

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 Qumail R. Habib Aun Mohammad A. Habib Shahid Ghaffar
Chief Executive	:	Shabbir Gulamali
Chief Financial Officer	:	Murtaza Hussain
Company Secretary	:	Muhammad Maaz Akbar
Auditors	:	EY Ford Rhodes Chartered Accountants
Share Registrar	:	M/s. CDC Share Registrar Services Limited CDC House, 99-B, Block-B SMCHS, Main Shahrah-e-Faisal Karachi-74400
Registered Office	:	1st Floor, State Life Bldg. No. 6 Habib Square, M. A. Jinnah Road P.O. Box 5217, Karachi-74000 Pakistan Tel : (92-21) 32424030/38/39 Fax : (92-21) 32421600 UAN : (92-21) 111 03 03 03 Website : www.habibinsurance.net

Habib Insurance Company Limited

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

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

Powers for management and control of affairs of the Company rest with the Board of Directors, except for powers expressly required to be exercised by shareholders in general meeting. The Directors delegate day-to-day operations of the Company to the Management, but such delegation remains subject to the control and direction of the Board, to the best of their knowledge. The Directors are required to carry out their fiduciary duties and exercise their independent judgement to the best of their abilities in the interest of the Company.

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

Following are the integral components on which the performance of the Board was evaluated:

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

Accordingly, performance evaluation of the Board was conducted in 2018 as per mechanism approved by the Board. It was concluded that the overall performance of the Board, including effectiveness of the role played by the Board in achieving the Company's objectives, was found to be satisfactory.

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

Karachi: March 27, 2019

RAFIQ M. HABIB
Chairman

Habib Insurance Company Limited

Seventy Sixth Report of the Directors to the Shareholders for the year ended December 31, 2018

The Shareholders,

You all will be happy to learn that in September 2018, Mr. Ali Raza D. Habib was Mashallah awarded a Memento by the Insurance Association of Pakistan (IAP) in recognition of his services to the Insurance Industry.

Mr. Ali Raza D. Habib served Habib Insurance Company Limited for 37 years in two tenures. The primary one was for 13 years and ended in 1969. His second tenure was for 24 years which commenced in 1993 as CEO of the Company and ended in August 2017 when he bid farewell to the Company. At that time he was serving the Company as Executive Vice Chairman.

Mr. Habib has served on the Fire Committee as well as on the Marine Committee. In 1968 he was appointed to the Central Committee of IAP. In May 2012, Mr. Habib at the request of SECP served as a Member on the Insurance Industry Reform Committee, which designed a comprehensive roadmap for the development of the insurance industry.

The Habib Insurance's Board and the entire personnel of the Company continue to miss him and wish him well in his present pursuits.

The Board of Directors have pleasure in presenting the Seventy Sixth Annual Report alongwith the audited accounts of the Company for the year ended December 31, 2018.

	Rupees in '000
Profit after tax for the year 2018	105,310
Amount available after appropriations for the year 2017	19,145
	<u>124,455</u>
The Board of Directors now propose:	
Payment of dividend at Rs. 0.75 per share of Rs. 5/- each i.e. @ 15%	92,906
Unappropriated profit carried forward	31,549
	<u>124,455</u>
Basic earnings per share	0.85

The Directors are pleased to recommend payout of 15% to shareholders for the year 2018 as mentioned above.

By the Grace of Allah the written gross premium grew to Rs. 1.34 billion, an increase of 15.6%, because of more focused attention towards customer satisfaction. We are grateful to our customers for their confidence in Habib Insurance Company Limited. The net insurance premium reduced to Rs. 532.6 million because of substantial increase in amount placed in reserves, the benefit of which will accrue in subsequent period. There has also been an improvement on commission earnings and on claims which have reduced. Consequently, the underwriting profits have increased significantly to Rs. 46.6 million as compared to Rs. 16.4 million for the corresponding period of last year.

The investment income for the year was Rs. 197.4 million as against Rs. 279.4 million due to lower capital gains recorded in the period and decrease in dividend income. As a result, the profit after tax of the Company for 2018 was Rs. 105.3 million.

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

On the overall performance of the economy for 2017-18, the GDP growth was 5.43% and Foreign exchange reserves stood at US\$ 13.8 billion. There was a rise in inflation to 6.20% and the discount rate increased substantially to 10.75%. The KSE 100 Index closed at 37067 as at December 31, 2018, a decline of 8.4%.

We pray to Allah for peace, stability and progress in Pakistan.

Habib Insurance Company Limited

We anticipate the year 2019 to be exciting, with challenges ahead. Given the right circumstances of the general situation in the Country and in the economy, we look forward to a year of good progress. We are taking a conservative view on our expected investment returns, and the Company will Inshallah pursue its plan to further improve underwriting results through focusing on expansion of business, without compromising on its cautious underwriting.

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

Changes in Board of Directors

During the year, Mr. Munawar Ali Habib resigned from the Board and his place Mr. Aun Mohammad A. Habib was appointed as Director.

The Board wishes to place on record its appreciation for the invaluable contribution made by Mr. Munawar Ali Habib during his association with the Company and welcomes Mr. Aun Mohammad A. Habib as Director of the Company and looks forward to benefitting from his experience and advice.

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. 3.3 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.; and
- contribution to the national exchequer by the Company by way of direct taxes of Rs. 53.0 million during the year; furthermore, an additional amount of over Rs. 302.0 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.

Risk Management Framework

The Company always had a Risk Management Framework commensurate with the size of the Company and the nature of its business. This framework has developed over the years and continues to be refined and improved. The Company aims to take business risks in a prudent manner, guided by a conservative outlook. Business risks and mitigation factors are described in detail in Notes 35 & 36 of the Notes to the Conventional Financial Statements and Notes 22 & 23 of Window Takaful Operations Financial Statements.

Habib Insurance Company Limited

Board Committees

Audit Committee

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

		No. of Meetings attended
Mr. Shahid Ghaffar	Chairman	3
Mr. Mansoor G. Habib	Member	4
Mr. Mohammedali R. Habib	Member	2
Mr. Qumail R. Habib	Member	4
Mr. Aun Mohammad A. Habib	Member	2

Mr. Aun Mohammad A. Habib was appointed as Member of Audit Committee on May 16, 2018. Further, Mr. Mohamedali R. Habib resigned from the Committee on March 27, 2019.

Ethics, Nomination, Human Resource & Remuneration Committee

The Ethics, Nomination, Human Resource & Remuneration Committee comprises of four members with representation of an Independent Director as Chairman, a Non-Executive Director, an Executive Director & Chief Executive. The Ethics, Nomination, Human Resource & Remuneration Committee met one time during the year. Attendance of meeting is as follows:

		No. of Meetings attended
Mr. Shahid Ghaffar	Chairman	1
Mr. Qumail R. Habib	Member	1
Mr. Aun Mohammad A. Habib	Member	–
Mr. Shabbir Gulamali	Member	1

Mr. Aun Mohammad A. Habib was appointed as Member of the Committee on May 16, 2018 in place of Mr. Munawar Ali Habib.

Investment Committee

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

		No. of meetings attended
Mr. Shahid Ghaffar	Chairman	3
Mr. Mansoor G. Habib	Member	4
Mr. Qumail R. Habib	Member	4
Mr. Aun Mohammad A. Habib	Member	2
Mr. Shabbir Gulamali	Member	4
Mr. Murtaza Hussain	Member	4

Mr. Aun Mohammad A. Habib was appointed as Member of the Committee on May 16, 2018.

Directors Training Programme

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

Directors' Remuneration Policy

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

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

The details of the remuneration of Executive Director is disclosed in Note 31.

Habib Insurance Company Limited

Auditors

The Listed Companies (Code of Corporate Governance) Regulations, 2017 requires all listed companies to change their external auditors after every five years. In light of the Code, the present auditors, M/s. EY Ford Rhodes, Chartered Accountants retire and having completed five years as auditors are not eligible for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended the appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of the Company for the year ending December 31, 2019, 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 financial statements, changes if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgement.
4. International Financial Reporting Standards and Islamic Financial Accounting Standards as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
8. Key operating and financial data for the last six years is annexed.
9. Information about the taxes and levies is given in the notes to the financial statements.
10. Value of investments and balance in deposit accounts of Provident Fund as at December 31, 2018 is Rs. 80.0 million.
11. During the year four Board meetings were held and the attendance of the Directors is as follows:

Date of Meeting	Attended by
March 21, 2018	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Qumail R. Habib Mr. Shahid Ghaffar Mr. Shabbir Gulamali Chief Executive
April 26, 2018	Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Qumail R. Habib Mr. Munawar Ali Habib Mr. Shahid Ghaffar Mr. Shabbir Gulamali Chief Executive
August 30, 2018	Mr. Rafiq M. Habib Mr. Mansoor G. Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Mr. Shahid Ghaffar Mr. Shabbir Gulamali Chief Executive
October 23, 2018	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Qumail R. Habib Mr. Aun Mohammad A. Habib Mr. Shabbir Gulamali Chief Executive

12. The pattern of shareholding and additional information regarding pattern of shareholding is annexed.
13. No trades in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

On behalf of the Board of Directors

Karachi: March 27, 2019

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive

Habib Insurance Company Limited

Six Years' Review at a Glance

Years	2018**	2017	2016	2015	2014	2013
	(Rupees in '000)					
Gross Written Premium/ Contribution	1,345,436	1,163,365	1,400,881	1,123,213	1,009,255	963,147
Net Insurance Premium/ Contribution	532,595	555,977	544,701	500,364	458,726	438,332
Investment Income	197,383	215,224	238,627	199,615	256,869	240,301
Net Insurance/ Takaful Claims	313,987	373,716	281,560	221,739	221,537	215,023
Profit after Tax	105,310	109,956	191,708	226,867	260,008	243,981
Paid-up Capital	619,374	619,374	619,374	619,374	619,374	495,499
Reserves & Retained Earnings *	719,185	816,253	1,117,204	899,572	540,673	529,536
Total Assets *	3,282,403	3,276,059	3,665,492	3,298,581	2,850,999	2,237,670
Cash Dividend - %	15	15	35	35	40	25
Stock Dividend - %	–	–	–	–	–	25

*In the year 2017, the Securities & Exchange Commission of Pakistan had issued the Insurance Rules, 2017 including the new Insurance Accounting Regulations, 2017. There were significant changes resulting from such new rules affecting Reserves & Retained Earnings and Total Assets. Figures have been reclassified for 2016 and 2015 as well.

** During the year, the Company also started its Window Takaful Operations.

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Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2017 for the year ended December 31, 2018

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) and the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code and the Regulations in the following manner:

1. The total number of Directors are seven as per the following:
 - Male 7
 - Female None
2. The composition of Board is as follows:

Independent Director	Mr. Shahid Ghaffar
Non-Executive Directors	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Qumail R. Habib
Executive Director	Mr. Aun Mohammad A. Habib

Mr. Shabbir Gulamali is the Chief Executive of the Company. Being the Chief Executive of the Company, he is deemed to be a Director.

The independent Director meets the criteria of independence as laid down under the Code and the Regulations.

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company.
4. 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by a stock exchange.
5. A casual vacancy occurring on the Board during the year on May 16, 2018 on resignation of Mr. Munawar Ali Habib was filled up by the Directors through the appointment of Mr. Aun Mohammad A. Habib on the same day. The approval of appointment was obtained from Securities and Exchange Commission of Pakistan on June 26, 2018.
6. 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.
7. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. 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 Chief Executive, other Executive Director and the key officers, have been taken by the Board.
9. 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 has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of Board. Written notices of Board meetings, along with agenda and working papers were circulated at least seven days before the meeting.
10. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
11. An orientation of the Board of Directors was conducted to appraise them of their duties and responsibilities including the fiduciary duties as contained in the Companies Act, 2017.
12. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations.

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13. The Board of Directors of the Company consist of seven Directors, out of which following four Directors are certified under the Director's Training Program:

- Mr. Abbas D. Habib
- Mr. Mohamedali R. Habib
- Mr. Qumail R. Habib
- Mr. Shahid Ghaffar

Further, following two of our Directors are exempt from this requirement based on their qualification and experience:

- Mr. Rafiq M. Habib
- Mr. Aun Mohammad A. Habib

14. The Board has approved appointment of Company Secretary including his remuneration and terms and conditions of employment on March 27, 2019. There were no new appointments of Chief Financial Officer and Head of Internal Audit during the year.
15. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
16. Chief Financial Officer and Chief Executive duly endorsed the financial statements before approval of the Board.
17. The Directors, Chief Executive, and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.
18. The Company has complied with all the corporate and financial reporting requirements of the Code.
19. The Board has formed the following Management Committees:

Underwriting, Reinsurance & Co-Insurance Committee:

Name of the Member	Category
Mr. Aun Mohammad A. Habib	Chairman
Mr. Shabbir Gulamali	Member
Mr. Mohammad Omar Zubair	Member
Mr. Tariq Awan	Secretary

Claim Settlement Committee:

Name of the Member	Category
Mr. Mansoor G. Habib	Chairman
Mr. Shabbir Gulamali	Member
Mr. Murtaza Hussain	Member
Mr. Fawwad A. Razzak	Member
Mr. Murtaza Barristor	Secretary

Risk Management & Compliance Committee:

Name of the Member	Category
Mr. Mohamedali R. Habib	Chairman
Mr. Shabbir Gulamali	Member
Mr. Murtaza Hussain	Member
Mr. Mohammad Omar Zubair	Secretary

20. The Board has formed the following Board Committees:

Investment Committee:

Name of the Member	Category
Mr. Shahid Ghaffar	Chairman – Independent Director
Mr. Mansoor G. Habib	Member – Non-Executive Director
Mr. Qumail R. Habib	Member – Non-Executive Director
Mr. Aun Mohammad A. Habib	Member – Executive Director
Mr. Shabbir Gulamali	Member – Chief Executive
Mr. Murtaza Hussain	Member – Chief Financial Officer

Habib Insurance Company Limited

Ethics, Nomination, Human Resource & Remuneration Committee:

Name of the Member	Category
Mr. Shahid Ghaffar	Chairman – Independent Director
Mr. Qumail R. Habib	Member – Non-Executive Director
Mr. Aun Mohammad A. Habib	Member – Executive Director
Mr. Shabbir Gulamali	Member – Chief Executive

21. The Board has formed an Audit committee. It comprises of five members of whom one is an Independent Director, three Non-Executive Directors and one Executive Director. The Chairman of the Committee is an Independent Director. The composition of the Audit Committee is as follows:

Name of the Member	Category
Mr. Shahid Ghaffar	Chairman – Independent Director
Mr. Mansoor G. Habib	Member – Non-Executive Director
Mr. Mohammadali R. Habib	Member – Non-Executive Director
Mr. Qumail R. Habib	Member – Non-Executive Director
Mr. Aun Mohammad A. Habib	Member – Executive Director

Mr. Mohamedali R. Habib resigned from the Committee on March 27, 2019.

22. The meeting of the Committee were held once every quarter prior to approval of interim and final results of the Company whereas the Ethics Nomination, Human Resource & Remuneration Committee met on annual basis as required under the Code.
23. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committee for compliance.
24. The Board has set up an effective internal audit function which is staffed with the resources who are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and are involved in the internal audit function on a regular basis.
25. The Chief Executive, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as required under the Code. Moreover, the persons heading the Underwriting, Claim, Reinsurance, Risk Management and Grievance Departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000).

Name of the Person	Designation	Qualification	Experience
Mr. Shabbir Gulamali	Chief Executive	FCCA	31 years
Mr. Murtaza Hussain	Chief Financial Officer	FCCA	16 years
Mr. Muhammad Maaz Akbar	Company Secretary & Compliance Officer	ACCA	7 years
Syed Fakhar Imam Zaidi	Head of Internal Audit	ACA	11 years
Mr. Mohammad Omar Zubair	Head of Underwriting, Claims, Reinsurance & Risk Management	MBA-Marketing	25 years
Mr. Murtaza Hussain	Head of Grievance Function	FCCA	16 years

26. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in term of Section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control review program 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 the Institute of Chartered Accountants of Pakistan.

Habib Insurance Company Limited

27. The statutory auditors or the persons associated with them have not been appointed to provide other services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
28. The Board ensures that the Investment Policy of the Company has been drawn up in accordance with the provisions of the Code.
29. The Board ensures that the Risk Management System of the Company is in place as per the requirements of the Code.
30. The Company has set up a Risk Management function which carries out its tasks as covered under the Code.
31. The Board ensures that as part of the Risk Management System, the Company gets itself rated from the Pakistan Credit Rating Agency which is being used by its Risk Management Function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency on December 13, 2018 is A+.
32. The Board has set up a Grievance Function which fully complies with the requirements of the Code.
33. The Company has complied with the requirement relating to maintenance of register of persons having access to inside information by designated Senior Management Official in a timely manner and maintained proper record including basis of inclusion or exclusion of names of persons from the said list.
34. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of requirements of the Code.
35. We confirm that all other requirements of the Code and the Regulations have been complied with by the Company except that the segregation of roles of the Company Secretary and Chief Financial Officer was made subsequent to the year end.

On behalf of the Board of Directors

Karachi: March 27, 2019

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive

Habib Insurance Company Limited

To the members of Habib Insurance Company Limited

Review Report on Statement of Compliance contained in the Code of Corporate Governance for Insurers, 2016 and Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with Code of Corporate Governance for Insurers, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Habib Insurance Company Limited (the Company) for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board 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 Regulations 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 its related party transactions and also ensure compliance with the requirements of Section 208 of the Companies Act, 2017. 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 assess and determine the company's process for identification of related parties and that 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 Regulations as applicable to the Company for the year ended 31 December 2018.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

Reference	Description
i.34	The position of Chief Financial Officer and Company Secretary was held by the same individual.

Chartered Accountants

Date: March 27, 2019

Place: Karachi

Habib Insurance Company Limited

INDEPENDENT AUDITOR'S REPORT

To the members of Habib Insurance Company Limited (the Company)

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2018 and of the total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Habib Insurance Company Limited

Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
<p>1. Liabilities in respect of insurance contracts</p> <p>The liabilities in respect of insurance contracts issued as of 31 December 2018 amounts to Rs.543.938 million (note 22 to the financial statement), which represent 28% of the Company's total liabilities. We considered adequacy of insurance liabilities as a key audit matter due to significant judgments involved in estimating the liabilities and use of experts in this regard.</p> <p>(Refer to notes 3.21 and 22 to the financial statements for relevant disclosures).</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> - We assessed the controls over recording and settlement of claims in respect insurance business and performed tests of such controls to check their effectiveness in relation to the year under audit. - In respect of adequacy of insurance contract liabilities (including IBNR and premium deficiency reserve) which are measured on the basis of undiscounted value of expected future payments, we reviewed historical loss experience and other factors considered by the management expert in developing the expectations of future claim liabilities based on the contract issued at the reporting date. We also engaged the assistance of our external valuation expert to assess the reasonableness of certain key predictive assumptions. As part of our testing we also considered the competence and objectivity of the experts used by the management for this purpose: <ul style="list-style-type: none"> - for insurance claims we also evaluated the management estimates regarding cost of claims settlements by considering reports of independent surveyors and the estimates regarding salvage values of insured assets; - we performed subsequent review to identify any significant claims reported post year end which pertain to the financial year under audit; and - we sent confirmations to verify the completeness and assessed the adequacy of disclosures made in respect of insurance contract liabilities in accordance with the approved accounting standards as applicable in Pakistan.

Habib Insurance Company Limited

Key audit matters	How the matter was addressed in our audit
2. Existence and valuation of investments	
<p>As disclosed in note 7 to the accompanying financial statements of the Company for the year ended 31 December 2018, the Company has investments in equity securities and units of open end mutual funds amounting to Rs.1.12 billion, which have been classified under the available for sale category, representing 34.41% of total assets of the Company.</p> <p>These investments are valued based on the quoted prices and considered for impairment in case of a significant or prolonged decline in value.</p> <p>We have identified the valuation of investments as a key audit matter due to volatility of share prices during the year, its impact on the financial statements and the management judgements that may be required in making the assessments about the impairment of financial assets.</p> <p>(Refer to notes 3.12 and 7 to the financial statements for relevant disclosures).</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> - We reviewed the appropriateness of the accounting policies and practices followed by the Company to recognize impairment of equity investments on the basis of the requirements of the financial reporting standards. - We obtained an understanding of the procedures applied by the Company to identify impairments in the equity and mutual fund portfolio and observed the applications of such procedures. - We evaluated management's assessments of the indicators for impairment and compared the quoted values of equity investments and net asset values of mutual funds with their cost to check that the Company's policy for impairment is consistently applied and impairment charge is appropriately recognized. - We checked the valuations of equity investments on the basis of quoted market prices at the Pakistan Stock Exchange Limited and valuation of mutual funds based on net assets values as at 31 December 2018. - We also assessed the adequacy of the overall disclosures in the financial statements in respect of the equity investment portfolio in accordance with the requirements of the financial reporting framework as applicable to the Company.

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

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

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

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

Habib Insurance Company Limited

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Habib Insurance Company Limited

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.

Chartered Accountants

Karachi

Date: March 27, 2019

Habib Insurance Company Limited

Statement of Financial Position as at December 31, 2018

	Note	2018 (Rupees in '000)	2017
Assets			
Property and equipment	5	109,076	19,998
Intangible assets	6	4,443	5,287
Investments			
Equity securities and mutual fund units	7	1,129,856	1,207,878
Government securities	8	70,763	69,395
Loans and other receivables	9	110,522	126,160
Insurance/ reinsurance receivables	10	932,311	818,760
Reinsurance recoveries against outstanding claims		406,143	542,470
Salvage recoveries accrued		9,616	2,764
Deferred commission expense	24	61,071	37,294
Prepayments	13	292,158	279,593
Cash and bank	14	102,396	166,460
		<u>3,228,355</u>	<u>3,276,059</u>
Total Assets of Window Takaful Operations - Operator's Fund	2.1.3	54,048	–
Total Assets		<u>3,282,403</u>	<u>3,276,059</u>
EQUITIES AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	15	619,374	619,374
Reserve for exceptional losses	16	9,122	9,122
General reserves	16	255,000	255,000
Unappropriated profit	16	110,676	101,584
Available-for-sale reserve	16	344,387	450,547
Total Equity		<u>1,338,559</u>	<u>1,435,627</u>
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	22	543,938	666,850
Unearned premium reserves	21	631,754	481,048
Unearned reinsurance commission	24	77,002	73,427
Retirement benefit obligations	11	88,470	83,629
Deferred taxation - net	12	129,519	173,649
Financial lease liability	17	68,950	–
Premium received in advance		424	18,057
Insurance/ reinsurance payables	18	222,570	145,195
Other creditors and accruals	19	166,118	141,459
Taxation - provision less payment		9,147	57,118
		<u>1,937,892</u>	<u>1,840,432</u>
Total Liabilities of Window Takaful Operations - Operator's Fund	2.1.3	5,952	–
Total Liabilities		<u>1,943,844</u>	<u>1,840,432</u>
Total Equity and Liabilities		<u>3,282,403</u>	<u>3,276,059</u>
Contingencies and commitments	20		

The annexed notes from 1 to 42 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Statement of Comprehensive Income for the year ended December 31, 2018

	Note	2018 (Rupees in '000)	2017
Net insurance premium	21	532,062	555,977
Net Insurance claims	22	(312,495)	(373,716)
Reversal of provision for premium deficiency reserve		–	20,344
Net commission income	24	78,369	59,246
Insurance claims and commission expense		(234,126)	(294,126)
Management expenses	25	(251,325)	(245,486)
Underwriting results		46,611	16,365
Investment income - net	26	196,665	215,224
Other income	27	8,550	7,842
Other expenses	28	(87,177)	(76,454)
Results of operating activities		164,649	162,977
Financial charges		(3,786)	(242)
Profit before tax from General Insurance Operations		160,863	162,735
Loss before tax from Window Takaful Operations - Operator's Fund	2.1.3	(2,947)	–
Profit before tax for the year		157,916	162,735
Income tax expense	29	(52,606)	(52,779)
Profit after tax for the year		105,310	109,956
Other comprehensive income:			
Unrealised loss on available-for-sale investments during the year		(294,889)	(415,234)
Less: Net gain transferred to profit and loss on disposal/ redemption/ impairment of investments		129,244	135,785
		(165,645)	(279,449)
Actuarial loss on defined benefit plan		(4,598)	(11,061)
		(170,243)	(290,510)
Related tax impact		60,396	96,384
Other comprehensive loss from General Insurance Operations		(109,847)	(194,126)
Other comprehensive income from Window Takaful Operations - Operator's Fund		375	–
Total comprehensive loss for the year		(4,162)	(84,170)
Earning (after tax) per share - rupees	30	0.85	0.89

The annexed notes from 1 to 42 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Statement of Changes in Equity for the year ended December 31, 2018

	Reserves					Total	Total
	Capital Reserves	Revenue Reserves					
	Share capital	Reserve for exceptional losses	General Reserves	Unappropriated profits (Rupees in '000)	Available-for-sale reserve		
Balance as at January 01, 2017	619,374	9,122	255,000	216,152	636,930	1,108,082	1,736,578
Net profit for the year	-	-	-	109,956	-	109,956	109,956
Other comprehensive loss for the year	-	-	-	(7,743)	(186,383)	(194,126)	(194,126)
Total comprehensive loss for the year	-	-	-	102,213	(186,383)	(84,170)	(84,170)
Final dividend for the year ended December 31, 2016 of Rs. 1.75 per share	-	-	-	(216,781)	-	(216,781)	(216,781)
Balance as at December 31, 2017	<u>619,374</u>	<u>9,122</u>	<u>255,000</u>	<u>101,584</u>	<u>450,547</u>	<u>807,131</u>	<u>1,435,627</u>
Net profit for the year	-	-	-	105,310	-	105,310	105,310
Other comprehensive loss for the year	-	-	-	(3,312)	(106,535)	(109,847)	(109,847)
Other comprehensive income for the year from Window Takaful Operations	-	-	-	-	375	375	375
Total comprehensive income/ (loss) for the year	-	-	-	101,998	(106,160)	(4,162)	(4,162)
Final dividend for the year ended December 31, 2017 of Rs. 0.75 per share	-	-	-	(92,906)	-	(92,906)	(92,906)
Balance as at December 31, 2018	<u>619,374</u>	<u>9,122</u>	<u>255,000</u>	<u>110,676</u>	<u>344,387</u>	<u>710,063</u>	<u>1,338,559</u>

The annexed notes from 1 to 42 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Statement of Cash Flow for the year ended December 31, 2018

	Note	2018 (Rupees in '000)	2017
Operating cash flow			
(a) Underwriting activities			
Insurance premium received		1,184,883	1,084,402
Reinsurance premium paid		(575,487)	(562,591)
Claims paid		(722,774)	(810,710)
Reinsurance and other recoveries received		416,842	490,325
Commission paid		(118,167)	(107,261)
Commission received		182,216	157,840
Net cash flows from underwriting activities		367,513	252,005
(b) Other operating activities			
Income tax paid		(84,456)	(42,877)
Other operating payments		(362,275)	(326,645)
Other operating receipts		2,919	(37,279)
Loans advanced		(11,406)	(31,362)
Loan repayment received		25,709	28,611
Net cash flows from other operating activities		(429,509)	(409,552)
Total cash flows from all operating activities		(61,996)	(157,547)
Investment activities			
Profit/ return received		11,483	11,240
Dividend received		66,876	79,662
Payment for investments		(701,135)	(387,544)
Proceeds from investments		721,655	691,199
Fixed capital expenditure		(25,711)	(7,734)
Proceeds from sale of property, plant and equipment		20,230	250
Total cash flows from investing activities		93,398	387,073
Financing activities			
Rental paid		(5,273)	—
Dividends paid		(90,193)	(211,082)
Total cash flows from financing activities		(95,466)	(211,082)
Net cash flows from all activities		(64,064)	18,444
Cash and cash equivalents at beginning of year		166,460	148,016
Cash and cash equivalents at end of year		102,396	166,460
Reconciliation to profit and loss account			
Operating cash flows		(61,996)	(157,547)
Depreciation and amortisation expense		(12,427)	(7,524)
Financial charges expense		(3,786)	(242)
Profit/ (loss) on disposal of property, plant and equipment		581	(310)
Profit/ return received		11,483	11,240
Capital gain		130,001	135,785
Dividends received		66,876	79,662
Provision for gratuity		(12,946)	(12,415)
Provision for impairment		(757)	—
Gratuity paid		12,703	22,930
Income tax paid		84,456	42,877
Loss from Window Takaful Operations - Operator's Fund		(2,947)	—
Provision of taxaion		(52,606)	(52,779)
Increase in assets other than cash		4,780	40,042
Decrease in liabilities other than borrowings		(58,105)	8,237
Profit after taxation		105,310	109,956

The annexed notes from 1 to 42 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Notes to the Financial Statements for the year ended December 31, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

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

1.2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

During the year, the Company was granted permission by the Securities and Exchange Commission of Pakistan to transact Window Takaful Operations. Necessary changes were accordingly made in Memorandum and Articles of Association and Rs. 50 million were transferred to a separate bank account for window takaful operations only.

For the purpose of carrying on the takaful business, the Company has formed a Waqf, an irrevocable fund, for participants' equity. The Waqf, namely Habib Insurance Company Limited (Window Takaful Operations) (herein after referred to as the Participants' Takaful Fund or PTF) was formed on July 16, 2018 under the Waqf deed executed by the Company with a cede money of Rs. 500,000.

The cede money is required to be invested in Shariah compliant investments and any profit thereon can be utilized only to pay benefits to participants or defray PTF expenses. The accounts of the Waqf are maintained by the Company in a manner that the assets and liabilities of the Waqf remain separately identifiable. Waqf Deed governs the relationship of shareholders and participants for management of takaful operations, investments of participants' funds and investment of shareholders' funds approved by the Shariah Board established by the Company.

1.3 The Company operates through the following locations in Pakistan;

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

Habib Insurance Company Limited

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the format prescribed by Securities and Exchange Commission of Pakistan (SECP) through Insurance Rules, 2017, vide SRO 89 (I)/ 2017 dated February 09, 2017.

2.1 Statement of Compliance

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

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

2.1.2 The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. However, as allowed by the SECP vide its press release dated July 20, 2017, these financial statements have been prepared in accordance with the provisions of the Companies Ordinance, 1984.

2.1.3 In terms of the requirements of the Takaful Rules 2012, read with SECP Circular 25 of 2015 dated July 09, 2015, the assets, liabilities and profit and loss of the Operator's Fund of the General Takaful Operations of the Company have been presented as a single line item in the balance sheet and profit and loss account of the Company respectively.

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain investments which are carried at fair value and obligations under certain employment benefits which are measured at present 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 nearest Thousand Rupees, unless otherwise stated.

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

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

- IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments
- IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance
- IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

Habib Insurance Company Limited

Improvements to Accounting Standards Issued by the IASB

- IAS 28 - Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

2.5 Standards, interpretations and amendments to published 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)
- IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
- IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
- IFRS 15 - Revenue from Contracts with Customers	July 01, 2018
- IFRS 16 - Leases	January 01, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
- IAS 1/ IAS 8 - Definition of Material (Amendments)	January 01, 2020
- IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
- IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments)	January 01, 2019

The above standards, amendments and interpretations are not expected to have any material impact on the Company's financial statements in the period of initial application. However, the Company is currently evaluating the requirements of IFRS-16 and potential impact on the financial statements of the Company.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019. 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.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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.

IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 – Insurance Contracts	January 01, 2021

Habib Insurance Company Limited

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and Equipment

3.1.1 Tangible assets - owned

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 5.1 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 life, 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 value 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.

3.1.2 Tangible assets - leased

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

3.1.3 Intangible assets - owned

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 6 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 value exceeds the estimated recoverable amounts, the assets are written down to their recoverable amount.

3.2 Insurance contracts

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

Habib Insurance Company Limited

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

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.

3.3 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.

3.4 Unearned Premium

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

Administrative surcharge is recognised as income 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 Insurance Rules, 2017. 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.

3.5 Premium deficiency

The Company is required as per Insurance Rules, 2017 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 Group hospitalisation insurance as required by SRO 16 (I)/ 2012 issued by Securities and Exchange Commission of Pakistan on January 09, 2012.

Habib Insurance Company Limited

3.6 Reinsurance contracts held

Insurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued are reinsurance contracts. These reinsurance contracts include both facultative and treaty arrangement contracts and are classified in 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 Insurance Rules, 2017.

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.

3.7 Reinsurance recoveries against outstanding claims

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

3.8 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.

3.9 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 Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to the Board of Directors who assess the performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

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

Habib Insurance Company Limited

3.9.1 Fire and property

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

3.9.2 Marine and transport

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

3.9.3 Motor

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

3.9.4 Group hospitalisation

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

3.9.5 Other classes

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

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.

3.10 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.

3.11 Revenue recognition

3.11.1 Premium

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

3.11.2 Commission from reinsurers

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

3.11.3 Dividend income

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

3.11.4 Gain/ loss on sale/ redemption of investments

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

3.11.5 Income on 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.

3.11.6 Mark-up on bank accounts and deposits

Mark-up on bank accounts and deposits is recognised on accrual basis.

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3.12 Investments

3.12.1 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

3.12.2 Measurement

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

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

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

3.12.2.2 Available-for-sale

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

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

Quoted

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

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 available-for-sale 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.

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3.12.2.3 Held-to-maturity

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

Subsequently, these are measured at 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.

3.13 Off setting of financial assets and liabilities

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

3.14 Taxation

3.14.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the 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.

3.14.2 Deferred

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

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

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

3.15 Staff retirement benefits

3.15.1 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.

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3.15.2 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, 2018 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 any change in the net defined benefit liability (asset) during the year as a result of contribution and benefit payments. Net interest expense and other expense related to defined benefit plans are 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.

3.15.3 Employees' compensated absences

The Company accounts for its liability towards accumulating compensated absences, when the employees render service that increase their entitlement to future compensated absences. An actuarial valuation has been carried out using Projected Unit Credit method to determine the amount of charge and liability to be recognised at the balance sheet date.

3.16 Finance leases

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

3.17 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.

3.18 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriations are recognised when approved.

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3.19 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 other expenses.

3.20 Foreign currency translations

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

3.21 Claims expense

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

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

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

The provision for claims incurred but not reported (IBNR) is made at the balance sheet date. In accordance with SECP circular No. 9 of 2016, the Company takes actuarial advice for the determination of IBNR claims. IBNR claims have been estimated using Chain Ladder (CL) methodology. The Chain Ladder (CL) Method involves determination of development factors or link ratios for each period. These are then subsequently combined to determine Cumulative Development Factor (CDF) which represents the extent of future development of claims to reach their ultimate level. Upto 2015 the provision for IBNR was accounted for on the basis whereby all claims incurred before the year end but reported subsequently were aggregated and the ratio of such claims to outstanding claims was applied to outstanding claims at the reporting date (except exceptional losses) to arrive at liability for IBNR. The analysis was carried out separately for each class of business.

3.22 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 bank deposits, investments, premium due but unpaid, premium received in advance, 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, short term running finance and obligation under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the result of which form the basis of making the estimates about carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on 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 unearned premium	3.4
Impairment	3.17
Provision for outstanding claims including IBNR	3.21
Premium deficiency reserve	3.5
Defined benefit plan	3.15.2
Provision for current and deferred tax	3.14
Classification of investments and impairment and	3.12
Useful lives and residual value of assets and methods of depreciation	3.1

	Note	2018 (Rupees in '000)	2017
5. PROPERTY AND EQUIPMENT			
Operating assets	5.1	109,076	19,998

Habib Insurance Company Limited

5.1 Operating Assets

	2018									
	Cost			Accumulated Depreciation				Written Down		
	As at January 01, 2018	Additions	Disposals	As at December 31, 2018	As at January 01, 2018	Charge for the year	Disposals	As at December 31, 2018	As at December 31, 2018	Depreciation Rate %
	(Rupees in '000)									
Computer equipment	9,352	1,609	246	10,715	8,064	1,101	176	8,989	1,726	33
Furniture and fixtures	18,002	2,207	–	20,209	9,508	1,543	–	11,051	9,158	10
Office equipment	7,550	2,347	459	9,438	4,834	1,319	411	5,742	3,696	20
Motor vehicles - Owned	14,224	19,548	10,539	23,233	6,724	2,213	446	8,491	14,742	20
Motor vehicles - Leased	–	93,742	9,585	84,157	–	4,550	147	4,403	79,754	20
	<u>49,128</u>	<u>119,453</u>	<u>20,829</u>	<u>147,752</u>	<u>29,130</u>	<u>10,726</u>	<u>1,180</u>	<u>38,676</u>	<u>109,076</u>	
	2017									
	Cost			Accumulated Depreciation				Written Down		
	As at January 01, 2017	Additions	Disposals	As at December 31, 2017	As at January 01, 2017	Charge for the year	Disposals	As at December 31, 2017	As at December 31, 2017	Depreciation Rate %
	(Rupees in '000)									
Computer equipment	9,023	649	320	9,352	7,047	1,330	313	8,064	1,288	33
Furniture and fixtures	17,460	1,192	650	18,002	8,116	1,650	258	9,508	8,494	10
Office equipment	7,503	416	369	7,550	4,245	879	290	4,834	2,716	20
Motor vehicles - Owned	12,318	2,152	246	14,224	5,487	1,401	164	6,724	7,500	20
	<u>46,304</u>	<u>4,409</u>	<u>1,585</u>	<u>49,128</u>	<u>24,895</u>	<u>5,260</u>	<u>1,025</u>	<u>29,130</u>	<u>19,998</u>	

Habib Insurance Company Limited

5.1.1 Disposal of operating assets

	Cost	Accumulated Depreciation	Book value	Sale proceeds	Net gain / (loss)	Mode of disposals	Sold to
(Rupees in '000)							
Motor vehicles	48	29	19	20	1	Negotiation	Ahsan Ali
	775	52	723	735	12	Negotiation	Rehan Ahmed
	2,304	–	2,304	2,501	197	Negotiation	Toyota Clifton Motors
	40	37	3	8	5	Negotiation	Azmat Nawaz
	2,108	346	1,762	2,108	346	Negotiation	Nisar Ahmed
	825	11	814	735	(79)	Negotiation	Suzuki Master Motors
	1,811	–	1,811	1,650	(161)	Negotiation	Rehan Ahmed
	1,733	–	1,733	1,800	67	Negotiation	Fakhar Islam
	1,740	–	1,740	1,740	–	Negotiation	Sheikh M Rehman
	1,741	24	1,717	1,780	63	Negotiation	Shahbuddin
	1,733	–	1,733	1,780	47	Negotiation	Zafarullah
	1,785	–	1,785	1,780	(5)	Negotiation	Majeeb-ur-Rehman
	1,740	47	1,693	1,750	57	Negotiation	Aleem Nawaz
	1,741	47	1,694	1,750	56	Negotiation	Aleem Nawaz
Office equipment	459	411	48	63	15	Negotiation	Various
Computer and related equipment	246	176	70	30	(40)	Negotiation	Various
2018	20,829	1,180	19,649	20,230	581		
2017	1,585	1,025	560	250	(310)		

5.1.2 Fully depreciated assets amount to Rs.14.523 (2017: Rs. 15.119) million (purchase price) at year end.

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6. INTANGIBLE ASSETS

	2018									
	Cost			Accumulated Amortisation				Written Down	Amortisation	
	As at January 01, 2018	Additions	Disposals	As at December 31, 2018	As at January 01, 2018	Charge for the year	Disposals	As at December 31, 2018	Value As at December 31, 2018	Rate %
	(Rupees in '000)									
Computer Software	<u>13,184</u>	<u>857</u>	<u>–</u>	<u>14,041</u>	<u>7,897</u>	<u>1,701</u>	<u>–</u>	<u>9,598</u>	<u>4,443</u>	20
	2017									
	Cost			Accumulated Amortisation				Written Down	Amortisation	
	As at January 01, 2017	Additions	Disposals	As at December 31, 2017	As at January 01, 2017	Charge for the year	Disposals	As at December 31, 2017	Value As at December 31, 2017	Rate %
	(Rupees in '000)									
Computer Software	<u>9,859</u>	<u>3,325</u>	<u>–</u>	<u>13,184</u>	<u>5,633</u>	<u>2,264</u>	<u>–</u>	<u>7,897</u>	<u>5,287</u>	20

6.1 Fully amortised intangibles includes General Insurance System (in-house software) capitalised at a development cost of Rs.4.532 million.

6.2 The remaining useful life of material assets are estimated to be 5 years.

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7. INVESTMENT IN EQUITY SECURITIES AND MUTUAL FUNDS UNITS

	2018			2017			
	Cost	Impairment / Provision	Revaluation surplus / (deficit)	Carrying Value (Rupees in '000)	Cost	Revaluation surplus / (deficit)	Carrying Value
Available-for-sale							
Related parties							
Listed shares							
Bank AL Habib Limited	87,967	–	69,562	157,529	71,855	88,635	160,490
Habib Metropolitan Bank Limited	87,621	–	39,155	126,776	91,521	24,155	115,676
Indus Motor Company Limited	31,261	–	21,203	52,464	30,196	42,076	72,272
Shabbir Tiles & Ceramics Limited	7,429	–	4,749	12,178	13,259	8,836	22,095
Thal Limited	94,815	–	120,341	215,156	31,101	192,571	223,672
	309,093	–	255,010	564,103	237,932	356,273	594,205
Others							
Listed shares							
Packages Limited	7,514	–	9,893	17,407	7,514	15,428	22,942
Habib Sugar Mills Limited	88,573	–	76,032	164,605	88,573	69,670	158,243
Dynea Pakistan Limited	1,722	–	9,058	10,780	1,722	10,581	12,303
Abbott Laboratories (Pakistan) Limited	8,956	–	26,194	35,150	8,610	30,247	38,857
GlaxoSmithKline Pakistan Limited	4,943	–	784	5,727	5,187	3,795	8,982
Nestle Pakistan Limited	79	–	1,271	1,350	79	1,646	1,725
Shezan International Limited	84	–	523	607	112	673	785
Habib ADM Limited	3,042	–	6,886	9,928	3,042	136	3,178
Al-Ghazi Tractors Limited	11,264	–	16,937	28,201	11,264	20,477	31,741
Millat Tractors Limited	10,018	–	6,621	16,639	10,018	13,414	23,432
Atlas Battery Limited	1,692	–	3,374	5,066	1,692	7,430	9,122
Agriauto Industries Limited	1,190	–	3,251	4,441	1,190	5,170	6,360
United Bank Limited	8,332	–	(1,893)	6,439	7,831	(312)	7,519
Allied Bank Limited	2,200	–	(51)	2,149	2,200	(500)	1,700
MCB Bank Limited	4,259	–	(388)	3,871	4,259	(13)	4,246
Gadoon Textile Mills Limited	1,571	–	3,457	5,028	2,094	3,098	5,192
Bata Pakistan Limited	5,440	–	3,830	9,270	5,440	9,274	14,714
Pakistan Cables Limited	1,938	–	150	2,088	1,458	1,104	2,562
The Hub Power Company Limited	17,880	–	(722)	17,158	–	–	–
Oil & Gas Development Company	4,948	–	(788)	4,160	–	–	–
Pakistan Petroleum Limited	4,645	–	(903)	3,742	–	–	–
International Steel Limited	2,620	–	(713)	1,907	–	–	–
International Industries Limited	1,527	(757)	–	770	–	–	–
Kohat Cement Company Limited	3,772	–	(799)	2,973	–	–	–
D.G Khan Cement Company Limited	1,292	–	(290)	1,002	–	–	–
Atlas Insurance Limited	3,955	–	5,837	9,792	3,955	8,275	12,230
EFU Life Assurance Limited	4,338	–	5,030	9,368	4,338	6,081	10,419
IGI Insurance Limited	52,950	–	39,593	92,543	52,821	67,264	120,085
Jubilee General Insurance Company Limited	9,683	–	1,057	10,740	9,683	4,635	14,318
	270,427	(757)	213,231	482,901	233,082	277,573	510,655

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	2018			2017			
	Cost	Impairment / Provision	Revaluation surplus / (deficit)	Carrying Value	Cost	Revaluation surplus / (deficit)	Carrying Value
	(Rupees in '000)						
Mutual funds							
First Habib Income Fund	243	–	2	245	12,144	40	12,184
First Habib Asset Allocation Fund	1,114	–	(46)	1,068	25,005	30	25,035
First Habib Cash Fund	31,173	–	178	31,351	40,887	276	41,163
National Investment (Unit) Trust	252	–	1,491	1,743	252	1,689	1,941
UBL Liquidity Plus Fund	25,144	–	–	25,144	–	–	–
Pakistan Income Fund (PIF)	159	–	209	368	97	171	268
	58,085	–	1,834	59,919	78,385	2,206	80,591
Unlisted shares							
GlaxoSmithKline Consumer Healthcare Pakistan Limited	–	–	–	–	–	1	1
	–	–	–	–	–	1	1
Modaraba certificates							
Orix Modaraba (note 7.1)	1,319	–	557	1,876	1,145	1,035	2,180
First Habib Modaraba (note 7.1)	13,695	–	7,362	21,057	13,695	6,551	20,246
	15,014	–	7,919	22,933	14,840	7,586	22,426
	652,619	(757)	477,994	1,129,856	564,239	643,639	1,207,878

7.1	Company Name	Chief Executive Officer	Nominal value	Number of certificates / shares
	Modaraba certificates			
	Orix Modaraba	Mr. Raheel Qamar Ahmed	Rs.10	108,750
	First Habib Modaraba	Mr. Muhammad Shoab Ibrahim	Rs.5	2,015,000
			Note	2018 2017 (Rupees in '000)

8. INVESTMENT IN GOVERNMENT SECURITIES

Held to maturity

Pakistan Investment Bonds (PIBs)	8.1	70,763	69,395
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8.1 This represents PIBs having face value of Rs.70 million (market value of Rs.69.3 million) [December 31, 2017: Rs.68.5 million (market value of Rs.75.047 million)]. These carry mark-up ranging from 7.00% to 12% (December 31, 2017: 7.00% to 12%) per annum and will mature between December 26, 2019 to July 19, 2022. These have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of Section 29 of the Insurance Ordinance, 2000 and circular No. 15 of 2008 dated July 07, 2008 issued by the SECP.

Habib Insurance Company Limited

Note 2018 2017
(Rupees in '000)

9. LOANS AND OTHER RECEIVABLES

Considered good

Accrued investment income		3,334	3,015
Security deposits		26,799	10,033
Advances	9.1	9,994	6,831
Agent commission receivable		2,522	545
Loans to employees	9.2	52,607	64,831
Receivable against sale of investments		–	25,483
Other receivable		15,266	15,422
		<u>110,522</u>	<u>126,160</u>

9.1 This includes Rs.3.135 million (2017: Rs.4.303 million) receivable from related parties.

9.2 These loans are secured against provident fund balances or deposit of title documents. These loans are recoverable in monthly instalments over various periods and includes Rs. 7.502 (2017: Rs. 15.783) million receivable in 2019 representing current portion of loan to employees.

These loans carry mark-up rate of 3% to 6% (2017: 3% to 6%) per annum except loans amounting to Rs. 0.811 (2017: Rs. 1.551) million which are interest free.

9.2.1 Reconciliation of carrying amount of loans

Opening balance	64,831	62,084
Mark-up for the year	2,079	2,301
Disbursements during the year	11,406	31,362
	<u>78,316</u>	<u>95,747</u>
Repayments (including mark-up) during the year	(25,709)	(30,916)
Closing balance	<u>52,607</u>	<u>64,831</u>

10. INSURANCE / REINSURANCE RECEIVABLES

Unsecured and considered good

Due from insurance contract holders		
Considered good	503,565	448,405
Considered doubtful	15,912	38,762
Less: Provision for impairment of receivables from Insurance contract holders	(15,912)	(38,762)
	<u>503,565</u>	<u>448,405</u>
Due from other insurers/ reinsurers		
Considered good	428,746	370,355
Considered doubtful	6,500	14,559
Less: Provision for impairment of due from other insurers/ reinsurers	(6,500)	(14,559)
	<u>428,746</u>	<u>370,355</u>
	<u>932,311</u>	<u>818,760</u>

Habib Insurance Company Limited

11. RETIREMENT BENEFIT OBLIGATIONS

Defined benefit plan - unfunded gratuity scheme

The latest actuarial valuation was carried out on December 31, 2018 by an appointed actuary using "Projected Unit Credit Actuarial Cost Method".

	2018	2017
The number of employees covered under the defined benefit scheme are:	<u>164</u>	<u>164</u>

The following principal actuarial assumptions were used for the valuation of above mentioned scheme:

Financial assumptions		
- Discount rate (per annum compounded)	13.25%	8.00%
- Salary increase per annum	13.25%	7.00%
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) - 1	SLIC 2001-05)
	2018	2017
	(Rupees in '000)	

Liability in balance sheet

Present value of defined benefit obligations	<u>88,470</u>	<u>83,629</u>
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Movement in liability during the year

Opening balance	83,629	83,083
Charged to profit and loss account	12,946	12,415
Benefits paid during the year	(12,703)	(22,732)
Benefits paid to outstanding ex-employees	-	(198)
Actuarial loss recognised in other comprehensive income	4,598	11,061
Closing balance	<u>88,470</u>	<u>83,629</u>

Reconciliation of the present value of defined benefit obligations

Present value of defined benefit obligations as at January 01,	83,629	83,083
Current service cost	5,953	5,687
Interest cost	6,993	6,728
Benefits paid	(12,703)	(22,732)
Benefits paid to ex-employees	-	(198)
Actuarial loss on obligation	4,598	11,061
Present value of defined benefit obligations as at December 31,	<u>88,470</u>	<u>83,629</u>

Habib Insurance Company Limited

	2018	2017
	(Rupees in '000)	
Charge for the defined benefit plan		
Cost recognised in profit and loss		
Current service cost	5,953	5,687
Interest cost	6,993	6,728
	<u>12,946</u>	<u>12,415</u>
Actuarial loss on defined benefit obligation recognised in other comprehensive income		
Actuarial loss on defined benefit obligation		
- Loss due to change in financial assumptions	1,973	8,150
- Loss due to change in experience adjustments	2,625	2,911
	<u>4,598</u>	<u>11,061</u>
Expected contributions to the fund in the following year	<u>14,661</u>	<u>12,946</u>
Expected benefit payments to retirees in the following year	<u>3,950</u>	<u>3,488</u>
Weighted average duration of the defined benefit obligation (year)	<u>9.43</u>	<u>9.80</u>

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:

Increase in discount rate by 1%	(84,367)	(79,601)
Decrease in discount rate by 1%	92,719	87,806
Increase in expected future increment in salary by 1%	92,904	87,989
Decrease in expected future increment in salary by 1%	(84,164)	(79,399)

Comparison for Five Years As at December 31,

	2018	2017	2016	2015	2014
	(Rupees in '000)				
Defined benefit obligation	<u>88,470</u>	<u>83,629</u>	<u>83,083</u>	<u>62,270</u>	<u>46,854</u>
Experience adjustment loss on obligation (as percentage of plan obligations)	<u>2.97%</u>	<u>3.48%</u>	<u>8.56%</u>	<u>8.50%</u>	<u>4.92%</u>

	2018	2017
	(Rupees in '000)	
12. DEFERRED TAXATION - net		
Deferred debits arising in respect of		
Provisions	11,102	21,508
Financial lease liability	19,655	-
Deferred credits arising in respect of		
Accelerated depreciation	(2,728)	(2,064)
Unrealised loss on available-for-sale investments	(133,984)	(193,093)
Assets subject to finance lease	(23,564)	-
	<u>(129,519)</u>	<u>(173,649)</u>

Habib Insurance Company Limited

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
12.1 Reconciliation of deferred tax			
Opening balance		(173,649)	(266,334)
Directly recognised in other comprehensive income due to actuarial loss		1,289	3,318
Directly recognised in other comprehensive income due to unrealised gain on available-for-sale investments			
- General Insurance Operations		59,109	93,066
- Window Takaful Operations		(147)	-
Charge for the year		(16,121)	(3,699)
Closing balance		<u>(129,519)</u>	<u>(173,649)</u>
13. PREPAYMENTS			
Prepaid reinsurance premium ceded		281,792	273,184
Prepaid rent		3,171	2,525
Prepaid insurance on leased vehicles		2,554	-
Others		4,641	3,884
		<u>292,158</u>	<u>279,593</u>
14. CASH AND BANK			
Cash and cash equivalent			
- Cash in hand		108	98
- Policy stamps		57	1,247
		165	1,345
Cash at bank			
- Current accounts	14.1	13,584	11,306
- Profit and loss sharing accounts	14.2	88,647	153,809
		102,231	165,115
		<u>102,396</u>	<u>166,460</u>

14.1 This includes balance with related parties amounting to Rs.12.656 (2017: Rs.10.351) million.

14.2 This balance is held with related parties and carries mark-up rates ranging between 5.5% to 8.0% (2017: 5.0% to 6.0%) per annum.

15. SHARE CAPITAL

15.1 Authorised capital

	2018 (Number of Shares)	2017 (Number of Shares)			
130,000,000	<u>130,000,000</u>	130,000,000	Ordinary shares of Rs. 5/- each	<u>650,000</u>	<u>650,000</u>

15.2 Issued, subscribed and paid-up share capital

123,874,755	<u>123,874,755</u>	123,874,755	Ordinary shares of Rs. 5/- each at the beginning and end of the year	<u>619,374</u>	<u>619,374</u>
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15.3 At December 31, 2018 related parties including directors and their dependants held 14.181 (11.45%) [2017: 16.333 million (13.19%)] number of ordinary shares of Rs.5 each.

Habib Insurance Company Limited

	Note	2018 (Rupees in '000)	2017
16. RESERVES			
Capital Reserves			
Reserve for exceptional losses	16.1	9,122	9,122
Revenue Reserves			
General reserve		255,000	255,000
Unappropriated profit		110,676	101,584
Available-for-sale reserve		344,387	450,547
		710,063	807,131
		<u>719,185</u>	<u>816,253</u>

16.1 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.

17. FINANCE LEASE LIABILITY

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

	2018		
	Minimum Lease Payments	Financial Charges	Present value of minimum lease payments
	(Rupees in '000)		
Not later than one year	15,389	4,247	11,142
Later than one year but not later than five years	68,466	10,658	57,808
	<u>83,855</u>	<u>14,905</u>	<u>68,950</u>

17.1 The liability against assets subject to finance lease represents the leases entered into with a related party for purchase of vehicles. The periodic lease payments carry mark-up rates of 12 months KIBOR plus 2% (2017: Nil) per annum. The Company, shall subject to compliance with the conditions specified in the lease agreement, purchase the asset from the lessor at the end of the lease term. These leases have maturities in March 2023.

	Note	2018 (Rupees in '000)	2017
18. INSURANCE/ REINSURANCE PAYABLES			
Due to other insurers/ reinsurers	18.1	<u>222,570</u>	<u>145,195</u>
18.1 Due to other insurers/ reinsurers			
- Foreign reinsurers		99,554	54,406
- Local reinsurers		27,849	26,890
- Co-insurers		95,167	63,899
		<u>222,570</u>	<u>145,195</u>

Habib Insurance Company Limited

	Note	2018 (Rupees in '000)	2017
19. OTHER CREDITORS AND ACCRUALS			
Agents commission payable		32,213	26,331
Federal excise duty		24,457	18,566
Federal insurance fee		1,704	1,112
Accrued expenses		22,894	18,608
Withholding tax payable		2,629	1,722
Unclaimed dividends		57,551	54,839
Sundry creditors	19.1	23,140	20,276
Others		1,530	5
		<u>166,118</u>	<u>141,459</u>

19.1 This represents outstanding claims in respect of which cheques aggregating to Rs.23.140 (2017: Rs.20.276) million have been issued by the Company for claim settlement but the same have not been encashed by the claimant.

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

More than 6 months		23,140	20,276
1 to 6 months (Unpresented cheques in respect of claims paid)	49,829	53,956	
		<u>72,969</u>	<u>74,232</u>

Claims not encashed	Age-wise break-up					Total
	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	
	(Rupees in '000)					
2018	<u>49,829</u>	<u>2,608</u>	<u>1,717</u>	<u>2,314</u>	<u>16,501</u>	<u>72,969</u>
2017	<u>54,330</u>	<u>588</u>	<u>2,723</u>	<u>1,436</u>	<u>15,155</u>	<u>74,232</u>

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

There are no contingencies outstanding as at December 31, 2018 other than those reported in note 29.3 to the financial statements.

20.2 Commitments

There were no commitments as at December 31, 2018.

Habib Insurance Company Limited

	2018	2017
	(Rupees in '000)	
21. NET INSURANCE PREMIUM		
Written gross premium	1,327,024	1,163,365
Add: Unearned premium reserve opening	481,048	601,795
Less: Unearned premium reserve closing	(631,754)	(481,048)
Premium earned	<u>1,176,318</u>	<u>1,284,112</u>
Less: Reinsurance premium ceded	652,864	642,247
Add: Prepaid reinsurance premium opening	273,184	359,072
Less: Prepaid reinsurance premium closing	(281,792)	(273,184)
Reinsurance expense	644,256	728,135
Net insurance premium	<u><u>532,062</u></u>	<u><u>555,977</u></u>
22. NET INSURANCE CLAIMS		
Claims paid	722,774	810,710
Add: Outstanding claims including IBNR closing	543,938	666,850
Less: Outstanding claims including IBNR opening	(666,850)	(599,060)
Claims expense	<u>599,862</u>	<u>878,500</u>
Less: Reinsurance and other recoveries received	416,842	490,325
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	415,759	545,234
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(545,234)	(530,775)
Reinsurance and other recoveries revenue	<u>287,367</u>	<u>504,784</u>
Net insurance claims	<u><u>312,495</u></u>	<u><u>373,716</u></u>
23. CLAIM DEVELOPMENT		

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

Accident year	2014	2015	2016	2017	2018
Estimate of ultimate claims costs:					
At end of accident year	3,130	658,823	851,821	827,534	652,310
One year later	3,446	139,351	299,966	301,322	-
Two year later	349,945	19,963	25,692	-	-
Three year later	326,820	11,071	-	-	-
Four year later	276,317	-	-	-	-
Current estimate of cumulative claims	<u>276,317</u>	<u>11,071</u>	<u>25,692</u>	<u>301,322</u>	<u>652,310</u>
Cumulative payments to date	(821)	2,897	(11,698)	(274,305)	(438,847)
Liability for outstanding claims	<u><u>275,496</u></u>	<u><u>13,968</u></u>	<u><u>13,994</u></u>	<u><u>27,017</u></u>	<u><u>213,463</u></u>

Habib Insurance Company Limited

	Note	2018	2017
		(Rupees in '000)	
24. NET COMMISSION INCOME			
Commissions paid or payable		124,049	97,261
Add: Deferred commission - opening		37,294	51,235
Less: Deferred commission - closing		(61,071)	(37,294)
Commission expense		100,272	111,202
Less: Commission from reinsurers			
Commission received or receivable		182,216	157,840
Add: Unearned reinsurance commission - opening		73,427	86,035
Less: Unearned reinsurance commission - closing		(77,002)	(73,427)
Commission from reinsurers		178,641	170,448
Net commission income		78,369	59,246
25. MANAGEMENT EXPENSES			
Employee benefit cost	25.1	180,120	177,467
Travelling expenses		5,676	6,319
Advertisement and sales promotion		1,437	6,751
Printing and stationary		3,251	2,663
Depreciation & Amortization		8,699	1,108
Rent, rates and taxes		9,074	9,481
Legal and professional charges		-	630
Electricity, gas and water		4,737	4,315
Entertainment		3,138	1,902
Vehicle running expenses		18,517	19,064
Office repairs and maintenance		3,877	2,938
Postages, telegrams and telephone		4,627	5,204
Annual supervision fee of SECP		2,800	2,246
Miscellaneous		5,372	5,398
		251,325	245,486
25.1	This includes Rs.174.107 (2017: Rs.171.779) million being salaries and other benefits and Rs.6.013 (2017: Rs.5.688) million being contribution to employees' provident fund.		
26. INVESTMENT INCOME - NET			
Income from equity securities, mutual fund units and modarabas - 'available-for-sale'			
- Dividend income		67,091	79,241
Income from debt securities - 'held-to-maturity'			
- Return on government securities - PIBs		6,560	6,707
Net realised gain on investments			
Available-for-sale			
- Equity securities		127,747	135,086
- Mutual funds units		2,254	699
		130,001	135,785
Total investment income		203,652	221,733
Less: Impairment in value of investments available-for-sale			
- Equity securities		(757)	-
Less: Investment related expenses		(6,230)	(6,509)
		196,665	215,224

Habib Insurance Company Limited

	Note	2018 (Rupees in '000)	2017
27. OTHER INCOME			
Return on bank balances		5,027	4,999
Gain / (loss) on sale of fixed assets		581	(310)
Mark-up on loan to employees		2,135	2,301
Miscellaneous		807	852
		8,550	7,842
28. OTHER EXPENSES			
Legal and professional charges		13,791	5,647
Auditor's remuneration	28.1	2,288	2,288
Subscription		3,769	6,711
Donations	28.2	3,260	2,000
Employee benefit cost	28.3	41,738	39,705
Vehicle running expenses		3,320	3,455
Rent, rates and taxes		1,590	1,548
Electricity, gas and water		1,187	1,054
Printing and stationary		917	672
Office repairs and maintenance		1,224	880
Advertisement and sales promotion		616	2,828
Depreciation		3,218	4,152
Amortisation		510	2,264
Provision for impairment		757	-
Miscellaneous		8,992	3,250
		87,177	76,454
28.1 Auditor's remuneration			
Audit fee		853	853
Review of financial statements		285	285
Special certifications		823	823
		1,961	1,961
Sindh sales tax		157	157
Out-of-pocket expenses		170	170
		2,288	2,288

28.2 An amount of Rs.3.26 (2017: Rs.2) million was donated to the following Trusts:

Name of Directors	Interest in Donee	Name of Donee	Address of Donee	Amount (Rs. in '000)
Mr. Rafiq M.Habib Mr. Mansoor G.Habib Mr. Aun Mohammad A. Habib	Trustee	Al-Sayyeda Benevolent Trust	UBL Building, I.I.Chundrigar Road, Karachi	652
Mr. Aun Mohammad A. Habib	Trustee	Rehmatbai Habib Widows & Orphans Trust	UBL Building, I.I.Chundrigar Road, Karachi	652
Mr. Mohamedali R.Habib Mr. Aun Mohammad A. Habib	Trustee	Rehmatbai Habib Food & Clothing Trust	UBL Building, I.I.Chundrigar Road, Karachi	652
Mr. Mansoor G.Habib Mr. Mohamedali R.Habib Mr. Aun Mohammad A. Habib	Trustee	Habib Poor Fund	UBL Building, I.I.Chundrigar Road, Karachi	652
Mr. Rafiq M.Habib Mr. Mohamedali R.Habib	Trustee	Habib Medical Trust	UBL Building, I.I.Chundrigar Road, Karachi	652
				3,260

28.3 This includes Rs.40.345 (2017: Rs. 38.441) million being salaries and othe benefits and Rs.1.393 (2017: Rs. 1.264) million being contribution to employees' provident fund.

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	2018 (Rupees in '000)	2017 (Rupees in '000)
29. TAXATION		
For the year		
Current	36,485	49,080
Deferred	16,121	3,699
	<u>52,606</u>	<u>52,779</u>
29.1 Relationship between tax expense and accounting profit		
Profit before taxation	<u>157,916</u>	<u>162,735</u>
Tax at enacted rate of 29% (2017: 30%)	45,796	48,821
Others	6,810	3,958
	<u>52,606</u>	<u>52,779</u>

The tax rate applicable on the Company for Tax Year 2018 is 29% (2017: 30%). The change in tax rate was enacted in Finance Act, 2017.

- 29.2** Provision for tax made is sufficient to cover the income tax liability for the year ended December 31, 2018. The analysis of tax provision compared to tax assessed for the last three years is as follows:

Tax Year	Provision made (Rupees in '000)	Tax Assessed (Rupees in '000)
Tax Year 2016	34,000	33,792
Tax Year 2017	90,000	89,636
Tax Year 2018	49,080	48,477

- 29.3** 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.

- 29.4** In 2015, the Company received orders u/s. 122(5A) passed by the Additional Commissioner Inland Revenue (ACIR) for the tax year 2009 and 2012 wherein prior year assessments were revised by treating dividend income as single basket income and taxing it at 35% instead of fixed rate of 10% resulting in aggregate demand of Rs.16 million. The Company has filed appeals against the said orders with Commissioner Income Tax - Appeals (CIT Appeals), who had confirmed the orders passed by ACIR. The Company then filed appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of CIT (Appeals) which is yet to be fixed for hearing. Besides filing appeals against the said orders of CIT (Appeals) the Company has also challenged the same before the Honourable High Court of Sindh (HCS). The HCS has stayed the recovery of demands raised by the tax departments through these orders till next hearing. The Company, based on its tax advisor's opinion, is confident that the ultimate outcome of the appeal will be in its favour. Therefore, no provision for the said demand has been made in these financial statements.

- 29.5** 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.

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and 2009. The 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. However, no lawyer has been appointed in this regard by the Company to defend their case before Honourable High Court of Sindh. Based on the opinion of tax advisor, no demand has been raised till date, consequently, no provision has been made in this regard.

29.6 For tax year 2017, the Company had filed the appeals before the Commissioner (Appeals-I), Karachi, against the order passed under section 122(5A) of the Income Tax Ordinance, 2001 (ITO), for the tax year 2017, whereby a demand of Rs.3.3 million has raised. The recovery has automatically been stayed till the decision on payment of 10% demand. In response thereto, the Company filed second appeal before the ATIR, Karachi, against the Order of Commissioner (Appeals-I), Karachi, who has maintained the demand raised under section 161/205 of the ITO for the tax year 2017. The recovery of the same has been stayed by the ATIR till 23 March 2019 or date of decision whichever is earlier.

29.7 The Company has filed return of total income for the tax year 2018 (financial year ended December 31, 2017) against which a notice under section 122(5A) has been served on the Company for amendments in the return filed by the Company for the said tax year, the amendments mainly relate to non withholding of tax on commission paid, addition on amount of cash withdrawal and admissibility of various provision / expenses / credits etc. Furthermore, in respect of tax years 2011 to 2016 the tax authorities have issued orders disallowing certain expenses claimed by the Company. The Company has filed appeals against the said orders before the ATIR which are yet to fixed for hearing. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company.

	2018	2017
	(Rupees in '000)	
30. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after tax for the year	<u>105,310</u>	<u>109,956</u>
	(Number of Shares)	
Weighted average number of ordinary shares of Rs.5 each	<u>123,874,755</u>	<u>123,874,755</u>
	(Rupees)	
Basic earnings per share	<u>0.85</u>	<u>0.89</u>

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

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

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

	Note	Chief Executive Officer		Directors		Executives / Key Management Personnel		Total	
		2018	2017	2018	2017	2018	2017	2018	2017
				(Rupees in '000)					
Director fee		-	-	690	420	-	-	690	420
Managerial remuneration	31.1	7,500	7,725	9,750	10,400	45,680	51,745	62,930	69,870
Bonus		1,042	1,458	1,049	3,033	4,994	11,909	7,085	16,400
Retirement benefits		424	437	547	577	2,618	3,075	3,589	4,089
Others		210	174	726	904	2,268	1,513	3,204	2,591
		<u>9,176</u>	<u>9,794</u>	<u>12,762</u>	<u>15,334</u>	<u>55,560</u>	<u>68,242</u>	<u>77,498</u>	<u>93,370</u>
Number of persons		<u>1</u>	<u>2</u>	<u>8</u>	<u>8</u>	<u>11</u>	<u>27</u>	<u>20</u>	<u>37</u>

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

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

In addition, the Chief Executive Officer, Executive Director and other executives/ key management personnel are provided with free use of Company maintained cars in accordance with their entitlement.

32. TRANSACTIONS WITH RELATED PARTIES

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

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

Transactions and balances with associated companies

	2018	2017
	(Rupees in '000)	
<i>Transactions during the year with associated companies</i>		
Premium written	<u>270,098</u>	<u>307,746</u>
Claims paid	<u>127,337</u>	<u>238,918</u>
Dividend received	<u>34,078</u>	<u>51,117</u>
Dividend paid	<u>8,324</u>	<u>26,400</u>
Investment made	<u>81,923</u>	<u>11,782</u>
Investment sold	<u>193,327</u>	<u>11,196</u>
Gain on sale of investments	<u>130,001</u>	<u>126,340</u>
Interest received on bank accounts	<u>5,027</u>	<u>4,999</u>
Bank charges	<u>54</u>	<u>232</u>
Fees paid	<u>690</u>	<u>-</u>
Lease rentals paid	<u>10,981</u>	<u>-</u>
Security deposit paid	<u>17,162</u>	<u>-</u>

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	2018	2017
	(Rupees in '000)	
<i>Balances with associated companies</i>		
Premium due but unpaid	<u>114,880</u>	<u>118,640</u>
Claims outstanding	<u>108,870</u>	<u>114,963</u>
Bank balances	<u>101,303</u>	<u>164,160</u>
Investment held	<u>564,104</u>	<u>752,448</u>
Security deposit	<u>17,162</u>	<u>–</u>
Finance lease liability	<u>68,950</u>	<u>–</u>
<i>Transactions during the year with other related parties including key management personnel</i>		
Premium written	<u>–</u>	<u>30</u>
Repayment of loans to employees (secured)	<u>12,349</u>	<u>15,905</u>
Brokerage expenses paid	<u>6,230</u>	<u>6,472</u>
Contribution to the provident fund	<u>7,406</u>	<u>6,952</u>
<i>Balance with other related parties including key management personnel</i>		
Premium due but unpaid	<u>–</u>	<u>50</u>
Loans to employees (secured)	<u>25,519</u>	<u>39,063</u>
Brokerage Expenses Payable	<u>370</u>	<u>475</u>

32.1 Remuneration to the key management personnel are in accordance with the terms of their employment (refer note 31). Contribution to the provident fund is in accordance with the Company's staff services rules and other transactions with the related parties are in accordance with the agreed terms.

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33. SEGMENT REPORTING

2018

	Fire and property	Marine and transport	Motor	Group Hospitalisation	Other Classes	Aggregate
	(Rupees in '000)					
Gross Written Premium (inclusive of administrative surcharge)	<u>469,971</u>	<u>215,295</u>	<u>489,443</u>	<u>14,552</u>	<u>137,763</u>	<u>1,327,024</u>
Insurance premium earned	414,751	207,598	429,518	30,358	94,093	1,176,318
Insurance premium ceded to reinsurers	<u>(364,185)</u>	<u>(88,360)</u>	<u>(147,028)</u>	<u>(30)</u>	<u>(44,653)</u>	<u>(644,256)</u>
Net insurance premium	<u>50,566</u>	<u>119,238</u>	<u>282,490</u>	<u>30,328</u>	<u>49,440</u>	<u>532,062</u>
Commission income	<u>100,297</u>	<u>27,453</u>	<u>43,473</u>	<u>6</u>	<u>7,412</u>	<u>178,641</u>
Net underwriting income	<u>150,863</u>	<u>146,691</u>	<u>325,963</u>	<u>30,334</u>	<u>56,852</u>	<u>710,703</u>
Insurance claims	109,422	183,411	309,565	(16,004)	13,468	599,862
Insurance claims recovered from reinsurers	<u>(73,783)</u>	<u>(118,129)</u>	<u>(119,490)</u>	<u>13,349</u>	<u>10,686</u>	<u>(287,367)</u>
Net Claims	<u>35,639</u>	<u>65,282</u>	<u>190,075</u>	<u>(2,655)</u>	<u>24,154</u>	<u>312,495</u>
Commission expense	<u>(47,635)</u>	<u>(22,588)</u>	<u>(18,317)</u>	<u>(242)</u>	<u>(11,490)</u>	<u>(100,272)</u>
Management expenses	<u>(87,130)</u>	<u>(39,894)</u>	<u>(90,769)</u>	<u>(2,635)</u>	<u>(30,897)</u>	<u>(251,325)</u>
Net insurance claims and expenses	<u>(134,765)</u>	<u>(62,482)</u>	<u>(109,086)</u>	<u>(2,877)</u>	<u>(42,387)</u>	<u>(351,597)</u>
Underwriting result	<u>(19,541)</u>	<u>18,927</u>	<u>26,802</u>	<u>30,112</u>	<u>(9,689)</u>	<u>46,611</u>
Investment income						196,665
Other income						8,550
Other expenses						<u>(87,177)</u>
Results of operating activities						<u>164,649</u>
Financial charges						<u>(3,786)</u>
Loss from Window Takaful Operations - Operator's Fund						<u>(2,947)</u>
Profit before tax						<u>157,916</u>
Revenue from major customers	<u>-</u>	<u>44,515</u>	<u>343,916</u>	<u>8,716</u>	<u>32,751</u>	<u>429,898</u>
Segment assets	639,579	320,132	662,350	46,814	145,097	1,813,972
Unallocated assets						1,414,383
Total assets of General Takaful Operations - Operator's Fund						<u>54,048</u>
						<u>3,282,403</u>
Segment liabilities	531,662	266,116	288,117	550,592	38,915	1,675,402
Unallocated liabilities						262,490
Total liabilities of General Takaful Operations - Operator's Fund						<u>5,952</u>
						<u>1,943,844</u>

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2017

	Fire and property	Marine and transport	Motor	Group Hospitalisation	Other Classes	Aggregate
	(Rupees in '000)					
Gross Written Premium (inclusive of administrative surcharge)	405,684	227,074	364,232	103,570	62,805	1,163,365
Insurance premium earned	468,795	239,301	319,295	152,484	104,237	1,284,112
Insurance premium ceded to reinsurers	(424,022)	(118,921)	(98,848)	(37,757)	(48,587)	(728,135)
Net insurance premium	44,773	120,380	220,447	114,727	55,650	555,977
Commission income	87,379	41,693	26,288	7,551	7,537	170,448
Net underwriting income	132,152	162,073	246,735	122,278	63,187	726,425
Insurance claims	277,030	112,658	202,176	193,030	93,606	878,500
Insurance claims recovered from reinsurers	(274,650)	(78,605)	(58,470)	(43,190)	(49,869)	(504,784)
Net Claims	2,380	34,053	143,706	149,840	43,737	373,716
Commission expense	(59,424)	(28,224)	(10,411)	(2,218)	(10,925)	(111,202)
Management expenses	(85,602)	(47,917)	(76,869)	(21,850)	(13,248)	(245,486)
Reversal of premium deficiency reserve	–	–	–	20,344	–	20,344
Net insurance claims and expenses	(145,026)	(76,141)	(87,280)	(3,724)	(24,173)	(336,344)
Underwriting result	(15,254)	51,879	15,749	(31,286)	(4,723)	16,365
Investment income						215,224
Other income						7,842
Other expenses						(76,454)
Results of operating activities						162,977
Financial charges						(242)
Profit before tax						162,735
Revenue from major customers	27,677	274	34,084	398	74,877	137,310
Segment assets	620,536	316,759	422,646	201,841	137,971	1,699,753
Unallocated assets						1,576,306
						3,276,059
Segment liabilities	515,085	262,931	350,823	167,541	114,523	1,410,903
Unallocated liabilities						429,529
						1,840,432

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34. MOVEMENT IN INVESTMENTS

	Held to Maturity	Available- for-sale	Total
	(Rupees in '000)		
As at January 01, 2017	54,263	1,670,331	1,724,594
Additions	15,237	387,544	402,781
Disposals (sale and redemption)	–	(570,548)	(570,548)
Fair value net gains (excluding net realised gains)	–	(279,449)	(279,449)
Amortisation of premium/ discount	(105)	–	(105)
As at December 31, 2017	<u>69,395</u>	<u>1,207,878</u>	<u>1,277,273</u>
Additions	15,378	701,135	716,513
Disposals (sale and redemption)	(13,500)	(518,003)	(531,503)
Fair value net gains (excluding net realised gains)	–	(260,397)	(260,397)
Impairment of investments	–	(757)	(757)
Amortisation of premium/ discount	(510)	–	(510)
As at December 31, 2018	<u>70,763</u>	<u>1,129,856</u>	<u>1,200,619</u>

35. MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

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

35.1 Insurance risk management

35.1.1 Insurance risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the insured. Generally most insurance contracts carry the insurance risk for a period of one year.

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 and frequent investigation of possible false claims to reduce the insurance risk.

35.1.2 Frequency and severity of claims

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

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

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35.1.3 Uncertainty in the estimation of future claim payments

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

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the balance sheet date. The details of estimation of outstanding claims (including IBNR) are given under note 3.21.

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.

35.1.4 Key assumptions

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

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

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

35.1.5 Sensitivity analysis

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

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

	Underwriting results/ profit before tax		Shareholder's equity	
	2018	2017	2018	2017
	(Rupees in '000)			
Average claim cost				
Fire and property	3,564	238	2,495	167
Marine and transport	6,528	3,405	4,570	2,384
Motor	19,008	14,371	13,306	10,060
Group hospitalisation	(266)	14,984	(186)	10,489
Other classes	2,415	4,374	1,691	3,062
	<u>31,249</u>	<u>37,372</u>	<u>21,876</u>	<u>26,162</u>

35.1.6 Concentration of risk

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

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

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

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

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

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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	
	2018	2017	2018	2017	2018	2017
	(Rupees in ' 000)					
Fire and property	25,684,291	20,028,163	25,672,019	20,024,881	12,272	3,282
Marine and transport	739,807	1,383,993	738,307	1,382,493	1,500	1,500
Motor	23,400	32,000	21,400	30,000	2,000	2,000
Group hospitalisation	800	800	–	–	800	800
Other classes	580,395	925,084	576,895	921,584	3,500	3,500
	<u>27,028,693</u>	<u>22,370,040</u>	<u>27,008,621</u>	<u>22,358,958</u>	<u>20,072</u>	<u>11,082</u>

36. 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

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.

36.1 Credit risk

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

36.1.1 Management of credit risk

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

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

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- Cash is held with reputable banks only.

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

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

	2018		2017	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	(Rupees in ' 000)			
Investment in equity securities and mutual funds units	1,129,856	–	1,207,878	–
Investment in government securities	70,763	–	69,395	–
Loans and other receivables	110,522	104,983	126,160	86,410
Insurance/ reinsurance receivables	932,311	932,311	818,760	818,760
Reinsurance recoveries against outstanding claims	406,143	406,143	542,470	542,470
Salvage recoveries accrued	9,616	9,616	2,764	2,764
Prepayments	292,158	–	279,593	–
Balances with banks	102,231	102,231	165,115	165,115
	<u>3,053,600</u>	<u>1,555,284</u>	<u>3,212,135</u>	<u>1,615,519</u>

36.1.3 Past due / impaired assets

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

	2018		2017	
	Gross	Impairment	Gross	Impairment
	(Rupees in ' 000)			
Upto 1 year	435,083	–	347,854	–
1-2 years	40,595	–	95,132	–
2-3 years	20,667	8,692	20,823	15,404
Over 3 years	23,132	7,220	23,358	23,358
Total	<u>519,477</u>	<u>15,912</u>	<u>487,167</u>	<u>38,762</u>

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

	2018		2017	
	Gross	Impairment (Rupees in '000)	Gross	Impairment
Upto 1 year	155,464	–	186,617	–
1-2 years	120,017	–	(6,687)	–
Over 2 years	159,765	6,500	204,984	14,559
Total	435,246	6,500	384,914	14,559

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

	2018		2017	
	Gross	Impairment (Rupees in '000)	Gross	Impairment
Upto 1 year	137,147	–	458,312	–
1-2 years	(13,175)	–	211,173	–
Over 2 years	291,787	–	(124,251)	–
Total	415,759	–	545,234	–

In respect 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.

36.1.4 Credit Rating and Collateral

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

	Short/ Long term Rating	Rating Agency	Amount (Rupees in '000)	
			2018	2017
Habib Bank Limited	AAA / A1+	JCR-VIS	927	954
Habib Metropolitan Bank Limited	A1+ / AA+	PACRA	–	10
Bank AL Habib Limited	A1+ / AA+	PACRA	101,304	164,151
			102,231	165,115

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	
			2018	2017
A or above (including PRCL)	428,746	415,759	281,792	1,188,773
			1,126,297	

(Rupees in '000)

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36.1.5 Concentration of credit risk

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

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

	2018		2017	
	(Rupees in '000)	%	(Rupees in '000)	%
Automobiles	30,485	5.9	26,088	5.4
Banks, modaraba and leasing	157,485	30.3	127,033	26.1
Textile and composite	52,706	10.1	66,057	13.6
Sugar	31,034	6.0	20,968	4.3
Chemicals and allied industries	25,740	5.0	72,677	14.9
Glass, ceramics and tiles	14,862	2.9	15,242	3.1
Cable, engineering and steel	6,380	1.2	14,460	3.0
Food and confectionary	19,794	3.8	33,121	6.8
Fuel and energy	27,501	5.3	9,567	2.0
Insurance	1,108	0.2	940	0.2
Pharmaceuticals	12,648	2.4	21,976	4.5
Others	139,734	26.9	79,038	16.10
	<u>519,477</u>	<u>100.0</u>	<u>487,167</u>	<u>100.0</u>

36.1.6 Settlement risk

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

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

36.1.7 Liquidity risk

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

36.1.8 Management of liquidity risk

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

Habib Insurance Company Limited

36.1.9 Maturity analysis for financial assets and liabilities

The table below analyses the Company's financial assets and liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

	2018		
	Carrying amount	Upto one year (Rupees in '000)	More than one year
Financial assets			
Investments			
Equity securities and mutual fund units	1,129,856	1,129,856	–
Government securities	70,763	–	70,763
Loans and other receivables	104,666	104,666	–
Insurance / reinsurance receivables	932,311	932,311	–
Reinsurance recoveries against outstanding claims	406,143	–	–
Salvage recoveries accrued	9,616	9,616	–
Cash and bank	102,396	102,396	–
Total assets of Window Takaful Operations			
- Operator's Fund	53,748	53,748	–
	<u>2,809,499</u>	<u>2,738,736</u>	<u>70,763</u>
Financial liabilities			
Outstanding claims including IBNR	543,938	543,938	–
Insurance / reinsurance payables	222,570	222,570	–
Total liabilities of Window Takaful Operations			
- Operator's Fund	1,948	1,948	–
	<u>768,456</u>	<u>768,456</u>	<u>–</u>
	2017		
	Carrying amount	Upto one year (Rupees in '000)	More than one year
Financial assets			
Investments			
Equity securities and mutual fund units	1,207,878	1,207,878	–
Government securities	69,395	–	69,395
Insurance/ reinsurance receivables	818,760	818,760	–
Reinsurance recoveries against outstanding claims	542,470	542,470	–
Salvage recoveries accrued	2,764	2,764	–
Cash and bank balances	166,460	166,460	–
	<u>2,807,727</u>	<u>2,738,332</u>	<u>69,395</u>
Financial liabilities			
Outstanding claims including IBNR	666,850	666,850	–
Insurance/ reinsurance payables	145,195	145,195	–
	<u>812,045</u>	<u>812,045</u>	<u>–</u>

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36.2 Market risk

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

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

36.2.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Company limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

36.2.1.1 Sensitivity analysis

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

Financial assets	2018	2017	2018	2017
	Effective interest rate (in %)		(Rupees in '000)	
Assets subject to fixed rate				
- Government securities	7.00% - 12.00%/ 8.75% - 12.00%	7.00% - 12.00%	70,763	69,395
- Loan to employees	3.00% to 6.00%	3.00% to 6.00%	52,607	69,395
Assets subject to variable rate				
- Bank balances	5.00% - 6.00%	5.00% - 6.00%	88,647	153,809

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A hypothetical change of 100 basis points in interest rates at the reporting date would have decreased/ (increased) profit for the year by the amounts shown below.

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

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	2018		2017	
	Mark-up 100 bps Increase	Decrease	Mark-up 100 bps Increase	Decrease
Cash flow sensitivity - variable rate financial assets	8,865	(8,865)	15,381	(15,381)

36.2.1.2 Exposure to interest rate risk

A summary of the Company's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

	Mark-up/ return (%)	2018			Total
		Less than 1 year	1 year to 5 year	More than 5 year	
(Rupees in '000)					
Assets					
Investment in debt securities	7.00 to 12.00	30,276	40,487	–	70,763
Loans to employees	3.00 to 6.00	7,502	45,105	–	52,607
Bank balances	5.00 to 6.00	88,647	–	–	88,647
Total assets		126,425	85,592	–	212,017
Liabilities					
Total interest sensitivity gap		–	–	–	–
		126,425	85,592	–	212,017
2017					
	Mark-up/ return (%)	2017			Total
		Less than 1 year	1 year to 5 year	More than 5 year	
(Rupees in '000)					
Assets					
Investment in debt securities	7.00 to 12.00	13,544	55,563	–	69,107
Loans to employees	3.00 to 6.00	12,459	31,205	19,624	63,288
Bank balances	5.00 to 6.00	153,809	–	–	153,809
Total assets		179,812	86,768	19,624	286,204
Liabilities					
Total interest sensitivity gap		–	–	–	–
		179,812	86,768	19,624	286,204

36.2.2 Price risk

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

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

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

36.2.2.1 Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2018 and 2017 and shows the effects of a hypothetical 10% increase / (decrease) in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Fair value (Rupees in '000)	Hypothetical price change	Estimated fair value after change in prices (Rupees in '000)	Increase/ (decrease) in shareholders' equity	Increase (decrease) in profit before tax
2018	1,129,856	10% increase	1,242,842	112,986	112,986
		10% decrease	(1,242,842)	(112,986)	(112,986)
2017	1,207,878	10% increase	1,328,666	120,788	120,788
		10% decrease	(1,328,666)	(120,788)	(120,788)

36.2.3 Foreign currency risk

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

36.3 Capital Management

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

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

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

The statement of solvency is presented in note 38 to the financial statements.

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36.4 FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Adoption of IFRS 13 has not affected the condensed interim financial information.

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

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

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

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

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

	2018			Total
	Level 1	Level 2	Level 3	
	(Rupees in '000)			
Available-for-sale				
Listed equity securities	1,047,004	–	–	1,047,004
Mutual fund units	–	59,919	–	59,919
Modaraba certificates	22,933	–	–	22,933
Held to maturity				
Pakistan investment bonds (fair value disclosed only)	–	69,322	–	69,322
	<u>1,069,937</u>	<u>129,241</u>	<u>–</u>	<u>1,199,178</u>
	2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Available-for-sale				
Listed equity securities	1,104,860	–	–	1,104,860
Mutual fund units	–	80,591	–	80,591
Modaraba certificates	22,426	–	–	22,426
Held to maturity				
Pakistan investment bonds (fair value disclosed only)	–	75,047	–	75,047
	<u>1,127,286</u>	<u>155,638</u>	<u>–</u>	<u>1,282,924</u>

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

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37. PROVIDENT FUND

The following is based on the unaudited financial statements for the year ended December 31, 2018:

	2018 (Rupees in '000)	2017 (Rupees in '000)
Size of the fund - Net Assets	<u>86,156</u>	<u>79,330</u>
Cost of investments	<u>67,901</u>	<u>68,904</u>
Percentage of investments made	<u>78.81%</u>	<u>86.86%</u>
Fair value of investments	<u>70,953</u>	<u>68,673</u>

37.1 The breakup-value of fair value of investments is as follows:

	2018 (Percentage)	2017 (Percentage)	2018 (Rupees in '000)	2017 (Rupees in '000)
National/ Special Savings Scheme	77.19%	82.06%	66,500	65,100
Bank Balances	3.54%	2.72%	3,052	2,156
Mutual Funds Units	1.63%	1.79%	1,401	1,417
Total	<u>82.36%</u>	<u>86.57%</u>	<u>70,953</u>	<u>68,673</u>

37.2 The above investment/ placement of funds in special bank account has been made in accordance with the provision of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

38. STATEMENT OF SOLVENCY

	2018 (Rupees in '000)	2017 (Rupees in '000)
Assets		
Property and equipment	109,076	19,998
Intangible assets	4,443	5,287
Investments		
Equity securities	1,129,856	1,207,878
Debt securities	70,763	69,395
Loans and other receivables	110,522	126,160
Insurance/ reinsurance receivable	932,311	818,760
Reinsurance recoveries against outstanding claims	406,143	542,470
Salvage recoveries accrued	9,616	2,764
Deferred commission expense	61,071	37,294
Prepayments	292,158	279,593
Cash and bank deposits	102,396	166,460
Total assets - Operator's Fund	<u>54,048</u>	<u>-</u>
Total Assets (A)	<u>3,282,403</u>	<u>3,276,059</u>

Habib Insurance Company Limited

2018 2017
(Rupees in '000)

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

Property and equipment	109,076	19,998
Intangible assets	4,443	5,287
Investments		
Equity securities	710,100	742,016
Loans and other receivables	15,030	64,831
Insurance / reinsurance receivable	251,378	313,600
Total of In-admissible Assets (B)	1,090,027	1,145,792
Total of Admissible Assets (C=A-B)	2,192,376	2,130,267
Total Liabilities		
Underwriting provisions		
Outstanding claims including IBNR	543,938	666,850
Unearned premium reserves	631,754	481,048
Unearned reinsurance commission	77,002	73,427
Deferred taxation	129,519	173,649
Financial lease liability	68,950	–
Premium received in advance	424	18,057
Retirement benefit obligations	88,470	83,629
Insurance / reinsurance payables	222,570	145,195
Taxation - provision less payments	9,147	57,118
Other creditors and accruals	166,118	141,459
Total assets - Operator's Fund	5,952	–
Total Liabilities (D)	1,943,844	1,840,432
Total Net Admissible Assets (E= C-D)	248,532	289,835
Minimum Solvency Requirement	(150,000)	(150,000)
Excess Solvency*	98,532	139,835

39. CORRESPONDING FIGURES

Corresponding figures have been rearranged wherever necessary, for purposes of comparison. There were no material reclassification to report.

40. SUBSEQUENT EVENTS - NON ADJUSTING

In the meeting held on March 27, 2019 the Board of Directors of the Company proposed a final cash dividend of Rs. 0.75 per share (2017: Rs.0.75 per share) amounting to Rs. 92.906 million (2017: Rs.92.906 million) for the year ended December 31, 2018, for approval by the members in Annual General Meeting to be held on April 29, 2019.

Habib Insurance Company Limited

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on March 27, 2019 by the Board of Directors of the Company.

42. GENERAL

Figures have been rounded off to the nearest Thousand Rupee.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Financial Statements

Window Takaful Operations

Habib Insurance Company Limited

Shariah Advisor's Report to the Board of Directors for the year ended December 31, 2018

The year ended December 31, 2018 was the 1st year of operations for Habib Insurance Company Limited as Window Takaful Operator (the Company).

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

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

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

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

During the year, the Shariah Advisor visited the premises regularly to provide Shariah assistance in day to day activities. The Shariah Advisor has issued the following Shariah guidelines till date:

- a. Shariah Guidelines for Dealing with Halal and Haram Business venues;
- b. Shariah Guidelines for Advertisement & Marketing;
- c. Shariah Guidelines for Arrangement of Re-Takaful;
- d. Shariah Guidelines for Co-Takaful;
- e. Shariah Guidelines for Disbursement of Charity Fund;
- f. Shariah Guidelines for Investment;
- g. Shariah Guidelines for Surplus Distribution;

In addition to above Shariah Guidelines, course material for Takaful Training has been developed in accordance with standard course outline issued by the SECP.

In my opinion and to the best of my knowledge, the financial arrangements, products and transactions entered into by the Company and the Waqf, as the case may be, for the year ended December 31, 2018 are in compliance with the requirements of the Shariah rules and guidelines as prescribed by the Shariah Advisor and Allah knows the best. However, the following are recommended:

1. The Operator/ management should take concrete measures to play pivotal role in sound and transparent growth of Takaful countrywide.
2. Necessary steps should be taken to educate all staff including business development staff about the concept and practice of Takaful.
3. Necessary steps should be taken by the company to make good the shortfall/ deficit in the Waqf Fund/ PTF and a strategy should be developed to avoid a situation where admissible assets in a Participant Takaful Fund are not sufficient to cover liabilities.

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

Mufti Imtiaz Alam
Shariah Advisor
Habib Insurance Company Limited
Window Takaful Operations

Karachi: March 27, 2019

Habib Insurance Company Limited

Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management’s Assessment of Compliance with the Takaful Rules, 2012

1. Introduction

We were engaged by the Board of Directors of Habib Insurance Company Limited (the Operator) to report on the management’s assessment of compliance of the Window Takaful Operations (Takaful Operations) of the Operator, as set out in the annexed Statement of Compliance (the Statement) prepared by the management for the year ended 31 December 2018, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

2. Applicable Criteria

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

3. Responsibilities of Management

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

4. Our Independence and Quality Control

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

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

This engagement was conducted by a multidisciplinary team including assurance practitioners and internal Shari’ah experts.

5. Our Responsibility and Summary of Work Performed

Our responsibility is to carry out an independent reasonable assurance engagement to express a conclusion as to whether the Statement is prepared in accordance with the applicable criteria, based on our work performed and the evidences obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), ‘Assurance Engagements other than audits or reviews of historical financial statements’ (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. ISAE 3000 (Revised) requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules 2012, in all material respects.

Habib Insurance Company Limited

The procedures selected by us for the engagement depended on our judgment, including the assessment of the, risks of the Operator's material non-compliance with the Takaful Rules 2012, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Operator's compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances but not for the purpose of expressing a conclusion as to the effectiveness of the Operator's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with the Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with the Takaful Rules, 2012 will be met. Further, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

We have designed and performed necessary verification procedures on various financial arrangements, contracts, classes of transactions and related policies and procedures based on judgmental and systematic samples with regard to the compliance with Takaful Rules, 2012.

In performing our audit procedures necessary guidance on Shari'ah matters was provided by the internal Shari'ah experts.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

6. Conclusion

In our opinion, the Statement for the year ended 31 December 2018 present fairly the status of compliance of the Takaful Operations of the Operator with the Takaful Rules, 2012, in all material respects.

Chartered Accountants

Shaikh Ahmed Salman

Assurance Engagement Partner

Date: March 27, 2019

Karachi

Habib Insurance Company Limited

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

The financial arrangements, contracts and transactions, entered into by Habib Insurance Company Limited - Window Takaful Operations (the Operator) for the year ended December 31, 2018 are in compliance with the Takaful Rules, 2012 and the Shariah Rules and Principles determined by the Shariah Advisor of the Operator, (Shariah Rules and Principles).

Further, we confirm that:

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

This has been duly confirmed by the Shariah Advisor of the Operator.

Karachi: March 27, 2019

SHABBIR GULAMLI
Chief Executive

Habib Insurance Company Limited

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements, which comprise the statement of financial position as at 31 December 2018, and the statements of comprehensive income, the statements of changes in fund and the statement of cash flows of Habib Insurance Company Limited - Window Takaful Operations (the Operator) for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Operator's affairs as at 31 December 2018 and of the results of its takaful operations for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Habib Insurance Company Limited

Following are the Key audit matters:

Key audit matters	How the matter was addressed in our audit
<p>1. Existence and valuation of investments</p> <p>As disclosed in note 5 to the accompanying financial statements of the Operator for the year ended 31 December 2018, the Operator has investments in units of open end mutual funds amounting to Rs.20.695 million, which represent 38.29% of the Operator's total assets, which have been classified under the available for sale category.</p> <p>These investments are valued based on the quoted prices and considered for impairment in case of a significant or prolonged decline in value.</p> <p>We have identified the valuation of investments as a key audit matter due to volatility of share prices during the year, its impact on the financial statements and the management judgements that may be required in making the assessments about the impairment of financial assets.</p> <p>(Refer to notes 3.18 and 5 to the financial statements for relevant disclosures).</p>	<p>Our key audit procedures included the following:</p> <ul style="list-style-type: none"> - We reviewed the appropriateness of the accounting policies and practices followed by the Operator to recognise impairment of investments on the basis of the requirements of the financial reporting standards. - We obtained an understanding of the procedures applied by the Operator to identify impairments in the equity portfolio and observed the applications of such procedures. - We evaluated management's assessments of the indicators for impairment and compared the net asset values of respective mutual funds with their cost to check that the Operator's policy for impairment is consistently applied and impairment charge is appropriately recognized. - We checked the valuations of investments on the basis of net asset values of respective funds as at 31 December 2018. - We also assessed the adequacy of the overall disclosures in the financial statements in respect of the equity investment portfolio in accordance with the requirements of the financial reporting framework as applicable to the Operator.

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

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

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

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

Habib Insurance Company Limited

Responsibilities of Management and the Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Operator's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Operator's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Operator to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Habib Insurance Company Limited

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.

Chartered Accountants

Karachi

Date: March 27, 2019

Habib Insurance Company Limited

Statement of Financial Position as at December 31, 2018

	Note	2018		Aggregate
		Operator's Fund	Participant's Takaful Fund (Rupees in '000)	
Assets				
Investments - Mutual funds	5	20,695	–	20,695
Other receivables including Qard-e-Hasna to PTF	6	7,652	–	7,652
Takaful/ retakaful receivable	7	–	14,561	14,561
Retakaful recoveries against outstanding claims	13	–	297	297
Deferred Wakala expense	16	–	3,922	3,922
Deferred commission expense	15	–	1,255	1,255
Taxation - payments less provision		–	21	21
Prepayments	8	–	9,088	9,088
Bank Balances	9	25,401	6,260	31,661
Advances		300	–	300
Total Assets		54,048	35,404	89,452
EQUITIES AND LIABILITIES				
RESERVES ATTRIBUTABLE TO - OPERATORS' FUND (OPF)				
Statutory Fund		50,000	–	50,000
Accumulated deficit		(2,947)	–	(2,947)
Available-for-sale reserve		521	–	521
Total Equity		47,574	–	47,574
WAQF/ PARTICIPANT'S TAKAFUL (PTF)				
Cedded money		–	500	500
Accumulated deficit		–	(1,689)	(1,689)
Balance of WAQF/ PTF		–	(1,189)	(1,189)
LIABILITIES				
PTF underwriting provisions				
Outstanding claims including IBNR	13	–	1,614	1,614
Unearned contribution reserve	12	–	15,687	15,687
Unearned retakaful commission	15	–	1,568	1,568
Unearned Wakala Fee	16	3,922	–	3,922
Qard-e-Hasna	6	–	3,000	3,000
Contribution received in advance		–	50	50
Takaful/ retakaful payable		–	8,239	8,239
Other creditors and accrual	10	2,030	6,435	8,465
Payable to Habib Insurance Company Limited	11	522	–	522
Total liabilities		6,474	36,593	43,067
Total fund and liabilities		54,048	35,404	89,452

The annexed notes from 1 to 26 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Statement of Comprehensive Income for the year ended December 31, 2018

	Note	2018 (Rupees in '000)
Participants' Takaful Fund		
Net takaful contribution	12	533
Net takaful claims	13	(1,492)
Wakala fee	16	(730)
Underwriting result		<u>(1,689)</u>
Profit on bank balances		24
Deficit for the period		(1,665)
Other comprehensive income		—
Total comprehensive loss for the period		<u><u>(1,665)</u></u>
Operator's Fund		
Wakala fee	16	730
Net commission income	15	47
Management expenses	17	(1,743)
Waqf money donated to Participants' Takaful Fund		(500)
Other expenses	19	(2,322)
Investment income	18	718
Profit on bank balances		123
Loss before taxation		<u>(2,947)</u>
Taxation - net		—
Loss after tax for the period		<u>(2,947)</u>
Other comprehensive income:		
Unrealised gain on available-for-sale investments		521
Total comprehensive loss for the period		<u><u>(2,426)</u></u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

RAFIQ M. HABIB
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Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Statement of Changes in Fund for the period from October 01, 2018 to December 31, 2018

	Operator's Fund			Total
	Statutory Fund	Accumulated deficit (Rupees in '000)	Available-for-sale reserve	
Balance as at January 01, 2018	-	-	-	-
Statutory capital injected	50,000	-	-	50,000
Loss after tax for the period	-	(2,947)	-	(2,947)
Unrealized gain on revaluations of - available-for-sale investments	-	-	521	521
Balance as at December 31, 2018	<u>50,000</u>	<u>(2,947)</u>	<u>521</u>	<u>47,574</u>

	Participants' Takaful Fund		
	Ceded money	Accumulated deficit (Rupees in '000)	Total
Balance as at January 01, 2018	-	-	-
Waqf money received	500	-	500
Deficit for the period	-	(1,689)	(1,689)
Balance as at December 31, 2018	<u>500</u>	<u>(1,689)</u>	<u>(1,189)</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

RAFIQ M. HABIB
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Director

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Director

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MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Statement of Cash Flow for the period from October 01, 2018 to December 31, 2018

	Operator's Fund	2018 Participant's Takaful Fund (Rupees in '000)	2018 Aggregate
Operating activities			
(a) Takaful activities			
Contribution received	–	3,802	3,802
Retakaful contribution paid	–	(2,898)	(2,898)
Claims paid	–	(317)	(317)
Retakaful and other recoveries received	–	142	142
Commission paid	–	(1,526)	(1,526)
Commission received	–	1,886	1,886
Net cash inflows from takaful activities	–	1,089	1,089
(b) Other operating activities			
Other operating payments	(1,592)	–	(1,592)
Other operating receipts	–	1,647	1,647
Net cash flows from other operating activities	(1,592)	1,647	55
Total cash flows from all operating activities	(1,592)	2,736	1,144
Investment activities			
Profit / return received	123	24	147
Dividend received	44	–	44
Qard-e-hasna	(3,000)	3,000	–
Investment in mutual funds - net	(20,174)	–	(20,174)
Total cash flows from investing activities	(23,007)	3,024	(19,983)
Financing activities			
Statutory capital injected	50,000	–	50,000
Ceded money received	–	500	500
Total cash flows from financing activities	50,000	500	50,500
Net cash flows from all activities	25,401	6,260	31,661
Cash and cash equivalents at beginning of period	–	–	–
Cash and cash equivalents at end of period	25,401	6,260	31,661
Reconciliation to profit and loss account			
Operating cash flows	(1,592)	2,736	1,144
Leave encashment	411	–	411
Profit / return received	123	–	123
Dividends received	44	–	44
Capital gain	674	–	674
(Decrease) / increase in assets other than cash	(2,700)	29,192	26,492
Increase / (decrease) in liabilities	93	(33,593)	(33,500)
Loss after taxation	(2,947)	(1,665)	(4,612)
Attributed to:			
Operator's Fund			(2,947)
Participants' Takaful Fund			(1,665)
			(4,612)

The annexed notes from 1 to 26 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Notes to the Financial Statements for the period from October 01, 2018 to December 31, 2018

1. STATUS AND NATURE OF BUSINESS

- 1.1 Habib Insurance Company Limited (the Operator) was incorporated in Pakistan in 1942 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017) to carry on general insurance business. The Operator was allowed to work as Window Takaful Operator on July 18, 2018 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations (WTO) in Pakistan. The Operator is listed at Pakistan Stock Exchange Limited. The registered office of the Operator is situated at Habib Square, M.A. Jinnah Road, Karachi.
- 1.2 The Operator transferred statutory fund of Rs. 50 million in a separate bank account for the Window Takaful Operations as per the requirement of circular 8 of 2014. The Operator has formed a Waqf for Participants' Fund by executing the Waqf deed dated June 12, 2018 and deposited a cede money of Rs. 0.5 million. The cede money is required to be invested in Shari'ah compliant remunerative instrument which may be used to acquire immovable Waqf property if Shari'ah and law so warrants. Waqf Deed governs the relationship of Operator and participants for management of takaful operations, investments of participants' funds and investments of the Operator's funds approved by the shari'ah advisor of the Operator. The Operator commenced activities of WTO on October 01, 2018, therefore, no comparative information is given in these financial statements.

2. BASIS OF PREPARATION

These financial statements have been prepared in line with the format issued by the SECP through Insurance Rules, 2017, and SECP Circular No. 25 of 2015 dated July 09, 2015.

These financial statements reflect the financial position and results of operations of both the Operator's Fund (OPF) and Participants' Takaful Fund (PTF) in a manner that the assets, liabilities, income and expenses of the Operator and PTF remain separately identifiable. These are the first set of financial statements of the Habib Insurance Company Limited - Window Takaful Operations, therefore comparative information has not been presented.

2.1 Statement of compliance

- 2.1.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017 and SECP Takaful Rules, 2012.

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

- 2.1.2 In terms of the requirements of the Takaful Rules 2012, read with SECP Circular No. 25 of 2015 dated July 09, 2015, the assets, liabilities and profit and loss and other comprehensive income of the Operator's Fund have been presented as a single line item in the balance sheet and statement of comprehensive income of the Operator respectively.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except investments which are carried at fair value.

Habib Insurance Company Limited

2.3 Functional and presentation currency

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

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

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

Standard or Interpretation

- IFRS 2 - Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)
- IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)
- IFRIC Interpretation 22 - Foreign Currency Transactions and Advance Consideration

Improvements to Accounting Standards Issued by the IASB

- IAS 28 - Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

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

2.5.1 The following standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned there against:

Standard, Interpretations and Amendments	Effective date (accounting periods beginning on or after)
- IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
- IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
- IFRS 15 - Revenue from Contracts with Customers	July 01, 2018
- IFRS 16 - Leases	January 01, 2019
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2019
- IAS 1/ IAS 8 - Definition of Material (Amendments)	January 01, 2020
- IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
- IAS 28 - Long-term Interests in Associates and Joint Ventures Amendments)	January 01, 2019

Habib Insurance Company Limited

- 2.5.2** The above standards, amendments and interpretations are not expected to have any material impact on the Operator's financial statements in the period of initial application.
- 2.5.3** In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2018. Such improvements are generally effective for accounting periods beginning on or after January 01, 2019. The Operator expects that such improvements to the standards will not have any impact on the Operator's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 01 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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.

Standards

- | | |
|--|------------------|
| - IFRS 14 – Regulatory Deferral Accounts | January 01, 2016 |
| - IFRS 17 – Insurance Contracts | January 01, 2021 |

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Takaful contracts

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

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

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

The Operator underwrites non-life takaful contracts that can be categorised into Fire and Property , Marine and transport, Motor, Group hospitalisation and Other classes contracts. Contracts may be concluded for a fixed term of one year, for less than one year and in some cases for more than one year. However, most of the contracts are for twelve months duration. Takaful contracts entered into by the Operator under which the contract holder is another Takaful Operator (inwards retakaful) of a facultative nature are included within the individual category of takaful contracts, other than those which fall under Treaty. The takaful risk involved in these contracts is similar to the contracts undertaken by the Operator as takaful operator.

Fire and Property takaful contracts mainly compensate the customers for damage suffered to their property. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the covered properties in their business activities (business interruption cover).

Habib Insurance Company Limited

Marine and transport class of business provides coverage against loss and damage to goods in transit by any means of conveyance, physical loss or damage to aircraft, ships and liabilities to third parties and passengers arising from their use.

Motor takaful covers physical loss or damage to the vehicle and liabilities to third parties as provided under the requirements of the Motor Vehicle Ordinance, 1965.

Group hospitalisation takaful provides cover to compensate personal accident, hospitalisation and outpatient medical coverage to the insured.

All other takaful contracts like cash in hand, cash in transit, personal accident, infidelity, public liabilities, health, crop, livestock, travel, bankers and other financial institutions packages, product liabilities, professional indemnity, workers compensation etc. are included under Other classes takaful cover.

3.2 Contribution

Contribution income net off administrative surcharge under a policy is recognised over the period of takaful from the date of inception of the policy to which it relates to its expiry as follows:

Administrative surcharge is recognised as income at the time policies are written in OPF.

Contribution income net off administrative surcharge under a policy is recognised after taking into account the unearned portion of premium by applying 1/24th method as prescribed by the Insurance Rules, 2017. The unearned portion of contribution is recognised as liability.

Contribution due but unpaid under takaful contracts are recognised when due, at the fair value of the consideration receivable less provision for doubtful debts, if any. If there is objective evidence that the receivable is impaired, the Operator reduces the carrying amount of the receivable accordingly and recognizes it as impairment loss.

3.3 Re-takaful contracts

Re-takaful expense is recognised evenly in the period of indemnity. The portion of retakaful contribution not recognised as an expense is shown as a prepayment which is calculated in the same manner as of unearned contribution.

Rebate from retakaful operators is recognised at the time of issuance of the underlying takaful policy by the Operator. This income is deferred and brought to account as revenue in accordance with the pattern of recognition of the retakaful contribution to which it relates. Receivable against claims from the retakaful operators are recognised as an asset at the same time as the claims which gives rise to the right of recovery are recognised as a liability and are measured at the amount expected to be recovered after considering an impairment in relation thereto.

Amount due from other takaful / re-takaful are carried at cost less provision for impairment, if any. Cost represents the fair value of consideration to be received in the future.

Amount due to takaful / re-takaful companies represent the balance due to re-takaful companies.

Re-takaful assets or liabilities are derecognised when the contractual rights are extinguished or expired.

3.4 Claims expense

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

The PTF recognises liability in respect of all claims incurred upto the balance sheet date which is measured at the undiscounted value of the expected future payments. The claims are considered to be incurred at the time of the incident giving rise to the claim except as otherwise expressly indicated in a takaful contract.

Habib Insurance Company Limited

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

3.5 Retakaful recoveries against outstanding claims

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

3.6 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 contribution revenue.

Commission income from retakaful is recognised at the time of issuance of the underlying takaful 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 retakaful contributions.

3.7 Contribution deficiency reserve

The PTF is required as per Insurance Rules, 2017 and IFRS - 4, to maintain a provision in respect of contribution deficiency for the class of business where the unearned contribution reserve is not adequate to meet the expected future liability, after retakaful, from claims and other expenses, including retakaful expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the contribution deficiency reserve is recorded as an expense in the profit and loss account and the same shall be recognised as a liability.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, contribution deficiency is determined. Further actuarial valuation has been carried out to determine the amount of contribution deficiency reserve in respect of Health insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on January 09, 2012.

3.8 Wakala and Mudarib fees

The Takaful operator manages the general takaful operations for the Participants. The wakala fee has been fixed at 25% of the gross contribution on all classes of business. Wakala fee under a policy is recognized on the same basis on which the related revenue is recognized. Unexpired portion of wakala fee is recognized as a liability of OPF and an asset of PTF.

The Takaful operator also manages the participants' investment as Mudarib and charges 25% of the investment / deposit income earned by the Participants' Takaful Fund as Mudarib's share.

Administrative surcharge is included in Wakala Fee at the date of inception of policy to which it relates.

3.9 Revenue recognition

3.9.1 Contribution

The revenue recognition policy for contributions is given under note 3.2.

3.9.2 Commission from retakaful

The revenue recognition policy for commission from retakaful is given under note 3.6.

3.9.3 Dividend income

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

3.9.4 Gain / loss on sale / redemption of investments

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

Habib Insurance Company Limited

3.9.5 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.

3.9.6 Profit on bank accounts and deposits

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

3.10 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.

3.11 Takaful surplus

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

3.12 Qard-e-Hasna

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

3.13 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 Operator.

Provisions are recognised when the Operator / PTF 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.

3.14 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 (except for the deposit placed with statutory requirement) net off short term running finance.

3.15 Other receivable

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is objective evidence that a financial asset or group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying amount.

3.16 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.

Habib Insurance Company Limited

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.

3.17 Taxation

3.17.1 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.

3.17.2 Deferred

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

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

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

3.18 Investments

3.18.1 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 operator 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
- Investment in Subsidiary Operator
- Investment in Associates

3.18.2 Measurement

3.18.2.1 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.

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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.

3.18.2.2 Available-for-sale

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

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

3.18.2.3 Quoted

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

These are reviewed for impairment at year end. The Operator considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. The Operator considers that a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline. Any losses arising from impairment in values are charged to the profit and loss account.

3.18.2.4 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.

3.19 Staff retirement benefits

The Operator operates an funded contributory provident fund (defined contribution plan) for all permanent employees. Equal contributions are made by the Operator and the employees at the rate 8.33% of basic salary, to the fund.

3.20 Financial instruments

Financial assets and financial liabilities within the scope of IAS - 39 are recognised at the time when the Operator becomes a party to the contractual provisions of the instrument. Financial assets are de-recognised when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognised when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liabilities is recognised in the profit and loss account of the current year.

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Financial instruments carried on the balance sheet include bank deposits, investments, contribution due but unpaid, contribution received in advance, amount due from other takaful / retakaful operator, accrued investment income, retakaful recoveries against outstanding claims, sundry receivables, advances and deposits, provision for outstanding claims, amount due to other takaful / retakaful operators, accrued expenses, other creditors and accruals, short term running finance and obligation under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.21 Off setting of financial assets and financial liabilities

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

3.22 Foreign currency translations

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

3.23 Operating segments

An operating segment is a component of the Operator that engages in business activities from which it may earn revenues and incur expenses. The Operator presents segment reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017 as the primary reporting format.

The Operator has five primary business segments for reporting purposes namely, fire and property, marine and transport, motor, group hospitalisation, and other classes. The nature and business activities of these segments are disclosed in note no. 3.1.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Operator's accounting policies. The estimates / judgments and associated assumptions used in the preparation of the financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 Operator's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
- Classification of Takaful Contracts	3.1
- Provision for unearned contribution	3.2
- Provision for outstanding claims including IBNR	3.4
- Contribution deficiency reserve	3.7
- Impairment	3.16
- Provision for current and deferred tax and	3.17
- Classification of investments and impairment	3.18

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5. INVESTMENT IN MUTUAL FUNDS

OPF	2018			Carrying Value
	Cost	Impairment / Provision (Rupees in '000)	Revaluation surplus	
Available-for-sale				
Mutual funds - related party				
First Habib Islamic Income Fund	20,174	–	521	20,695
			2018	
	Note	OPF	PTF (Rupees in '000)	Total

6. OTHER RECEIVABLES INCLUDING QARD-E-HASNA TO PTF

Wakala fee		4,652	–	4,652
Qard e Hasna	6.1	3,000	–	3,000
		<u>7,652</u>	<u>–</u>	<u>7,652</u>

6.1 In accordance with the Takaful Rules, 2012, if at any point in time, assets in participant takaful fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an interest free loan (Qard-e-Hasna) from Operator Fund. In the event of future surplus in the Participant Takaful Fund to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to participants.

2018
(Rupees in '000)

7. TAKAFUL / RETAKAFUL RECEIVABLE - PTF

Due from Takaful contract holders - Considered good	10,956
Due from other takaful / retakaful operators - Considered good	3,605
	<u>14,561</u>

2018

OPF	PTF (Rupees in '000)	Total
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8. PREPAYMENTS

Prepaid			
- retakaful contribution ceded	–	8,788	8,788
- others	–	300	300
	<u>–</u>	<u>9,088</u>	<u>9,088</u>

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	2018		Total
	OPF	PTF (Rupees in '000)	
9. BANK BALANCES			
Cash and cash equivalent			
Profit and loss sharing (PLS) accounts (note 9.1)	25,401	6,260	31,661

9.1 These balances are held with a related party and carry profit at a rate of 9.25%.

	2018		Total
	OPF	PTF (Rupees in '000)	
10. OTHER CREDITORS AND ACCRUALS			
Creditors	–	43	43
Federal insurance fee	–	76	76
Commission payable	1,446	–	1,446
Taxes and duties payable	4	1,664	1,668
Provision for leave encashment	411	–	411
Wakala fee payable	–	4,652	4,652
Withholding tax payable	78	–	78
Auditor's remuneration	91	–	91
	<u>2,030</u>	<u>6,435</u>	<u>8,465</u>

11. PAYABLE TO HABIB INSURANCE COMPANY LIMITED - OPF

This represents payable to Habib Insurance Company Limited to meet expenses and in respect of loans provided to employees that are solely employed for window takaful operations.

	For the period from 01 October to December 31, 2018 (Rupees in '000)
12. NET TAKAFUL CONTRIBUTION - PTF	
Written gross contribution	18,412
Add: Unearned contribution reserve opening	–
Less: Unearned contribution reserve closing	15,687
Contribution earned	<u>2,725</u>
Less: Retakaful contribution ceded	<u>10,980</u>
Add: Prepaid retakaful contribution opening	–
Less: Prepaid retakaful contribution closing	(8,788)
Retakaful expense	<u>2,192</u>
Net takaful contribution	<u>533</u>
13. NET TAKAFUL CLAIMS - PTF	
Claims paid	317
Add: Outstanding claims including IBNR closing	1,614
Less: Outstanding claims including IBNR opening	–
Claims expense	<u>1,931</u>
Less: Retakaful and other recoveries received	142
Add: Retakaful and other recoveries in respect of outstanding claims net of impairment - closing	297
Less: Retakaful and other recoveries in respect of outstanding claims net of impairment - opening	–
Retakaful and other recoveries revenue	<u>439</u>
Net Takaful claims	<u>1,492</u>

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14. CLAIM DEVELOPMENT - PTF

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

Accident year	2014	2015	2016	2017	2018	Total
	(Rupees in '000)					
Estimate of ultimate claims costs:						
At end of accident year	-	-	-	-	1,931	1,931
One year later	-	-	-	-	-	-
Two year later	-	-	-	-	-	-
Three year later	-	-	-	-	-	-
Four year later	-	-	-	-	-	-
Estimate of cumulative claims	-	-	-	-	1,931	1,931
Cumulative payment made to date	-	-	-	-	(317)	(317)
Liability for outstanding claims	-	-	-	-	1,614	1,614

For the period from
October 01, to December 31, 2018
(Rupees in '000)

15. NET COMMISSION INCOME - PTF

Commissions paid or payable	1,526
Add: Deferred commission - opening	-
Less: Deferred commission - closing	(1,255)
Commission expense	<u>271</u>
Less: Commission from reinsurers	
Commission received or receivable	1,886
Add: Unearned retakaful commission - opening	-
Less: Unearned retakaful commission - closing	(1,568)
Commission from reinsurers	<u>318</u>
Net commission income	<u>47</u>

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For the period from
October 01 to December 31, 2018
(Rupees in '000)

	Note	
16. NET WAKALA FEE		
Gross Wakala Fee		4,652
Add: Deferred wakala fee - opening		-
Less: Deferred wakala fee - closing		(3,922)
Net wakala fee		<u>730</u>
17. MANAGEMENT EXPENSES - OPF		
Employee benefit cost	17.1	1,348
Utilities - electricity and water		62
Printing and stationary		6
Repairs and maintenance		61
Vehicle running expenses		90
Rent, rates and taxes		137
Postages, telegrams and telephone		39
		<u>1,743</u>
17.1 This includes Rs.1.282 million being salaries and other benefits and Rs.0.049 million being contribution to employees' provident fund.		
18. INVESTMENT INCOME - OPF		
Income from mutual fund units - 'available-for-sale'		
- Dividend income		44
- Net realised gain on investments- 'available-for-sale'		674
Total investment income		<u>718</u>
19. OTHER EXPENSES - OPF		
Employee benefit cost	19.1	578
Utilities - electricity and water		27
Vehicle running expenses		39
Printing and stationary		3
Legal and professional charges		1,423
Auditor's remuneration		150
Miscellaneous		102
		<u>2,322</u>

19.1 This includes Rs.0.549 million being salaries and other benefits and Rs.0.021 million being contribution to employees' provident fund.

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20. SEGMENT INFORMATION

For the period from October 01 to December 31, 2018

	Fire & property	Marine & Transport (Rupees in '000)	Motor	Other Classes	Aggregate
20.1 Participants' Takaful Fund					
Gross Written Contribution (inclusive of Administrative Surcharge)	10,853	687	6,551	321	18,412
Takaful contribution earned	1,745	247	679	53	2,724
Takaful contribution ceded to retakaful operators	(1,478)	(181)	(490)	(42)	(2,191)
Net takaful contribution	267	66	189	11	533
Net underwriting income	267	66	189	11	533
Takaful claims	349	86	1,456	40	1,931
Retakaful claims and other recoveries	(296)	(63)	(49)	(31)	(439)
Net claims	53	23	1,407	9	1,492
Wakala expensed during the period	(366)	(90)	(259)	(15)	(730)
Underwriting result	214	43	(1,218)	2	(1,689)
Profit on bank balances					24
Loss before taxation					(1,665)
20.2 Operator's Fund					
Wakala fee	468	66	182	14	730
Commission income	267	40	1	10	318
Commission expense	(215)	(32)	(15)	(9)	(271)
Management expenses	(1,027)	(65)	(621)	(30)	(1,743)
Underwriting result	(507)	9	(453)	(15)	(966)
Investment income					718
Profit on bank balances					123
Other expenses					(2,322)
Waqf money donated to Participants' Takaful Fund					(500)
Loss before taxation					(2,947)

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21. TRANSACTIONS WITH RELATED PARTIES - PTF

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

	December 31, 2018 (Rupees in '000)
21.1 Operator's Fund	
Wakala fee charged during the period	<u>730</u>
Qard-e-Hasna received during the period	<u>3,000</u>
21.2 Participants' Takaful Fund	
Transactions	
Associated companies	
- Contribution written	<u>3,749</u>
- Claim paid	<u>90</u>
- Profit on bank accounts	<u>24</u>
Balances	
Associated companies	
- Contribution due but unpaid	<u>6,544</u>
- Claim outstanding	<u>1,227</u>
- Bank balance	<u>6,260</u>

22. MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

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

22.1 Takaful risk management

22.1.1 Takaful risk

The risk under any takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of compensation to the participant. Generally most takaful contracts carry the takaful risk for a period of one year.

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

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22.1.2 Frequency and severity of claims

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

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

22.1.3 Uncertainty in the estimation of future claim payments

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

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

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Operator takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Outstanding claims are reviewed on a periodic basis.

22.1.4 Key assumptions

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

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

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

The details of estimation of outstanding claims (including IBNR) are given under note 3.4.

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22.1.5 Sensitivity analysis

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

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

	PTF	
	Underwriting results 2018	Fund balance 2018
	(Rupees in '000)	
Average claim cost		
Fire and property	35	24
Marine and transport	9	6
Motor	146	102
Other classes	4	3
	194	135

22.1.6 Concentration of risk

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

Risk surveys are carried out on a regular basis for the evaluation of physical hazards associated with the insured property.

The adequate event limit is a multiple of the treaty capacity or the primary recovery from excess of loss treaty, which is very much in line with the risk management philosophy of the Operator.

Retakaful ceded does not relieve the Operator from its obligation towards participants and, as a result the Operator remains liable for the portion of outstanding claims retakaful to the extent that retakaful operator fails to meet the obligation under the retakaful agreements.

The Operator minimises its exposure to significant losses by obtaining retakaful from a number of retakaful, who are dispersed over several geographical regions.

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

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	2018		
	Gross sum covered	Retakaful (Rupees in '000)	Net
Fire and property	994,250	986,120	8,130
Marine and transport	147,268	132,678	14,590
Motor	12,700	11,200	1,500
Other classes	9,000	8,100	900
	<u>1,163,218</u>	<u>1,138,098</u>	<u>25,120</u>

23. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

The Operator's risk management policies are established to identify and analyse the risks faced by the Operator, 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 Operator's activities.

23.1 Credit risk

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

23.1.1 Management of credit risk

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

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

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

23.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31, 2018 is as follows:

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	OPF		PTF	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	(Rupees in '000)			
2018				
Other receivables including Qard-e-Hasna to PTF	7,652	-	-	-
Takaful / retakaful receivable	-	-	14,561	14,561
Bank balances	25,401	25,401	6,260	6,260
	<u>33,053</u>	<u>25,401</u>	<u>20,821</u>	<u>20,821</u>

23.1.3 Past due / impaired assets

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

	PTF December 31, 2018 (Rupees in '000)
0-90 days	10,956
Over 90 days	-
Total	<u>10,956</u>

The above balance is considered good and is not impaired.

23.1.4 Credit Rating and Collateral

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

Rating	Rating Agency	OTF December 31, 2018 (Rupees in '000)	PTF December 31, 2018 (Rupees in '000)
AA+	PACRA	<u>28,401</u>	<u>3,260</u>

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

	Rating	PTF 2018 (Rupees in '000)
Prepaid re-takaful ceded	A or above	<u>8,788</u>

23.1.5 Concentration of credit risk

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

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

	PTF	
	2018	
	(Rupees in '000)	%
Individuals	211	2%
Corporate	10,745	98%
	<u>10,956</u>	<u>100%</u>

23.1.6 Settlement risk

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

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

23.2 Liquidity risk

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

23.2.1 Management of liquidity risk

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

23.2.2 Maturity analysis of assets and liabilities

The table below analyses the Operator's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows (including interest payments).

	OPF		
	Carrying amount	2018	
		Upto one year	More than one year
	(Rupees in '000)		
ASSETS			
Investments - Mutual Funds	20,695	20,695	–
Other receivables including Qard-e-Hasna to PTF	7,652	7,652	–
Bank balances	25,401	25,401	–
	<u>53,748</u>	<u>53,748</u>	<u>–</u>
LIABILITIES			
Other creditors and accrual	1,948	1,948	–
	<u>1,948</u>	<u>1,948</u>	<u>–</u>

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	OPF		
	2018		
	Carrying amount	Upto one year (Rupees in '000)	More than one year
ASSETS			
Takaful / retakaful receivable	14,561	14,561	–
Deferred commission expense	1,255	1,255	–
Retakaful recoveries against outstanding claims	297	297	–
Bank Balances	6,260	6,260	–
Total assets	<u>22,373</u>	<u>22,373</u>	<u>–</u>
LIABILITIES			
PTF Underwriting provisions			
Outstanding claims (including IBNR)	1,614	1,614	–
Contribution received in advance	50	50	–
Takaful / retakaful payable	8,239	8,239	–
Other creditors and accruals	6,435	6,435	–
Payable to Habib Insurance Company Limited	–	–	–
Total Liabilities	<u>16,338</u>	<u>16,338</u>	<u>–</u>

23.3 Market risk

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

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

23.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks and government securities. The Operator limits interest rate risk by monitoring changes in interest rates. Other risk management procedures are the same as those mentioned in the credit risk management.

23.3.1.1 Sensitivity analysis

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

	OPF	
	2018 Effective interest rate (in %)	2018 (Rupees in '000)
Financial assets		
Assets subject to variable rate		
- Bank balances	9.25%	25,401
PTF		
	2018 Effective interest rate (in %)	2018 (Rupees in '000)
Financial assets		
Assets subject to variable rate		
- Bank balances	9.25%	6,260

Habib Insurance Company Limited

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

The Operator is exposed to cash flow interest rate risk in respect of its balances with profit and loss sharing account with banks. A hypothetical change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below.

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

	2018	
	Profit and loss 100 bps	
	Increase	Decrease
	(Rupees in '000)	
	OPF	
Cash flow sensitivity	2,540	(2,540)
	PTF	
Cash flow sensitivity	626	(626)

Exposure to interest rate risk

A summary of the Operator's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

	OPF				
	2018				
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years	Total
Assets					(Rupees in '000)
Bank balances	9.25%	25,401	–	–	25,401
Total assets		25,401	–	–	25,401
Liabilities	–	–	–	–	–
Total interest sensitivity gap		25,401	–	–	25,401
					PTF
					2018
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years	Total
Assets					(Rupees in '000)
Bank balances	9.25%	6,260	–	–	6,260
Total assets		6,260	–	–	6,260
Liabilities	–	–	–	–	–
Total interest sensitivity gap		6,260	–	–	6,260

Habib Insurance Company Limited

23.3.2 Price risk

Price risk represents the risk that the fair value of a financial instrument will fluctuate because of changes in the market prices (other than those arising from interest / mark up rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all or similar financial instruments traded in the market. the Operator is not exposed to any price risk at the balance sheet date as it has no financial instrument that is linked to market price.

23.3.3 Foreign currency risk

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

23.4 Fund management

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

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

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Adoption of IFRS 13 has not affected the condensed interim financial information.

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

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

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

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

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

	2018			
	Level 1	Level 2	Level 3	Total
				(Rupees in '000)
OPF				
Available-for-sale				
Mutual fund units	-	20,695	-	20,695

Habib Insurance Company Limited

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

2018
(Rupees in '000)

STATEMENT OF SOLVENCY

Takaful / retakaful receivable	14,561
Retakaful recoveries against outstanding claims	297
Deferred commission expense	1,255
Deferred Wakala expense	3,922
Taxation - payments less provision	21
Prepayments	9,088
Bank Balances	6,260
Total assets (A)	35,404
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000	
Total of In-admissible Assets (B)	—
Total of admissible Assets (C=A-B)	35,404
Underwriting provisions	1,614
Outstanding claims including IBNR	15,687
Unearned contribution reserve	1,568
Unearned retakaful commission	50
Takaful / retakaful payable	3,000
Qard-e-Hasna	8,239
Contribution received in advance	6,435
Other creditors and accrual	
Total liabilities including Qard-e-Hasna (D)	36,593
Net deficit as at 31 December	(1,189)
Deficit already financed by Qard-e-Hasna	3,000
	1,811

25. GENERAL

Figures have been rounded off to the nearest Thousand Rupees.

26. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on March 27, 2019 by the Board of Directors of the Operator.

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2018

Number of Shareholders	Size of Shareholding Rs. 5/- each		Total Shares Held
1102	1	to 100	14,872
307	101	to 500	93,867
191	501	to 1000	149,071
479	1001	to 5000	1,298,710
162	5001	to 10000	1,211,937
110	10001	to 15000	1,382,335
52	15001	to 20000	934,816
44	20001	to 25000	1,034,657
27	25001	to 30000	740,472
18	30001	to 35000	588,556
12	35001	to 40000	450,041
14	40001	to 45000	602,873
12	45001	to 50000	592,829
7	50001	to 55000	356,293
5	55001	to 60000	285,403
17	60001	to 65000	1,061,746
5	65001	to 70000	336,848
3	70001	to 75000	215,742
2	75001	to 80000	157,774
5	80001	to 85000	408,805
6	85001	to 90000	524,784
2	90001	to 95000	183,705
8	95001	to 100000	794,522
1	100001	to 105000	100,142
2	105001	to 110000	216,941
3	110001	to 115000	336,972
3	115001	to 120000	352,039
8	120001	to 125000	987,856
2	125001	to 130000	254,144
6	130001	to 135000	783,039
2	135001	to 140000	277,203
2	140001	to 145000	286,542
4	150001	to 155000	612,537
2	155001	to 160000	312,857
4	165001	to 170000	671,154
5	170001	to 175000	856,866
1	180001	to 185000	184,471
2	185001	to 190000	371,610
2	190001	to 195000	386,938
3	195001	to 200000	600,000
3	205001	to 210000	627,078
3	220001	to 225000	664,778
4	225001	to 230000	908,174
4	240001	to 245000	964,521
8	245001	to 250000	1,986,553
1	250001	to 255000	250,058
1	255001	to 260000	257,710
1	265001	to 270000	267,317
1	270001	to 275000	270,885
1	275001	to 280000	275,863
1	280001	to 285000	284,133
1	300001	to 305000	300,183
4	305001	to 310000	1,235,036
1	320001	to 325000	321,696
3	330001	to 335000	994,060
2	340001	to 345000	685,604
1	355001	to 360000	357,992
2	375001	to 380000	754,893
1	380001	to 385000	382,220
1	385001	to 390000	387,848
1	410001	to 415000	410,721
2	420001	to 425000	841,661
2	430001	to 435000	863,620
3	445001	to 450000	1,344,016
1	480001	to 485000	481,010
1	490001	to 495000	493,416

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2018

Number of Shareholders	Size of Shareholding Rs. 5/- each	Total Shares Held
1	495001 to 500000	500,000
1	520001 to 525000	524,175
1	525001 to 530000	526,915
2	540001 to 545000	1,084,444
2	600001 to 605000	1,205,543
2	615001 to 620000	1,238,710
1	620001 to 625000	620,360
1	625001 to 630000	625,654
1	630001 to 635000	633,270
1	690001 to 695000	693,695
1	700001 to 705000	703,546
1	705001 to 710000	707,263
1	710001 to 715000	712,500
1	735001 to 740000	736,117
1	740001 to 745000	743,246
1	755001 to 760000	757,323
1	770001 to 775000	774,830
1	800001 to 805000	800,219
1	805001 to 810000	809,452
1	810001 to 815000	813,114
1	815001 to 820000	817,570
1	840001 to 845000	841,785
3	880001 to 885000	2,648,592
1	925001 to 930000	927,692
1	930001 to 935000	930,194
1	990001 to 995000	990,198
1	995001 to 1000000	1,000,000
1	1005001 to 1010000	1,006,162
1	1025001 to 1030000	1,028,157
1	1060001 to 1065000	1,064,758
2	1085001 to 1090000	2,177,874
1	1090001 to 1095000	1,092,797
1	1195001 to 1200000	1,200,000
1	1205001 to 1210000	1,208,386
1	1215001 to 1220000	1,219,590
1	1225001 to 1230000	1,227,082
1	1245001 to 1250000	1,248,800
1	1300001 to 1305000	1,300,681
1	1395001 to 1400000	1,399,918
1	1810001 to 1815000	1,813,828
1	1875001 to 1880000	1,877,462
1	2315001 to 2320000	2,315,737
1	2350001 to 2355000	2,353,618
1	2495001 to 2500000	2,500,000
1	2720001 to 2725000	2,721,386
1	2990001 to 2995000	2,994,651
1	3410001 to 3415000	3,413,075
1	4975001 to 4980000	4,979,761
1	5360001 to 5365000	5,363,772
1	5415001 to 5420000	5,419,516
1	5735001 to 5740000	5,735,396
1	6220001 to 6225000	6,222,926
2754		123,874,755

Categories of Shareholders	Numbers	Shares Held	Percentage
1. Individuals	2,689	79,152,926	63.90
2. Insurance companies	6	6,959,591	5.62
3. Joint stock companies	30	9,106,933	7.35
4. Charitable trusts	12	19,367,283	15.63
5. Government institutions	2	487	0.00
6. Foreign investors	15	9,287,535	7.50
	2,754	123,874,755	100.00

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2018

Additional Information

Shareholders' Category	Number of shareholders/ folios	Number of shares held
Associated Companies		
Thal Limited	1	5,735,396
IDBL (ICP Unit)	2	487
Directors		
Mr. Rafiq M. Habib	1	166,856
Mr. Abbas D. Habib	2	753,308
Mr. Mansoor G. Habib	1	5,000
Mr. Mohamedali R. Habib	2	1,943,891
Mr. Qumail R. Habib	2	524,175
Mr. Aun Mohammad A. Habib	1	930,194
Mr. Shahid Ghaffar	1	2,000
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
Mrs. Selwa Habib w/o Mr. Qumail R. Habib	1	119,591
Banks, Development Financial Institutions, Non-Banking Finance Companies Insurance Companies, Takaful, Modarabas and Pension Funds		
	5	736,665
Joint Stock Companies and Corporations		
	29	3,371,537
Individuals/ Others		
	2,674	73,590,174
Charitable Trusts, Societies and Government Institutions		
	12	19,367,283
Foreign Investors		
	15	9,287,535
Shareholders holding 5% or more		
	1	6,222,926
	2,754	123,874,755

Habib Insurance Company Limited

Notice of Annual General Meeting

NOTICE is hereby given that the 76th Annual General Meeting of the Shareholders of the Company will be held at Beach Luxury Hotel, M.T. Khan Road, Karachi, on Monday, April 29, 2019 at 11:30 a.m. to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended December 31, 2018 together with the Directors' and Auditors' Report thereon.
2. To approve payment of cash dividend @ 15% i.e. Rs. 0.75 per share of Rs. 5/- each for the year ended December 31, 2018 as recommended by the Board of Directors.
3. To appoint Auditors for the year ending December 31, 2019 and to fix their remuneration. Existing auditors, M/s. EY Ford Rhodes, Chartered Accountants, have retired. In compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 and based on the recommendation of the Audit Committee, the Board recommends the appointment of M/s. KPMG Taseer Hadi & Co., Chartered Accountants as auditors in place of retiring auditors.
4. To consider any other business of the Company with the permission of the Chair.

Special Business

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

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

Sr. No.	Name of the Company	Rs. In million
1	Bank AL Habib Limited	75
2	Habib Metropolitan Bank Limited	75
3	Indus Motor Company Limited	75
4	Shabbir Tiles & Ceramics Limited	25
5	Thal Limited	100

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

For item # 5, a statement under Section 160 of the Companies Act, 2017 is annexed.

By order of the Board

Muhammad Maaz Akbar
Company Secretary

Karachi: March 27, 2019

Notes:

1. The share transfer books of the Company will remain closed from Tuesday, April 16, 2019 to Monday, April 29, 2019 (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.

Habib Insurance Company Limited

3. The CDC account/ sub account holders are requested to bring with them their Computerized 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. CDC Share Registrar Services Limited.
5. Pursuant to the directive of the Securities and Exchange Commission of Pakistan (SECP), it is mandatory to mention CNIC number of member on members' register and other statutory returns. Those shareholders who have not submitted copy of their CNIC to the Company are once again requested to submit copy of their CNIC, otherwise the Company will be constrained under section 243(2)(a) of the Companies Act, 2017 to withhold dividend of such shareholders.
6. The Government of Pakistan through Finance Act, 2017 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:
 - (i) For filers of income tax returns 15 %
 - (ii) For non-filers of income tax returns 20 %

Shareholders who are filers are advised to make sure that their names are entered in to Active Tax Payer List (ATL) provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 20% instead of 15%.

For shareholder holding their shares jointly, as per the clarification issued by the Federal Board of Revenue, withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions. Therefore, all shareholders who hold shares jointly are required to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

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

The required information must reach to the Company's Share Registrar within 10 days of this notice, otherwise it will be assumed that the shares are equally held by principal shareholder and joint holder(s).

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

7. **Mandatory requirement of Bank details for payment of dividend**

Pursuant to the provision of Section 242 of the Companies Act, 2017, a listed company is required to pay cash dividend to shareholders **only** through electronic mode directly into the bank account designated by the entitled shareholders. In order to receive your dividends directly into your Bank account, please complete the particulars of the e-dividend mandate form which is available on the Company's website www.habibinsurance.net and send duly signed to the Share Registrar, M/s. CDC Share Registrar Services Limited. CDC shareholders are requested to submit their Dividend Mandate directly to their broker (participant)/ CDC.

Habib Insurance Company Limited

8. Unclaimed/Unpaid Dividend and Share Certificates

Shareholders who could not collect their dividend /physical shares are advised to contact Share Registrar or our Registered Office to enquire and collect their unclaimed dividend/shares, if any. In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such unclaimed dividend and shares for a period of 3 years or more from the date it is due and payable shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to Securities and Exchange Commission of Pakistan (SECP).

9. Transmission of Financial Statements & Notices through email

The Securities and Exchange Commission of Pakistan (SECP) through its Notification S.R.O. 787(I)/2014 dated September 8, 2014 has permitted companies to circulate Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail. Accordingly, members are requested to send their consent and e-mail addresses for receiving Audited Financial Statements and Notices through e-mail. In order to avail this facility, a standard request form is available at the Company's website.

10. Consent for video-link facility

For this Annual General Meeting, under following conditions, Members can also avail video-link facility at Karachi.

If the Company receives consent from members holding at least 10% shareholding residing at a geographical location, to participate in the meeting through video-link facility at least 7 days prior to the date of meeting, the Company will arrange video-link facility in that city. The Company shall arrange the aforesaid facility for such members prior to the date of the meeting to participate through video-link facility, and will intimate them regarding venue before the date of general meeting.

In this regard, members who wish to participate through video-link facility at Karachi should send a duly signed request as per the following format to the registered address of the Company at least 7 days before the date of general meeting.

I/We, _____ of _____ being a member of Habib Insurance Company Limited, holder of _____ ordinary share(s) as per register Folio No./ CDC Sub-Account No.: _____ hereby opt for video-link facility at Karachi. <div style="text-align: right;">_____ Signature of Member</div>

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

M/s. CDC Share Registrar Services Limited

CDC House, 99-B, Block-B
SMCHS, Main Shahrah-e-Faisal
Karachi-74400

Habib Insurance Company Limited

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ACT, 2017

The statement is annexed to the Notice of the 76th Annual General Meeting to be held on April 29, 2019 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 March 27, 2019, it is proposed to make investment by way of purchase of shares of our associated companies. In this regard the Company seeks the approval of the shareholders under section 208 of the Companies Act, 2017.

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

Bank AL Habib Limited

Regulation No. 3(1)a

Sr. No.	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	Bank AL Habib Limited being associated on the basis of common directorship. Mr. Abbas D.Habib and Mr. Qumail R. Habib, Directors of the Company are also Chairman and Director of Bank AL Habib Limited.
2	Purpose, benefits and period of investment	Long term investment to earn dividend income as well as prospective capital gains
3	Maximum amount of investment	Rs. 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	2,290,000 shares (0.217%) 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. 74.92 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, 2018: Rs. 41.64
10	Earning per share of the associated company or associated undertaking for the last three years	2018: Rs. 7.57 per share 2017: Rs. 7.65 per share 2016: Rs. 7.31 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 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 Chairman 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. 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	2,767,424 shares (0.26%) 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. 42.57 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, 2018: Rs. 35.31
10	Earning per share of the associated company or associated undertaking for the last three years	2018: Rs. 5.88 per share 2017: Rs. 5.26 per share 2016: Rs. 5.84 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. 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	43,015 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. 671.63 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, 2018 : Rs. 467.49
10	Earning per share of the associated company or associated undertaking for the last three years	2018: Rs. 200.66 per share 2017: Rs. 165.41 per share 2016: Rs. 145.74 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, Chairman 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	840,500 shares (0.35%) 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. 19.58 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, 2018 : Rs. 8.32
10	Earning per share of the associated company or associated undertaking for the last three years	2018: Rs. 0.81 per share 2017: Rs. (0.63) per share 2016: Rs. (0.47) 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, Chairman 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. 100 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	503,100 shares (0.62%) 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. 531.16 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, 2018 : Rs. 125.51
10	Earning per share of the associated company or associated undertaking for the last three years	2018: Rs. (10.68) per share 2017: Rs. 47.15 per share 2016: Rs. 43.94 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

۲۳ اکتوبر ۲۰۱۸ء

جناب رفیق ایم۔ حبیب

جناب عباس ڈی۔ حبیب

جناب منصور جی۔ حبیب

جناب گمیل آر۔ حبیب

جناب عون محمد اے۔ حبیب

جناب شبیر غلام علی

چیف ایگزیکٹو

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

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

منجانب بورڈ آف ڈائریکٹرز

شبیر غلام علی
چیف ایگزیکٹو

منصور جی۔ حبیب
ڈائریکٹر

کراچی:
۲۷ مارچ ۲۰۱۹ء

Habib Insurance Company Limited

- ۳۔ درست اکاؤنٹنگ پالیسیاں مالیاتی حسابات کی تیاری میں مستقل طور پر لاگو کی جاتی ہیں۔ اگر ان میں کوئی تبدیلی کی جاتی ہے تو مناسب طور پر اسے واضح کر دیا جاتا ہے جبکہ اکاؤنٹنگ کے تخمینہ جات مناسب اور محتاط فیصلوں پر مبنی ہوتے ہیں۔
- ۴۔ بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈ اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرڈز، جیسا کہ پاکستان میں نافذ العمل ہیں، ان پر مالیاتی حسابات کی تیاری میں عمل درآمد کیا جاتا ہے اور ان سے کسی بھی قسم کی روگردانی کو باقاعدہ واضح کر دیا جاتا ہے۔
- ۵۔ انٹرنل کنٹرول کا نظام مستحکم طور پر تیار کیا گیا ہے اور موثر طور پر نافذ العمل اور زیر نگرانی رہتا ہے۔
- ۶۔ اس امر میں کوئی شبہ نہیں کہ کمپنی میں آگے بڑھنے کی صلاحیت موجود ہے۔
- ۷۔ کارپوریٹ گورننس کے بہترین طریقہ کار سے کوئی روگردانی نہیں کا جاتی جیسا کہ لسٹنگ ریگولیشنز میں مفصل طور پر درج ہے۔
- ۸۔ گزشتہ ۶ سال کیلئے کلیدی آپریٹنگ اور مالیاتی تفصیل منسلک ہے۔
- ۹۔ ٹیکسز اور لیویز کے بارے میں معلومات مالیاتی حسابات کیلئے نوٹس میں درج ہیں۔
- ۱۰۔ ۳۱ دسمبر ۲۰۱۸ء کے مطابق پراویڈنٹ فنڈ کے ڈپازٹ اکاؤنٹس میں سرمایہ کاریاں اور بیلنس کی مالیت ۸۰۰ ملین روپے ہے۔
- ۱۱۔ سال کے دوران بورڈ کے ۱۴ اجلاس منعقد ہوئے اور اس میں ڈائریکٹرز کی شرکت درج ذیل کے مطابق رہی:

اجلاس کی تاریخ	شرکت کردہ منجانب
۲۱ مارچ ۲۰۱۸ء	جناب رفیق ایم۔ حبیب جناب عباس ڈی۔ حبیب جناب منصور جی۔ حبیب جناب محمد علی آر۔ حبیب جناب جمیل آر۔ حبیب جناب شاہد غفار جناب شبیر غلام علی چیف ایگزیکٹو
۲۶ اپریل ۲۰۱۸ء	جناب منصور جی۔ حبیب جناب محمد علی آر۔ حبیب جناب جمیل آر۔ حبیب جناب منور علی حبیب جناب شاہد غفار جناب شبیر غلام علی چیف ایگزیکٹو
۳۰ اگست ۲۰۱۸ء	جناب رفیق ایم۔ حبیب جناب منصور جی۔ حبیب جناب جمیل آر۔ حبیب جناب عون محمد اے۔ حبیب جناب شاہد غفار جناب شبیر غلام علی چیف ایگزیکٹو

Habib Insurance Company Limited

انویسٹمنٹ کمیٹی

انویسٹمنٹ کمیٹی ۶ ممبران پر مشتمل ہے جس کی نمائندگی ایک انڈیپنڈنٹ ڈائریکٹر، ۲ نان۔ ا۔ ایگزیکٹو ڈائریکٹرز، ایک ایگزیکٹو ڈائریکٹر، چیف ایگزیکٹو اور چیف فنانشل آفیسر کرتے ہیں۔ انویسٹمنٹ کمیٹی نے سال کے دوران ۴ اجلاس منعقد کئے اجلاسوں میں شرکت درج ذیل کے مطابق رہی:

شرکت کردہ اجلاس کی تعداد

3	چیئر مین	جناب شاہد غفار
4	ممبر	جناب منصور جی۔ حبیب
4	ممبر	جناب کمیل آر۔ حبیب
4	ممبر	جناب عون حمداے۔ حبیب
4	ممبر	جناب شبیر غلام علی
2	ممبر	جناب مرتضیٰ حسین

جناب عون حمداے۔ حبیب کو مورخہ ۱۶ مئی ۲۰۱۸ء کو کمیٹی کا ممبر مقرر کیا گیا تھا۔

ڈائریکٹرز کا تہیتی پروگرام

کمپنی کے ۷ ڈائریکٹرز میں سے ۴ پہلے ہی ڈائریکٹرز کے ٹریننگ پروگرام میں شرکت کر چکے ہیں۔ ۲ ڈائریکٹرز اپنی قابلیت اور تجربے کی بنیاد پر اس شرط سے مستثنیٰ ہیں۔

ڈائریکٹرز کے مشاہرے کی پالیسی

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

- کوئی بھی ڈائریکٹر اپنے ذاتی معاوضے کا تعین نہیں کرے گا۔ یہ بورڈ آف ڈائریکٹرز کی پیشگی منظوری سے مشروط ہوگا۔
- معاوضے کا حجم ذمہ داری کی سطح کے مطابق اور قابلیت کے لحاظ سے طے کیا جائے گا جو ڈائریکٹرز کو کامیابی کے ساتھ کمپنی سے منسلک رکھنے اور ان کی حوصلہ افزائی میں معاون ثابت ہوگا تاہم یہ کسی طور پر ان کی آزاد نہ حیثیت پر مفاہمت تصور نہیں کیا جاسکتا۔

ایگزیکٹو ڈائریکٹرز کے معاوضے کی تفصیلات نوٹ ۳۱ میں واضح کی گئی ہیں۔

آڈیٹرز

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشن، ۲۰۱۷ء کے تحت تمام لسٹڈ کمپنیز کے لئے یہ لازمی ہے کہ وہ ہر ۵ سال کے بعد اپنے ایکسٹرنل آڈیٹرز تبدیل کریں۔ کوڈ کے ضابطے کی روشنی میں موجودہ آڈیٹرز میسرز ایم وائی فوردر ہوڈز، چارٹرڈ اکاؤنٹینٹس سبکدوش ہو رہے ہیں اور آڈیٹرز کے طور پر اپنے پانچ سال مکمل کر چکے ہیں اور اب دوبارہ تقرری کے اہل نہیں ہیں اس لئے آڈٹ کمیٹی، بورڈ آف ڈائریکٹرز کی جانب سے تجویز کیا گیا کہ میسرز کے پی ایم جی تاثیر بادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کو ۳۱ دسمبر ۲۰۱۹ء کیلئے باہمی طے کردہ معاوضے پر کمپنی کا آڈیٹرز مقرر کیا جائے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کا بیان

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

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

Habib Insurance Company Limited

- شفاف طریقہ کار کے ذریعے بلا کسی مذہبی، ذات پات اور لسانی بنیاد پر امتیاز کے بغیر روزگار کی فراہمی۔
- کمپنی کی جانب سے سال کے دوران ۵۳۰ ملین روپے سے زائد کے براہ راست بینکوں کے ذریعے قومی خزانے میں شراکت۔ مزید برآں ۳۰۲۰۰ ملین روپے کی ایک اضافی رقم کمپنی کے ذریعے حکومت پاکستان کو ود ہولڈنگ ٹیکس، سروسز پریسز ٹیکس اور فیڈرل ایکسائز ڈیوٹی کی مد میں منہا / وصول کی گئی۔

رسک مینجمنٹ فریم ورک

کمپنی ہمیشہ اپنے کاروبار کی نوعیت اور کمپنی کے حجم کے مطابق ایک رسک مینجمنٹ فریم ورک کی حامل رہی ہے۔ یہ فریم ورک کئی سال قبل تشکیل دیا گیا تھا اور اس کو مزید بہتر اور واضح بنانے کا سلسلہ جاری ہے کمپنی اپنے کاروباری خطرات کو ایک محتاط طریقے سے قدامت پسند نظریے کی رہنمائی سے نمٹانے پر یقین رکھتی ہے۔ کاروباری خطرات اور ان سے نمٹنے کے عناصر کی وضاحت تفصیل کے ساتھ کنونشنل فنانشل اسٹینڈ کیلئے نوٹس ۳۵ اور ۳۶ اور ونڈ ونگا فل آپریشنز فنانشل اسٹینڈس کے نوٹس ۲۲ اور ۲۳ میں واضح کر دی گئی ہے۔

بورڈ کی کمیٹیاں

آڈٹ کمیٹی

کمپنی کی آڈٹ کمیٹی ایک انڈیپنڈنٹ ڈائریکٹر بطور چیئر مین کی نمائندگی کے ساتھ ۵ ممبران پر مشتمل ہے جو کہ مالیاتی امور سے بھی واقف ہیں اور ۳ نان۔ ایگزیکٹو ڈائریکٹرز ہیں۔ آڈٹ کمیٹی نے سال میں ۴ مرتبہ اجلاس منعقد کئے۔ اجلاسوں میں شرکت درج ذیل کے مطابق رہی:

شرکت کردہ اجلاس کی تعداد

جناب شاہد غفار	چیئر مین	3
جناب منصور جی۔ حبیب	ممبر	4
جناب محمد علی آر۔ حبیب	ممبر	2
جناب گمیل آر۔ حبیب	ممبر	4
جناب عون محمد اے۔ حبیب	ممبر	2

جناب عون محمد اے۔ حبیب کو ۱۶ مئی ۲۰۱۸ء کو آڈٹ کمیٹی کا ممبر منتخب کیا گیا تھا۔ مزید برآں جناب محمد علی آر۔ حبیب نے کمیٹی سے ۲۷ مارچ ۲۰۱۹ء کو استعفیٰ دے دیا۔

ضابطہ اخلاق، نامزدگی، ہیومن ریسورس اور ری میوزیشن کمیٹی

ضابطہ اخلاق، نامزدگی، ہیومن ریسورس اور ری میوزیشن کمیٹی ۴ ممبران پر مشتمل ہے جس کی نمائندگی ایک انڈیپنڈنٹ ڈائریکٹر بطور چیئر مین، ایک نان۔ ایگزیکٹو ڈائریکٹر، ایگزیکٹو ڈائریکٹر اور چیف ایگزیکٹو ڈائریکٹر کرتے ہیں۔ اخلاقی اقدار، نامزدگی، ہیومن ریسورس اور ری میوزیشن کمیٹی سال کے دوران ایک اجلاس منعقد کرتی ہے۔ اجلاس میں شرکت درج ذیل کے مطابق رہی:

شرکت کردہ اجلاس کی تعداد

جناب شاہد غفار	چیئر مین	1
جناب گمیل آر۔ حبیب	ممبر	1
جناب عون محمد اے۔ حبیب	ممبر	-
جناب شیر غلام علی	ممبر	1

جناب عون محمد اے۔ حبیب کو مورخہ ۱۶ مئی ۲۰۱۸ء کو جناب منور علی حبیب کی جگہ کمیٹی کا ممبر مقرر کیا گیا تھا۔

Habib Insurance Company Limited

سال کیلئے سرمایہ کاری کی آمدنی ۲۷۹۴ ملین روپے کے مقابلے میں ۲۷۹۴ ملین روپے رہی جس کی وجہ اس مدت میں کمر کیپٹل گین کاریکارڈ کیا جانا اور منافع منقسمہ کی آمدنی میں کمی کا ہونا تھا۔ اس کے نتیجے میں کمپنی کا منافع بعد از ٹیکس سال ۲۰۱۸ء میں ۳۰۵۳ ملین روپے رہا۔

پاکستان ریٹنگ ایجنسی نے کمپنی کو اے پلس (A+) انشورر فنانشل اسٹریٹیج (IFS) ریٹنگ تفویض کی تھی۔ یہ مستحکم و مضبوط کپسٹی پالیسی ہولڈرز اور کنٹریکٹ کی ذمہ داریوں پر پورا اترنے کا واضح ثبوت ہے۔

۱۸۔ ۲۰۱۷ء کیلئے معیشت کی مجموعی کارکردگی پر جی ڈی پی گروتھ ۴۳.۵ فیصد رہی اور غیر ملکی زرمبادلہ کے ذخائر ۸.۱۳ بلین امریکی ڈالر پر موجود تھے۔ افراط زر کی شرح میں ۲۰۱۷ء کیلئے اضافہ ہوا اور ڈسکونٹ ریٹ بھی بتدریج بڑھ کر ۵.۷۵ فیصد تک جا پہنچا۔ اے ایس ای ۱۱۰۰ انڈیکس ۳۱ دسمبر ۲۰۱۸ء کو ۸.۴ فیصد کمی کے ساتھ ۳۷۰۶۷ پر بند ہوا۔

ہم اللہ تعالیٰ سے پاکستان میں امن و سکون، استحکام اور ترقی کی دعا کرتے ہیں۔

ہم سال ۲۰۱۹ء میں آنے والے چیلنجوں سے نمٹنے کے ساتھ بہتری کیلئے پُر امید ہیں۔ ملک کی عمومی صورتحال اور معیشت میں موزوں حالات کو دیکھتے ہوئے ہم اس سال کو بہتر ترقی کا سال تصور کرتے ہیں۔ ہم اپنی سرمایہ کاری کے متوقع منافع جات پر ایک محتاط نظریہ رکھتے ہیں اور کمپنی اپنے محدود انڈر رائٹنگ پر کسی مفاہمت کے بغیر انشاء اللہ کاروبار میں توسیع پر پور توجہ دینے کے ذریعے اپنے انڈر رائٹنگ منافع جات مزید بہتر بنانے کے منصوبے پر عملدرآمد جاری رکھے گی۔

جیسا کہ ہم ہمیشہ تہہ دل سے اپنے کلائنٹس اور صارفین کے شکر گزار رہتے ہیں جو ہماری کمپنی پر بے انتہا اعتماد کرتے ہیں۔ خصوصی طور پر ہم اس تعاون اور رہنمائی کا ذکر کرنا چاہیں گے جو ہمیں اپنے ری انشوررز سے حاصل ہوتی رہتی ہے۔ بورڈ آف ڈائریکٹرز کمپنی کے تمام اسٹاف ممبران کو خراج تحسین پیش کرتے ہیں جنہوں نے پورے سال انتہائی خلوص اور جانفشانی سے کمپنی کے لئے محنت کی۔

بورڈ آف ڈائریکٹرز میں تبدیلیاں

سال کے دوران جناب منور علی حبیب نے بورڈ سے استعفیٰ دیا اور ان کی جگہ جناب عون محمد اے۔ حبیب کو بحیثیت ڈائریکٹر مقرر کیا گیا۔

بورڈ جناب منور علی حبیب کو ان کی کمپنی کے ساتھ منسلک رہنے کے دوران ان کی جانب سے انجام دی جانے والی قابل قدر خدمات پر خراج تحسین پیش کرتا ہے اور جناب عون محمد اے۔ حبیب کو کمپنی کے ڈائریکٹر کی حیثیت سے خیر مقدم کرتا ہے اور ان کے تجربے و مشاورت سے بہتر فائدہ حاصل ہونے کی امید رکھتا ہے۔

کارپوریٹ سوشل ریسپانسیبلٹی (CSR)

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

- پسماندہ طبقات کی ترقی اور فلاح و بہبود کے لئے سماجی، تعلیمی سرگرمیوں کے سلسلے میں سال کے دوران عطیات کے ذریعے ۳۷۳ ملین روپے مالیت کے کام انجام دیئے گئے۔
- غیر ضروری بجلی کے استعمال سے گریز کرتے ہوئے توانائی کی بچت، ماحولیاتی تحفظ اور پیشہ ورانہ سہفٹی اور صحت کے ساتھ تمباکو نوشی سے گریز کے قانون کے نفاذ اور ”نوا سوکنگ زون“ کے قیام اور کام کرنے کیلئے ایک محفوظ اور صحت مند ماحول فراہم کیا گیا۔
- کاروباری اقدار کے ساتھ تمام اسٹاف ممبران کیلئے کمپنی کے ”ضابطہ اخلاق“ پر عملدرآمد کرنا لازمی قرار۔
- عملے کے ساتھ خوشگوار تعلقات، میرٹ اور کارکردگی کو تسلیم کرنا اور اسٹاف کیلئے سیکھنے اور ترقی کے جاری مواقع، دونوں جاب کے دوران اور باقاعدہ تربیتی پروگراموں کے ذریعے فراہم کرنا۔

Habib Insurance Company Limited

۳۱ دسمبر ۲۰۱۸ء کو ختم ہونے والے سال کیلئے ڈائریکٹرز کی ۷۶ ویں رپورٹ برائے شیئر ہولڈرز

معزز شیئر ہولڈرز،

آپ سب کو یہ جان کر بے حد خوشی ہوگی کہ ستمبر ۲۰۱۸ء میں جناب علی رضا ڈی۔ حبیب کو ماشاء اللہ انشورنس ایسوسی ایشن آف پاکستان (آئی اے پی) کی جانب سے انشورنس کی صنعت میں ان کی خدمات کو تسلیم کرتے ہوئے اعزاز (Memento) تفویض کیا گیا۔

جناب علی رضا ڈی۔ حبیب نے دو مدتوں میں ۳۷ سال تک حبیب انشورنس کمپنی لمیٹڈ کیلئے خدمات انجام دی ہیں۔ ابتدائی پہلی مدت ۱۳ سال کیلئے تھی جو ۱۹۶۹ء میں ختم ہوئی۔ ان کی دوسری مدت ۲۴ سال پر محیط رہی جس کا آغاز ۱۹۹۳ء میں کمپنی کے سی ای او کی حیثیت سے ہوا اور یہ اگست ۲۰۱۷ء میں ختم ہوئی جب ان کے اعزاز میں کمپنی نے استقبالیہ دیا۔ اس وقت وہ کمپنی میں بطور ایگزیکٹو وائس چیئرمین فرائض انجام دے رہے تھے۔

جناب حبیب نے فائز کمیٹی نیز میرین کمیٹی میں خدمات انجام دیں۔ ۱۹۶۸ء میں وہ آئی اے پی کی سینٹرل کمیٹی کیلئے مقرر کیے گئے تھے۔ مئی ۲۰۱۲ء میں جناب حبیب نے ایس ای سی پی کی درخواست پر انشورنس انڈسٹری ریفارم کمیٹی کے ممبر کی حیثیت سے ذمہ داریاں سنبھالیں جو انشورنس کی صنعت کے فروغ کے لئے ایک جامع روڈ میپ کی تیاری کے لئے تشکیل دی گئی تھی۔

حبیب انشورنس کا بورڈ اور کمپنی کا تمام عملہ ان کی کمی کو ہمیشہ محسوس کرے گا اور ان کیلئے نیک خواہشات کا متنی ہے۔

بورڈ آف ڈائریکٹرز ۳۱ دسمبر ۲۰۱۸ء کو ختم ہونے والے سال کیلئے ۷۶ ویں سالانہ رپورٹ بشمول کمپنی کے آڈٹ شدہ حسابات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔

(000 روپے میں)

105,310

19,145

124,455

سال ۲۰۱۸ء کیلئے آمدنی بعد از ٹیکس

سال ۲۰۱۷ء کیلئے تصرف کے بعد دستیاب رقم

بورڈ آف ڈائریکٹرز نے اب تجویز کیا ہے:

92,906

منافع منقسمہ بشرح ۷۵،۰۰۰ روپے فی شیئر یعنی ہر ایک ۵ روپے مالیت کے شیئر پر ۱۵ فیصد کی ادائیگی

31,549

آگے لے جایا جانے والا غیر مختص شدہ منافع

124,455

0.85

فی شیئر بنیادی آمدنی

ڈائریکٹرز ہمسرت سال ۲۰۱۸ء کیلئے شیئر ہولڈرز کو ۱۵ فیصد پے آؤٹ کی سفارش کرتے ہیں جیسا کہ اوپر درج کیا گیا ہے۔

اللہ تعالیٰ کے فضل و کرم سے مجموعی تحریری پریبینم بڑھ کر ۳۳۴ ملین روپے ہو گیا اور اس طرح ۶۵ فیصد کا اضافہ ہوا، چونکہ صارف کے اطمینان کے ضمن میں زیادہ سے زیادہ توجہ مرکوز کی گئی تھی۔ ہم اپنے صارفین کے حبیب انشورنس کمپنی لمیٹڈ پر ان کے اعتماد کیلئے بے حد شکر گزار ہیں۔ خالص انشورنس پریبینم کم ہو کر ۶۵۳۲۶ ملین روپے ہو گیا کیونکہ ریزرو میں رکھی گئی رقم میں مناسب اضافہ ہوا تھا، جس کا فائدہ باقی ماندہ مدت میں حاصل کیا جائے گا۔ اس کے علاوہ کمیشن کی آمدنیوں اور گھیمز میں بہتری آئی، جو کم ہونگے۔ بعد ازاں انڈر رائٹنگ منافع بتدریج بڑھ کر ۶۶۶ ملین روپے ہو گئے جو اس کے مقابلے میں گزشتہ سال کی اسی مدت کے دوران ۴۶۴ ملین روپے تھے۔

Form of Proxy

I/We _____ of _____

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

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

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

No. _____ of _____

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

No. _____ of _____

another member of the Habib Insurance Company Limited as my/our proxy to vote for me/us and on my/our behalf at the Seventy Sixth Annual General Meeting of the Company to be held on April 29, 2019 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2019.

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER (S)

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

Witnesses:

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

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

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

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

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

مختار نامہ (پراکسی فارم)

میں / ہم _____ ساکن _____ بحیثیت ممبر (رکن) حبیب انشورنس کمپنی لمیٹڈ اور حامل
عام حصص، بمطابق شیئرز رجسٹر فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر _____
ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر _____ کو
یا ان کی غیر حاضری میں ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر _____
کو اپنے / ہمارے ایما پر بروز جمعرات ۲۹ اپریل ۲۰۱۹ء کو حبیب انشورنس کمپنی لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے چھترویں سالانہ اجلاس میں
حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں / کرتے ہیں۔
آج بروز _____ بتاریخ _____ ۲۰۱۹ء کو دستخط کئے گئے۔

پانچ روپے مالیت کا
رسیدی ٹکٹ پر دستخط

دستخط ممبر (رکن)

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

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

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

مختار نامہ (پراکسی فارم) پر ممبر (رکن) یا ان کے اٹارنی کے دستخط ہونا لازمی ہے۔ کارپوریٹ ادارہ ہونے کی صورت میں مختار نامہ (پراکسی فارم) پر کمپنی کی مہر ہونا
بھی ضروری ہے۔

مختار نامے (پراکسی فارم) بمعہ نامزد کرنے والے شخص کی تصدیق شدہ پاور آف اٹارنی (حسب ضرورت) بینک کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے کم از کم
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






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