

Habib Insurance Company Limited

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Habib Insurance Company Limited

Company Information

Board of Directors

Chairman	:	Rafiq M. Habib
Directors	:	Abbas D. Habib
		Mansoor G. Habib
		Mohamedali R. Habib
		Sajjad Hussain Habib
		Aun Mohammad A. Habib *
		Ali Fadoo
		* SECP's approval for his appointment as Director is awaited

Managing Director & Chief Executive : Ali Raza D. Habib

Deputy Managing Director : Zeeshan Raza

Company Secretary / Executive Director : Shabbir Gulamali

Auditors : M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Karachi

Share Registrar : M/s. Noble Computer Services (Pvt.) Limited
Mezannine Floor, House of Habib Building,
Siddiqsons Tower, 3 Jinnah Cooperative
Housing Society, Main Shahrah-e-Faisal,
Karachi-75350

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

Seventy Second Report of the Directors to the Shareholders for the year ended December 31, 2014

The Shareholders,

The Board of Directors have pleasure in presenting the Seventy Second Annual Report along with the audited accounts of the Company for the year ended December 31, 2014.

	Rupees in '000
Total comprehensive income after tax for the year 2014	258,887
Amount available after appropriations for the year 2013	<u>30,388</u>
	<u>289,275</u>
The Board of Directors now propose:	
Payment of dividend at Rs. 2 per share of Rs. 5/- each i.e. @ 40%	247,750
Transfer to General Reserve	10,000
Unappropriated profit carried forward	<u>31,525</u>
	<u>289,275</u>
Basic earnings per share of Rs. 5/- each	2.10

By the Grace of Allah, the overall performance of the Company for 2014 has been favourable and the Directors are pleased to recommend a payout of 40% to shareholders as mentioned above.

The Gross Written Premium grew to Rs. 1.0 billion with Net Premium rising to Rs. 458.7 million as against Rs. 438.3 million of the previous year, with improvement on commission earnings and on claims which have reduced, despite a substantial increase in amount placed in reserves, the benefit of which will accrue in subsequent period. Consequently the Underwriting Profits have increased to Rs. 86.8 million as compared to Rs. 73.2 million for the corresponding period of last year, an impressive gain of 18.6%.

The investment income for the year in review was Rs. 256.9 million against Rs. 240.3 million last year benefiting from higher capital gains recorded in the period. The decrease in dividend income was owing to changes in tax laws affecting dividend received in the last quarter from investments in Funds.

The Pakistan Credit Rating Agency has maintained the positive outlook to the Company's Insurer Financial Strength (IFS) rating to A+. This denotes strong capacity to meet policy holders and contract obligations.

There are positive indicators in the performance of the National Economy during 2014 with substantial reduction in inflation, increase in home remittance and also with International oil prices drastically coming down. Furthermore, the State Bank of Pakistan has slashed the discount rate by 50 bps in November 2014 with a further 100 bps in January 2015, bringing the discount rate down to 8.5%. These factors hopefully will help boost the Economy. The Stock Exchange performed brilliantly during the year with the KSE 100 Index closing at 32131, an increase of 27% and is presently around the 33900 mark. Corporate payouts have also been consistent for the year.

Habib Insurance Company Limited

We pray to Allah for Peace and Prosperity in our Country with much needed attention on the Law & Order situation and for favourable conditions towards safety and welfare, particularly for the underprivileged in the society, as a National Priority.

The year 2015 presents itself with exciting challenges for the Company as well, and every effort will be made Inshallah towards marked Progress, with continued cautious underwriting coupled with prudent management of the Investment Portfolio, observing the right balance on liquidity with adequate cash resources available, always as a priority.

As always, we are indeed thankful to all our clients and customers who have placed their confidence in our Company and will, Inshallah, continue to meet all their insurance requirements. A special mention must be 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.

Corporate Social Responsibility (CSR)

Your 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. 2.0 million by way of donations during the year for social and educational development and welfare of under privileged classes;
- energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and “No Smoking Zone”, and providing a safe and healthy work environment;
- business ethics, requiring all staff members to comply with the Company’s “Code of Conduct”;
- 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.;
- contribution to the national exchequer by the Company by way of direct taxes of over Rs. 26.0 million during the year; furthermore, an additional amount of over Rs. 234.1 million was deducted/ collected by the Company on account of withholding taxes, sales tax on services and federal excise duties paid to the Government of Pakistan.

Audit Committee

The audit committee of the Company comprises of four members all of whom are non-executive directors. The audit committee met four times during the year. Attendance of meetings is as follows.

		No. of Meetings attended
Mr. Mansoor G. Habib	Chairman	2
Mr. Mohamedali R. Habib	Member	3
Mr. Aun Mohammad A. Habib	Member	2
Mr. Ali Fadoo	Member	2

Mr. Mansoor G. Habib and Mr. Ali Fadoo were appointed on the Audit Committee by the Board of Directors on June 29, 2014.

Habib Insurance Company Limited

HR and Remuneration Committee

The HR and Remuneration Committee comprises of four members all of whom are non-executive Directors. The HR and Remuneration Committee met two times during the year. Attendance of meetings is as follows:

		No. of Meetings attended
Mr. Ali Fadoo	Chairman	1
Mr. Mansoor G. Habib	Member	2
Mr. Aun Mohammad A. Habib	Member	1
Mr. Ali Raza D. Habib	Member	1

Mr. Ali Fadoo was appointed on the HR and Remuneration Committee by the Board of Directors on June 29, 2014.

Directors Training Programme

Two of our Directors have completed the Directors formal Training programme.

Auditors

The present auditors Messrs Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their appointment as auditors of the Company for the year ending December 31, 2015, 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.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements, changes if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgement.
4. International Financial Reporting 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, 2014 is Rs. 60.3 million.

Habib Insurance Company Limited

11. During the year four Board meetings were held and the attendance of the Directors is as follows:

Date of Meeting	Attended by	
March 20, 2014	Mr. Rafiq M. Habib Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Sajjad Hussain Habib Mr. Aun Mohammad A. Habib Mr. Ali Raza D. Habib	Chief Executive
April 29, 2013	Mr. Abbas D. Habib Mr. Mazher Ali Jumani Mr. Mansoor G. Habib Mr. Aun Mohammad A. Habib Mr. Ali Raza D. Habib	Chief Executive
August 28, 2013	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Sajjad Hussain Habib Mr. Ali Fadoo Mr. Ali Raza D. Habib	Chief Executive
October 29, 2013	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Sajjad Hussain Habib Mr. Ali Fadoo Mr. Ali Raza D. Habib	Chief Executive

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

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.

Acquired	No. of Shares
Mr. Mansoor G. Habib	16,519

On behalf of the Board of Directors

ALI RAZA D. HABIB
*Managing Director
& Chief Executive*

Karachi: February 23, 2015

Habib Insurance Company Limited

Six Years' Review at a Glance

	(Rupees in '000)					
Years	2014	2013	2012	2011	2010	2009
Gross Written Premium	1,009,255	963,147	955,934	894,331	777,531	702,869
Net Premium Revenue	458,726	438,332	435,966	420,310	394,643	359,040
Investment Income	256,869	240,301	204,350	117,389	149,355	184,886
Net Claims	221,537	215,023	229,906	231,180	183,787	175,704
Profit after Tax	260,008	243,981	194,988	126,296	168,482	204,743
Paid-up Capital	619,374	495,499	495,499	450,454	400,403	400,403
Reserves & Retained Earnings	540,673	529,536	462,232	426,409	451,482	423,141
Total Assets - at Book Value	2,850,999	2,237,670	2,005,434	1,878,731	1,666,985	1,625,473
Cash Dividend - %	40	25	35	25	25	35
Stock Dividend - %	–	25	–	10	12.5	–

Habib Insurance Company Limited

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of the Karachi and Lahore Stock Exchanges, and SRO 68(1)/2003 issued by Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Director	Mr. Ali Fadoo
Non-Executive Directors	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Sajjad Hussain Habib Mr. Aun Mohammad A. Habib

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The Securities & Exchange Commission of Pakistan (SECP) has approved the appointment of six Directors as required under SECP's Sound & Prudent Management Regulations, 2012. The approval of the remaining one Director would be received upon our completion of certain formalities as required by SECP.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies has been maintained and amended/ updated from time to time.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Directors are well conversant with the listing regulations, and corporate requirements and as such are fully aware of their duties and responsibilities. At present, two Directors have acquired the formal Directors Training Certificate.
10. There was no new appointment of Company Secretary and Head of Internal Audit during the year. However, the Board has approved appointment of CFO, including his remuneration and terms and conditions of employment.

Habib Insurance Company Limited

11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed underwriting/ claim settlement/ reinsurance & co-insurance committee(s).
16. The Board has formed an audit committee. It comprises of four members, all of whom are non-executive Directors including the Chairman of the Committee.
17. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the audit committee for compliance.
18. The Board has formed an HR and Remuneration Committee. It comprises of four members, all of whom are non-executive Directors including the Chairman of the Committee.
19. The Board has set-up an effective internal audit department which is considered suitably qualified and are fully conversant with the policies and procedures of the Company.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to the Directors, employees and Stock Exchange(s).
23. Material/ price sensitive information has been disseminated amongst all market participants at once through Stock Exchange(s).
24. We confirm that all material principles contained in the Code have been complied with.

On behalf of the Board of Directors

ALI RAZA D. HABIB
*Managing Director
& Chief Executive*

Karachi: February 23, 2015

Habib Insurance Company Limited

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Habib Insurance Company Limited** (the Company) for the year ended **31 December 2014** to comply with the requirements of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchange(s) where the company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2014.

Karachi: February 23, 2015

Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Habib Insurance Company Limited

Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of comprehensive income;
- (iv) statement of changes in equity;
- (v) statement of cash flows;
- (vi) statement of premiums;
- (vii) statement of claims;
- (viii) statement of expenses; and
- (ix) statement of investment income

of **Habib Insurance Company Limited** (the Company) as at 31 December 2014 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Insurance Ordinance, 2000 (XXXIX of 2000) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as, evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes stated in notes 4.1 and 4.2 with which we concur;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at **31 December 2014** and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the Company for the year ended 31 December 2013 were audited by another firm of Chartered Accountants, whose report dated 20 March 2014 expressed an unqualified opinion thereon.

Karachi: February 23, 2015

Ernst & Young Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Shabbir Yunus

Habib Insurance Company Limited

Balance Sheet as at December 31, 2014

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)		Note	2014 (Rupees in '000)	2013 (Rupees in '000)
Share Capital and Reserves				Cash and Bank Deposits	10		
Authorised share capital [130,000,000 (December 31, 2013: 100,000,000) ordinary shares of Rs. 5 each]		650,000	500,000	Cash and other equivalents		372	1,085
Paid-up share capital	5.1	619,374	495,499	Current and other accounts		74,186	59,533
Retained earnings		286,551	275,414			<hr/>	<hr/>
Reserves		254,122	254,122			74,558	60,618
TOTAL EQUITY		<hr/> 1,160,047	<hr/> 1,025,035	Loans - secured, considered good to employees	11	27,453	29,151
Underwriting Provisions				Investments	12	1,043,878	1,117,367
Provision for outstanding claims (including IBNR)		868,747	336,514	Deferred Taxation	13	21,201	27,450
Provision for premium deficiency		263	1,516	Current Assets - others			
Provision for unearned premium		432,293	400,133	Premiums due but unpaid	14	284,948	290,674
Commission income unearned		49,476	46,324	Amounts due from other insurers/ reinsurers	15	282,282	155,439
Total underwriting provisions		<hr/> 1,350,779	<hr/> 784,487	Accrued investment income	16	3,424	4,594
Deferred Liability				Reinsurance recoveries against outstanding claims		794,592	251,689
Staff retirement benefits	6	46,854	38,709	Salvage recoveries outstanding		30,076	21,991
Creditors and Accruals				Deferred commission expense		45,363	37,343
Amounts due to other insurers/ reinsurers	7	55,416	176,983	Advances, deposits and prepayments	17	222,234	223,509
Accrued expenses		8,528	8,747	Sundry receivables	18	7,297	6,828
Taxation - provision less payments		44,843	39,295			<hr/>	<hr/>
Other creditors & accruals	8	146,305	128,696			1,670,216	992,067
		255,092	353,721	Fixed Assets	19		
Other liabilities				Tangible and intangible			
Unclaimed dividends		38,227	35,718	Furniture, fixtures and office equipment		6,800	4,790
		<hr/>	<hr/>	Computers and related equipment		1,570	1,473
TOTAL LIABILITIES		<hr/> 1,690,952	<hr/> 1,212,635	Motor vehicles		2,401	682
TOTAL EQUITY AND LIABILITIES		<hr/> 2,850,999	<hr/> 2,237,670	Computer software		2,922	4,072
Contingencies and Commitments	9					<hr/>	<hr/>
				TOTAL ASSETS		<hr/> 2,850,999	<hr/> 2,237,670

The annexed notes from 1 to 32 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

ALI FADOO
Director

ALI RAZA D. HABIB
Managing Director
& Chief Executive

Habib Insurance Company Limited

Profit and Loss Account for the year ended December 31, 2014

							(Rupees in '000)	
	Note	Fire and Property	Marine and Transport	Motor	Other Classes	2014 Aggregate	2013 Aggregate	
Revenue Account								
Net premium revenue		83,888	145,412	128,758	100,668	458,726	438,332	
Net claims		(11,568)	(36,716)	(89,606)	(83,647)	(221,537)	(215,023)	
Premium deficiency expense		–	–	–	1,253	1,253	(1,516)	
Expenses	20	(75,798)	(44,741)	(26,131)	(28,525)	(175,195)	(150,791)	
Net commission		26,579	9,871	(12,166)	(693)	23,591	2,166	
Underwriting result		23,101	73,826	855	(10,944)	86,838	73,168	
Net investment income						256,869	240,301	
Other income - net	21					8,256	11,061	
General and administration expenses	20					(59,154)	(54,173)	
Profit before tax						292,809	270,357	
Taxation - net	22					(32,801)	(26,376)	
Profit after tax						260,008	243,981	
Profit and loss appropriation account								
Balance at commencement of the year						275,414	208,110	
Total comprehensive income for the year						258,887	240,729	
Issuance of bonus shares for the year 2013: 25% (2012: Nil)						(123,875)	–	
Cash dividend for the year ended December 31, 2013 at Rs. 1.25 per share (2012: Rs. 1.75 per share)						(123,875)	(173,425)	
						11,137	67,304	
Balance of unappropriated profit at end of the year						286,551	275,414	
Earnings per share of Rs. 5 each	23					Rupees 2.10	Restated 1.97	

The annexed notes from 1 to 32 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

ALI FADOO
Director

ALI RAZA D. HABIB
Managing Director
& Chief Executive

Habib Insurance Company Limited

Statement of Comprehensive Income for the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
Net profit after tax for the year	260,008	243,981
Other comprehensive income for the year		
Not to be reclassified to profit and loss account in subsequent periods		
Actuarial loss on defined benefit plan	(1,673)	(4,927)
Related tax impact	552	1,675
Total comprehensive income for the year	<u>258,887</u>	<u>240,729</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

ALI FADOO
Director

ALI RAZA D. HABIB
*Managing Director
& Chief Executive*

Habib Insurance Company Limited

Statement of Cash Flow for the year ended December 31, 2014

	2014 (Rupees in '000)	2013 (Rupees in '000)		2014 (Rupees in '000)	2013 (Rupees in '000)
Operating Cash Flows			Reconciliation to Profit and Loss Account		
a) Underwriting activities					
Premiums received	953,049	883,254	Operating cash flows	(196,907)	(34,545)
Reinsurance premiums paid	(697,244)	(481,478)	Depreciation/ amortisation expense	(3,904)	(3,391)
Claims paid	(740,315)	(385,740)	Profit on disposal of fixed assets	53	38
Reinsurance and other recoveries received	500,023	173,659	Decrease in assets other than cash	678,962	190,724
Commissions paid	(110,904)	(174,490)	Decrease in liabilities	(464,628)	(149,646)
Commissions received	127,042	126,599		13,576	3,180
Net cash inflow from underwriting activities	31,651	141,804	Other adjustments		
b) Other operating activities			Income tax paid	20,452	25,023
Income tax paid	(20,452)	(25,023)	Provision for premiums due but unpaid	-	(3,500)
General management expenses paid	(223,473)	(186,369)	Reversal of provision for impairment	12,631	25,135
Other operating receipts	13,669	34,973	Provision for gratuity	(7,960)	(5,005)
Loans advanced	(10,564)	(11,099)	Gratuity paid	1,488	696
Loans repayment received	12,262	11,169	Profit/ return received	13,858	16,214
Net cash outflow from other operating activities	(228,558)	(176,349)	Dividends received	85,844	100,849
Total cash outflow from all operating activities	(196,907)	(34,545)	Capital gain	152,920	107,765
Investment activities			Provision for taxation	(32,801)	(26,376)
Profit/ return received	13,857	15,233		246,432	240,801
Dividends received	85,844	100,891		260,008	243,981
Payments for investments	(843,525)	(1,174,568)	Definition of cash		
Proceeds from disposal of investments	1,082,564	1,245,009	Cash comprises of cash in hand, policy stamps and bank balances which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.		
Fixed capital expenditure	(6,661)	(3,129)	Cash for the purposes of the Statement of Cash Flows consists of:		
Proceeds from disposal of fixed assets	134	113	Cash and bank deposits		
Total cash inflow from investing activities	332,213	183,549	Cash and other equivalents		
Financing activities			Cash in hand	264	278
Dividends paid	(121,366)	(166,984)	Policy stamps	108	807
Total cash outflow from financing activities	(121,366)	(166,984)		372	1,085
Net cash inflow/ (outflow) from all activities	13,940	(17,980)	Current and other accounts		
Cash at beginning of the year	60,618	78,598	Current accounts	20,995	21,400
Cash at end of the year	74,558	60,618	Profit and loss sharing accounts	53,191	38,133
				74,186	59,533
			Cash and bank deposits as per balance sheet	74,558	60,618

The annexed notes from 1 to 32 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

ALI FADOO
Director

ALI RAZA D. HABIB
Managing Director
& Chief Executive

Habib Insurance Company Limited

Statement of Changes in Equity for the year ended December 31, 2014

(Rupees in '000)

	Share Capital	Reserves		Total	
	Issued, subscribed and paid up	Capital Reserves Reserve for exceptional losses (note 5.2)	Revenue Reserves General reserve		Retained earnings
Balance as at December 31, 2012	495,499	9,122	245,000	208,110	957,731
Total comprehensive income for the year					
Profit for the year	-	-	-	243,981	243,981
Other comprehensive income - net of tax	-	-	-	(3,252)	(3,252)
	-	-	-	240,729	240,729
Transaction with owners recorded directly in equity					
Final dividend for the year ended December 31, 2012 of Rs. 1.75 per share	-	-	-	(173,425)	(173,425)
	-	-	-	(173,425)	(173,425)
Balance as at December 31, 2013	495,499	9,122	245,000	275,414	1,025,035
Total comprehensive income for the year					
Profit for the year	-	-	-	260,008	260,008
Other comprehensive income - net of tax	-	-	-	(1,121)	(1,121)
	-	-	-	258,887	258,887
Transaction with owners recorded directly in equity					
Bonus shares distribution for the year ended December 31, 2013 @ 25%	123,875	-	-	(123,875)	-
Final dividend for the year ended December 31, 2013 of Rs. 1.25 per share	-	-	-	(123,875)	(123,875)
	123,875	-	-	(247,750)	(123,875)
Balance as at December 31, 2014	619,374	9,122	245,000	286,551	1,160,047

The annexed notes from 1 to 32 form an integral part of these financial statements.

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& Chief Executive

Habib Insurance Company Limited

Statement of Premiums for the year ended December 31, 2014

(Rupees in '000)

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2014 Net premium revenue	2013 Net premium revenue
		Opening	Closing			Opening	Closing			
Direct and facultative										
1. Fire and Property	436,656	220,008	222,484	434,180	334,448	179,259	163,415	350,292	83,888	90,064
2. Marine and Transport	257,741	26,055	38,885	244,911	108,179	8,844	17,524	99,499	145,412	147,681
3. Motor	150,532	80,253	86,417	144,368	18,488	1,303	4,181	15,610	128,758	120,718
4. Other Classes	164,326	73,817	84,507	153,636	54,634	25,600	27,266	52,968	100,668	79,869
Grand Total	1,009,255	400,133	432,293	977,095	515,749	215,006	212,386	518,369	458,726	438,332

The annexed notes from 1 to 32 form an integral part of these financial statements.

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Managing Director
& Chief Executive

Habib Insurance Company Limited

Statement of Claims for the year ended December 31, 2014

(Rupees in '000)

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2014 Net claims expense	2013 Net claims expense
		Opening	Closing			Opening	Closing			
Direct and facultative										
1. Fire and Property	367,825	222,315	742,254	887,764	357,419	213,847	732,624	876,196	11,568	10,550
2. Marine and Transport	123,289	31,807	44,106	135,588	75,997	19,970	42,845	98,872	36,716	45,907
3. Motor	127,114	34,420	28,727	121,421	26,747	6,897	11,965	31,815	89,606	90,459
4. Other Classes	122,087	47,972	53,660	127,775	39,860	32,966	37,234	44,128	83,647	68,107
Grand Total	<u>740,315</u>	<u>336,514</u>	<u>868,747</u>	<u>1,272,548</u>	<u>500,023</u>	<u>273,680</u>	<u>824,668</u>	<u>1,051,011</u>	<u>221,537</u>	<u>215,023</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

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Managing Director
& Chief Executive

Habib Insurance Company Limited

Statement of Expenses for the year ended December 31, 2014

(Rupees in '000)

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers*	2014 Net underwriting expense	2013 Net underwriting expense
Direct and facultative									
1. Fire and Property	52,162	25,916	26,079	51,999	75,798	127,797	78,578	49,219	47,423
2. Marine and Transport	27,449	3,152	4,191	26,410	44,741	71,151	36,281	34,870	41,805
3. Motor	17,785	4,348	9,313	12,820	26,131	38,951	654	38,297	35,972
4. Other Classes	10,923	3,927	5,780	9,070	28,525	37,595	8,377	29,218	23,425
Grand Total	108,319	37,343	45,363	100,299	175,195	275,494	123,890	151,604	148,625

* Commission from reinsurers is arrived at after taking the impact of the opening and closing balances of unearned commission.

The annexed notes from 1 to 32 form an integral part of these financial statements.

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Managing Director
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Habib Insurance Company Limited

Statement of Investment Income for the year ended December 31, 2014

	Note	2014 (Rupees in '000)	2013
Income from Non-Trading Investments			
Held-to-maturity			
Return on Government Securities		7,367	6,643
Available-for-sale			
Dividend income			
- Related parties		16,742	20,805
- Others		67,269	80,044
Return on other fixed income securities		683	626
Gain on sale of investments		152,920	107,765
		<u>244,981</u>	<u>215,883</u>
Reversal for impairment in value of available-for-sale investment - net	12.5.2	12,631	25,135
Investments related expenses		(743)	(717)
Net investment income		<u>256,869</u>	<u>240,301</u>

The annexed notes from 1 to 32 form an integral part of these financial statements.

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Chairman

MANSOOR G. HABIB
Director

ALI FADOO
Director

ALI RAZA D. HABIB
*Managing Director
& Chief Executive*

Habib Insurance Company Limited

Notes to the Financial Statements for the year ended December 31, 2014

1. STATUS AND NATURE OF BUSINESS

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 Ordinance, 1984). 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 Karachi and Lahore Stock Exchanges. The Company is engaged in the general insurance business.

2. BASIS OF PREPARATION

These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through Securities and Exchange Commission (Insurance) Rules, 2002 [SEC (Insurance) Rules, 2002], vide SRO 938 dated December 12, 2002.

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of Companies Ordinance, 1984, Insurance Ordinance, 2000 and SEC (Insurance) Rules, 2002 shall prevail.

The SECP has allowed the insurance companies to defer the application of International Accounting Standard - 39 (IAS-39) "Financial Instruments: Recognition and Measurement" in respect of valuation of "available-for-sale investments". Accordingly, the requirements of IAS-39, to the extent allowed by SECP as aforesaid, have not been considered in the preparation of these financial statements.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that obligations under certain employee benefits are measured at present value and certain investments which are stated at their fair value.

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 the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with the requirements of approved accounting standards as applicable in Pakistan requires management to make judgments / estimates and associated assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The judgments / estimates and associated assumptions are based on historical experience, current trends and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Habib Insurance Company Limited

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on 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 Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

	Note
- Provision for outstanding claims including IBNR	4.6
- Premium deficiency reserve	4.9
- Defined benefit plan	4.10.2
- Classification of investments and impairment	4.11
- Useful lives of assets and methods of depreciation	4.12
- Provision for current and deferred tax	4.18
- Provision	4.4, 4.21 and 4.22

3. STANDARDS INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015
IAS 1 – Presentation of Financial Statements – (Amendment) - Disclosure Initiative	January 01, 2016
IAS 16 & 38 – Property, Plant and Equipment & intangible assets - (Amendment) - Clarification of Acceptable Method of Depreciation and Amortization	January 01, 2016
IAS 16 & 41 – Property, Plant and Equipment & Agriculture - (Amendment) – Agriculture: Bearer Plants	January 01, 2016
IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions	July 01, 2014

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not affect the Company's financial statements in the period of initial application except for IFRS 10 for which the Company is currently evaluating the impact on its financial statements.

Habib Insurance Company Limited

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014 and January 01, 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 New Standards, Interpretations and Amendments

The Company has adopted the following accounting standards and the amendments and interpretations of IFRSs which became effective for the current year:

- IAS 32 – Financial Instruments : Presentation – (Amendment)
– Offsetting Financial Assets and Financial Liabilities
- IAS 36 – Impairment of Assets – (Amendment)
– Recoverable Amount Disclosures for Non-Financial Assets
- IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)
– Novation of Derivatives and Continuation of Hedge Accounting
- IFRIC 21 – Levies

The adoption of the above did not have any effect on the financial statements for the current year.

4.2 Change in accounting policy

With effect from the current period, the Company has elected to present a separate statement of comprehensive income, as required by IAS - 1 (Revised). Previously, the Company presented a single statement of profit and loss account and other comprehensive income.

The change has no financial impact on these financial statements.

4.3 Insurance contracts

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

Insurance contracts are classified into following main categories:

- Fire and property
- Marine and transport
- Motor
- Other classes (which includes mainly bankers blanket bond, personal accident, health, liability, engineering etc.).

Habib Insurance Company Limited

These contracts are entered with group companies, corporate clients, and individual 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.

4.4 Premium

Premium under a policy is recognised at the time of the date of issuance of the policy.

Administrative surcharge is recognised as premium at the time policies are written.

Revenue from premiums is determined after taking into account the unearned portion of premium by applying 1/24th method as prescribed by the SEC (Insurance) Rules, 2002. The unearned portion of premium income is recognised as liability.

Receivables under insurance contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any.

4.5 Reinsurance contracts

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 same categories of insurance contracts for the purpose of these financial statements. The Company recognises the entitled benefits under the contract as various 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 recognised as a prepayment which is calculated by using 1/24th method as prescribed by the SEC (Insurance) Rules, 2002.

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

4.6 Claims expense

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

Habib Insurance Company Limited

The Company recognises liability in respect of all claims incurred upto the balance sheet date which is based on the best estimate of the claims intimated or assessed on or before the end of the financial year and measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in an insurance contract.

The liability for claims include amounts relating to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs. Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date.

Further actuarial valuation has also been carried out to determine the amount of provision for IBNR in respect of Accident and Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on January 09, 2012. However no further provision has been recorded as a result of valuation as the estimate made by management is sufficient to provide for claims reported subsequent to the balance sheet date.

4.7 Reinsurance and other recoveries against outstanding claims

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

4.8 Commission

Commission expense incurred in obtaining and recording policies is deferred and recognised in profit and loss account as an expense in accordance with the pattern of recognition of premium revenue.

Commission income from reinsurers is recognised at the time of issuance of the underlying insurance policy. These are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the reinsurance premiums.

Profit commission, if any, under the terms of reinsurance arrangements, is recognised on accrual basis.

4.9 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002 and IFRS-4, 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 profit and loss account and the same shall be recognised as a liability.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of expired periods. For this purpose average loss ratio of last three years inclusive of claims settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium. Further actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Accident and Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on January 09, 2012.

Based on the advice of actuary, provision for premium deficiency reserve has been made in Accident and Health insurance as at the year end.

Habib Insurance Company Limited

4.10 Staff retirement benefits

4.10.1 Defined contribution plan

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

4.10.2 Defined benefit plan

The Company operates an unfunded approved gratuity scheme for all of its permanent employees who attain the minimum qualification period for entitlement of gratuity. Gratuity is based on employees' last drawn salary.

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of December 31, 2014 using the "Projected Unit Credit Method".

Remeasurement of the defined benefit liability, which comprises actuarial gain and losses are recognised 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 and 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 recognised in profit and loss account.

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 profit and loss account. The Company recognises gain and loss on the settlement of a defined benefit plan when the settlement occurs.

4.10.3 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 recognised at the balance sheet date.

4.11 Investments

4.11.1 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 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 recognised and classified as follows:

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

Habib Insurance Company Limited

4.11.2 Measurement

4.11.2.1 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 with the resulting gain or loss being included in net profit or loss for the period in which it arises.

4.11.2.2 Available-for-sale

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.

Quoted

Subsequent to initial recognition at cost, quoted investments are stated at lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 vide S.R.O. 938 dated December 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value. Also see note 12.4.

These are reviewed for impairment at year end and any losses arising from impairment in values are charged to the profit and loss account.

Unquoted

Unquoted investments are recorded at cost less accumulated impairment losses, if any.

Provision for diminution in the value of securities is made after considering impairment losses, if any.

4.11.2.3 Held-to-maturity

At the time of acquisition, investments with fixed maturity, where management has both the intent and the ability to hold to 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 profit and loss account.

Habib Insurance Company Limited

4.12 Fixed assets

4.12.1 Tangibles

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment loss. Depreciation on tangible fixed assets except vehicles is charged to income applying the straight line method at the rates specified in note 19.1 to the financial statements after taking into account residual value, if any. Depreciation on vehicles is charged to income applying the reducing balance method whereby the cost of the asset is written off over the estimated useful life. The useful lives, residual value and depreciation method are reviewed and adjusted if appropriate, at each balance sheet 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 this 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 consists of advances made to suppliers in respect of tangible and intangible assets.

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

4.12.2 Intangibles

These are stated at cost less accumulated amortisation and any provision for impairment loss. Amortisation of intangible fixed assets is charged to income applying the straight line method at the rates specified in note 19.2 to the financial statements after taking into account residual value, if any.

Full month's amortisation is calculated from the month the assets are available for use using the straight-line method, whereby the cost of the intangible asset is amortised over its estimated useful life over which economic benefits are expected to flow to the Company. The useful life and amortisation method is reviewed, and adjusted if appropriate, at each balance sheet 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 amount, the assets are written down to their recoverable amount.

4.13 Investment and other income

Gain/ (loss) on sale of investments

Gain/ (loss) on sale of available for sale investments is taken to profit and loss account in the year of sale.

Dividend income

Dividend income is recognised when the right to receive the same is established.

Habib Insurance Company Limited

Return on term finance certificates

The difference between the redemption value and the purchase price of the Term Finance Certificates is amortised and taken to the profit and loss account over the term of the investment.

Return on fixed income securities

Return on fixed income securities classified as available-for-sale is recognised on a time proportion basis.

Income on held to maturity investment

Income from held-to-maturity investments is recognised on a time proportionate basis taking account the effective yield on the investment.

Profit on bank accounts and deposits

Profit on bank accounts and deposits is recognised on accrual basis.

4.14 Management expenses

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 administrative expenses.

4.15 Operating segments

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 segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The reported operating segments are also consistent with the internal reporting provided to 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.

The Company has four primary business segments for reporting purposes namely fire and property, marine and transport, motor and other classes.

4.15.1 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.

4.15.2 Marine and transport

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

4.15.3 Motor

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

4.15.4 Other classes

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

Habib Insurance Company Limited

Assets, liabilities and capital expenditures that are directly attributable to segments have been assigned to them. Those assets and liabilities which can not be allocated to a particular segment on a reasonable basis are reported as unallocated corporate assets and liabilities. Financing, investment and income taxes are managed on an overall basis and are therefore, not allocated to any segment.

4.16 Financial instruments

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

Financial instruments carried on the balance sheet include cash and bank balances, loan to employees, investments, premium due but unpaid, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals and unclaimed dividends. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

4.17 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amount and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.18 Taxation

4.18.1 Current

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

4.18.2 Deferred

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

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

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

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4.19 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and deposits with banks.

4.20 Foreign currency translation

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 balance sheet date. Exchange differences are taken to the profit and loss account.

4.21 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 recognised 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 balance sheet date and adjusted to reflect the current estimate.

4.22 Impairment

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account. An impairment loss is reversed if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Provisions for impairment are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Changes in the provisions are recognised as income or expense.

4.23 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriations are recognised when approved.

5. PAID-UP SHARE CAPITAL AND RESERVES

5.1 Paid-up share capital

2014 (Number of Shares)	2013		2014 (Rupees in '000)	2013
1,000,000	1,000,000	Ordinary shares of Rs. 5/- each issued as fully paid in cash	5,000	5,000
122,874,755	98,099,804	Ordinary shares of Rs. 5/- each issued as fully paid bonus shares	614,374	490,499
<u>123,874,755</u>	<u>99,099,804</u>		<u>619,374</u>	<u>495,499</u>
99,099,804	99,099,804	Ordinary shares of Rs. 5/- each at the beginning of the year	495,499	495,499
24,774,951	–	Fully paid bonus shares issued during the year	123,875	–
<u>123,874,755</u>	<u>99,099,804</u>		<u>619,374</u>	<u>495,499</u>

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5.1.1 At December 31, 2014 related parties including directors and their dependents held 16.115 million (13.00%) [2013: 12.901 million (13.02%)] number of ordinary shares of Rs. 5 each.

5.2 Reserves for exceptional losses

Under the Income Tax Act, 1922 applicable to insurance companies, the Company 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 a allowable deduction in arriving at the taxable income. This option was withdrawn by the Income Tax Ordinance, 1979 with retrospective effect to 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.

6. STAFF RETIREMENT BENEFITS

Defined benefit plan - unfunded gratuity scheme

The latest actuarial valuation was carried out on December 31, 2014 by M/s. Akhtar and Hasan (Private) Limited using "Projected Unit Credit Actuarial Cost Method".

	2014	2013
6.1		
The number of employees covered under the defined benefit scheme are:	<u>169</u>	<u>176</u>
6.2		
The following principal actuarial assumptions were used for the valuation of above mentioned scheme:		
Financial assumptions		
Discount rate (per annum compounded)	10.50%	12.75%
Salary increase per annum	8.50%	10.75%
Demographic assumptions		
Expected service length of the employees	15 years	15 years
Normal retirement	60 years	60 years
Rate of employee turnover	Moderate	Moderate
Mortality rate	SLIC (2001-05)	SLIC (2001-05)
6.3		
Liability in balance sheet		
Present value of defined benefit obligations	<u>46,854</u>	<u>38,709</u>
6.4		
Movement in liability during the year		
Opening balance	38,709	29,473
Charged to profit and loss account	7,960	5,005
Benefits paid during the year	(1,124)	(344)
Benefits paid to outstanding ex-employees	(364)	(352)
Actuarial loss recognised in other comprehensive income	1,673	4,927
Closing balance	<u>46,854</u>	<u>38,709</u>

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	2014	2013
	(Rupees in '000)	
6.5 Reconciliation of the present value of defined benefit obligations		
Present value of defined benefit obligations as at January 1,	38,709	29,473
Current service cost	3,006	1,923
Interest cost	4,954	3,082
Benefits paid	(1,124)	(344)
Benefits paid to outstanding ex-employees	(364)	(352)
Actuarial loss on obligation	1,673	4,927
Present value of defined benefit obligations as at December 31,	<u>46,854</u>	<u>38,709</u>
6.6 Charge for the defined benefit plan		
6.6.1 Cost recognised in profit and loss		
Current service cost	3,006	1,923
Interest cost	4,954	3,082
	<u>7,960</u>	<u>5,005</u>
6.6.2 Actuarial loss/ (gain) on defined benefit obligation recognised in other comprehensive income		
Actuarial loss/ (gain) on defined benefit obligation		
(Gain)/ loss due to change in financial assumptions	(631)	170
Gain due to change in demographic assumptions	-	(6)
Loss due to change in experience adjustments	2,304	4,763
	<u>1,673</u>	<u>4,927</u>
Expected contributions to the funds in the following year	<u>8,608</u>	<u>7,960</u>
Expected benefit payments to retirees in the following year	<u>1,776</u>	<u>1,892</u>
Weighted average duration of the defined benefit obligation (year)	<u>8.27</u>	<u>8.35</u>
6.7 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:

	2014
	(Rupees in '000)
Increase in discount rate by 1%	(43,415)
Decrease in discount rate by 1%	50,639
Increase in expected future increment in salary by 1%	50,910
Decrease in expected future increment in salary by 1%	(43,127)

The sensitivity analysis prepared above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumption would occur in isolation of one another as some of the assumptions may be correlated.

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	Note	2014 (Rupees in '000)	2013
7. AMOUNT DUE TO OTHER INSURERS/ REINSURERS			
Foreign reinsurers		13,786	32,943
Local reinsurers		22,517	83,965
Co-insurers		19,113	60,075
		<u>55,416</u>	<u>176,983</u>
8. OTHER CREDITORS AND ACCRUALS			
Federal excise duty		13,438	11,461
Federal insurance fee		976	776
Withholding tax payable		1,373	3,817
Agents commission payable		75,941	78,527
Worker's welfare fund payable		27,381	21,105
Sundry creditors		27,196	13,010
		<u>146,305</u>	<u>128,696</u>
9. CONTINGENCIES AND COMMITMENTS			
As at December 31, 2014 there is no contingency or commitment.			
10. CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		264	278
Policy stamps		108	807
		<u>372</u>	<u>1,085</u>
Current and other accounts			
Current accounts	10.1	20,995	21,400
Profit and loss sharing accounts	10.2	53,191	38,133
		<u>74,186</u>	<u>59,533</u>
		<u>74,558</u>	<u>60,618</u>

10.1 This includes balance with related parties amounting to Rs. 19.901 million (2013: 19.232 million).

10.2 This balance is held with related parties and carry profit rates ranging between 6.5% to 9% (2013: 6% to 11%) per annum.

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	Note	2014 (Rupees in '000)	2013
11. LOANS - (secured, considered good)			
To employees		<u>27,453</u>	<u>29,151</u>
These loans are secured against provident fund balances or deposit of title documents. These loans are recoverable in monthly installments over various periods.			
These loans carry mark-up rate of 5% to 10% (2013: 5% to 10%) per annum except loans amounting to Rs. 2.603 million (2013: Rs. 2.084 million) which are interest free.			
11.1 Reconciliation of carrying amount of loans			
Opening balance		29,151	29,221
Mark-up for the year		2,170	2,354
Disbursements during the year		10,564	11,099
		<u>41,885</u>	<u>42,674</u>
Repayments (including mark-up) during the year		(14,432)	(13,523)
Closing balance		<u>27,453</u>	<u>29,151</u>
12. INVESTMENTS			
12.1 Type of investments			
Held-to-maturity			
Government securities (deposited with SBP)			
- Pakistan Investment Bonds	12.2	68,803	53,794
Available-for-sale			
- Units of open end mutual funds - quoted	12.3.1	349	5,349
- Term Finance Certificates - quoted	12.3.2	-	4,867
- Modaraba Certificates - quoted	12.3.3	14,840	14,840
- Ordinary shares of quoted/ unquoted companies	12.3.4	247,217	217,352
- Ordinary shares of quoted companies/ units of open end mutual funds (related parties)	12.3.5	712,669	821,165
		<u>975,075</u>	<u>1,063,573</u>
		<u>1,043,878</u>	<u>1,117,367</u>

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12.2 Held-to-maturity - amortised cost

Government securities - deposited with SBP

This represents Pakistan Investment Bonds having face value of Rs. 68.5 million (market value of Rs. 72.21 million) [2013: Rs. 53.5 million (market value of Rs. 52.189 million)]. These carry mark-up ranging from of 11.25% to 12% (2013: 11.75% to 12%) per annum and will mature between August 30, 2015 to July 19, 2022. These have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of circular no. 15 of 2008 dated July 07, 2008 issued by the Securities and Exchange Commission of Pakistan.

12.3 Available-for-sale

12.3.1 Units of open end mutual funds - quoted

2014 (Number of units)	2013	Face Value (Rupees)	Name of the investee entity	Note	2014 (Rupees in '000)	2013
27,500	27,500	10	National Investment (Unit) Trust		252	252
–	11,278	500	Atlas Money Market Fund		–	5,000
5,238	5,238	50	Pakistan Income Fund		97	97
					<u>349</u>	<u>5,349</u>

12.3.2 Term Finance Certificates - quoted

2014 (Number of Certificates)	2013	Face Value (Rupees)	Name of the investee entity	2014 (Rupees in '000)	2013
–	1,000	5,000	Engro Fertilizers Limited	–	4,867
				<u>–</u>	<u>4,867</u>

This carried mark-up rate equal to six months KIBOR plus 1.55% per annum, receivable semi-annually in arrears with no floor or cap. The credit ratings of the above securities is A.

12.3.3 Modaraba certificates - quoted

2014 (Number of Certificates)	2013	Face Value (Rupees)	Name of the investee entity	2014 (Rupees in '000)	2013
2,015,000	2,015,000	5	First Habib Modaraba	13,695	13,695
109,000	109,000	10	Standard Chartered Modaraba	1,145	1,145
				<u>14,840</u>	<u>14,840</u>

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12.3.4 Ordinary shares of quoted/ unquoted companies

2014 (Number of shares)	2013	Face Value (Rupees)	Name of the investee entity	2014 (Rupees in '000)	2013
Oil & Gas					
–	15,000	10	Shell Pakistan Limited	–	2,857
15,000	–	10	Pakistan Oilfields Limited	5,690	–
41,000	20,000	10	Pakistan Petroleum Limited	8,647	3,633
1,200	–	10	Mari Petroleum Company Limited	376	–
12,500	–	10	Pakistan State Oil Limited	4,843	–
–	10,000	10	Attock Refinery Limited	–	2,247
1,300	–	10	Oil & Gas Development Co. Limited	330	–
–	10,000	10	National Refinery Limited	–	2,312
Chemicals					
–	40,000	10	Dawood Hercules Chemicals Limited	–	2,245
3,000	–	10	ICI Pakistan Limited	1,156	–
40,000	50,000	10	Fauji Fertilizer Company Limited	4,830	5,611
–	40,000	10	Fauji Fertilizer Bin Qasim Limited	–	1,530
–	1,800	10	Linde Pakistan Limited	–	276
Industrial Metals & Mining					
–	40,000	10	International Industries Limited	–	1,761
–	30,000	10	International Steels Limited	–	441
Construction and materials (cement)					
35,000	–	10	Fauji Cement Company Limited	710	–
5,000	–	10	Lucky Cement Limited	1,915	–
30,000	–	10	D.G. Khan Cement Limited	2,660	–
10,000	–	10	Cherat Cement Company Limited	681	–
30,000	–	10	Lafarge Cement Limited	492	–
135,000	–	10	Maple Leaf Cement Factory Limited	4,307	–
General Industries					
–	25,000	10	Cherat Packaging Company Limited	–	822
51,000	50,000	10	Packages Limited	8,516	8,040
Electronic & Electrical Equipment					
12,000	12,000	10	Pakistan Cables Limited	1,458	1,077
Industrial Engineering					
65,750	50,000	5	Al-Ghazi Tractors Limited	12,024	12,044
5,000	–	10	Honda Atlas Cars (Pakistan) Limited	581	–
34,550	42,350	10	Millat Tractors Limited	17,306	20,434
Automobile & Parts					
20,000	20,000	5	Agriauto Industries Limited	1,190	1,190
18,840	33,600	10	Atlas Battery Limited	1,692	3,018
Beverages					
1,592	1,597	10	Shezan International Limited	112	124
Food Producers					
150	150	10	Nestle Pakistan Limited	79	79
285,000	285,000	5	Habib ADM Limited	4,334	4,334

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2014 (Number of shares)	2013	Face Value (Rupees)	Name of the investee entity	2014 (Rupees in '000)	2013
Personal goods					
6,000	6,000	10	Bata Pakistan Limited	5,440	5,440
17,500	–	10	Nishat (Chunian) Limited	829	–
17,300	23,000	10	Gadoon Textile Mills Limited	990	1,316
375,000	800,000	10	Gul Ahmed Textile Mills Limited	4,310	11,493
93	93	10	Kohinoor (Gujarkhan) Mills Limited (unquoted)	–	–
20	20	10	National Silk & Rayon Mills Limited	–	–
12,500	–	10	Nishat Mills Limited	1,573	–
Pharma & Bio Tech					
61,700	70,000	10	Abbott Laboratories (Pakistan) Limited	9,537	7,501
53,500	50,000	10	Glaxosmithkline Pakistan Limited	5,187	3,599
Electricity					
295,000	25,000	10	The Hub Power Company Limited	18,321	1,312
25,000	–	10	Nishat Chunian Power Limited	977	–
25,000	–	10	Nishat Power Limited	895	–
8,425	–	10	Engro Powergen Qadirpur Limited	253	–
20,000	–	10	Kot Addu Power Company Limited	1,192	–
Banks					
50,000	30,500	10	Allied Bank of Pakistan Limited	5,500	2,147
35,000	300,000	10	Bank Al Falah Limited	936	6,875
33,000	45,900	10	Habib Bank Limited	4,742	6,072
30,000	–	10	MCB Bank Limited	7,693	–
50,000	–	10	National Bank of Pakistan	2,918	–
80,000	100,000	10	Standard Chartered Bank (Pakistan) Ltd.	1,888	2,490
40,000	–	10	Faysal Bank Limited	659	–
33,449	15,000	10	United Bank Limited	5,445	1,259
Non Life Insurance					
10,000	438,544	10	Adamjee Insurance Company Limited	479	14,611
166,500	156,000	10	Atlas Insurance Limited	4,116	3,382
54,200	50,000	10	EFU General Insurance Limited	4,140	4,596
420,000	400,000	10	IGI Insurance Limited	51,957	46,948
246,209	243,225	10	Jubilee General Insurance Company Limited	15,319	17,026
Life Insurance					
75,735	88,235	10	EFU Life Assurance Limited	7,992	7,210
				247,217	217,352
				247,217	217,352

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12.3.5 Ordinary shares of quoted companies/ units of open end mutual fund (related parties)

2014 (Number of shares/units)	2013	Face Value (Rupees)	Name of the investee entity	2014 (Rupees in '000)	2013
3,998,000	3,635,000	10	Bank AL Habib Limited	101,718	95,831
140,000	140,000	5	Dynea Pakistan Limited	1,722	1,722
1,594,623	2,753,524	100	First Habib Cash Fund (units)	160,941	276,305
685,788	9,003	100	First Habib Income Fund (units)	70,908	909
–	630,016	100	First Habib Stock Fund (units)	–	69,829
706,724	706,724	100	First Habib Islamic Balanced Fund (units)	70,726	70,726
2,277,424	1,665,424	10	Habib Metropolitan Bank Limited	56,174	34,697
5,017,258	5,017,258	5	Habib Sugar Mills Limited	99,711	99,711
41,600	41,600	10	Indus Motor Company Limited	13,345	13,345
4,546,668	4,546,668	5	Shabbir Tiles and Ceramics Limited	51,468	40,465
1,210,000	1,655,796	5	Thal Limited	85,956	117,625
				<u>712,669</u>	<u>821,165</u>

12.4 The Company uses stock exchange quotation, at the balance sheet date to determine the market value of quoted equity securities. Had these investment been measured at fair value as required by International Accounting Standard (IAS-39), the carrying value of investments and equity of the Company as at December 31, 2014 would have been higher by Rs. 788.804 million (2013: higher by Rs. 353.089 million).

12.5 Available-for-sale

Cost	12.5.1	987,795	1,091,777
Provision for impairment - net of reversals	12.5.2	(12,720)	(28,204)
		<u>975,075</u>	<u>1,063,573</u>

12.5.1 Market value of quoted available-for-sale investments is Rs. 1,763.860 million (December 31, 2013: Rs. 1,416.662 million).

12.5.2 Provision for impairment - net of reversals

Opening provision	28,204	73,935
Reversal for the year	(12,631)	(25,135)
On disposal of investments	(2,853)	(20,596)
Closing provision	<u>12,720</u>	<u>28,204</u>

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	Note	2014	2013 Restated
		(Rupees in '000)	
13. DEFERRED TAXATION			
13.1 Deferred tax asset/ (liability) - net			
Deferred taxation comprises temporary difference relating to following:			
Taxable temporary differences			
Accelerated tax depreciation allowance		(851)	(287)
Deductible temporary differences			
Provisions		22,052	27,737
		<u>21,201</u>	<u>27,450</u>
13.2 Reconciliation of deferred tax			
Opening provision		27,450	27,930
Directly recognised due to actuarial gain/ loss		552	-
Recognised in profit and loss account		(6,801)	(480)
Closing balance		<u>21,201</u>	<u>27,450</u>
14. PREMIUMS DUE BUT UNPAID - unsecured			
Considered good	14.1	284,948	290,674
Considered doubtful		<u>38,762</u>	<u>38,762</u>
		323,710	329,436
Provision against doubtful debts	14.2	<u>(38,762)</u>	<u>(38,762)</u>
		<u>284,948</u>	<u>290,674</u>
14.1	This includes an amount of Rs. 103.766 million (December 31, 2013: Rs. 165.285 million) due from related parties.		
14.2 Provision against premium due but unpaid - net			
Balance as on January 01,		38,762	46,854
Charge for the year		-	3,500
Written off during the year		-	(11,592)
Balance as on December 31,		<u>38,762</u>	<u>38,762</u>

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	Note	2014 (Rupees in '000)	2013
15. AMOUNTS DUE FROM OTHER INSURERS/ REINSURERS - unsecured			
Considered good			
- Premiums due from Co-insurers		75,770	94,477
- Foreign reinsurers		1,911	2,309
- Local reinsurers		148,879	1,575
- Claims due from Co-insurers		55,722	57,078
Considered doubtful - Amount due from co-insurers		14,559	14,559
		<u>296,841</u>	<u>169,998</u>
Provision against amount due from co-insurers	15.1	(14,559)	(14,559)
		<u>282,282</u>	<u>155,439</u>
15.1 Provision against premium due from co-insurers - net			
Balance as on January 1,		14,559	14,559
Charge for the year		—	—
Balance as on December 31,		<u>14,559</u>	<u>14,559</u>
16. ACCRUED INVESTMENT INCOME			
Dividend income		—	1,832
Mark-up on term finance certificates		—	49
Mark-up on Government securities		3,424	2,709
Profit on bank accounts		—	4
		<u>3,424</u>	<u>4,594</u>
17. ADVANCES, DEPOSITS AND PREPAYMENTS			
Security deposits		2,025	1,525
Advances		4,004	3,374
Prepaid reinsurance premium ceded		212,386	215,006
Others		3,819	3,604
		<u>222,234</u>	<u>223,509</u>
18. SUNDRY RECEIVABLES			
Sales tax receivable		3,946	2,970
Other receivables		3,351	3,858
		<u>7,297</u>	<u>6,828</u>

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	Note	2014 (Rupees in '000)	2013
19. FIXED ASSETS			
Tangible - operating fixed assets	19.1	10,771	6,945
Intangible - computer software	19.2	2,922	4,072
		<u>13,693</u>	<u>11,017</u>

19.1 Tangible - operating assets

	December 31, 2014 (Rupees in '000)									
	Cost			Depreciation				Written Down Value		
	As at Jan. 01, 14	Additions / (disposals)	(Written off)	As at Dec. 31, 14	As at Jan. 01, 14	for the year/ (disposals)	(Written off)	As at Dec. 31, 14	as at Dec. 31, 14	Depreciation Rate %
Furniture, fixtures and office equipment	12,366	3,259 (50)	-	15,575	7,576	1,236 (37)	-	8,775	6,800	10-20
Computers and related equipment	6,936	1,074 (1,284)	-	6,726	5,463	930 (1,237)	-	5,156	1,570	33
Motor vehicles	3,345	2,328 (127)	-	5,546	2,663	588 (106)	-	3,145	2,401	20
	<u>22,647</u>	<u>6,661</u> <u>(1,461)</u>	<u>-</u>	<u>27,847</u>	<u>15,702</u>	<u>2,754</u> <u>(1,380)</u>	<u>-</u>	<u>17,076</u>	<u>10,771</u>	

	December 31, 2013 (Rupees in '000)									
	Cost			Depreciation				Written Down Value		
	As at Jan. 01, 13	Additions / (disposals)	(Written off)	As at Dec. 31, 13	As at Jan. 01, 13	for the year/ (disposals)	(Written off)	As at Dec. 31, 13	as at Dec. 31, 13	Depreciation Rate %
Furniture, fixtures and office equipment	30,593	637 (161)	- (18,703)	12,366	24,606	1,358 (160)	- (18,228)	7,576	4,790	10-20
Computers and related equipment	11,470	1,190 (250)	- (5,474)	6,936	10,361	820 (244)	- (5,474)	5,463	1,473	33
Motor vehicles	3,661	86 (402)	-	3,345	2,832	165 (334)	-	2,663	682	20
	<u>45,724</u>	<u>1,913</u> <u>(813)</u>	<u>-</u> <u>(24,177)</u>	<u>22,647</u>	<u>37,799</u>	<u>2,343</u> <u>(738)</u>	<u>-</u> <u>(23,702)</u>	<u>15,702</u>	<u>6,945</u>	

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19.2 Intangible assets

	Cost			Amortisation				(Rupees in '000)		Amortisation Rate %
	As at Jan. 01, 14	Transfer from CWIP	(Written off)	As at Dec. 31, 14	As at Jan. 01, 14	for the year	(Written off)	As at Dec. 31, 14	Written	
									Down Value as at Dec. 31, 14	
Computer software	5,748	-	-	5,748	1,676	1,150	-	2,826	2,922	20
	<u>5,748</u>	<u>-</u>	<u>-</u>	<u>5,748</u>	<u>1,676</u>	<u>1,150</u>	<u>-</u>	<u>2,826</u>	<u>2,922</u>	
2013	13,602	1,216	- (9,070)	5,748	9,698	1,048	- (9,070)	1,676	4,072	20
	<u>13,602</u>	<u>1,216</u>	<u>(9,070)</u>	<u>5,748</u>	<u>9,698</u>	<u>1,048</u>	<u>(9,070)</u>	<u>1,676</u>	<u>4,072</u>	

19.3 Disposal of tangible assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain / (loss) (note 21)	Mode of disposal	Sold to
	(Rupees in '000)						
Motor vehicles							
	41	33	8	12	4	Negotiation	Muhammad Arif, Karachi
	43	35	8	9	1	Negotiation	Qasim Jehangir, Karachi
	42	38	4	17	13	Negotiation	Ashfaq Ahmed, Karachi.
Furniture and fixtures							
	50	37	13	6	(7)	Negotiation	Khaliq-uz-Zaman, Karachi
Computer and related equipments							
	49	49	-	27	27	Insurance Claim	PICIC Insurance Company Ltd
	18	5	13	7	(6)	Negotiation	Star Computer, Karachi.
	1,218	1,183	35	56	21	Negotiation	Various
	<u>1,461</u>	<u>1,380</u>	<u>81</u>	<u>134</u>	<u>53</u>		

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	Note	2014 (Rupees in '000)	2013
20. EXPENSES			
Salaries and wages including bonus, contribution to provident fund and staff welfare	20.1	146,538	123,050
Motor car expenses		20,542	18,602
Travelling and entertainment expenses		6,295	5,918
Rent, taxes and electricity		14,714	13,444
Communications		5,421	5,223
Printing and stationery		2,795	3,065
Repair and maintenance		4,651	4,843
Legal and professional expenses		3,328	2,932
Corporate & subscription		7,757	6,134
Depreciation		2,754	2,343
Amortisation		1,150	1,048
Donation	20.2	2,000	2,000
Auditors' remuneration	20.3	1,364	1,131
Provision against premiums due but unpaid-net	14.2	—	3,500
Worker's Welfare Fund		5,978	5,517
Other expenses		9,062	6,214
		<u>234,349</u>	<u>204,964</u>

The above expenses represents an amount of Rs. 175.195 million and Rs. 59.154 million (2013: 150.791 million and Rs. 54.173 million) have been charged to underwriting under their respective classes and general and administration expenses respectively.

20.1 This includes staff retirement benefits amounting to Rs. 6.063 million (2013: Rs. 8.681 million).

20.2 An amount of Rs. 2.0 million (2013: Rs. 2.0 million) was donated to the following Trusts in which the Directors' have interest:

Name of Institution/ Address	Director / Trustee	2014 (Rupees in '000)	2013
Al-Sayyeda Benevolent Trust UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Rafiq M. Habib		
	2. Mr. Mansoor G. Habib		
	3. Mr. Aun Mohammad A. Habib	400	400
Rehmatbai Habib Widows & Orphans Trust UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Aun Mohammad A. Habib	400	400
Rehmatbai Habib Food & Clothing Trust UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Mohamedali R. Habib		
	2. Mr. Sajjad Hussain Habib		
	3. Mr. Aun Mohammad A. Habib	400	400
Habib Poor Fund UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Mansoor G. Habib		
	2. Mr. Mohamedali R. Habib		
	3. Mr. Aun Mohammad A. Habib	400	400
Habib Medical Trust UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Rafiq M. Habib		
	2. Mr. Mohamedali R. Habib	400	400
		<u>2,000</u>	<u>2,000</u>

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	Note	2014 (Rupees in '000)	2013
20.3 Auditors' remuneration			
Annual audit		622	518
Interim review		259	216
Certifications fees and review of statement of compliance with Code of Corporate Governance		269	225
Out of pocket expenses		214	172
		<u>1,364</u>	<u>1,131</u>
21. OTHER INCOME - NET			
Income from financial assets			
Profit on bank accounts		6,470	6,591
Mark-up on staff loan	11.1	2,170	2,354
		<u>8,640</u>	<u>8,945</u>
Income from non-financial assets			
Net gain on sale of fixed assets	19.3	53	38
Assets written off		–	(475)
Liabilities written back		–	2,553
Others		(437)	–
		<u>(384)</u>	<u>2,116</u>
		<u>8,256</u>	<u>11,061</u>
22. TAXATION - NET			
Current		26,000	25,896
Deferred		6,801	480
		<u>32,801</u>	<u>26,376</u>
22.1 Relationship between tax expense and accounting profit			
Profit before taxation for the year		<u>292,809</u>	<u>270,357</u>
Tax at the applicable rate of 33% (December 31, 2013: 34%)		96,627	91,921
Tax effect of capital gains subject to separate rate of tax		(44,493)	(32,790)
Tax effect of income subject to lower rates		(20,163)	(24,226)
Others		830	(8,529)
		<u>32,801</u>	<u>26,376</u>
22.2 In respect of tax years 2004 to 2007, the tax authorities have served notices on the Company under section 122(9) for amendment under section 122(5A) in the returns filed by the Company in respect of the aforesaid years. The amendment mainly relates to taxability of capital gains and proration of expenses against dividend and capital gains. The proceedings in respect of tax years 2004 to 2007 are still pending due to the fact that the Company has filed writ petition before the Honourable High Court of Sindh against said notices. The Honourable High Court of Sindh has issued status quo order in respect of tax year 2005. Based on the opinion of legal advisor, the management believes that the case will be decided in favour of the Company.			
Further, the tax authorities have also issued orders for the tax year 2008 and 2009 wherein certain disallowances have been made mainly relating to the same matters mentioned above. During 2011, the Commissioner Income Tax has decided the matter in favour of the Company in respect of tax year 2008 and 2009. The			

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department has filed appeal before the learned Appellate Tribunal Inland Revenue for the tax years 2008 and 2009. During the year 2012, the Appellate Tribunal Inland Revenue decided the matter in favour of the Company. However, the Department has filed reference application before the Honourable High Court of Sindh against the aforesaid order of the Appellate Tribunal Inland Revenue. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company.

The Company has filed return of total income for the tax year 2013 and 2014 (financial year ended December 31, 2012 and 2013) which is deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes. Furthermore, in respect of tax year 2012, the tax authorities have issued an order disallowing certain expenses claimed by the Company. The Company has filed an appeal against the said order before the Appellate Tribunal Inland Revenue. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company.

23. EARNINGS PER SHARE - basic and diluted

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares as at the year end as follows:

	2014 (Rupees in '000)	2013 (Rupees in '000)
Profit after tax for the year	<u>260,008</u>	<u>243,981</u>
	(Number of shares) Restated	
Weighted average number of shares of Rs. 5/- each	<u>123,874,755</u>	<u>123,874,755</u>
	(Rupees) Restated	
Basic earnings per share of Rs. 5/- each	<u>2.10</u>	<u>1.97</u>

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.

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives / Key Management Personnel		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)							
Fees	-	-	245	245	-	-	245	245
Managerial remuneration	10,800	8,520	-	-	34,704	39,621	45,504	48,141
Bonus	1,260	-	-	-	10,135	5,511	11,395	5,511
Retirement benefits	540	426	-	-	1,868	1,468	2,408	1,894
Others	660	773	-	-	780	2,473	1,440	3,246
	<u>13,260</u>	<u>9,719</u>	<u>-</u>	<u>-</u>	<u>47,487</u>	<u>49,073</u>	<u>60,747</u>	<u>58,792</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>20</u>	<u>26</u>	<u>28</u>	<u>34</u>

24.1 The Chief Executive and Executives of the Company are entitled to medical reimbursement at actual as per company's policy.

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25. TRANSACTIONS WITH RELATED PARTIES

25.1 Related parties of the Company comprise of associated companies, companies with common directors, major shareholders, staff retirement funds, directors and key management personnel. The Company in the normal course of business carries out transactions with related parties at commercial terms and conditions except for compensation to key management personnel which are on employment terms.

Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

Transactions and balances with associated companies

	2014	2013
	(Rupees in '000)	
<i>Transactions during the year with associated companies</i>		
Premium written	284,713	328,522
Claims paid	191,166	120,986
Dividend received	67,269	80,784
Dividend paid	11,441	15,375
Investment made	598,969	970,058
Investment sold	717,999	852,612
Gain on sale of investments	73,263	16,965
Reversal for impairment in value of available for sale securities - net	11,003	8,432
Interest received on bank accounts	6,470	6,591
Bank charges	283	208
Government Securities purchased	15,415	40,645
<i>Balances with associated companies</i>		
Premium due but unpaid	103,747	165,228
Claims outstanding	52,339	36,186
Bank balances	73,092	57,365
Profit receivable on bank accounts	-	4
Dividend receivable	-	1,795
Investment held	712,669	821,165
<i>Bonus from associated companies</i>		
	(Number of shares)	
Bonus shares received	406,200	216,508
Bonus shares issued	2,288,250	-
<i>Transactions during the year with other related parties including key management personnel</i>		
Premium written	202	51
Claims paid	-	426
Share registrar fees paid	555	470
Brokerage expenses paid	743	691
Contribution to the provident fund	4,386	3,676
Proceeds from sale of assets	-	14
<i>Balance with other related parties including key management personnel</i>		
Premium due but unpaid	19	57
Due to the provident fund	23	252

25.2 Remuneration to the key management personnel are in accordance with the terms of their employment (refer note 24). Contribution to the provident fund is in accordance with the Company's staff service rules.

25.3 Details of other balances and transaction with related parties during the year ended December 31, 2014 are disclosed in note 12.3.5 and 14.1 to these financial statements.

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26. SEGMENT INFORMATION

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets and liabilities as at December 31, 2014 and December 31, 2013, allocated capital expenditures and depreciation/ amortisation during the year. The above have been assigned to the following segments on the basis of gross premium earned by the segments.

	Fire and Property		Marine and Transport		Motor		Other Classes		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	(Rupees in '000)									
Segment Assets										
Segment Assets	739,118	432,792	416,920	253,695	245,762	139,246	261,539	157,425	1,663,339	983,158
Unallocated corporate assets									1,187,660	1,254,512
Consolidated total assets									<u>2,850,999</u>	<u>2,237,670</u>
Segment Liabilities										
Segment liabilities	658,599	457,813	371,501	268,362	218,989	147,296	233,047	166,526	1,482,136	1,039,997
Unallocated corporate liabilities									208,816	172,638
Consolidated total liabilities									<u>1,690,952</u>	<u>1,212,635</u>
Capital expenditure										
Capital expenditure	2,961	1,378	1,670	807	984	443	1,046	501	<u>6,661</u>	<u>3,129</u>
Depreciation/ amortisation	1,735	1,493	979	875	577	480	613	543	<u>3,904</u>	<u>3,391</u>

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27. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

27.1 Insurance risk management

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.

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.

The Company'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 reinsurance is arranged to mitigate the effect of the potential loss to the Company from individual to large or catastrophic insured events. Further, the Company adopts strict claim review policies including active management and prompt pursuing of the claims and regular detailed review of claim handling procedures.

(a) 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.

(b) 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.

An estimated amount of the claim is recorded immediately on the intimation to the Company. 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 is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claim actually reported subsequent to the balance sheet date.

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.

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(c) Key assumptions

The principal assumption underlying the liability estimation of IBNR and Premium Deficiency Reserves is that the Company'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.

(d) Changes in assumptions

The Company did not change its assumptions for the insurance contracts as disclosed in above (b) and (c).

(e) Sensitivity analysis

The insurance claim liabilities are sensitive to the incidence of insured events and severity / size of claims. The impact of 10% increase / decrease in incidence of insured events on underwriting results and shareholder's equity is as follows:

	Underwriting results		Shareholder's equity	
	2014	2013	2014	2013
	(Rupees in '000)			
Average claim cost				
Fire and property	1,157	1,055	775	686
Marine and transport	3,672	4,591	2,460	2,984
Motor	8,961	9,046	6,004	5,880
Other classes	8,365	6,811	5,605	4,427
	<u>22,155</u>	<u>21,503</u>	<u>14,844</u>	<u>13,977</u>

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.

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.

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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.

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 minimises 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	
	2014	2013	2014	2013	2014	2013
	(Rupees in ' 000)					
Fire and property	22,026,411	14,080,833	21,960,786	14,013,491	65,625	67,342
Marine and transport	969,296	999,950	944,298	969,955	24,998	29,995
Motor	15,000	12,500	10,250	11,500	4,750	1,000
Other	15,844,542	7,825,087	15,064,542	7,780,087	780,000	45,000
	<u>38,855,249</u>	<u>22,918,370</u>	<u>37,979,876</u>	<u>22,775,033</u>	<u>875,373</u>	<u>143,337</u>

Claims development table

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.

Analysis on gross basis

Accident year	2010 and prior years	2011	2012	2013	2014	Total
	(Rupees in ' 000)					

Estimate of ultimate claims cost:

At end of accident year	<u>467,295</u>	<u>432,375</u>	<u>421,406</u>	<u>524,178</u>	<u>1,284,637</u>	<u>3,129,891</u>
One year later	<u>788,179</u>	<u>424,254</u>	<u>441,141</u>	<u>499,596</u>	<u>–</u>	<u>2,153,170</u>
Two years later	<u>754,142</u>	<u>419,199</u>	<u>425,429</u>	<u>–</u>	<u>–</u>	<u>1,598,770</u>
Three years later	<u>749,631</u>	<u>431,180</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,180,811</u>
Four years later	<u>446,473</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>446,473</u>
Estimate of cumulative claims	446,473	431,180	425,429	499,596	1,284,637	3,087,315
Cumulative payment made to date	(441,783)	(427,830)	(418,282)	(381,990)	(548,683)	(2,218,568)
Liability for outstanding claims	<u>4,690</u>	<u>3,350</u>	<u>7,147</u>	<u>117,606</u>	<u>698,637</u>	<u>868,747</u>

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27.2 Financial risk management

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

27.2.1 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.

27.2.2 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.

27.2.2.1 Exposure to credit risk

Credit risk of the Company arises principally from the balances with banks, loans to employees, investments (except for investment in government securities and listed equity shares), premium due but unpaid, amount due from other insurers / reinsurers, reinsurance and other recoveries against outstanding claims and sundry receivable (except receivable against FED). 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.

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31, 2014 is as follows:

	Note	2014		2013	
		Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
(Rupees in '000)					
Bank balances	10	74,186	74,186	59,533	59,533
Loan to employees	11	27,453	27,453	29,151	29,151
Investments	12	1,043,878	–	1,117,367	4,867
Premiums due but unpaid	14	284,948	284,948	290,674	290,674
Amounts due from other insurers/ reinsurers	15	282,282	282,282	155,439	155,439
Accrued investment income	16	3,424	3,424	4,594	4,594
Reinsurance recoveries against outstanding claims		824,668	824,668	273,680	273,680
Advances, deposits and prepayment	17	9,848	2,025	8,503	1,525
Sundry receivables	18	7,297	7,297	6,828	6,828
		2,557,984	1,506,283	1,945,769	826,291

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Differences in the balances as per financial statements and maximum exposure in investments is due to investments in government securities of Rs.68.803 million (2013: Rs.53.794 million) and listed equity shares/ units of Rs.975.075 million (2013: Rs.1,058.706 million) which are not exposed to credit risk.

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

	Rating		Rating Agency
	Short term	Long term	
Habib Metropolitan Bank Limited	A1+	AA+	PACRA
Bank AL Habib Limited	A1+	AA+	PACRA
Habib Bank Limited	A1+	AAA	JCR-VIS

The credit quality of Company's exposure in Term Finance Certificates are disclosed in note 12.3.2 of the financial statements.

The management monitors exposure to credit risk in premium receivable from customers through regular review of credit exposure and prudent estimates of provisions for doubtful receivables as disclosed in note 14 to the financial statements.

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, 2014		December 31, 2013	
	(Rupees in'000)	%	(Rupees in'000)	%
Automobiles	66,925	20.7	96,819	29.4
Banks, Modaraba and Leasing	43,708	13.5	37,637	11.4
Textile and Composite	69,684	21.5	43,215	13.1
Sugar	12,173	3.8	14,587	4.4
Chemicals and Allied Industries	12,598	3.9	10,695	3.2
Glass, Ceramics and Tiles	6,499	2.0	10,146	3.1
Cable, Engineering and Steel	15,218	4.7	4,459	1.4
Cement	234	0.1	15	0.0
Food and Confectionary	31,843	9.8	11,906	3.6
Fuel and Energy	6,801	2.1	2,253	0.7
Insurance	77	0.0	694	0.2
Pharmaceuticals	11,809	3.6	9,387	2.9
Others	46,141	14.3	87,623	26.6
	<u>323,710</u>	<u>100</u>	<u>329,436</u>	<u>100</u>

Habib Insurance Company Limited

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

	December 31, 2014		December 31, 2013	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Upto 1 year	263,692	–	241,810	–
1-2 years	23,651	2,395	58,493	9,629
2-3 years	19,038	19,038	11,890	11,890
Over 3 years	17,329	17,329	17,243	17,243
Total	323,710	38,762	329,436	38,762

The Company enters into re-insurance / co-insurance arrangements with re-insurers / other insurers having sound credit ratings accorded by reputed credit rating agencies. Further, 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 and Poors with the balance being placed with entities rated at least 'BBB' by reputable ratings agency. An analysis of all insurer / reinsurance assets recognised by the rating of the entity from which it is due is as follows:

	Amount due from reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2014	2013
				(Rupees in '000)	
A or above (including PRCL)	150,453	824,668	212,386	1,187,507	492,458
BBB	337	–	–	337	113
Others	–	–	–	–	–
	<u>150,790</u>	<u>824,668</u>	<u>212,386</u>	<u>1,187,844</u>	<u>492,571</u>

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

	2014		2013	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Upto 1 year	205,850	–	69,645	–
1-2 years	46,924	–	59,779	–
Over 2 years	44,067	14,559	40,574	14,559
Total	296,841	14,559	169,998	14,559

Habib Insurance Company Limited

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

	2014		2013	
	Gross	Impairment (Rupees in '000)	Gross	Impairment
Upto 1 year	97,281	–	196,715	–
1-2 years	694,479	–	44,286	–
Over 2 years	32,908	–	32,679	–
Total	824,668	–	273,680	–

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.

27.2.3 Liquidity risk

Liquidity risk is defined as the risk that the Company will encounter difficulty in meeting its financial obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company might be unable to meet its payment obligations are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The following are the contractual maturities of financial liabilities:

	2014	2013
	Carrying Amount (Rupees in '000)	
Non-derivative financial liabilities		
Provision for outstanding claims	868,747	336,514
Amount due to other insurers/ reinsurers	55,416	176,983
Accrued expenses	8,528	8,747
Other creditors and accruals	104,510	95,354
Unclaimed dividends	38,227	35,718
	1,075,428	653,316

The carrying amounts represent contractual cash flows maturing within one year.

27.2.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices may affect 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. 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.

Habib Insurance Company Limited

27.2.4.1 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, term finance certificates and government securities. The Company limits interest rate risk by monitoring changes in interest rates. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument are:

	2014 Effective interest rate (in %)	2013 (in %)	2014 (Rupees in '000)	2013 (Rupees in '000)
Fixed rate instruments				
- Government securities	(11.25 to 12)	(11.75 to 12)	68,803	53,794
Variable rate instruments				
- Bank balances	(6.5 to 9)	(6 to 11)	53,191	38,133
- Term finance certificates	-	(11.08)	-	4,867
			53,191	43,000

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

The Company is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks and term finance certificates. A change of 100 basis points in interest rates at the year end would not have material impact on profit for the year and equity of the Company.

27.2.4.2 Equity price risk

Equity price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of KSE-100 Index and the value of individual shares. The equity price risk exposure arises from the Company's investments in equity securities and units of mutual funds. This arises from investments held by the Company for which prices in the future are uncertain. The Company policy is to manage price risk through diversification and selection of securities within specified limits set by the management. A summary analysis of investments by industry sector is disclosed in note 12 to these financial statements.

The Management monitors the fluctuations of prices of equity securities on regular basis. The Company also has necessary skills for monitoring and managing the equity portfolio in line with fluctuations of the market.

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

Sensitivity analysis of equity investment as at the reporting date is as follows:

For available for sale equity investments, in case of 10% decrease in equity prices at the reporting date, the net income and equity would have been lower by Rs.1.472 million (2013: Rs.13.297 million). However, an increase of 10% in equity prices at the reporting such increase is restricted to amount of cost of investment of such securities, i.e., Rs.5.147 million (2013: Rs.6.279 million) as per the policy of the Company.

Habib Insurance Company Limited

27.3 Fair value of financial instruments

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

28. 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.

29. NUMBER OF EMPLOYEES

The number of employees at the end of year was 192 (2013: 199) and average number of employees during the year was 190 (2013: 192).

30. SUBSEQUENT EVENT - NON ADJUSTING

In the meeting held on February 23, 2015, the Board of Directors of the Company proposed a final cash dividend of Rs. 2.0 per share (2013: Rs.1.25 per share) amounting to Rs. 247.750 million (2013: Rs.123.875 million) and Nil bonus shares (2013: 25:100) amounting to Rs. Nil (2013: Rs.123.875 million) for the year ended December 31, 2014, for approval by the members in Annual General Meeting to be held on March 26, 2015.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors in their meeting held on February 23, 2015

32. GENERAL

All figures have been rounded off to the nearest of thousand rupees, except otherwise stated.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

ALI FADOO
Director

ALI RAZA D. HABIB
*Managing Director
& Chief Executive*

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2014

Number of Shareholders	Size of Shareholding Rs. 5/- each	Total Shares Held
736	1	11,598
326	101	91,117
225	501	172,377
192	1,001	1,489,612
573	5,001	1,369,622
192	10,001	1,545,267
125	15,001	1,000,485
56	20,001	1,025,763
44	25,001	636,850
23	30,001	566,063
17	35,001	596,423
16	40,001	640,924
14	45,001	691,829
14	50,001	251,913
10	55,001	288,214
9	60,001	1,250,983
9	65,001	338,171
9	70,001	287,242
9	75,001	311,826
9	80,001	413,418
6	85,001	524,784
1	90,001	90,205
1	95,001	888,307
1	100,001	100,142
1	105,001	217,155
1	110,001	222,972
1	115,001	235,164
1	120,001	984,856
1	125,001	381,644
1	130,001	786,721
1	135,001	416,983
1	140,001	575,938
1	150,001	617,080
1	155,001	312,857
1	165,001	689,010
1	170,001	516,288
1	175,001	178,710
1	180,001	184,471
1	185,001	560,428
1	190,001	386,182
1	195,001	595,792
1	200,001	401,672
1	205,001	627,078
1	220,001	441,740
1	225,001	908,174
1	240,001	722,780
1	245,001	1,737,641
1	250,001	250,059
1	255,001	287,317
1	270,001	541,777
1	275,001	275,863
1	280,001	849,569
1	305,001	1,544,719
1	310,001	311,250
1	330,001	994,060
1	340,001	685,604
1	345,001	346,741
1	350,001	353,885
1	355,001	357,992
1	375,001	376,893
1	380,001	382,220
1	385,001	387,848
1	410,001	410,721
1	420,001	841,661
1	430,001	431,302
1	445,001	894,016
1	470,001	475,000
1	480,001	481,010
1	490,001	493,416
1	495,001	500,000
1	500,001	501,292
1	510,001	510,868
1	525,001	526,915
1	535,001	539,443
1	540,001	1,626,666
1	600,001	1,205,543
1	615,001	619,372
1	620,001	620,360
1	630,001	633,270
1	680,001	683,695
1	705,001	707,263
1	710,001	712,500
1	725,001	736,117
1	740,001	1,483,871
1	770,001	774,830
1	780,001	780,403
1	790,001	793,546
1	805,001	809,452
1	815,001	817,570
1	840,001	841,785
1	870,001	873,315
1	880,001	1,765,047
1	925,001	927,692
1	990,001	990,198
1	1,005,001	1,006,162
1	1,025,001	1,028,157
1	1,080,001	1,084,758
1	1,085,001	2,177,874
1	1,090,001	1,092,797
1	1,205,001	1,206,386
1	1,215,001	2,191,590
1	1,225,001	1,227,082
1	1,245,001	1,246,800
1	1,300,001	1,300,681
1	1,395,001	1,399,918
1	1,425,001	1,426,494
1	1,810,001	1,813,828
1	1,950,001	1,953,188
1	2,350,001	2,353,618
1	2,370,001	2,372,500
1	2,720,001	2,721,386
1	2,910,001	2,912,596
1	2,990,001	2,994,651
1	3,410,001	3,412,500
1	4,975,001	4,979,761
1	5,360,001	5,363,772
1	5,415,001	5,419,506
1	5,735,001	5,738,396
1	6,220,001	6,222,926
2,597	TOTAL	123,874,755

Categories of Shareholders	Numbers	Shares Held	Percentage
1. Individuals	2,516	75,307,547	60.79
2. Insurance companies	6	7,049,591	5.69
3. Joint stock companies	29	12,642,582	10.21
4. Charitable trusts	17	18,542,767	14.97
5. Government institutions	2	917	0.00
6. Foreign investors	27	10,331,351	8.34
	2,597	123,874,755	100.00

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2014

Additional Information

Shareholders' Category	Number of shareholders/ folios	Number of shares held
Associated Companies		
Habib Sugar Mills Limited	1	5,363,772
Thal Limited	1	5,735,396
Karachi Mercantile Co. (Pvt.) Limited	1	342,087
NIT and ICP		
IDBL (ICP Unit)	2	917
Directors		
Mr. Rafiq M. Habib	1	166,856
Mr. Abbas D. Habib	2	753,308
Mr. Mansoor G. Habib	1	50,000
Mr. Mohamedali R. Habib	2	1,943,891
Mr. Sajjad Hussain Habib	1	284,133
Mr. Aun Mohammad A. Habib	1	284,120
Mr. Ali Fadoo	1	2,000
Chief Executive Officer		
Mr. Ali Raza D. Habib	1	61,313
Directors' Spouses		
Mrs. Jamila Rafiq w/o Mr. Rafiq M. Habib	2	966,797
Mrs. Niamat-e-Fatima w/o Mr. Abbas D. Habib	1	20,877
Mrs. Sayyeda Mohamedali w/o Mr. Mohamedali R. Habib	1	130,063
Banks, Development Financial Institutions, Insurance Companies, Modaraba Companies and Mutual Funds		
	8	7,433,341
Joint Stock Companies and Corporations		
	26	1,201,327
Individuals/ Others		
	2,500	70,260,439
Charitable Trusts, Societies and Government Institutions		
	17	18,542,767
Foreign Investors		
	27	10,331,351
	2,597	123,874,755

Habib Insurance Company Limited

Notice of Annual General Meeting

NOTICE is hereby given that the 72nd Annual General Meeting of the Shareholders of the Company will be held at The Institute of Chartered Accountants of Pakistan, Kehkashan, Clifton, Karachi, on Thursday, March 26, 2015 at 11:00 a.m. to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended December 31, 2014 together with the Directors' and Auditors' Report thereon.
2. To approve payment of cash dividend @ 40% i.e. Rs. 2 per share of Rs. 5/- each for the year ended December 31, 2014 as recommended by the Board of Directors.
3. To appoint Auditors for the year ending December 31, 2015 and to fix their remuneration. Messrs Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants, being eligible offer themselves for reappointment.
4. To consider any other business of the Company with the permission of the Chair.

Special Business

5. To consider and 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	75
2	Habib Sugar Mills Limited	50
3	Habib Metropolitan Bank Limited	50
4	Indus Motor Company Limited	50
5	Shabbir Tiles & Ceramics Limited	25
6	Thal Limited	200

FURTHTER RESOLVED that the Managing Director & Chief Executive be and is hereby authorised 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, statement under section 160 of the Companies Ordinance, 1984 is annexed.

By order of the Board

SHABBIR GULAMALI
Company Secretary

Karachi: February 23, 2015

Habib Insurance Company Limited

Notes:

1. The share transfer books of the Company will remain closed from Friday, March 13, 2015 to Thursday, March 26, 2015 (both days inclusive).
2. 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.
3. The CDC account/ sub account holders are requested to bring with them their Computerised National ID Cards along with the Participant(s) ID number and their account numbers at the time of attending the AGM in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution/ Power of Attorney with specimen signatures be produced at the time of meeting.
4. Members are requested to promptly communicate any change in their address to our Share Registrar, M/s. Noble Computer Services (Pvt.) Limited.
5. Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants. Shareholders holding physical share certificate are therefore requested to submit a copy of their valid CNIC, if not already provided to M/s. Noble Computer Services (Pvt.) Limited, Mezzanine Floor, Siddiqsons Tower, House of Habib Building, 3 Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi (the Share Registrar). In case of non-receipt of the copy of valid CNIC, Habib Insurance Company Limited would be unable to comply with SRO 831(1)2012 dated July 05, 2012 of SECP and therefore will be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrant of such shareholders.
6. The Government of Pakistan through Finance Act, 2014 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:

(a) For filers of income tax returns	10%
(b) For non-filers of income tax returns	15%

To enable the Company to make tax deduction on the amount of cash dividend @ 10% instead of 15%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of the cash dividend, otherwise tax on their cash dividend will be deducted @ 15% instead of 10%.

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's Share Registrar, M/s. Noble Computer Services (Pvt.) Limited. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective Folio numbers.

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

M/s. Noble Computer Services (Pvt.) Limited

Mezzanine Floor, House of Habib Building
Siddiqsons Tower, 3 Jinnah Cooperative
Housing Society, Main Shahrah-e-Faisal,
Karachi-75350.

Habib Insurance Company Limited

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984

The statement is annexed to the Notice of the 72nd Annual General Meeting to be held on March 26, 2015 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 February 23, 2015, 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 Ordinance, 1984.

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. Ali Raza D. Habib, Director & Chief Executive of the Company is also Chief Executive 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. 75 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	3,998,000 shares (0.25%) 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 weekly average price of the security intended to be acquired	Rs. 48.84 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, 2014: Rs. 29.36
10	Earning per share of the associated company or associated undertaking for the last three years	2014: Rs. 5.71 per share 2013: Rs. 5.10 per share 2012: Rs. 5.40 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 Ltd.

Habib Insurance Company Limited

Habib Sugar Mills 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 Sugar Mills Limited being associated on the basis of common directorship. Mr. Ali Raza D. Habib, Chief Executive of the Company is also Director of Habib Sugar Mills 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. 50 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	5,017,258 shares (3.34%) 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 weekly average price of the security intended to be acquired	Rs. 41.50 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	September 30, 2014: Rs. 36.33
10	Earning per share of the associated company or associated undertaking for the last three years	2014: Rs. 5.31 per share 2013: Rs. 5.19 per share 2012: Rs. 5.21 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 Habib Sugar Mills Ltd.

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. Mohammedali R.Habib, Director of the Company is also Director of Habib Metropolitan Bank Ltd.
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. 50 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	2,277,424 shares (0.22%) 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 weekly average price of the security intended to be acquired	Rs. 37.07 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, 2014: Rs. 33.00
10	Earning per share of the associated company or associated undertaking for the last three years	2014: Rs. 4.70 per share 2013: Rs. 3.37 per share 2012: Rs. 3.25 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 Habib Metropolitan Bank Ltd.

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. Mohammedali R.Habib, Director of the Company is also Director of Indus Motor Company Ltd.
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. 50 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	41,600 shares (0.05%) 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 weekly average price of the security intended to be acquired	Rs. 940.72 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, 2014 : Rs. 253.38
10	Earning per share of the associated company or associated undertaking for the last three years	2014: Rs. 49.28 per share 2013: Rs. 42.72 per share 2012: Rs. 54.74 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 Indus Motor Company Ltd.

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, Director of the Company is also Director of Shabbir Tiles & Ceramics Ltd.
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. 25 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	4,546,668 shares (3.00%) 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 weekly average price of the security intended to be acquired	Rs. 11.32 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, 2014 : Rs. 11.18
10	Earning per share of the associated company or associated undertaking for the last three years	2014: Rs. (0.17) per share 2013: Rs. 0.54 per share 2012: Rs. 0.49 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 Shabbir Tiles & Ceramics Ltd.

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, Director of the Company is also Director 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	1,210,000 shares (1.49%) 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 weekly average price of the security intended to be acquired	Rs. 298.88 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, 2014 : Rs. 116.24
10	Earning per share of the associated company or associated undertaking for the last three years	2014: Rs. 16.80 per share 2013: Rs. 20.05 per share 2012: Rs. 20.44 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 Thal Ltd.

Habib Insurance Company Limited

PROXY FORM

I/ We

of

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

ordinary shares, as per Share Register Folio Number

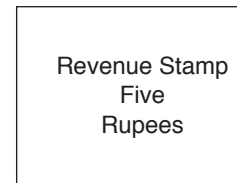
and/ or CDC Account and Participant's I.D. Numbers

hereby appoint Folio No of

or failing him/ her Folio No of

another member of Habib Insurance Company Limited as my proxy to vote for me/ us and on my/ our behalf at the Seventy Second Annual General Meeting of the Company to be held on March 26, 2015 and at any adjournment thereof.

Signed this day of



SIGNATURE OF MEMBER(S)

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

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 or 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 alongwith 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 form shall be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.