-	249
Investments	35,051	-
Investment in debt securities	8,246	-
Balances with banks	-	7,577
Receivable from PTF	43,297	7,826
As at December 31, 2021	43,297	51,123
FINANCIAL LIABILITIES		
Other Creditors and accruals	-	22,408
As at December 31, 2021	-	22,408
Net	43,297	28,715

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Participant Takaful Fund**FINANCIAL ASSETS**

Loans and Other Receivables	-
Takaful/ retakaful receivables	-
Balances with banks	211,901
Retakaful recoveries against outstanding claims	-
Salvage recoveries accrued	-
As at December 31, 2022	211,901

FINANCIAL LIABILITIES

Outstanding claims including IBNR	-
Takaful/ retakaful payables	-
Payable to OPF	-
Other creditors and accruals	-
As at December 31, 2022	-

December 31, 2022		
Interest / Markup bearing	Non-Interest / Non-markup bearing	
Maturity upto one year	Maturity upto one year	Total
(Rupees in '000)		
-	2,823	2,823
-	130,585	130,585
211,901	-	211,901
-	61,818	61,818
-	25	25
211,901	195,251	407,152

Participant Takaful Fund**FINANCIAL ASSETS**

Investments in debt securities	80,116
Loans and Other Receivables	-
Takaful/ retakaful receivables	-
Retakaful and other recoveries against outstanding claims	-
Balances with banks	45,076
As at December 31, 2021	125,192

FINANCIAL LIABILITIES

Outstanding claims including IBNR	-
Takaful/ retakaful payables	-
Payable to OPF	-
As at December 31, 2021	-

December 31, 2021		
Interest / Markup bearing	Non-Interest / Non-markup bearing	
Maturity upto one year	Maturity upto one year	Total
(Rupees in '000)		
80,116	-	80,116
-	1	1
-	142,414	142,414
-	21,618	21,618
45,076	-	45,076
125,192	164,033	289,225

31.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's / issuer's credit standing) will effect the Operator's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Operator is exposed to interest rate risk, currency risk and other price risk.

31.3.1 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. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Operator limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

Refer note 31.2.2 for the details of maturity analysis of financial instruments.

31.3.1.1 Sensitivity analysis

At the balance sheet date the interest rate profile of the Operator's interest-bearing financial instrument are as follows:

	Operator's Fund December 31, 2022		Operator's Fund December 31, 2021	
	Effective interest rate (in %)	(Rupees in '000)	Effective interest rate (in %)	(Rupees in '000)
Financial assets				
Assets subject to variable rate				
- Balances with banks	9.25% - 14.75%	89,535	6.50% - 8.25%	8,246
Assets subject to financial interest rates				
- Musharaka instrument	-	-	10.60%	35,051
	Participant Takaful Fund December 31, 2022		Participant Takaful Fund December 31, 2021	
	Effective interest rate (in %)	(Rupees in '000)	Effective interest rate (in %)	(Rupees in '000)
Financial assets				
Assets subject to variable rate				
- Balances with banks	6.50% - 8.25%	211,901	6.50% - 8.25%	45,076
Assets subject to financial interest rates				
- Musharaka instrument	-	-	10.60%	80,116

Fair value sensitivity analysis for fixed rate instruments

The Operator does not account for any fixed rate financial assets at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account and Fund of the Operator.

Cash flow sensitivity analysis for variable rate instruments

The Operator is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks. A hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. It is assumed that the changes occur immediately and uniformly to each category of instrument containing interest rate risk. Variations in market interest rates could produce significant changes at the time of early repayments. For these reasons, actual results might differ from those reflected in the details specified below. The analysis assumes that all other variables remain constant.

	2022 Mark-up 100 bps		2021 Mark-up 100 bps	
	Operator's Fund		Operator's Fund	
	Increase	Decrease	Increase	Decrease
	(Rupees in '000)		(Rupees in '000)	
Cash flow sensitivity	8,954	(8,954)	825	(825)
	Participant Takaful Fund		Participant Takaful Fund	
	Increase	Decrease	Increase	Decrease
	(Rupees in '000)		(Rupees in '000)	
Cash flow sensitivity	21,191	(21,191)	4,508	(4,508)

31.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark-up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market.

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

Market prices are subject to fluctuation and consequently the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Furthermore, amount realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

The WTO has no significant concentration of price risk.

31.3.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The WTO, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

31.4 Fund management

The Operator's objective when managing capital is to safe guard the WTO's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses.

The Operator manages its fund structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions.

The statement of solvency is presented in note 33 to the financial statements.

31.5 Reconciliation of movement of liabilities to cash flows arising from financing activities

	2022			2021		
	Liabilities	Equity		Liabilities	Equity	
		Share Capital	Reserves (including unappropriated profit)		Share Capital	Reserves (including unappropriated profit)
	----- (Rupees in '000) -----					
Operator Fund						
Balance as at January 01,	37,497	50,000	(20,959)	(3,279)	50,000	(9,760)
Liability related changes during the year	45,468	-	-	40,776	-	-
Equity related changes during the year	-	-	8,959	-	-	(11,197)
Balance as at December 31,	<u>82,965</u>	<u>50,000</u>	<u>(12,000)</u>	<u>37,497</u>	<u>50,000</u>	<u>(20,957)</u>
Participants Participation Fund						
Balance as at January 01,	270,026	500	75,669	205,533	500	16,533
Liability related changes during the year	142,299	-	-	64,493	-	-
Equity related changes during the year	-	-	24,523	-	-	59,136
Balance as at December 31,	<u>412,325</u>	<u>500</u>	<u>100,192</u>	<u>270,026</u>	<u>500</u>	<u>75,669</u>

32 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analysed between those whose fair value is based on:

- Level 1:** quoted prices in active markets for identical assets or liabilities;
- Level 2:** those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3:** those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Participant Takaful Fund

December 31, 2022							
Held to maturity	Loans & receivables	Other financial assets	Financial liabilities	Total	Fair value measurement using		
					Level 1	Level 2	Level 3
----- (Rupees in '000) -----							
Financial assets not measured at fair value							
Loans and other receivables	-	2,823	-	-	2,823	-	-
Takaful/ retakaful receivable	-	130,585	-	-	130,585	-	-
Retakaful recoveries against outstanding claims	-	61,818	-	-	61,818	-	-
Salvage Recoveries Accrued	-	25	-	-	25	-	-
Balances with banks	-	-	211,901	-	211,901	-	-
	-	195,251	211,901	-	407,152	-	-

Financial liabilities not measured at fair value

Payable to OPF	-	-	-	7,469	7,469	-	-
Outstanding claims including IBNR	-	-	-	118,074	118,074	-	-
Takaful / retakaful payables	-	-	-	65,713	65,713	-	-
Other creditors and accruals	-	-	-	255	255	-	-
	-	-	-	191,511	191,511	-	-

December 31, 2021							
Held to maturity	Loans & receivable	Other financial assets	Financial liabilities	Total	Fair value measurement using		
					Level 1	Level 2	Level 3
----- (Rupees in '000) -----							
Financial assets not measured at fair value							
Investments in debt securities	80,116	-	-	-	80,116	-	-
Loans and other receivables	-	1	-	-	1	-	-
Takaful/ retakaful receivable	-	142,414	-	-	142,414	-	-
Retakaful recoveries against outstanding claims	-	20,408	-	-	20,408	-	-
Salvage Recoveries Accrued	-	1,210	-	-	1,210	-	-
Balances with banks	-	-	45,076	-	45,076	-	-
	80,116	164,033	45,076	-	289,225	-	-

Financial liabilities not measured at fair value

Payable to OPF	-	-	-	7,577	7,577	-	-
Outstanding claims including IBNR	-	-	-	48,618	48,618	-	-
Takaful / retakaful payables	-	-	-	63,136	63,136	-	-
	-	-	-	119,331	119,331	-	-

The carrying values of financial assets and liabilities reflected in these financial statements approximate to their fair value, as these are mostly short term in nature or repriced frequently.

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Operators Fund
December 31, 2022

	Held to maturity	Loans & receivables	Other financial assets	Financial liabilities	Total	Fair value measurement using		
						Level 1	Level 2	Level 3
----- (Rupees in '000) -----								
Financial assets not measured at fair value								
Receivables from PTF	-	7,469	-	-	7,469	-	-	-
Balances with banks	-	-	89,535	-	89,535	-	-	-
	-	7,469	89,535	-	97,004	-	-	-

Financial liabilities not measured at fair value

Other creditors and accruals	-	-	-	34,760	34,760	-	-	-
	-	-	-	34,760	34,760	-	-	-

December 31, 2021

	Held to maturity	Loans & receivables	Other financial assets	Financial liabilities	Total	Fair value measurement using		
						Level 1	Level 2	Level 3
	----- (Rupees in '000) -----							
Financial assets not measured at fair value								
Investments in debt securities	35,051	-	-	-	35,051	-	-	-
Loans and other receivables	-	249	-	-	249	-	-	-
Receivables from PTF	-	7,577	-	-	7,577	-	-	-
Balances with banks	-	8,246	-	-	8,246	-	-	-
	35,051	16,072	-	-	51,123	-	-	-

Financial liabilities not measured at fair value

Other creditors and accruals	-	-	-	22,408	22,408	-	-	-
	-	-	-	22,408	22,408	-	-	-

The carrying values of financial assets and liabilities reflected in these financial statements approximate to their fair value, as these are mostly short term in nature or repriced frequently.



33 STATEMENT OF SOLVENCY

	December 31, 2022	December 31, 2021
	---(Rupees in '000)---	
Investments		
Musharika certificate	-	80,116
Loans and other receivables	2,823	1
Takaful / retakaful receivable	130,585	142,414
Retakaful recoveries against outstanding claims	61,818	21,618
Salvage recoveries accrued	25	-
Deferred Wakala expense	44,221	13,019
Taxation - payments less provision	5,640	803
Prepayments	55,998	43,143
Cash and bank	211,907	45,081
Total Assets (A)	513,017	346,195

***In-admissible assets as per following clauses of section 32(2)
of the Insurance Ordinance, 2000***

Contribution due since more than three months	(58,470)	(30,098)
Investments	-	-
Total In-admissible assets (B)	(58,470)	(30,098)
Total Admissible Assets C= A-B	454,547	316,097

Liabilities

PTF underwriting provisions

Outstanding claims including IBNR	118,074	48,618
Unearned contribution reserve	182,731	130,184
Reserve for unearned retakaful rebate	11,254	8,646
Contribution received in advance	19,697	7,328
Takaful / retakaful payable	65,713	63,136
Other creditors and accrual	7,387	4,537
Payable to OTF	7,469	7,577
Total Liabilities (D)	412,325	270,026
Net Surplus as at December 31 (E=C-D)	42,222	46,071



34 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on May 05,2023 by the Board of Directors.

35 NUMBER OF EMPLOYEES

The total average number of employees during the year end as at December 2022 and 2021 are as follows:

	2022	2021
At year end	<u>2</u>	<u>2</u>
Average during the year	<u>2</u>	<u>2</u>

36 GENERAL

Figures have been rounded off to the nearest Thousand Rupees.



Chairman

Director

Director

Chief Executive

Chief Financial Officer

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2022

Number of Shareholders	Shareholdings' Slab			Total Shares Held
857	1	to	100	12,404
244	101	to	500	71,730
187	501	to	1000	147,071
416	1001	to	5000	1,129,065
137	5001	to	10000	1,028,732
93	10001	to	15000	1,155,906
50	15001	to	20000	894,585
31	20001	to	25000	733,034
31	25001	to	30000	863,816
13	30001	to	35000	426,792
10	35001	to	40000	377,540
13	40001	to	45000	554,080
17	45001	to	50000	831,412
5	50001	to	55000	258,152
6	55001	to	60000	349,269
18	60001	to	65000	1,125,023
5	65001	to	70000	339,189
2	70001	to	75000	143,242
4	75001	to	80000	314,094
3	80001	to	85000	244,193
8	85001	to	90000	695,786
1	90001	to	95000	94,592
11	95001	to	100000	1,091,004
2	100001	to	105000	208,241
2	105001	to	110000	213,080
2	115001	to	120000	234,058
6	120001	to	125000	742,486
1	125001	to	130000	129,132
5	130001	to	135000	660,229
2	135001	to	140000	277,203
2	140001	to	145000	286,542
3	145001	to	150000	441,874
2	150001	to	155000	303,560
2	155001	to	160000	316,197
1	165001	to	170000	166,856
5	170001	to	175000	855,608
1	185001	to	190000	185,807
3	190001	to	195000	579,938
2	195001	to	200000	396,326
3	205001	to	210000	627,078
1	210001	to	215000	210,037
4	220001	to	225000	889,778
4	225001	to	230000	909,114
8	245001	to	250000	1,986,553
1	250001	to	255000	250,058
1	255001	to	260000	256,504
3	270001	to	275000	819,178
1	275001	to	280000	275,863
2	280001	to	285000	564,196
1	290001	to	295000	295,000
1	300001	to	305000	300,183
2	305001	to	310000	615,670
1	320001	to	325000	321,696
4	330001	to	335000	1,328,270
2	340001	to	345000	685,604
1	345001	to	350000	348,250
1	355001	to	360000	357,992
1	385001	to	390000	387,848
1	390001	to	395000	393,152
1	410001	to	415000	410,721
1	420001	to	425000	420,300
1	430001	to	435000	432,318
2	445001	to	450000	894,016
1	480001	to	485000	481,010
1	490001	to	495000	493,416
1	495001	to	500000	500,000
1	510001	to	515000	513,007

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2022

Number of Shareholders	Shareholdings' Slab			Total Shares Held
1	520001	to	525000	524,175
1	525001	to	530000	526,915
4	540001	to	545000	2,171,829
1	570001	to	575000	575,000
1	580001	to	585000	584,046
1	590001	to	595000	591,650
2	600001	to	605000	1,205,543
1	615001	to	620000	619,338
1	620001	to	625000	620,360
1	625001	to	630000	625,654
1	630001	to	635000	633,270
1	665001	to	670000	666,091
1	690001	to	695000	693,695
1	705001	to	710000	707,263
1	710001	to	715000	712,500
1	735001	to	740000	736,117
1	755001	to	760000	757,323
1	765001	to	770000	769,511
2	770001	to	775000	1,549,633
1	800001	to	805000	800,219
1	805001	to	810000	809,452
1	810001	to	815000	813,114
3	880001	to	885000	2,648,592
1	925001	to	930000	927,692
1	930001	to	935000	930,194
1	990001	to	995000	990,198
1	995001	to	1000000	1,000,000
2	1085001	to	1090000	2,177,874
1	1090001	to	1095000	1,092,797
2	1115001	to	1120000	2,232,734
1	1195001	to	1200000	1,200,000
1	1205001	to	1210000	1,208,386
1	1215001	to	1220000	1,219,590
1	1225001	to	1230000	1,227,082
1	1245001	to	1250000	1,248,800
3	1265001	to	1270000	3,807,065
1	1395001	to	1400000	1,399,918
1	1405001	to	1410000	1,407,497
1	1475001	to	1480000	1,475,052
1	1610001	to	1615000	1,610,364
1	1630001	to	1635000	1,630,317
1	1810001	to	1815000	1,813,828
1	1875001	to	1880000	1,877,462
1	2350001	to	2355000	2,353,618
1	2420001	to	2425000	2,420,929
1	2720001	to	2725000	2,721,386
1	2990001	to	2995000	2,994,651
1	4975001	to	4980000	4,979,761
1	5360001	to	5365000	5,363,772
1	5415001	to	5420000	5,419,516
1	5735001	to	5740000	5,735,396
1	6220001	to	6225000	6,222,926
2,318				123,874,755

Categories of Shareholders	Numbers of shares	Shares Held	Percentage
1. Individuals	2,260	73,926,617	59.68
2. Insurance companies	6	6,840,091	5.52
3. Charitable Trusts and Others	39	27,804,956	22.45
4. Government institutions	1	30	0.00
5. Foreign investors	10	9,267,482	7.48
6. Associated Company	1	5,735,396	4.63
7. Mutual Funds	1	300,183	0.24
	2,318	123,874,755	100.00

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2022

Additional Information

Shareholders' Category	Number of shareholders / folios	Number of shares held
Assoociated Companies		
Thal Limited	1	5,735,396
Directors		
Mr. Rafiq M. Habib	1	166,856
Mr. Abbas D. Habib	3	898,957
Mr. Mansoor G. Habib	1	100,000
Mr. Muhmmad Hyder Habib	1	774,803
Mr. Qumail R. Habib	2	592,497
Mr. Aun Mohammad A. Habib	2	1,203,578
Mr. Shahid Ghaffar	1	2,000
Mr. Ali Fadoo	1	2,000
Ms. Maleeha Humayun Bangash	1	2,000
Directors and their spouse(s) and minor children		
Mrs. Jamila Rafiq w/o Mr. Rafiq M. Habib	1	1,116,797
Mrs. Naimat-e-Fatima w/o Mr. Abbas D. Habib	1	20,877
Mrs. Farah Fatima Habib w/o Mr. Muhammad Hyder Habib	1	1,475,052
Individuals/ Others	2,251	68,488,578
Charitable Trusts, Socities and Government Institutions	39	27,804,956
Foreign Investors	10	9,267,482
Shareholders holding 5% or more	1	6,222,926
	<hr/> 2,318 <hr/>	<hr/> 123,874,755 <hr/>

Habib Insurance Company Limited

Notice of Annual General Meeting

NOTICE is hereby given that the 80th Annual General Meeting of the Shareholders of the Company will be held at Institute of Bankers Pakistan located at Moulvi Tamizuddin Khan Road, Sultanabad, Karachi on Monday, May 29, 2023 at 11:00 am to transact the following business. The shareholders may also attend the meeting through video conference facility managed by the Company as per instructions given in the notes section.

Ordinary Business

1. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended December 31, 2022 together with the Directors' and Auditors' Report thereon.
2. To consider and approve payment of cash dividend @ 12.5% i.e., Rs. 0.625 per share of Rs. 5/- each for the year ended December 31, 2022 as recommended by the Board of Directors.
3. To appoint Auditors for the year ending December 31, 2023 and to fix their remuneration M/s. Grant Thornton Anjum Rahman, Chartered Accountants, being eligible, offered themselves for appointment.
4. To consider any other business of the Company with the permission of the Chair.

Special Business

5. To consider and if thought fit, pass the following Special Resolution for authorising investment by way of purchase of shares of the under-mentioned associated companies:

"RESOLVED that the Company be and is hereby authorised to invest the under-mentioned amounts by way of purchase of ordinary shares of the under-mentioned associated companies within a period of two years.

Sr. No.	Name of the Company	Rs. In million
1	Bank AL Habib Limited	200
2	Habib Metropolitan Bank Limited	200
3	Indus Motor Company Limited	200
4	Shabbir Tiles & Ceramics Limited	200
5	Thal Limited	200

FURTHER RESOLVED that the Company be and is hereby also authorized to invest upto Rs. 700 million in the units of Funds, managed by AL Habib Asset Management Limited within a period of two years.

FURTHER RESOLVED that the Chief Executive and the Chief Financial Officer be and are hereby authorised jointly to make the aforesaid investments as and when deemed appropriate and to delegate the aforesaid powers to any officers of the Company as he may deem fit."

For item # 5, a statement under Section 134(3) of the Companies Act, 2017 relating to the aforesaid Special Business to be transacted at the said Annual General Meeting is attached.

By order of the Board

Karachi: May 05, 2023

Muhammad Maaz Akbar
Company Secretary

Habib Insurance Company Limited

Notes:

1. Participation in the Annual General Meeting through Video Link Facility:

The entitled shareholders who are interested to attend AGM through online platform and whose names appeared in the Books of the Company by the close of business on May 15, 2023 are hereby requested to get themselves registered with the Company Secretary Office by providing the following details at the earliest but not later than 48 hours before the time of AGM (no account shall be taken of any part of the day that is not a working day) at investor.relations@habibinsurance.net

Name of shareholder	CNIC No.	Folio No. / CDS No.	Cell Number	Email address

Upon receipt of the above information from interested shareholders, the Company will send the login details at their email addresses. On the AGM day, shareholders will be able to login and participate in the AGM proceedings through their smartphones or computer devices from any convenient location

The login facility will be opened 30 minutes before the meeting time to enable the participants to join the meeting after identification and verification process.

The entitled shareholders (whose names appeared in the Books of the Company by the close of business on May 15, 2023) along with the details mentioned above may send their comments/suggestions for the proposed Agenda items at the above email address at least 48 hours before the time of AGM (no account shall be taken of any part of the day that is not a working day).

- The share transfer books of the Company will remain closed from Tuesday, May 16, 2023 to Monday, May 29, 2023 (both days inclusive) for the purpose of Annual General Meeting and payment of final dividend.
- A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as his/her proxy to attend and vote on his/ her behalf. Proxy form, in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
- The entitled shareholders are requested to keep with them their original Computerized National Identity Cards (CNICs) / Passport along with their folio numbers / participant(s) ID numbers and CDC account numbers at the time of attending the Annual General Meeting in order to facilitate identification of the respective shareholders. The proxy shall also produce his/her original CNIC or Passport at the time of the meeting. In case of a corporate entity, the Board of Directors' Resolution/Power of Attorney with specimen signatures shall be submitted along with Proxy Form.
- Members are requested to promptly communicate any change in their address to our Share Registrar, M/s. CDC Share Registrar Services Limited.
- Pursuant to the directive of the Securities and Exchange Commission of Pakistan (SECP), it is mandatory to mention CNIC number of members on members' register and other statutory returns. Those shareholders who have not submitted copy of their CNIC to the Company are once again requested to submit copy of their CNIC, otherwise the Company will be constrained under section 243(2)(a) of the Companies Act, 2017 to withhold dividend of such shareholders.
- The Government of Pakistan through Finance Act, 2022 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:
 - For filers of income tax returns 15%
 - For non-filers of income tax returns 30%

To enable the Company to make tax deduction on the amount of cash dividend @ 15% instead of 30% all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of Federal Board of Revenue (FBR), despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date of payment of cash dividend i.e., May 29, 2023; otherwise, tax on their cash dividend will be deducted @ 30% instead of 15%.

Habib Insurance Company Limited

Company Name	Folio/CDC Account No.	Total shares	Principal Shareholder		Joint Shareholder	
			Name and CNIC#	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

In case the required information is not provided to our Share Registrar latest by May 15, 2023, it will be assumed that the shares are equally held by them.

In case of corporate entity, withholding tax exemption from dividend income shall only be allowed if copy of valid tax exemption certificate is made available to our Share Registrar latest by May 15, 2023, whereas physical shareholders should send a copy of their NTN certificate to the Company or Company's Share Registrar, M/s. CDC Share Registrar Services Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers

As per instructions of SECP and Central Depository Company of Pakistan (CDC) circular No. 6 of 2018, the shareholders are hereby informed that the CDC has developed Centralized Cash Dividend Register (CCDR) on eServices Web Portal which contains details of cash dividend such as either paid or unpaid, withheld by the Bank, total amount of cash dividend, tax and zakat deductions and net amount credited into designated bank account of shareholders. The shareholders are requested to register themselves to CDC's eServices Portal link, <https://eservices.cdcaccess.com.pk> to obtain the aforesaid information.

The Corporate shareholders having CDC account are required to have their National Tax number (NTN) updated with their respective participants, whereas physical shareholders should send a copy of their NTN certificate to the Company or Company's Share Registrar, M/s. CDC Share Registrar Services Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

8. Payment of Cash Dividend through Electronic Mode

Under the provision of Section 242 of Companies Act, 2017 and Companies (Distribution of Dividends) Regulations, 2017, it is mandatory for a listed company to pay cash dividend to their shareholders only through electronic mode directly into the bank account designated by the entitled shareholders instead of issuing physical dividend warrants.

In order to receive cash dividend directly into the designated bank account, members who have not yet provided the bank account details are requested to fill and sign the "E-Dividend Mandate Form" available on the Company's website www.habibinsurance.net and send to the relevant Participants/Investor Account Services of the CDC/Share Registrar of the Bank (as the case may be) latest by May 15, 2023 along with a copy of their valid CNICs.

In case of non-receipt or incorrect International Bank Account Number (IBAN) with other related details or non-availability of valid CNICs, the Company will withhold cash dividend of such members.

9. Deposit of Physical Shares into CDC Accounts

The shareholders having physical share certificates of the Company are advised to place / convert their physical shares into Book-Entry form in CDC as required under the provisions of Section 72 of the Companies Act, 2017.

10. Unclaimed/Unpaid Dividend and Share Certificates

In compliance of Section 244 of the Act, the Company has already requested through individual letters to shareholders and also through newspaper to collect their unclaimed shares / unpaid cash dividend, if any. Shareholders are once again requested to lodge a claim for unclaimed shares / unpaid cash dividends with the Company's Share Registrar i.e. CDC Share Registrar Services Limited

11. Transmission of Financial Statements & Notices through email

In pursuant to Section 223 of the Companies Act 2017, Annual Report 2022 which includes Auditors' Report along with Audited Financial Statements, Directors' Report, Chairman's Review Report and Notice of Annual General Meeting are being e-mailed to the members who have provided their e-mail addresses for the said purpose. Members are also requested to intimate change (if any) in their registered e-mail addresses to our Share Registrar for the aforesaid purpose. Members of the Company who wish to receive soft copy of Annual Report are requested to send their e-mail addresses to our Share Registrar through consent form, available on the Company's website

12. Postal Ballot / E-Voting

In accordance with the Companies (Postal Ballot) Regulations, 2018 and in compliance of Sections 143 and 144 of the Companies Act, 2017, the shareholders will be allowed to exercise right of vote through postal ballot i.e., by post or through electronic mode in accordance with requirements and procedures mentioned in the aforesaid regulations.

For any query / clarification / information, the shareholder may contact the Share Registrar at the following address:

M/s. CDC Share Registrar Services Limited
CDC House, 99-B, Block-B
SMCHS, Main Shahrah-e-Faisal
Karachi-74400

Habib Insurance Company Limited

STATEMENT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

The statement is annexed to the Notice of the 80th Annual General Meeting to be held on May 29, 2023 at which certain business are to be transacted. The purpose of this statement is to set forth material facts concerning such special business.

ITEM NUMBER 5 OF THE AGENDA

As recommended by the Board of Directors in their meeting held on May 05, 2023, it is proposed to make investment by way of purchase of shares of our associated companies. In this regard the Company seeks the approval of the shareholders under section 208 of the Companies Act, 2017.

In compliance with Regulations No. 8 of Companies (Investment in Associated Companies or Associated Undertakings) Regulations, 2012 the following information is annexed with the notice for approval of investment in associated companies.

Bank AL Habib Limited

Regulation No. 3(1)a

Sr. No.	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	Bank AL Habib Limited being associated on the basis of common directorship. Mr. Abbas D.Habib and Mr. Qumail R. Habib, Directors of the Company are also Chairman and Director of Bank AL Habib Limited.
2	Purpose, benefits and period of investment	Long term investment to earn dividend income as well as prospective capital gains
3	Maximum amount of investment	Rs. 200 million
4	Maximum price at which securities will be acquired	Not more than the price quoted on the stock exchange
5	Maximum number of securities to be acquired	Equivalent to the amount of investment
6	Number of securities and percentage thereof held before and after the proposed investment	2,000,000 shares (0.180%) held before proposed investment. Number of shares and percentage after proposed investment will depend on the prevailing prices at the time of actual acquisition of shares which could vary with the market price at which shares are purchased in future
7	In case of investment in listed securities, average of the preceding twelve monthly average price of the security intended to be acquired	Rs. 65.49 per share
8	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	Not Applicable
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	December 31, 2022: Rs. 85.70
10	Earning per share of the associated company or associated undertaking for the last three years	2022: Rs. 14.91 per share 2021: Rs. 16.83 per share 2020: Rs. 16.03 per share
11	Sources of fund from which securities will be acquired	Own source

Habib Insurance Company Limited

Sr. No.	Description	Information Required
12	Where the securities are intended to be acquired using borrowed funds: i) Justification for investment through borrowings; and ii) Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	No Director or Chief Executive has any interest in the proposed investment, except in their individual capacities as Directors/ Chief Executive and/ or as shareholders of the Company
15	Any other important details necessary for the members to understand the transaction	None
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely: i) Description of the project and its history since conceptualisation; ii) Starting and expected dates of completion of work; iii) Time by which such project shall become commercially operational; and iv) Expected time by which the project shall start paying return on investment	Not Applicable

Regulation No. 3(3)

Sr. No.	Description	Information Required
	The directors of the investing company while presenting the special resolution for making investment in its associated company or associated undertaking shall submit an undertaking to the members of the investing company that they have carried out necessary due diligence for the proposed investment	The Directors of the Company submit that they have carried out necessary due diligence for the proposed investment in shares of Bank AL Habib Limited.

Habib Insurance Company Limited

Habib Metropolitan Bank Limited

Regulation No. 3(1)a

Sr. No.	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	Habib Metropolitan Bank Limited being associated on the basis of common directorship. Mr. Muhammad Hyder Habib, Director of the Company is also Director of Habib Metropolitan Bank Limited.
2	Purpose, benefits and period of investment	Long term investment to earn dividend income as well as prospective capital gains
3	Maximum amount of investment	Rs. 200 million
4	Maximum price at which securities will be acquired	Not more than the price quoted on the stock exchange
5	Maximum number of securities to be acquired	Equivalent to the amount of investment
6	Number of securities and percentage thereof held before and after the proposed investment	6,705,924 shares (0.64%) held before proposed investment. Number of shares and percentage after proposed investment will depend on the prevailing prices at the time of actual acquisition of shares which could vary with the market price at which shares are purchased in future
7	In case of investment in listed securities, average of the preceding twelve monthly average price of the security intended to be acquired	Rs. 41.46 per share
8	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	Not Applicable
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	December 31, 2022: Rs. 71.11 per share
10	Earning per share of the associated company or associated undertaking for the last three years	2022: Rs. 13.61 per share 2021: Rs. 12.84 per share 2020: Rs. 11.46 per share
11	Sources of fund from which securities will be acquired	Own source
12	Where the securities are intended to be acquired using borrowed funds: i) Justification for investment through borrowings; and ii) Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	No Director or Chief Executive has any interest in the proposed investment, except in their individual capacities as Directors/ Chief Executive and/ or as shareholders of the Company
15	Any other important details necessary for the members to understand the transaction	None
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely: i) Description of the project and its history since conceptualisation; ii) Starting and expected dates of completion of work; iii) Time by which such project shall become commercially operational; and iv) Expected time by which the project shall start paying return on investment	Not Applicable

Habib Insurance Company Limited

Regulation No. 3(3)

Sr. No.	Description	Information Required
	The directors of the investing company while presenting the special resolution for making investment in its associated company or associated undertaking shall submit an undertaking to the members of the investing company that they have carried out necessary due diligence for the proposed investment	The Directors of the Company submit that they have carried out necessary due diligence for the proposed investment in shares of Habib Metropolitan Bank Limited.

Habib Insurance Company Limited

Indus Motor Company Limited

Regulation No. 3(1)a

Sr. No.	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	Indus Motor Company Limited being associated on the basis of common directorship. Mr. Muhammad Hyder Habib, Director of the Company is also Director of Indus Motor Company Limited.
2	Purpose, benefits and period of investment	Long term investment to earn dividend income as well as prospective capital gains
3	Maximum amount of investment	Rs. 200 million
4	Maximum price at which securities will be acquired	Not more than the price quoted on the stock exchange
5	Maximum number of securities to be acquired	Equivalent to the amount of investment
6	Number of securities and percentage thereof held before and after the proposed investment	24,015 shares (0.03%) held before proposed investment. Number of shares and percentage after proposed investment will depend on the prevailing prices at the time of actual acquisition of shares which could vary with the market price at which shares are purchased in future
7	In case of investment in listed securities, average of the preceding twelve monthly average price of the security intended to be acquired	Rs. 1,213.5 per share
8	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	Not Applicable
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	June 30, 2022 : Rs. 687.16 per share
10	Earning per share of the associated company or associated undertaking for the last three years	2022: Rs. 201.04 per share 2021: Rs. 163.21 per share 2020: Rs. 64.66 per share
11	Sources of fund from which securities will be acquired	Own source
12	Where the securities are intended to be acquired using borrowed funds: i) Justification for investment through borrowings; and ii) Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	No Director or Chief Executive has any interest in the proposed investment, except in their individual capacities as Directors/ Chief Executive and/ or as shareholders of the Company
15	Any other important details necessary for the members to understand the transaction	None
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely: i) Description of the project and its history since conceptualisation; ii) Starting and expected dates of completion of work; iii) Time by which such project shall become commercially operational; and iv) Expected time by which the project shall start paying return on investment	Not Applicable

Habib Insurance Company Limited

Regulation No. 3(3)

Sr. No.	Description	Information Required
	The directors of the investing company while presenting the special resolution for making investment in its associated company or associated undertaking shall submit an undertaking to the members of the investing company that they have carried out necessary due diligence for the proposed investment	The Directors of the Company submit that they have carried out necessary due diligence for the proposed investment in shares of Indus Motor Company Limited.

Habib Insurance Company Limited

Shabbir Tiles & Ceramics Limited

Regulation No. 3(1)a

Sr. No.	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	Shabbir Tiles & Ceramics Limited being associated on the basis of common directorship. Mr. Rafiq M. Habib, Chairman of the Company is also Chairman of Shabbir Tiles & Ceramics Limited.
2	Purpose, benefits and period of investment	Long term investment to earn dividend income as well as prospective capital gains
3	Maximum amount of investment	Rs. 200 million
4	Maximum price at which securities will be acquired	Not more than the price quoted on the stock exchange
5	Maximum number of securities to be acquired	Equivalent to the amount of investment
6	Number of securities and percentage thereof held before and after the proposed investment	Nil
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	Rs. 16.36 per share
8	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	Not Applicable
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	June 30, 2022 : Rs. 10.37
10	Earning per share of the associated company or associated undertaking for the last three years	2022: Rs. 2.08 per share 2021: Rs. 3.86 per share 2020: Rs. (1.36) per share
11	Sources of fund from which securities will be acquired	Own source
12	Where the securities are intended to be acquired using borrowed funds: i) Justification for investment through borrowings; and ii) Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	No Director or Chief Executive has any interest in the proposed investment, except in their individual capacities as Directors/ Chief Executive and/ or as shareholders of the Company
15	Any other important details necessary for the members to understand the transaction	None
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely: i) Description of the project and its history since conceptualisation; ii) Starting and expected dates of completion of work; iii) Time by which such project shall become commercially operational; and iv) Expected time by which the project shall start paying return on investment	Not Applicable

Habib Insurance Company Limited

Regulation No. 3(3)

Sr. No.	Description	Information Required
	The directors of the investing company while presenting the special resolution for making investment in its associated company or associated undertaking shall submit an undertaking to the members of the investing company that they have carried out necessary due diligence for the proposed investment	The Directors of the Company submit that they have carried out necessary due diligence for the proposed investment in shares of Shabbir Tiles & Ceramics Limited.

Habib Insurance Company Limited

Thal Limited

Regulation No. 3(1)a

Sr. No.	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	Thal Limited being associated on the basis of common directorship. Mr. Rafiq M. Habib, Chairman of the Company is also Chairman of Thal Limited.
2	Purpose, benefits and period of investment	Long term investment to earn dividend income as well as prospective capital gains
3	Maximum amount of investment	Rs. 200 million
4	Maximum price at which securities will be acquired	Not more than the price quoted on the stock exchange
5	Maximum number of securities to be acquired	Equivalent to the amount of investment
6	Number of securities and percentage thereof held before and after the proposed investment	Nil
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	Rs. 264 per share
8	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	Not Applicable
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	December 31, 2022 : Rs. 336.05 per share
10	Earning per share of the associated company or associated undertaking for the last three years	2022: Rs. 52.54 per share 2021: Rs. 42.97 per share 2020: Rs. 23.04 per share
11	Sources of fund from which securities will be acquired	Own source
12	Where the securities are intended to be acquired using borrowed funds: i) Justification for investment through borrowings; and ii) Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	No Director or Chief Executive has any interest in the proposed investment, except in their individual capacities as Directors/ Chief Executive and/ or as shareholders of the Company
15	Any other important details necessary for the members to understand the transaction	None
16	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely: i) Description of the project and its history since conceptualisation; ii) Starting and expected dates of completion of work; iii) Time by which such project shall become commercially operational; and iv) Expected time by which the project shall start paying return on investment	Not Applicable

Habib Insurance Company Limited

Status of approvals for investments in associated companies

Bank AL Habib Limited

Sr. No.	Description	Information Required
1	Information to be disclosed to the members:- If the associate Company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance	Bank AL Habib Limited being the associated company on the basis of common directorship of Mr. Abbas D. Habib and Mr. Qumail R. Habib Director of the Company are also Chairman and Director of Bank AL Habib Limited
2	In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:	Rs. 250 million approved by the shareholders at Annual General Meeting held on April 28, 2022
a)	total investment approved:	
b)	amount of investment made to date:	Rs. 50 million
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time:	Remaining amount may be invested on availability of Term Finance Certificates at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	Various

سال ختمہ ۳۱ دسمبر ۲۰۲۲ء کیلئے ڈائریکٹرز کی ۸۰ ویں رپورٹ برائے شیئر ہولڈرز

شیئر ہولڈرز،

بورڈ آف ڈائریکٹرز بمسرت سال ختمہ ۳۱ دسمبر ۲۰۲۲ء کے لئے کمپنی کے سالانہ آڈٹ شدہ اکاؤنٹس بشمول ۸۰ ویں سالانہ رپورٹ پیش کر رہے ہیں۔

(000 روپے میں)

111,091
19,027
130,118

سال ۲۰۲۲ء کیلئے منافع بعد از ٹیکس

سال ۲۰۲۱ء کیلئے مختص کے بعد دستیاب رقم

بورڈ آف ڈائریکٹرز نے تجویز کیا:

۶۲۵ روپے فی شیئر کے منافع منقسمہ کی ادائیگی بابت ۵ روپے فی شیئر یعنی ۱۲۵ فیصد

ریزرو کی منتقلی

غیر مختص کردہ منافع آگے لے جانے والا

0.90

فی شیئر بنیادی آمدنی

ڈائریکٹرز نے بمسرت شیئر ہولڈرز کو ۱۲۵ فیصد کی ادائیگی کے لئے سفارش کی ہے جیسا کہ اوپر بیان کیا گیا ہے۔

اللہ تعالیٰ کے فضل و کرم سے مجموعی زیر تحریر پریمیئم ۳۲ فیصد بڑھ کر ۳۳ بلین روپے ہو گیا، خالص پریمیئم کی آمدنی ۲ بلین روپے تھی جو اس کے مقابلے میں گزشتہ سال ریزرو میں رکھی گئی رقم میں مناسب اضافے کے باوجود ۸۰۶ بلین روپے تھی جس کا فائدہ باقی ماندہ مدت میں حاصل ہوگا۔ یہاں ۲۰۶ بلین روپے کا انڈر رائٹنگ خسارہ ہوا تھا جس کی بڑی وجہ معاون انشورنس کی مفاہمتوں کے استعمال کے نتیجے میں اکاؤنٹس میں کی جانے والی متعدد شکایات تھیں۔ ان شکوک کو معاون انشورنس کمپنیوں کے ساتھ سیٹلمنٹ کے بعد آئندہ سال میں واپس لے لیا جائے گا۔

اس سال کے لئے سرمایہ کاری کی آمدنی ۱۲۶ بلین روپے تھی جو اس کے برعکس ۱۴۱ بلین روپے تھا، جس کی بڑی وجہ سال کے دوران تسلیم کردہ کیپٹل خسارہ جات اور ایکویٹی سکیورٹیز پر خرابی تھی۔ منافع منقسمہ بڑھ کر ۱۵۰ بلین روپے ہو گیا۔ اس کے نتیجے میں ۲۰۲۲ء کے لئے کمپنی کا منافع بعد از ٹیکس ۱۱۱ بلین روپے رہا۔

پاکستان کریڈٹ ریٹنگ ایجنسی نے کمپنی کے لئے A++ (اے پلس پلس) انشورر فنانشل اسٹریٹیج (IFS) ریٹنگ تفویض کی۔ اس کا مقصد پالیسی ہولڈرز اور معاہدے کی مالیاتی ذمہ داریوں کو پورا کرنے کی مستحکم گنجائش کا حامل ہونا ہے۔

مالی سال ۲۰۲۲ء کے دوران پاکستان کی جی ڈی پی نے ۵۹ فیصد گروتھ حاصل کی۔ میکرو اکنامک کی پیش رفت کے نتیجے میں معیشت پر مہنگائی اور افراط زر کا دباؤ بڑھ گیا۔ بیرونی اکاؤنٹ کی صورتحال سے نمٹنے کی غرض سے اور مہنگائی کی لہر کو کم کرنے کے لئے اسٹیٹ بینک آف پاکستان نے سال کے باقی ماندہ حصے کے دوران پالیسی ریٹ کو ۶.۲۵ فیصد سے بڑھا کر ۱۶ فیصد تک پہنچا دیا جو اب مزید اضافے کے ساتھ ۲۱ فیصد ہو چکا ہے۔ آگے بڑھتے ہوئے مالیاتی سال ۲۰۲۳ء-۲۰۲۶ء کے دوران ۵ بلین امریکی ڈالر کی مزید غیر ملکی ری سیمنٹ کی ذمہ داریوں کے ساتھ بیرونی اکاؤنٹ ممکنہ طور پر ایک سخت اسپاٹ پر برقرار رہے گا جہاں آئی ایم ایف پروگرام کی بحالی انتہائی کٹھن اہمیت کی حامل ثابت ہوگی۔ ۳۱ دسمبر ۲۰۲۲ء کے مطابق KSE 100 انڈیکس ۴۰۴۲۰ پر بند ہوا تھا اور گزشتہ سال کے دوران ۹ فیصد کمی کی ہوئی اور اب یہ موجودہ طور پر ۱۲ اپریل ۲۰۲۳ء کے مطابق لگ بھگ ۴۱۴۳۳ کی سطح پر ہے۔

سال ۲۰۲۳ء میں آگے بڑھتے ہوئے کمپنی ترقی اور فروغ کے ضمن میں اپنی کوششیں جاری رکھے گی، اور کسی سمجھوتے کے بغیر انشاء اللہ اپنی محتاط انڈر رائٹنگ کے ذریعے کاروبار کی توسیع پر توجہ دیکر بہترین انڈر رائٹنگ نتائج حاصل کرے گی، سرمایہ کاری سے آمدنی کو برقرار رکھنے کی بھی کوشش کی جائے گی۔

ہمیشہ کی طرح ہم دل کی گہرائیوں سے اپنے تمام تر کلائنٹس اور صارفین کا شکریہ ادا کرتے ہیں جنہوں نے کمپنی پر اپنا اعتماد برقرار رکھا۔ ہم اپنے ری انشوررز کی رہنمائی اور سرپرستی و معاونت کیلئے خصوصی طور پر ان کے شکر گزار ہیں۔ بورڈ آف ڈائریکٹرز کمپنی کے تمام اسٹاف ممبران کو بھی خراج تحسین پیش کرنا چاہتے ہیں جنہوں نے سال بھر انتہائی خلوص اور جانفشانی سے اپنے فرائض انجام دیئے۔

ہم اللہ تعالیٰ سے اپنی قوم اور ملک کے امن و استحکام کے لئے دعا گو ہیں، آمین!

بورڈ کی تشکیل

کمپنی کا بورڈ آف ڈائریکٹرز نو (۹) ڈائریکٹرز (ایک خاتون اور ۸ مرد ڈائریکٹرز) پر مشتمل ہے۔ بورڈ کی تشکیل درج ذیل کے مطابق ہے:

کمیٹری	نام
انڈیپنڈنٹ ڈائریکٹرز - مرد	جناب شاہد غفار جناب علی فندو
انڈیپنڈنٹ ڈائریکٹر - خاتون	محترمہ ملیحہ ہمایوں بگلش
نان - ایگزیکٹو ڈائریکٹرز	جناب رفیق ایم - حبیب جناب عباس ڈی - حبیب جناب منصور جی - حبیب جناب محمد حیدر حبیب جناب گمیل آر - حبیب
ایگزیکٹو ڈائریکٹر	جناب عون محمد اے - حبیب

کارپوریٹ سوشل ریسپانسیبیلٹی (CSR)

کمپنی کا کارپوریٹ سوشل ریسپانسیبیلٹی کے تصور پر مکمل کاربند ہے اور مختلف نوعیت کی وسیع تر سرگرمیوں کے ذریعے اپنی یہ ذمہ داری بخوبی پوری کر رہی ہے۔ ان اقدامات میں شامل ہیں:

- سماج کے پسماندہ طبقات کی ترقی اور فلاح و بہبود کے لئے سماجی اور تعلیمی سرگرمیوں کے سلسلے میں سال کے دوران عطیات کے ذریعے ۳۲ ملین روپے مالیت کے کام انجام دیئے گئے۔

- غیر ضروری بجلی کے استعمال سے گریز کرتے ہوئے توانائی کی بچت، ماحولیاتی تحفظ اور پیشہ ورانہ سیفٹی اور صحت کے ساتھ تباہ کنوشی سے گریز کے قانون کے نفاذ اور ”نواسموکنگ زون“ کے قیام اور کام کرنے کیلئے ایک محفوظ اور صحت مند ماحول فراہم کیا گیا۔
- کاروباری اقدار پر عملدرآمد کمپنی کے ”ضابطہ اخلاق“ کے مطابق تمام ممبران کیلئے لازم ہے تاکہ کاروبار اور ذاتی اقدار کے بلند تر درجات کو یقینی بنایا جاسکے۔
- عملے کے ساتھ خوشگوار تعلقات، میرٹ اور کارکردگی کو تسلیم کرنا اور اسٹاف کیلئے سیکھنے اور ترقی کے جاری مواقع، دونوں جاب کے دوران اور باقاعدہ تربیتی پروگراموں کے ذریعے فراہم کرنا۔
- شفاف طریقہ کار کے ذریعے بلا کسی مذہبی، ذات پات اور لسانی بنیاد پر امتیاز کے بغیر روزگاری فراہمی۔
- کمپنی کی جانب سے سال کے دوران ۲۹۵۵ ملین روپے سے زائد کے براہ راست بینکوں کے ذریعے قومی خزانے میں شراکت۔ مزید برآں ۸۳۶۸ ملین روپے کی ایک اضافی رقم کمپنی کے ذریعے حکومت پاکستان کو دہولڈنگ ٹیکس، سروسز پریکٹیکس اور فیڈرل ایکسائز ڈیوٹیز کی مد میں منہا/ وصول کی گئی۔

رسک مینجمنٹ فریم ورک

کمپنی کاروباری نوعیت اور حجم کے مطابق رسک مینجمنٹ فریم ورک کی حامل ہے۔ یہ فریم ورک کئی سال قبل تشکیل دیا گیا تھا اور وقتاً فوقتاً بہتری کے ساتھ جاری ہے اور تمام امور کی نگرانی رسک مینجمنٹ کمیٹی کی جانب سے کی جاتی ہے۔ کمپنی اپنے کاروباری خطرات کو ایک محتاط طریقے سے قدامت پسند نظریے کی رہنمائی سے نمٹانے پر یقین رکھتی ہے۔ کاروباری خطرات اور ان سے نمٹنے کے عناصر کی وضاحت تفصیل کے ساتھ کنٹنشل فنکشنل اسٹیمنٹ کیلئے نوٹس ۳۷ اور ۳۸ اور ونڈو ٹکافل آپریشنز فنکشنل اسٹیمنٹس کے نوٹس ۲۸، ۲۹ اور ۳۱ میں واضح کردی گئی ہے۔

بورڈ کی کمیٹیاں

آڈٹ کمیٹی

کمپنی کی آڈٹ کمیٹی ایک انڈیپنڈنٹ ڈائریکٹر بطور چیئرمین کی نمائندگی کے ساتھ ۳ ممبران پر مشتمل ہے جو کہ مالیاتی امور سے بھی واقف ہیں اور ۲ نان۔ ایگزیکٹو ڈائریکٹرز ہیں۔ آڈٹ کمیٹی نے سال میں ۴ مرتبہ اجلاس منعقد کئے۔ اجلاسوں میں شرکت درج ذیل کے مطابق رہی:

شرکت کردہ اجلاسوں کی تعداد

جناب شاہد غفار	چیئرمین	3
جناب منصور جی۔ حبیب	ممبر	3
جناب گمیل آر۔ حبیب	ممبر	4

ضابطہ اخلاق، نامزدگی، ہیومن ریسورس اور ری میوزیشن کمیٹی

ضابطہ اخلاق، نامزدگی، ہیومن ریسورس اور ری میوزیشن کمیٹی ۴ ممبران پر مشتمل ہے جس کی نمائندگی ایک انڈیپنڈنٹ ڈائریکٹر بطور چیئرمین، ۲ نان۔ ایگزیکٹو ڈائریکٹرز، ایک ایگزیکٹو ڈائریکٹر اور چیف ایگزیکٹو کرتے ہیں۔

جناب علی فدو	چیئر مین
جناب رفیق ایم۔ حبیب	ممبر
جناب عباس ڈی۔ حبیب	ممبر
جناب عون محمد اے۔ حبیب	ممبر
سید اطہر عباس	ممبر

سال کے دوران کمیٹی نے ۲ مرتبہ اجلاس بلائے۔ اجلاس کے وقت کمیٹی درج ذیل ممبران پر مشتمل اور اور اجلاسوں میں ان کی حاضری درج ذیل تھی:

شرکت کردہ اجلاسوں کی تعداد

جناب علی فدو	چیئر مین	2
جناب رفیق ایم۔ حبیب	ممبر	2
جناب عباس ڈی۔ حبیب	ممبر	-
جناب عون محمد اے۔ حبیب	ممبر	2
جناب شیر غلام علی	ممبر	1

انویسٹمنٹ کمیٹی

انویسٹمنٹ کمیٹی ۷ ممبران پر مشتمل ہے جس کی نمائندگی ۱۲ انڈیپنڈنٹ ڈائریکٹرز، ۲ نان۔ ایگزیکٹو ڈائریکٹرز، ایک ایگزیکٹو اور چیف فنانشل آفیسر کرتے ہیں۔ انویسٹمنٹ کمیٹی نے سال کے دوران ۴ اجلاس طلب کئے اور اس میں شرکت درج ذیل کے مطابق تھی:

شرکت کردہ اجلاسوں کی تعداد

جناب شاہد غفار	چیئر مین	-
جناب منصور جی۔ حبیب	ممبر	2
جناب گمیل آر۔ حبیب	ممبر	2
جناب عون محمد اے۔ حبیب	ممبر	4
محترمہ ملیحہ ہمایوں بگش	ممبر	3
جناب شیر غلام علی	ممبر	3
جناب مرتضیٰ حسین	ممبر	4
سید اطہر عباس	ممبر	1

غیر حاضری کے سلسلے میں ان تمام ڈائریکٹرز کے لئے چھٹی منظور کر لی گئی تھی جو اجلاس میں شرکت نہیں کر سکے تھے۔

سال کے دوران سید اطہر عباس کو جناب شبیر غلام علی کی جگہ ممبر مقرر کیا گیا تھا اور ان کی تقرری کے بعد ایک اجلاس منعقد ہوا جس میں انہوں نے شرکت کی تھی۔

ڈائریکٹرز کا تربیتی پروگرام

کمپنی کے ۹ ڈائریکٹرز میں سے ۵ پہلے ہی ڈائریکٹرز کے ٹریننگ پروگرام میں شرکت کر چکے ہیں۔ ۴ ڈائریکٹرز اپنی قابلیت اور تجربے کی بنیاد پر اس شرط سے مستثنیٰ ہیں۔

ڈائریکٹرز کی ری میونریشن پالیسی

بورڈ آف ڈائریکٹرز نے ”ڈائریکٹرز کے معاوضوں کے تعین کے لئے ایک پالیسی اور طریقہ کار“ کی منظوری دی ہے جس میں واضح کیا گیا ہے:

- کوئی بھی ڈائریکٹر ذاتی معاوضے کا تعین نہیں کرے گا۔ یہ معاوضہ بورڈ آف ڈائریکٹرز کی منظوری سے ہوگا۔
- معاوضوں کی ادائیگی ذمہ داریوں اور صلاحیتوں کے پیمانے کے مطابق موزوں اور مناسب سطح پر کی جاتی ہے تاکہ ڈائریکٹرز کی حوصلہ افزائی ہو اور وہ کمپنی سے منسلک رہتے ہوئے کمپنی کو کامیابی سے چلائیں اور اس کی قدر میں اضافہ کریں تاہم یہ اس سطح پر نہیں جس سے ان کی آزادی پر کسی سمجھوتے یا مفاہمت کا تصور اُجاگر ہو۔

ڈائریکٹرز کے معاوضے کی تفصیلات نوٹ ۳۲ میں واضح کی گئی ہیں۔

آڈیٹرز

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس سکبدوش ہو رہے ہیں اور انہوں نے خود کو دوبارہ تقرری کے لئے پیش نہیں کیا، جیسا کہ آڈٹ کمیٹی، بورڈ آف ڈائریکٹرز کی جانب سے تجویز کیا گیا، اس کے مطابق گرانٹ تھورنٹن انجم رحمان کو ۳۱ دسمبر ۲۰۲۳ء کو ختم ہونے والے سال کے لئے باہمی طے شدہ معاوضے پر کمپنی کا آڈیٹرز مقرر کرنے کی سفارش کی گئی ہے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کا بیان

۱۔ کمپنی کی جانب سے تیار کردہ مالیاتی حسابات شفاف انداز میں اس کے کاروباری امور، اس کے آپریشنز کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کو واضح کرتے ہیں۔

۲۔ کمپنی کے کھاتوں کی باقاعدہ کتب تیار کی گئی ہیں۔

۳۔ درست اکاؤنٹنگ پالیسیاں مالیاتی حسابات کی تیاری میں مستقل طور پر لاگو کی جاتی ہیں۔ اگر ان میں کوئی تبدیلی کی جاتی ہے تو مناسب طور پر اسے واضح کر دیا جاتا ہے جبکہ اکاؤنٹنگ کے تخمینہ جات مناسب اور محتاط فیصلوں پر مبنی ہوتے ہیں۔

۴۔ بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈ اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرڈز، جیسا کہ پاکستان میں نافذ العمل ہیں، ان پر مالیاتی حسابات کی تیاری میں عمل درآمد کیا جاتا ہے اور ان سے کسی بھی قسم کی رُگردانی کو باقاعدہ واضح کر دیا جاتا ہے۔

۵۔ انٹرئل کنٹرول کا نظام مستحکم طور پر تیار کیا گیا ہے اور موثر طور پر نافذ العمل اور زیر نگرانی رہتا ہے۔

۶۔ اس امر میں کوئی شبہ نہیں کہ کمپنی میں آگے بڑھنے کی صلاحیت موجود ہے۔

۷۔ کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی رُگردانی نہیں کا جاتی جیسا کہ لسٹنگ ریگولیشنز میں مفصل طور پر درج ہے۔

- ۸۔ گزشتہ ۶ سال کیلئے کلیدی آپریٹنگ اور مالیاتی تفصیل منسلک ہے۔
- ۹۔ ٹیکسز اور لیویز کے بارے میں معلومات مالیاتی حسابات کیلئے نوٹس میں درج ہیں۔
- ۱۰۔ ۳۱ دسمبر ۲۰۲۲ء کے مطابق پراویڈنٹ فنڈ کے ڈپازٹ اکاؤنٹس میں سرمایہ کاریاں اور بیلنس کی مالیت ۱۰۳.۱۰ ملین روپے ہے۔
- ۱۱۔ سال کے دوران بورڈ کے ۴ اجلاس منعقد ہوئے اور اس میں ڈائریکٹرز کی شرکت درج ذیل کے مطابق رہی:

اجلاس کی تاریخ	شرکت کردہ منجانب
۳۱ مارچ ۲۰۲۲ء	جناب رفیق ایم۔ حبیب جناب منصور جی۔ حبیب جناب گمیل آر۔ حبیب جناب عون محمد اے۔ حبیب جناب شاہد غفار جناب علی فدو جناب شبیر غلام علی چیف ایگزیکٹو
۲۸ اپریل ۲۰۲۲ء	جناب رفیق ایم۔ حبیب جناب عباس ڈی۔ حبیب جناب محمد حیدر حبیب جناب گمیل آر۔ حبیب جناب عون محمد اے۔ حبیب جناب علی فدو محترمہ ملیحہ ہمایوں بگٹش جناب شبیر غلام علی چیف ایگزیکٹو
۳۰ اگست ۲۰۲۲ء	جناب رفیق ایم۔ حبیب جناب منصور جی۔ حبیب جناب گمیل آر۔ حبیب جناب شاہد غفار جناب علی فدو جناب عون محمد اے۔ حبیب محترمہ ملیحہ ہمایوں بگٹش جناب شبیر غلام علی چیف ایگزیکٹو

۲۷ اکتوبر ۲۰۲۲ء

جناب رفیق ایم۔ حبیب

جناب منصور جی۔ حبیب

جناب محمد حیدر حبیب

جناب گمیل آر۔ حبیب

جناب عون محمد اے۔ حبیب

جناب علی فدو

محترمہ ملیحہ ہمایوں بگٹش

سید اطہر عباس

چیف ایگزیکٹو

ان تمام ڈائریکٹرز کے لئے غیر حاضری پر چھٹی منظور کر لی گئی تھی جو اجلاس میں شرکت نہیں کر سکے تھے۔

۱۲۔ شیئر ہولڈنگ کا طرز اور شیئر ہولڈنگ کے طرز سے متعلق اضافی معلومات منسلک شدہ ہے۔

۱۳۔ درج بالا کے علاوہ ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکریٹری اور ان کے شریک حیات و نابالغ بچوں کی جانب سے کمپنی کے شیئرز کی کوئی خرید و فروخت نہیں کی گئی۔

شیئرز کی تعداد

خریدار

23,500

جناب منصور جی۔ حبیب

13,384

جناب عون محمد اے۔ حبیب

915,856

محترمہ فرح فاطمہ حبیب زوجہ جناب محمد حیدر حبیب

3,822

جناب گمیل آر۔ حبیب

8,149

جناب عباس ڈی۔ حبیب

شیئرز کی تعداد

فروخت کنندہ

3,000

جناب منصور جی۔ حبیب

منجانب بورڈ آف ڈائریکٹرز

سید اطہر عباس
چیف ایگزیکٹو

عون محمد اے۔ حبیب
ڈائریکٹر

کراچی: ۵ مئی ۲۰۲۳ء

Form of Proxy

I/We _____ of _____

being a member(s) of Habib Insurance Company Limited and holding _____

ordinary shares, as per Register Folio No./CDC Account and Participant's I.D. No. _____

do hereby appoint _____ Folio No./CDC Account and Participant's I.D.

No. _____ of _____

or failing him/her _____ Folio No./CDC Account and Participant's I.D.

No. _____ of _____

another member of the Habib Insurance Company Limited as my/our proxy to vote for me/us and on my/our behalf at the Eightieth Annual General Meeting of the Company to be held on Monday, May 29, 2023 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2023.

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER (S)

(The signature of the shareholder should agree with the specimen signature registered with the Company or as per CNIC/ Passport in case the share(s) is/ are registered in CDC account).

Witnesses:

1. Signature _____	2. Signature _____
Name _____	Name _____
Address _____	Address _____
CNIC/Passport No. _____	CNIC/Passport No. _____

A member entitled to attend the Annual General Meeting is entitled to appoint a proxy to attend and vote instead of him/ her. No person shall act as proxy (except for a corporation) unless he/ she is entitled to be present and vote in his/ her own right.

CDC account holder or sub-account holder appointing a proxy should furnish attested copies of his/ her own as well as the proxy's CNIC/ Passport with the proxy form. The proxy shall also produce his/ her original CNIC/ Passport at the time of the meeting. In case of corporate entity, the Board of Directors resolution/ power of attorney with specimen signature shall be submitted along with proxy form.

The instrument appointing a proxy should be signed by the member or by his/ her attorney duly authorised in writing. If the member is a corporation, its common seal (if any) should be affixed to the instrument.

The proxy forms, together with the power of attorney (if any), under which it is signed or a notarially certified copy thereof, shall be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.

مختارنامہ (پراکسی فارم)

میں/ہم _____ ساکن _____ بحیثیت ممبر (رکن) حبیب انشورنس کمپنی لمیٹڈ اور حامل _____
عام حصص، برطانیق شیئرز رجسٹرڈ فوئیو نمبر/سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر _____
ممبر (رکن) محترم/محترمہ _____ فوئیو نمبر/سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر _____ کو
یا اُن کی غیر حاضری میں ممبر (رکن) محترم/محترمہ _____ فوئیو نمبر/سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر _____
کو اپنے/ہمارے ایماء پر بروز پیر ۲۹ مئی ۲۰۲۳ء کو حبیب انشورنس کمپنی لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے ۸۰ویں سالانہ اجلاس عام میں حق رائے دہی
استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار (پراکسی) مقرر کرتا/کرتی ہوں/کرتے ہیں۔
آج بروز _____ بتاریخ _____ ۲۰۲۳ء کو دستخط کئے گئے۔

پانچ روپے مالیت کا
رسیدی ٹکٹ پر دستخط

دستخط ممبر (رکن)

ممبر (رکن) کے دستخط بینک میں رجسٹرڈ شدہ دستخط سے مماثلت رکھتے ہوں اور سی ڈی سی اکاؤنٹ ہولڈرز کے دستخط اُن کے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ
کے نمونہ دستخط سے مماثل ہونا ضروری ہے۔

گواہان:

۱۔ دستخط _____ ۲۔ دستخط _____
نام _____ نام _____
پتہ _____ پتہ _____
کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____

ممبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا مجاز ہوا اپنی جگہ کسی اور ممبر (رکن) کو بطور مختار (پراکسی) شرکت کرنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔
سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختارنامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوں گی۔
مختار (پراکسی) کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔ کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن)،
بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد/پاور آف اٹارنی بمعہ نمونہ دستخط ہمراہ مختارنامہ (پراکسی فارم) جمع کرانا ہونگے۔
مختارنامہ (پراکسی فارم) پر ممبر (رکن) یا اُن کے اٹارنی کے دستخط ہونا لازمی ہے۔ کارپوریٹ ادارہ ہونے کی صورت میں مختارنامہ (پراکسی فارم) پر کمپنی کی مہر ہونا
بھی ضروری ہے۔








مختارنامے (پراکسی فارم) بمعہ نامزد کرنے والے شخص کی تصدیق شدہ پاور آف اٹارنی (حسب ضرورت) کمپنی کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے
کم از کم ۴۸ گھنٹے قبل جمع کرانا ضروری ہے۔










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