

# Habib Insurance Company Limited

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# Habib Insurance Company Limited

## Company Information

### Board of Directors

<b>Chairman</b>	:	Rafiq M. Habib
<b>Directors</b>	:	Abbas D. Habib
		Mansoor G. Habib
		Mohamedali R. Habib
		Sajjad Hussain Habib
		Aun Mohammad A. Habib
		Mazher Ali Jumani

**Managing Director  
& Chief Executive** : Ali Raza D. Habib

**Company Secretary** : Shabbir Gulamali

**Auditors** : Ford Rhodes Sidat Hyder & Co.  
Chartered Accountants  
Karachi

**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) 2424030/38/39  
Fax : (92-21) 2421600  
UAN : (92-21) 111 03 03 03  
Website : [www.habibinsurance.net](http://www.habibinsurance.net)

# Habib Insurance Company Limited

## Sixty Fifth Report of the Directors' to the Shareholders for the year ended December 31, 2007

The Shareholders,

The Board of Directors have pleasure in presenting the Sixty Fifth Annual Report alongwith the audited accounts of the Company for the year ended December 31, 2007.

	Rupees in '000
Net profit after tax	420,378
Unappropriated profit brought forward	<u>611,280</u>
Profit available for appropriation	1,031,658
Appropriation for the year 2006	<u>(594,700)</u>
	<u><u>436,958</u></u>

The Board of Directors now propose:

Payment of dividend at Rs. 3.00 per share of Rs. 5/- each i.e. @ 60%	177,957
Issue of two bonus shares for every ten shares held i.e. @ 20%	59,319
Transfer to general reserve	150,000
Unappropriated profit carried forward	49,682
	<u><u>436,958</u></u>

By the grace of Allah, your Company had a successful closing for the year 2007 and the Directors are pleased to recommend a payout of 80% to shareholders as detailed above.

The underwriting results of the Company suffered a huge setback and plunged to Rs. 6.6 million from Rs. 52.9 million for 2006 because of massive losses following the sad events of 27<sup>th</sup> December. Claim figures rose sharply at an unprecedented level to Rs. 217.2 million from Rs. 122.4 million of the previous year. The gross written premium increased by 23% over last year to reach Rs. 685.6 million and there has been a more impressive gain in the net premium revenue rising to Rs. 336.0 million from Rs. 268.1 million, an improvement of over 25%.

Investment Income has once again benefited largely from capital gains of Rs. 408.5 million and was of valuable support in attaining the impressive overall results.

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

# Habib Insurance Company Limited

On the overall performance of the economy for 2007, the GDP growth is at 7% and inflation at 7.8%. Foreign exchange reserves are at US\$ 14 billion and direct foreign investment at US\$ 8 billion. The Stock Exchange performed brilliantly during the year closing at the KSE index of 14076 points, a rise of 40%. Corporate payouts have been favourable for the year.

We await the formation of the new government following the recently held elections. We are hopeful that the new government will pursue a consistent economic policy resulting in sustained growth and prosperity of the Country.

The outlook for 2008 appears positive and the Stock Exchange has responded favourably crossing the 15000 mark. The management will, Inshallah continue to strive for quality performance and to hopefully attain favourable underwriting results as in the past.

We wish to express our deepest appreciation to all our clients and customers for their confidence placed in our Company and we will strive even more towards meeting all their insurance requirements. A special mention is made for all the guidance and support we receive from our panel of reinsurers. The Board of Directors would like to express their appreciation to all the staff members of the Company for their dedication and hard work throughout the year.

## **Audit Committee**

The audit committee of the Company comprises of the following members:

Mr. Abbas D. Habib	Chairman
Mr. Mohamedali R. Habib	Member
Mr. Aun Mohammad A. Habib	Member
Mr. Mazher Ali Jumani	Member

## **Auditors**

The present auditors Messrs Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their reappointment as auditors of the Company for the year ending December 31, 2008, 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 Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

# Habib Insurance Company Limited

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. The value of investments and balance in deposit accounts of Provident Fund as on December 31, 2007 is Rs. 24,985,000.
10. During the year four Board meetings were held and the attendance of the Directors is as follows:

<b>Date of Meeting</b>	<b>Attended by</b>	
March 26, 2007	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Mazher Ali Jumani Mr. Ali Raza D. Habib	Chief Executive
April 28, 2007	Mr. Rafiq M. Habib Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Aun Mohammad A. Habib Mr. Mazher Ali Jumani Mr. Ali Raza D. Habib	Chief Executive
August 29, 2007	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Sajjad Hussain Habib Mr. Aun Mohammad A. Habib Mr. Ali Raza D. Habib	Chief Executive
October 27, 2007	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Mazher Ali Jumani Mr. Ali Raza D. Habib	Chief Executive

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11. The pattern of shareholding and additional information regarding pattern of shareholding is annexed.
12. Except as stated below, no trading in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children:

	<b>No. of Shares</b>
Acquired:	
Mr. Abbas D. Habib	1,688
Mrs. Niamat-e-Fatima w/o Mr. Abbas D. Habib	2,439

On behalf of the Board of Directors

Karachi: March 03, 2008

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

# Habib Insurance Company Limited

## Six Years' Review at a Glance

(Rupees in '000)

Years	2007	2006	2005	2004	2003	2002
Gross Written Premium	685,606	559,526	452,759	359,883	326,883	271,316
Net Premium Revenue	335,974	268,075	229,715	178,985	157,197	124,160
Investment Income	451,414	606,676	133,261	120,785	87,958	45,905
Net Claims	217,176	122,423	94,606	78,289	91,138	53,671
Profit after Tax	420,378	600,945	147,901	99,747	68,916	41,183
Paid-up Capital	296,595	219,700	169,000	130,000	100,000	75,000
Reserves & Retained Earnings	941,080	740,402	249,307	140,406	109,659	90,743
Total Assets - at Book Value	2,101,104	1,523,545	863,209	731,115	678,702	497,810
Cash Dividend	60%	65%	35%	30%	25%	20%
Stock Dividend	20%	35%	30%	30%	30%	33.33%

# Habib Insurance Company Limited

## Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2007

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 37 and No. XIII of listing regulations of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited respectively, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The Company encourages representation of independent non-executive Directors on its Board of Directors. All Directors of the Board are non-executive Directors.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies, including this Company.
3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Company's 'Statement of Ethics and Business Practices', has been signed by all the Directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies has been maintained and amended / updated from time to time.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company includes all the necessary aspects of internal control given in the Code.
10. The members of the Board are well conversant with the listing regulations and corporate requirements and as such fully aware of their duties and responsibilities.
11. The Board has approved appointment of CFO, Company Secretary and Internal Auditors, including their remuneration and terms and conditions of employment, as determined by the CEO.
12. 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.



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13. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
14. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed underwriting / claim settlement / reinsurance and co-insurance committee(s).
17. The Board has formed an audit committee. It comprises of 4 members, all of whom are non-executive Directors including the Chairman of the committee.
18. The Meetings of the committees were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code. The terms of reference of the audit committee have been formed and advised to the audit committee for compliance.
19. The Board has outsourced the internal audit function to Messrs Abbas Karjatwala & Company, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and their representatives are involved in the internal audit function on a full time basis.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. We confirm that all material principles contained in the Code have been complied with.

On behalf of the Board of Directors

Karachi: March 03, 2008

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

# Habib Insurance Company Limited

## **Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended December 31, 2007 prepared by the Board of Directors of Habib Insurance Company Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange where the Company is listed.

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

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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Karachi: March 03, 2008

**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants

# Habib Insurance Company Limited

## Auditors' Report to the Members of Habib Insurance Company Limited

We have audited the annexed financial statements comprising of:

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

of **Habib Insurance Company Limited** as at December 31, 2007 together with the notes forming part thereof, for the year then ended.

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

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

In our opinion –

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied;
- (c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at December 31, 2007 and of the profit, its cash flow and changes in equity for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: March 03, 2008

**Ford Rhodes Sidat Hyder & Co.**  
Chartered Accountants

# Habib Insurance Company Limited

## Balance Sheet as at December 31, 2007

	Note	2007	2006		Note	2007	2006
		(Rupees in '000)				(Rupees in '000)	
<b>Share Capital and Reserves</b>				<b>Cash and Bank Deposits</b>	15		
Authorised share capital	7	<u>500,000</u>	<u>250,000</u>	Cash and other equivalents		544	709
Paid-up share capital	7	296,595	219,700	Current and other accounts		128,033	123,976
Retained earnings		436,958	611,280	Deposits maturing within 12 months		1,363	1,750
Reserves	8	504,122	129,122			129,940	126,435
<b>TOTAL EQUITY</b>		1,237,675	960,102	<b>Loans – secured, considered good to employees</b>	16	981	905
<b>Underwriting Provisions</b>				<b>Investments</b>	17	1,313,616	691,063
Provision for outstanding claims (including IBNR)		281,704	74,157	<b>Security Deposits</b>	18	1,174	1,151
Provision for unearned premium		302,948	238,844	<b>Deferred Taxation</b>	19	19,357	3,496
Commission income unearned		26,959	27,430	<b>Current Assets – others</b>			
Total underwriting provisions		611,611	340,431	Premiums due but unpaid	20	154,991	125,948
<b>Deferred Liability</b>				Amounts due from other insurers / reinsurers	21	106,594	68,647
Staff retirement benefits	10	11,711	8,484	Accrued investment income	22	2,744	1,254
<b>Creditors and Accruals</b>				Reinsurance recoveries against outstanding claims		161,669	26,094
Premiums received in advance	11	323	363	Deferred commission expense		39,697	38,878
Amounts due to other insurers / reinsurers	12	126,667	88,391	Prepayments			
Accrued expenses		9,430	10,358	- Prepaid reinsurance premium ceded		115,518	95,941
Taxation - provision less payments		19,973	29,593	- Others	23	3,978	1,518
Other creditors & accruals	13	83,714	85,823	Sundry receivables	24	5,133	305,213
		240,107	214,528			590,324	663,493
<b>TOTAL LIABILITIES</b>		863,429	563,443	<b>Fixed Assets - at cost less depreciation</b>	25		
		<u>2,101,104</u>	<u>1,523,545</u>	<b>Tangible</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,101,104</u>	<u>1,523,545</u>	Furniture, fixtures and renovation		8,661	7,290
<b>Contingency &amp; Commitment</b>	14			Office equipments		2,652	2,144
				Computers and related equipment		1,916	1,519
				Motor vehicles		25,692	22,582
				Capital work in progress		4,487	-
				<b>Intangible</b>			
				Computer software		2,304	3,467
						45,712	37,002
				<b>TOTAL ASSETS</b>		<u>2,101,104</u>	<u>1,523,545</u>

The annexed notes 1 to 39 form an integral part of these financial statements.

RAFIQ M. HABIB  
*Chairman*

ABBAS D. HABIB  
*Director*

MANSOOR G. HABIB  
*Director*

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

# Habib Insurance Company Limited

## Profit and Loss Account for the year ended December 31, 2007

(Rupees in '000)

	Note	Fire & Property	Marine & Transport	Motor	Other Classes	2007	2006
<b>Revenue Account</b>							
Net premium revenue		73,686	90,794	133,181	38,313	335,974	268,075
Net claims		(59,409)	(28,398)	(102,358)	(27,011)	(217,176)	(122,423)
Expenses	26	(36,339)	(22,712)	(19,078)	(12,719)	(90,848)	(81,042)
Net commission		7,985	(8,643)	(17,710)	(2,954)	(21,322)	(11,656)
Underwriting result		(14,077)	31,041	(5,965)	(4,371)	6,628	52,954
Investment income						443,375	604,110
Profit on sale of fixed assets	25					578	1,182
Other Income						8,153	2,630
General and administration expenses	26					(51,217)	(55,043)
						400,889	552,879
Profit before tax						407,517	605,833
Provision for taxation	27					12,861	(4,888)
Profit after tax						420,378	600,945
<b>Profit and loss appropriation account</b>							
Balance at commencement of the year						611,280	160,185
Profit after tax for the year						420,378	600,945
Final dividend @ 65% (2006: 35%)						(142,805)	(59,150)
Transfer to reserve for issue of bonus shares @ 35% (2006: 30%)						(76,895)	(50,700)
Transfer to general reserve						(375,000)	(40,000)
Balance unappropriated profit at end of the year						436,958	611,280
Earnings per share (Basic and diluted) of Rs. 5/- each - Rupees	35					7.09	10.13

The annexed notes 1 to 39 form an integral part of these financial statements.

RAFIQ M. HABIB  
*Chairman*

ABBAS D. HABIB  
*Director*

MANSOOR G. HABIB  
*Director*

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

# Habib Insurance Company Limited

## Statement of Changes in Equity for the year ended December 31, 2007

(Rupees in '000)

	Share Capital	Capital Reserves		Revenue Reserves		Total
	Issued, subscribed and paid up	Reserve for exceptional losses	Reserve for issue of bonus shares	General reserve	Retained earnings	
Balance as on January 01, 2006	169,000	9,122	-	80,000	160,185	418,307
Issue of bonus shares in the ratio of 3:10	50,700	-	-	-	(50,700)	-
Final dividend @ 35% for the year ended December 31, 2005	-	-	-	-	(59,150)	(59,150)
Transfer to general reserve	-	-	-	40,000	(40,000)	-
Profit for the year	-	-	-	-	600,945	600,945
Balance as on December 31, 2006	219,700	9,122	-	120,000	611,280	960,102
Issue of bonus shares in the ratio of 35:100	76,895	-	-	-	(76,895)	-
Final dividend @ 65% for the year ended December 31, 2006	-	-	-	-	(142,805)	(142,805)
Transfer to general reserve	-	-	-	375,000	(375,000)	-
Profit for the year	-	-	-	-	420,378	420,378
Balance as on December 31, 2007	296,595	9,122	-	495,000	436,958	1,237,675

The annexed notes 1 to 39 form an integral part of these financial statements.

RAFIQ M. HABIB  
*Chairman*

ABBAS D. HABIB  
*Director*

MANSOOR G. HABIB  
*Director*

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

# Habib Insurance Company Limited

## Statement of Cash Flows for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)		Note	2007 (Rupees in '000)	2006 (Rupees in '000)
<b>Operating Cash Flows</b>				<b>Reconciliation to Profit and Loss Account</b>			
<b>a) Underwriting activities</b>				Operating cash flows		24,770	38,722
Premiums received		607,535	496,001	Depreciation expense		(10,692)	(9,343)
Reinsurance premiums paid		(266,829)	(240,875)	Profit on disposal of fixed assets		578	1,182
Claims paid		(217,518)	(188,998)	Dividend paid		4,360	1,833
Reinsurance and other recoveries received		72,314	80,857	Increase in assets other than cash		244,458	83,879
Commissions paid		(89,359)	(64,323)	(Increase) in liabilities other than running finance		(306,379)	(118,002)
Commissions received		66,612	73,360			(42,905)	(1,729)
Other underwriting receipts		114	64	<b>Other adjustments</b>			
Net cash flow from underwriting activities		172,869	156,086	Income tax paid		12,621	9,777
<b>b) Other operating activities</b>				Provision for premiums due but unpaid		(4,986)	(5,293)
Income tax paid		(12,621)	(9,777)	Provision for amount due from other insurers / reinsurers		(6,055)	(4,482)
General management expenses paid		(122,640)	(117,010)	Provision for gratuity		(3,372)	(2,798)
Loans advanced		(914)	(1,067)	Provision for impairment		(78)	-
Loans repayments received		1,027	827	Gratuity paid		145	480
Other operating (payments) / receipts		(12,951)	9,663	Profit / Return received		7,900	2,493
Net cash flow used in other operating activities		(148,099)	(117,364)	Dividends received		35,792	41,935
				Capital gain		408,455	565,450
				Provision for taxation		12,861	(4,888)
Total cash flow from all operating activities		24,770	38,722			463,283	602,674
<b>Investment activities</b>				Profit after taxation		420,378	600,945
Profit / Return received		7,900	2,493	<b>Definition of cash</b>			
Dividends received		35,792	41,935	Cash comprises of cash in hand, policy stamps, bank balances and other deposits which are readily convertible to cash in hand which are used in the cash management function on a day-to-day basis.			
Payments for investments		(2,580,133)	(870,925)	<b>Cash for the purposes of the Statement of Cash Flows consists of:</b>			
Proceeds from disposal of investments		2,667,958	922,733	<b>Cash and other equivalents</b>			
Fixed capital expenditure		(16,115)	(10,382)	Cash in hand		136	160
Proceeds from disposal of fixed assets		1,778	2,640	Policy stamps		408	549
Total cash flow from investing activities		117,180	88,494			544	709
<b>Financing activities</b>				<b>Current and other accounts with banks</b>			
Dividends paid		(138,445)	(57,317)	Current Accounts		11,483	6,540
Total cash flow used in financing activities		(138,445)	(57,317)	PLS Savings Accounts		116,550	117,436
Increase in cash and bank balance during the year		3,505	69,899			128,033	123,976
Cash at the beginning of the year		126,435	56,536	<b>Deposits with banks maturing within 12 months</b>			
Cash at the end of the year	15	129,940	126,435	Deposit Accounts		1,363	1,750
				Total	15	129,940	126,435

The annexed notes 1 to 39 form an integral part of these financial statements.

RAFIQ M. HABIB  
Chairman

ABBAS D. HABIB  
Director

MANSOOR G. HABIB  
Director

ALI RAZA D. HABIB  
Managing Director  
& Chief Executive

# Habib Insurance Company Limited

## Statement of Premiums for the year ended December 31, 2007

(Rupees in '000)

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2007 Net premium revenue	2006 Net premium revenue
		Opening	Closing			Opening	Closing			
Direct and facultative										
1. Fire and Property	235,547	105,422	117,379	223,590	147,774	66,767	64,637	149,904	73,686	58,488
2. Marine and Transport	143,420	22,214	21,354	144,280	54,843	6,411	7,768	53,486	90,794	90,582
3. Motor	184,589	72,950	104,219	153,320	20,325	1,847	2,033	20,139	133,181	90,866
4. Other Classes	122,050	38,258	59,996	100,312	82,163	20,916	41,080	61,999	38,313	28,139
<b>Total</b>	<b>685,606</b>	<b>238,844</b>	<b>302,948</b>	<b>621,502</b>	<b>305,105</b>	<b>95,941</b>	<b>115,518</b>	<b>285,528</b>	<b>335,974</b>	<b>268,075</b>

The annexed notes 1 to 39 form an integral part of these financial statements.

RAFIQ M. HABIB  
*Chairman*

ABBAS D. HABIB  
*Director*

MANSOOR G. HABIB  
*Director*

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



# Habib Insurance Company Limited

## Statement of Claims for the year ended December 31, 2007

Business underwritten inside Pakistan

(Rupees in '000)

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2007 Net claims expense	2006 Net claims expense
		Opening	Closing			Opening	Closing			
Direct and facultative										
1. Fire and Property	50,243	22,965	165,258	192,536	37,776	16,334	111,685	133,127	59,409	11,010
2. Marine and Transport	38,435	15,444	36,235	59,226	14,160	4,001	20,669	30,828	28,398	34,111
3. Motor	90,956	25,926	59,907	124,937	7,074	3,333	18,838	22,579	102,358	58,177
4. Other Classes	37,884	9,822	20,304	48,366	13,304	2,426	10,477	21,355	27,011	19,125
<b>Total</b>	<b>217,518</b>	<b>74,157</b>	<b>281,704</b>	<b>425,065</b>	<b>72,314</b>	<b>26,094</b>	<b>161,669</b>	<b>207,889</b>	<b>217,176</b>	<b>122,423</b>

The annexed notes 1 to 39 form an integral part of these financial statements.

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*Chairman*

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*Director*

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*Managing Director  
& Chief Executive*

# Habib Insurance Company Limited

## Statement of Expenses for the year ended December 31, 2007

(Rupees in '000)

Business underwritten inside Pakistan

Class	Commissions paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers	2007 Net underwriting expense	2006 Net underwriting expense
Direct and facultative									
1. Fire and Property	35,651	18,423	19,032	35,042	36,339	71,381	43,027	28,354	19,856
2. Marine and Transport	23,887	3,760	3,277	24,370	22,712	47,082	15,727	31,355	25,782
3. Motor	20,206	10,290	12,488	18,008	19,078	37,086	298	36,788	30,121
4. Other Classes	9,480	6,405	4,900	10,985	12,719	23,704	8,031	15,673	16,939
Total	89,224	38,878	39,697	88,405	90,848	179,253	67,083	112,170	92,698

The annexed notes 1 to 39 form an integral part of these financial statements.

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*Chairman*

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*Director*

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*Managing Director  
& Chief Executive*

# Habib Insurance Company Limited

## Statement of Investment Income for the year ended December 31, 2007

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)
<b>Income from Non-Trading Investments</b>			
<b>Available-for-Sale</b>			
Dividend income	28	37,142	40,969
Gain on sale of investments		408,455	565,450
		445,597	606,419
Less: Investment related expenses		(2,222)	(2,309)
Net investment income		443,375	604,110

The annexed notes 1 to 39 form an integral part of these financial statements.

RAFIQ M. HABIB  
*Chairman*

ABBAS D. HABIB  
*Director*

MANSOOR G. HABIB  
*Director*

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

# Habib Insurance Company Limited

## Notes to the Financial Statements for the year ended December 31, 2007

### 1. THE COMPANY AND ITS OPERATIONS

Habib Insurance Company Limited (the Company) was incorporated as a Public Limited Company in the year 1942 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The registered office of the Company is situated at Habib Square, M.A. Jinnah Road, Karachi and the shares of the Company are quoted on the Karachi and Lahore Stock Exchanges. The Company is engaged in the general insurance business.

### 2. BASIS OF PRESENTATION

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

### 3. STATEMENT OF COMPLIANCE

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

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

### 4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that obligations under certain employee benefits are measured at present value.

### 5. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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 estimates / judgments and associated assumptions are reviewed on an ongoing basis. Revision to the 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 revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumption and estimates are significant to the financial statements, or judgments was exercised in application of accounting policies, are as follows:

	Note
• Provision for outstanding claims (including IBNR)	6.1 & 9
• Premium deficiency reserves	6.3
• Defined benefit plan	6.5.2 & 10
• Classification of investments	6.7 & 17
• Useful lives of assets and methods of depreciation	6.8 & 25
• Expenses	6.10 & 26
• Provision for taxation current and deferred	6.15 & 27
• Amount due from other insurers / reinsurers	6.16 & 21

# Habib Insurance Company Limited

## 6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 6.1 Provision for outstanding claims including Incurred But Not Reported (IBNR)

Liability for outstanding claims is recognised in respect of all claims incurred upto the balance sheet date which represents the estimates of the claim intimated or assessed before the end of the accounting year and measured at the undiscounted value of the expected future payments.

Consistent with prior years, provisions for outstanding claims include amounts in relation to unpaid reported claims, claims incurred but not reported (IBNR) and expected claims settlement costs.

Provision for liability in respect of unpaid reported claims is made on the basis of individual case estimates.

Provision for IBNR is made for the cost of settling claims incurred but not reported at the balance sheet date, on the basis of management's judgement and the Company's prior experience.

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

### 6.2 Premiums

#### 6.2.1 Premium income earned

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

- (a) for direct business, evenly over the period of the policy
- (b) for retrocession business received from Pakistan Reinsurance Company Limited (PRCL), at the time when statement is received.

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

#### 6.2.2 Provision for unearned premium

Provision for unearned premium represents the portion of premium written relating to the unexpired period of coverage and is recognised as a liability by the Company.

The Company has opted for the 1/24<sup>th</sup> or 1/6<sup>th</sup> method where applicable to calculate provision for unearned premium as specified in the SEC (Insurance) Rules, 2002.

#### 6.2.3 Premiums due but unpaid

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

### 6.3 Premium Deficiency Reserve

The Company provides, if applicable, a premium deficiency reserve as a liability to meet the deficit, where the unearned premium liability for any class of business 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 balance sheet date in respect of policies in that class of business in force at balance sheet date.

The movement in premium deficiency reserve is recorded as an expense / income in the profit and loss account for the year.

### 6.4 Commissions

#### 6.4.1 Deferred commission expense

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

# Habib Insurance Company Limited

## **6.4.2 Commission income unearned**

Commission from reinsurers 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.

## **6.4.3 Commission income**

Commission income from reinsurers / co-insurers / others is recognised at the time of issuance of the underlying insurance policy by the Company. This income is deferred and accounted for as revenue in accordance with the pattern of recognition of reinsurance / co-insurance / other premium to which they relate. Profit commission, if any, which the Company may be entitled under the terms of reinsurance is recognised on accrual basis.

## **6.5 Staff Retirement Benefits**

### **6.5.1 Defined Contributory 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.

### **6.5.2 Defined Benefit Plan**

The Company operates an unfunded approved gratuity scheme for all 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 income. The most recent valuation was carried out as of December 31, 2007 using the "Projected Unit Credit Actuarial Cost Method".

The amount recognised in the balance sheet represents the present value of defined benefit obligations as adjusted for unrecognised actuarial gains and losses.

Cumulative net unrecognised actuarial gains and losses at the end of previous year which exceed 10% of the present value of the Company's gratuity obligations are amortised over the expected average remaining working lives of the employees.

## **6.6 Compensated Absences**

The Company accounts for these benefits in the period in which the absences are earned.

## **6.7 Investments**

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:

### **6.7.1 Investments at fair value through profit and loss account**

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.

# Habib Insurance Company Limited

## 6.7.2 Available-for-Sale

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

### Quoted

Subsequent to initial recognition at cost, quoted investments are stated at the lower of cost or market value (market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SRO 938 issued by the SECP in December 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value. Also see note 17.2.7.

### Unquoted

Unquoted investments are recorded at cost less provision for impairment, if any.

## 6.7.3 Held-to-Maturity

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

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

## 6.8 Operating Fixed Assets and Depreciation

### 6.8.1 Tangible

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 25.1 to the financial statements after taking into account residual value, if any. Depreciation on vehicles is charged to income applying the reducing balance method whereby the cost of the asset is written off over the estimated useful life. The useful lives, residual value and depreciation method are reviewed and adjusted if appropriate, at each balance sheet date. Depreciation on additions is charged for the full month in which an asset is put to use and on deletions upto the month immediately preceding the deletion.

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

Capital work-in-progress is stated at cost less any impairment in value. It consist 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.

### 6.8.2 Intangible

These are stated at cost less accumulated amortisation and any provision for impairment loss. Depreciation on intangible fixed assets is charged to income applying the straight line method at the rates specified in note 25.3 to the financial statements after taking into account residual value, if any.

# Habib Insurance Company Limited

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

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

## **6.9 Investment and Other Income**

### **6.9.1 Gain / (loss) on sale of investments**

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

### **6.9.2 Dividend Income and Bonus Shares**

- i) Dividend income is recognised when the right to receive the same is established.
- ii) Entitlement of bonus shares is recognised when the right to receive the same is established by increasing the number of shares to which the Company is entitled without giving any monetary effect in the financial statements either in terms of cost or value thereof which is in accordance with the requirement of the ICAP's Technical Release-15.

### **6.9.3 Income on Held-to-Maturity Investment**

Profit / Interest on government securities and Term Finance Certificates (TFCs) of listed entities is recognised on a time proportion basis taking into account the effective yield on the investment.

### **6.9.4 Profit on Bank Accounts and Deposits**

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

## **6.10 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.

## **6.11 Segment Reporting**

The Company's operating business is organised and managed separately according to the nature of the services provided with each segment representing a strategic business unit that serves different markets.

The Company has three major segments namely fire, marine and accident (motor and miscellaneous).

### **6.11.1 Fire**

The perils covered under this segment include damages by fire, riot and strike, explosion, earthquake, atmospheric damages, floods, electrical fluctuation, impact and other coverage.

### **6.11.2 Marine**

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



# Habib Insurance Company Limited

## 6.11.3 Accident

### 6.11.3.1 Motor

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

### 6.11.3.2 Miscellaneous

Miscellaneous insurance provides cover against burglary, loss of cash in safe and in transit, personal accident, engineering losses and other coverage.

## 6.12 Financial Instruments

All financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Any gain or losses on de-recognition of the financial assets and liabilities are included in the net profit or loss for the period in which it arises.

## 6.13 Offsetting

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

## 6.14 Transfer Pricing Policy

Transfer pricing policy of the Company for insurance and other businesses is to ensure that the transactions with related parties are at arms length. The basis of charging is comparable uncontrolled price. Any departure from the above needs Board of Directors' approval.

## 6.15 Taxation

### Current

Provision for current taxation is based on taxable income taking into account applicable tax credits and exemptions available, if any.

### Deferred

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised. 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 profits will allow deferred tax assets to be recovered.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

# Habib Insurance Company Limited

## 6.16 Amount due from other insurers / reinsurers

Amount due from other insurers / reinsurers are carried at cost less provision for impairment. An estimate for doubtful amount is made when collection is no longer probable.

## 6.17 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.

## 6.18 Foreign Currencies

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 currently.

## 6.19 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.

## 6.20 Impairment

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

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 / expense currently.

## 6.21 Accounting standards not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations.

IAS 1 – Presentation of Financial Statements	effective from accounting period beginning on or after January 01, 2009
IAS 23 – Borrowing Costs	effective from accounting period beginning on or after January 01, 2009
IAS 27 – Consolidated and Separated Financial Statements	effective from accounting period beginning on or after January 01, 2009
IFRS 3 – Business Combinations	effective from accounting period beginning on or after January 01, 2009
IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions	effective from accounting period beginning on or after March 01, 2007
IFRIC 12 – Service Concession Agreements	effective from accounting period beginning on or after January 01, 2008
IFRIC 13 – Customer Loyalty Programs	effective from accounting period beginning on or after July 01, 2008
IFRIC 14 – IAS 19 – The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	effective from accounting period beginning on or after January 01, 2008
IAS 41 – Agriculture	effective from accounting period beginning on or after May 22, 2007

# Habib Insurance Company Limited

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application.

In addition to the above, the following new standards have been issued by the International Accounting Standards Board but have not yet been adopted by the Institute of Chartered Accountants or notified by the Securities & Exchange Commission of Pakistan and hence presently do not form part of the local financial reporting framework:

IFRS 4 – Insurance Contracts

IFRS 7 – Financial Instruments : Disclosures

IFRS 8 – Operating Segments

## 7. SHARE CAPITAL

### 7.1 Authorised Share Capital

2007	2006		2007	2006
Number of Shares (in '000)			(Rupees in '000)	
<u>100,000</u>	<u>50,000</u>	Ordinary shares of Rs. 5/- each	<u>500,000</u>	<u>250,000</u>

During the year, the Company has increased its authorised share capital from Rs. 250 million (50,000,000 ordinary shares of Rs. 5/- each) to Rs. 500 million (100,000,000 ordinary shares of Rs. 5/- each) as approved by shareholders in their general meeting held on April 28, 2007.

### 7.2 Paid-up Share Capital

Issued, subscribed and paid-up:

1,000	1,000	Ordinary shares of Rs. 5/- each fully paid in cash	5,000	5,000
<u>58,319</u>	<u>42,940</u>	Ordinary shares of Rs. 5/- each issued as fully paid bonus shares	<u>291,595</u>	<u>214,700</u>
<u>59,319</u>	<u>43,940</u>		<u>296,595</u>	<u>219,700</u>
43,940	33,800	Ordinary shares of Rs. 5/- each at the beginning of the year	219,700	169,000
<u>15,379</u>	<u>10,140</u>	Fully paid bonus shares issued during the year	<u>76,895</u>	<u>50,700</u>
<u>59,319</u>	<u>43,940</u>		<u>296,595</u>	<u>219,700</u>

**7.2.1** As at December 31, 2007 related parties including directors and their dependents held 7,694,870 (12.97%) [2006: 5,696,222 (12.96%)] number of ordinary shares of Rs. 5/- each.

	Note	2007	2006
(Rupees in '000)			
<b>8. RESERVES</b>			
<b>Capital reserves</b>			
Reserve for exceptional losses	8.1	9,122	9,122
<b>Revenue reserves</b>			
Balance at beginning of the year		120,000	80,000
Transfer from profit and loss appropriation		375,000	40,000
		<u>495,000</u>	<u>120,000</u>
		<u>504,122</u>	<u>129,122</u>

# Habib Insurance Company Limited

8.1 The reserve for exceptional losses was created prior to 1979 and was charged to income in accordance with the provisions of repealed Income Tax Act, 1922 and has been retained to date.

2007                      2006  
(Rupees in '000)

## 9. PROVISION FOR OUTSTANDING CLAIMS (INCLUDING IBNR)

Related parties	114,961	20,937
Others	166,743	53,220
	281,704	74,157
	281,704	74,157

## 10. STAFF RETIREMENT BENEFITS – Unfunded Gratuity Scheme

	11,711	8,484
	11,711	8,484

The latest valuation of scheme was carried out as at December 31, 2007 using the Projected Unit Credit Actuarial Cost Method. Provision has been made in the financial statements to cover the related obligation in accordance with the actuarial recommendations.

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

Discount rate	10% per annum compounded
Salary Increase	10% per annum
Rate of return on investment	10% per annum
Normal retirement	60 years

Updated Movement in the net liability recognised in balance sheet are as follows:

Present value of defined benefit obligation	17,249	13,378
Unrecognised actuarial gain / (loss)	(5,538)	(4,436)
Unrecognised transitional obligation	–	(458)
	11,711	8,484
	11,711	8,484

Movement in the net liability recognised in the balance sheet are as follows:

Balance at commencement of the year	8,484	6,165
Cost for the year	3,372	2,798
Benefits paid during the year	(145)	(479)
	11,711	8,484
	11,711	8,484

The following amounts have been charged to the profit and loss account for the year ended December 31, 2007 in respect of the staff gratuity:

Current service cost	1,385	1,239
Interest cost	1,308	919
Annual amortisation of transition obligation	458	460
Annual amortisation of loss	221	180
	3,372	2,798
	3,372	2,798

# Habib Insurance Company Limited

Summary of valuation results for the current and previous four periods.

(Rupees in '000)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Present value of defined benefit obligations	17,249	13,378	10,672	7,600	7,825
Fair value of plan assets	—	—	—	—	—
Deficit	<u>17,249</u>	<u>13,378</u>	<u>10,672</u>	<u>7,600</u>	<u>7,825</u>
Experience gain on obligation	<u>1,324</u>	<u>1,028</u>	<u>1,857</u>	<u>807</u>	<u>1,017</u>

2007  
(Rupees in '000)

## 11. PREMIUMS RECEIVED IN ADVANCE

Clients' premium deposit	323	325
Premiums received in advance	—	38
	<u>323</u>	<u>363</u>

## 12. AMOUNTS DUE TO OTHER INSURERS / REINSURERS

Foreign reinsurers	41,827	5,045
Local reinsurers	37,247	25,061
Premium payable to co-insurers	47,593	58,285
	<u>126,667</u>	<u>88,391</u>

## 13. OTHER CREDITORS AND ACCRUALS

Federal insurance fee	811	809
Federal excise duty	4,190	3,753
Withholding tax	307	261
Unclaimed dividends	17,557	13,197
Agents commission payable	57,959	58,094
Sundry creditors – others	2,890	9,709
	<u>83,714</u>	<u>85,823</u>

## 14. CONTINGENCY & COMMITMENT

**14.1** Represents Federal Excise Duty (FED) paid by the Company under protest pertaining to prior years' on the order of the Collector of Customs, Sales Tax and Federal Excise. The Company is of the view that it is not liable to pay FED as the same was not charged and collected. Presently, the matter is under appeal with the appellate authorities. Based on the merits of the case, the Company is confident that the ultimate decision would be in its favour, hence, no provision has been made in these financial statements against receivable (See note 24).

**14.2** The Company has entered into an agreement with M/s. Asthetix, pertaining to renovation of a branch office, amounting to Rs 2.410 million against which the Company has paid an advance of Rs 1.343 million (see note 25.2.1)

# Habib Insurance Company Limited

	Note	2007 (Rupees in '000)	2006
<b>15. CASH AND BANK DEPOSITS</b>			
<b>Cash and other equivalents</b>			
Cash in hand		136	160
Policy stamps		408	549
		544	709
<b>Current and other accounts</b>			
Current accounts		11,483	6,540
PLS savings accounts	15.1	116,550	117,436
		128,033	123,976
<b>Deposits maturing within 12 months</b>			
Deposit account	15.2	1,363	1,750
		<u>129,940</u>	<u>126,435</u>

15.1 These carry mark-up rates ranging from 7.00% to 8.50% (2006: 7.00% to 8.50%) per annum.

15.2 Carries mark-up rate of 11% (2006: 10%) per annum.

## 16. LOANS – considered good

### Secured

Employees	16.1	1,546	1,659
Less: Recoverable within one year		(565)	(754)
		<u>981</u>	<u>905</u>

Loans to employees are granted in accordance with the rules specified in the SEC (Insurance) Rules, 2002. These loans are recoverable in monthly instalments over various periods and are secured against provident fund balances or deposit of title documents.

These loans carry a mark-up rate of 7% (2006: 7%) per annum.

### 16.1 Reconciliation of carrying amount of loans

Opening balance		1,659	1,420
Disbursements		914	1,067
		2,573	2,487
Repayments		(1,027)	(828)
Closing balance		<u>1,546</u>	<u>1,659</u>

# Habib Insurance Company Limited

	Note	2007 (Rupees in ' 000)	2006
17. INVESTMENTS			
Held-to-Maturity	17.1	78	78
Less: Provision for impairment		(78)	-
		<u>-</u>	<u>78</u>
Available-for-Sale	17.2	1,313,616	690,985
		<u>1,313,616</u>	<u>691,063</u>
17.1 Held-to-Maturity			
No. of Shares/Units/ Certificates	Face Value (Rupees)	Company's Name	
2007	2006		
		Debentures	
12	12	Tariq Cotton Mills Limited (under liquidation)	78
			<u>78</u>
17.2 Available-for-Sale			
Quoted securities deposited with the State Bank of Pakistan	17.2.1	357	357
Quoted - Mutual Funds	17.2.2	432,818	8,818
Quoted - Modaraba Certificates	17.2.3	8,699	4,970
Quoted - Shares	17.2.4	484,315	676,840
Quoted - Investments in related parties	17.2.5	387,427	-
		<u>1,313,616</u>	<u>690,985</u>
17.2.1 Deposited with the State Bank of Pakistan			
No. of Shares/Units/ Certificates	Face Value (Rupees)	Company's Name	
2007	2006		
27,500	27,500	National Investment (Unit) Trust	252
2,018	2,018	Pakistan Income Fund (PIF)	105
			<u>357</u>
17.2.2 Quoted - Mutual funds			
		MUTUAL FUND	
1,657,825	-	100 Askari Income Fund	175,000
7,296,004	-	10 BMA Chundrigar Road Savings Fund	75,000
-	12,948	100 Crosby Dragon Fund	-
16,664,445	-	10 NAFA Cash Fund	175,000
199,500	199,500	10 PICIC Investment Fund	2,353
155,000	155,000	10 PICIC Growth Fund	5,465
			<u>432,818</u>
			<u>8,818</u>
17.2.3 Quoted - Modaraba certificates			
		MODARABA	
49,000	49,000	10 First Habib Bank Modaraba	332
752,500	421,000	5 First Habib Modaraba	7,222
109,000	146,000	10 Standard Chartered Modaraba	1,145
			<u>8,699</u>
			<u>4,970</u>

# Habib Insurance Company Limited

No. of Shares/Units/ Certificates		Face Value	Company's Name	2007	2006
2007	2006	(Rupees)		(Rupees in '000)	
<b>17.2.4 Quoted – Shares</b>					
<b>LEASING</b>					
42,000	47,000	10	Askari Leasing Limited	300	362
<b>INVESTMENT COMPANIES / BANKS</b>					
25,000	–	10	Arif Habib Securities Limited	4,616	–
204,500	150,000	10	Askari Bank Limited	21,529	15,673
–	300,000	10	Bank Alfalah Limited	–	12,893
–	152,500	10	The Bank of Punjab	–	15,368
–	150,000	10	Faysal Bank Limited	–	9,090
30,000	–	10	Habib Bank Limited	8,503	–
13,800	38,000	10	Jahangir Siddiqui & Company Limited	341	1,878
3,900	2,600	10	JS Global Capital Limited	258	258
75,000	–	10	JS Investments Limited	5,206	–
–	190,000	10	MCB Bank Limited	–	46,186
55,000	190,000	10	National Bank of Pakistan	12,546	43,875
100,000	–	10	NIB Bank Limited	2,080	–
–	250,000	10	Pakistan Industrial Credit & Investment Corp. Ltd.	–	15,255
72,000	75,000	10	PICIC Commercial Bank Limited	2,453	2,555
250,000	–	10	Soneri Bank Limited	9,195	–
142,000	–	10	Standard Chartered Bank (Pakistan) Ltd.	7,757	–
–	50,000	10	United Bank Limited	–	8,014
<b>INSURANCE</b>					
40,000	300,000	10	Adamjee Insurance Co. Limited	15,210	38,930
50,000	57,200	10	Atlas Insurance Limited	7,000	4,802
116,600	–	10	EFU General Insurance Co. Limited	14,697	–
125,000	–	10	IGI Insurance Limited	52,662	–
50,500	209,300	10	New Jubilee Insurance Co. Limited	5,926	14,012
43,300	41,960	10	Pakistan Reinsurance Co. Limited	12,386	2,070
2,000	2,000	10	PICIC Insurance Limited	21	21
<b>TEXTILE COMPOSITE</b>					
117	117	10	Colony Textile Mills Limited	1	1
–	18,346	10	Dawood Lawrencepur Limited	–	328
48,900	48,900	10	Gadoon Textile Mills Limited	1,450	1,450
195,000	346,843	10	Gul Ahmed Textile Mills Limited	7,435	6,151
23,595	21,450	10	Gulistan Spinning Mills Limited	251	251
93	93	10	Kohinoor (Gujarkhan) Mills Limited (unquoted)	–	–
4,575	4,358	10	Kohinoor Industries Limited	14	14
5,861	5,861	10	Nakshbandi Industries Limited	50	50
20	20	10	National Silk & Rayon Mills Limited	–	–
15,000	60,000	10	Nishat (Chunian) Limited	1,275	5,100
10,000	66,000	10	Nishat Mills Limited	606	4,000
8,000	8,000	10	Saif Textile Mills Limited	285	285



# Habib Insurance Company Limited

No. of Shares/Units/ Certificates		Face Value	Company's Name	2007	2006
2007	2006	(Rupees)		(Rupees in '000)	
<b>SUGAR AND ALLIED</b>					
20,000	20,000	10	Dewan Sugar Mills Limited	295	295
280,000	–	5	Habib ADM Limited	4,877	–
427	372	10	Kohinoor Sugar Mills Limited	2	2
33,000	25,000	10	Noon Sugar Mills Limited	1,278	1,278
<b>CEMENT &amp; ENGINEERING</b>					
30,000	57,750	10	D.G. Khan Cement Company Limited	2,788	3,699
22,000	–	10	Dadex Eternit Limited	1,237	–
–	40,000	10	Dewan Cement Limited	–	860
30,000	65,000	10	Lucky Cement Limited	2,938	5,039
22,750	91,000	10	Maple Leaf Cement Factory Limited	284	3,414
22,500	50,000	10	Pakistan Cement Company Limited	225	767
–	111,827	10	Pioneer Cement Limited	–	5,774
<b>GLASS AND CERAMICS</b>					
6,500	–	10	Ghani Glass Limited	547	–
<b>FUEL AND ENERGY</b>					
70,000	300,000	10	Kot Addu Power Company Limited	3,423	13,977
135,000	500,000	10	Oil & Gas Development Company Limited	15,894	60,477
30,000	132,000	10	Pakistan Oilfields Limited	10,063	45,300
50,000	110,000	10	Pakistan Petroleum Limited	12,877	25,737
10,000	46,900	10	Pakistan State Oil Company Limited	3,965	14,710
61,300	68,500	10	Shell Pakistan Limited	25,917	28,961
47,000	50,000	10	Sitara Energy Limited	836	889
75,345	80,345	10	Sui Southern Gas Company Limited	1,873	1,906
311,000	1,000,000	10	The Hub Power Company Limited	8,832	26,639
<b>AUTO &amp; ALLIED ENGINEERING</b>					
31,600	61,600	5	Al Ghazi Tractors Limited	4,273	8,330
12,561	10,923	10	Altas Battery Limited	904	904
173,160	172,830	10	Honda Altas Cars (Pakistan) Limited	1,738	5,086
27,500	–	10	Millat Tactors Limited	7,864	–
18,000	–	10	Paki Suzuki Motor Company Limited	5,358	–
<b>CABLE &amp; ELECTRICAL GOODS</b>					
20,000	20,000	10	Electric Lamp Manufacturers Limited (unquoted)	–	–
10,489	2,767	10	Pakistan Cables Limited	1,402	22
<b>TECHNOLOGY &amp; COMMUNICATIONS</b>					
200,000	680,000	10	Pakistan Telecommunication Company Limited	9,573	32,543
80,000	80,000	10	TRG Pakistan Limited - Class 'A'	949	886

# Habib Insurance Company Limited

No. of Shares/Units/ Certificates	Face Value (Rupees)	Company's Name	2007 (Rupees in '000)	2006 (Rupees in '000)
2007	2006			
<b>CHEMICAL &amp; PHARMACEUTICAL</b>				
72,500	–	10 Abbott Laboratories (Pakistan) Limited	16,124	–
15,000	–	10 BOC Pakistan Limited	4,008	–
8,400	8,400	10 Clariant Pakistan Limited	1,323	1,323
80,000	–	10 Dawood Hercules Chemicals Limited	32,203	–
160,000	250,000	10 Engro Chemical Pakistan Limited	44,690	42,737
–	250,000	10 Fauji Fertilizer Company Limited	–	26,954
59,800	50,000	10 GlaxoSmithKline Pakistan Limited	12,102	3,692
12,500	12,500	10 ICI Pakistan Limited	2,005	2,005
<b>PAPER AND BOARD</b>				
35,000	288,722	10 Packages Limited	13,327	36,340
<b>LEATHER AND TANNERIES</b>				
5,992	5,992	10 Bata Pakistan Limited	312	312
<b>FOOD AND ALLIED</b>				
150	150	10 Nestle Pakistan Limited	79	79
1,320	1,100	10 Shezan International Limited	124	124
13,940	20,240	50 Unilever Pakistan Limited	33,753	26,907
<b>Quoted - total shares</b>			484,315	676,840

## 17.2.5 Quoted - Investments in related parties

15,000	–	5 Agriauto Industries Limited	1,360	–
755,600	–	10 Bank AL Habib Limited	49,704	–
140,000	–	5 Dynea Pakistan Limited	1,722	–
741,794	–	100 First Habib Income Fund - (Units)	75,000	–
797,618	–	10 Habib Metropolitan Bank Limited	34,697	–
2,033,317	–	5 Habib Sugar Mills Limited	55,038	–
41,600	–	10 Indus Motor Company Limited	13,345	–
983,400	–	5 Shabbir Tiles & Ceramics Limited	26,680	–
860,093	–	5 Thal Limited	129,881	–
<b>Total investments in related parties - quoted</b>			387,427	–

## 17.2.6 Market value of investments

Held to maturity	–
Available for sale	751,752
	1,591,604
	751,752

**17.2.7** The Company uses stock exchange quotation, at the balance sheet date to determine the market value. Had these investments been measured at fair value as required by International Accounting Standard (IAS) - 39, the carrying value of investments and equity of the Company as at December 31, 2007 would have been higher by Rs. 277.99 million (2006: Rs. 60.767 million)

# Habib Insurance Company Limited

	Note	2007 (Rupees in '000)	2006
<b>18. SECURITY DEPOSITS</b>			
Office rent deposit		643	619
Aga Khan University Hospital		240	240
Others		291	292
		<u>1,174</u>	<u>1,151</u>
<b>19. DEFERRED TAXATION</b>			
<b>19.1</b> Deferred taxation comprises temporary differences relating to:			
– Provisions		10,383	5,274
– Unused tax losses		10,710	–
– Accelerated tax depreciation		(1,736)	(1,778)
		<u>19,357</u>	<u>3,496</u>
<b>19.2</b> Reconciliation of deferred tax asset			
Opening balance		3,496	384
Recognised during the year		15,861	3,112
Closing balance		<u>19,357</u>	<u>3,496</u>
<b>20. PREMIUMS DUE BUT UNPAID - unsecured</b>			
Considered good	20.1	154,991	125,948
Considered doubtful		4,986	5,293
		<u>159,977</u>	<u>131,241</u>
Less: Provision for doubtful balances		(4,986)	(5,293)
		<u>154,991</u>	<u>125,948</u>
<b>20.1</b> Premiums due but unpaid includes a sum of Rs. 56.245 million (2006: Rs. 60.081 million) due from related parties.			
<b>21. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - unsecured, considered good</b>			
Considered good - Premium due from co-insurers		83,160	50,242
- Foreign reinsurers		10,703	10,590
- Local reinsurers		6,359	3,036
- Claim due from co-insurers		6,372	4,779
Considered doubtful - Premium due from co-insurers		6,055	4,482
		<u>112,649</u>	<u>73,129</u>
Less : Provision against amount due from co-insurers		(6,055)	(4,482)
		<u>106,594</u>	<u>68,647</u>

# Habib Insurance Company Limited

	Note	2007 (Rupees in '000)	2006
<b>22. ACCRUED INVESTMENT INCOME</b>			
Dividend receivable		2,498	1,148
Profit receivable		246	106
		<u>2,774</u>	<u>1,254</u>
<b>23. PREPAYMENTS - others</b>			
Prepaid rent		3,254	1,343
Prepaid expenses		724	175
		<u>3,978</u>	<u>1,518</u>
<b>24. SUNDRY RECEIVABLES - considered good</b>			
Current portion of long term loan to employees		565	754
Advance against purchase of assets		–	39
FED receivable	14.1	1,408	1,408
Receivable against sale of investments		–	302,000
Other advances		686	735
Other receivables		2,474	277
		<u>5,133</u>	<u>305,213</u>
<b>25. FIXED ASSETS</b>			
Tangible	25.1	38,921	33,535
Capital work in progress	25.2	4,487	–
Intangible	25.3	2,304	3,467
		<u>45,712</u>	<u>37,002</u>

# Habib Insurance Company Limited

## 25.1 Tangible

(Rupees in '000)

	Cost			Accumulated Depreciation			Written Down Value as at Dec. 31, 07	Depre- ciation Rate %
	As at Jan. 01, 07	Additions / (disposals)	As at Dec. 31, 07	As at Jan. 01, 07	Charge/adjust- ment for the year	As at Dec. 31, 07		
<b>Tangible</b>								
Furniture and Fixtures	5,846	1,001 (65)	6,782	3,688	506 (27)	4,167	2,615	10
Renovation	8,949	1,891	10,840	3,817	977	4,794	6,046	10
Office Equipments	5,584	1,693 (563)	6,714	3,440	1,117 (495)	4,062	2,652	20
Computers and related equipment	7,379	1,601 (268)	8,712	5,860	1,180 (244)	6,796	1,916	33
Motor Vehicles	43,695	9,929 (3,882)	49,742	21,113	5,749 (2,812)	24,050	25,692	20
2007	71,453	16,115 (4,778)	82,790	37,918	9,529 (3,578)	43,869	38,921	

(Rupees in '000)

	Cost			Accumulated Depreciation			Written Down Value as at Dec. 31, 06	Depre- ciation Rate %
	As at Jan. 01, 06	Additions / (disposals)	As at Dec. 31, 06	As at Jan. 01, 06	Charge/adjust- ment for the year	As at Dec. 31, 06		
<b>Tangible</b>								
Furniture and Fixtures	5,674	667 (495)	5,846	3,693	446 (451)	3,688	2,158	10
Renovation	8,909	40	8,949	2,924	893	3,817	5,132	10
Office Equipments	4,946	913 (275)	5,584	2,817	852 (229)	3,440	2,144	20
Computers and related equipment	6,550	1,229 (400)	7,379	5,383	877 (400)	5,860	1,519	33
Motor Vehicles	40,984	7,521 (4,810)	43,695	19,575	4,980 (3,442)	21,113	22,582	20
2006	67,063	10,370 (5,980)	71,453	34,392	8,048 (4,522)	37,918	33,535	

# Habib Insurance Company Limited

	Note	2007 (Rupees in '000)	2006
<b>25.2 Capital work-in-progress</b>			
Advance to suppliers and contractors in respect of renovation	25.2.1	<u>4,487</u>	<u>—</u>
<b>25.2.1</b>	Includes amount paid to M/s Asthetix amounting to Rs. 1.343 million.		

## 25.3 Intangible

	Cost			Accumulated Depreciation			Written Down Value as at Dec. 31, 07	Depre- ciation Rate %
	As at Jan. 01, 07	Additions / (disposals)	As at Dec. 31, 07	As at Jan. 01, 07	Charge/adjust- ment for the year	As at Dec. 31, 07		
<b>Intangible</b>								
Computer Software	9,070	—	9,070	5,603	1,163	6,766	2,304	20
2007	<u>9,070</u>	<u>—</u>	<u>9,070</u>	<u>5,603</u>	<u>1,163</u>	<u>6,766</u>	<u>2,304</u>	

	Cost			Accumulated Depreciation			Written Down Value as at Dec. 31, 06	Depre- ciation Rate %
	As at Jan. 01, 06	Additions / (disposals)	As at Dec. 31, 06	As at Jan. 01, 06	Charge/adjust- ment for the year	As at Dec. 31, 06		
<b>Intangible</b>								
Computer Software	9,058	12	9,070	4,308	1,295	5,603	3,467	20
2006	<u>9,058</u>	<u>12</u>	<u>9,070</u>	<u>4,308</u>	<u>1,295</u>	<u>5,603</u>	<u>3,467</u>	

# Habib Insurance Company Limited

## 25.4 Disposals of Fixed Assets

(Rupees in '000)

<u>Description</u>	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Written Down Value</u>	<u>Sale Proceeds</u>	<u>Profit/(Loss) on Sale</u>	<u>Mode of Sale</u>	<u>Particulars of Purchaser</u>
<b>VEHICLES</b>							
Toyota Corona - ABW 068	1,167	1,012	155	350	195	Negotiation	Mr. Abdul Shahid Khan, Karachi.
Honda Civic Vti Oriel - ADT 563	1,408	1,063	345	350	5	Negotiation	Mr. Muhammad Imran, Karachi.
Suzuki Alto VXR - AKA 563	478	197	281	466	185	Claim	
Suzuki Khyber - LXG 6110	347	305	42	150	108	Claim	
Suzuki Alto - AGN 392	482	235	247	250	3	Negotiation	Mr. Kashif Raza, Karachi.
<b>FURNITURE &amp; FIXTURES</b>							
Various	65	27	38	14	(24)	Negotiation	Various Parties
<b>OFFICE EQUIPMENTS</b>							
Various	563	495	68	99	31	Negotiation	Various Parties
<b>COMPUTER EQUIPMENTS</b>							
Various	268	244	24	99	75	Negotiation	Various Parties
	<u>4,778</u>	<u>3,578</u>	<u>1,200</u>	<u>1,778</u>	<u>578</u>		

# Habib Insurance Company Limited

	Note	2007 (Rupees in '000)	2006
<b>26. EXPENSES</b>	26.1		
Salaries, wages including bonus, contribution to provident fund and staff welfare	26.2	78,381	65,220
Motor car expenses		11,216	10,172
Travelling and entertainment expenses		3,968	4,116
Rent, taxes and electricity		9,898	16,903
Communications		5,423	4,558
Printing and stationery		3,355	2,364
Legal and professional expenses		5,220	3,450
Corporate & subscription		3,688	2,243
Depreciation		10,692	9,344
Donation	26.3	1,200	1,300
Auditors' remuneration	26.4	495	424
Other expenses		7,185	6,216
Provision for impairment		78	–
Provision for premiums due but unpaid		(307)	5,293
Provision for amount due from other insurers / reinsurers		1,573	4,482
		<u>142,065</u>	<u>136,085</u>

**26.1** The above expenses have been appropriately charged to underwriting under their respective classes and to General and Administration expenses.

**26.2** This includes staff retirement benefits amounting to Rs. 5.718 million (2006: Rs. 4.697 million).

## 26.3 Donations

An amount of Rs. 1.2 million (2006: Rs. 1.2 million) was donated to the following Trusts in which the Directors' have interest:

Name of Institution / Address	Director / Trustee	(Rupees in '000)
Al-Sayyeda Benevolent Trust, UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Rafiq M. Habib	
	2. Mr. Mansoor G. Habib	
	3. Mr. Aun Mohammad A. Habib	240
Rehmatbai Habib Widows & Orphans Trust, UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Aun Mohammad A. Habib	240
Rehmatbai Habib Food & Clothing Trust, UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Mohamedali R. Habib	
	2. Mr. Sajjad Hussain Habib	
	3. Mr. Aun Mohammad A. Habib	240
Habib Poor Fund, UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Mansoor G. Habib	
	2. Mr. Mohamedali R. Habib	
	3. Mr. Aun Mohammad A. Habib	240
Habib Medical Trust, UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Rafiq M. Habib	
	2. Mr. Mohamedali R. Habib	240
		<u>1,200</u>



# Habib Insurance Company Limited

	2007 (Rupees in '000)	2006
<b>26.4 Auditors' Remuneration</b>		
Annual audit fee	200	175
Half yearly review	80	60
Other certifications and corporate advisory services	110	40
Out of pocket expenses	105	149
	<u>495</u>	<u>424</u>

## 27. TAXATION

Current	3,000	8,000
Deferred	(15,861)	(3,112)
	<u>(12,861)</u>	<u>4,888</u>

**27.1** The appellate authority has set-aside the original assessments in respect of assessment years 2001-2002 and 2002-2003 regarding the allowability of expenses, additional tax etc. therefore, the income tax demand pertaining to the above assessment years is not enforceable at this stage and is subject to the revised assessments which are currently pending.

The income tax return of the Company have been filed upto tax year 2007 corresponding to the income year ended December 31, 2006 which is deemed to be assessed under the provision of the Income Tax Ordinance, 2001.

**27.2** The current tax charged for the year is only for the dividend income, therefore, tax reconciliation between accounting profit and tax expense is not presented.

	2007 (Rupees in '000)	2006
<b>28. DIVIDEND INCOME</b>		
<b>From related parties</b>		
Agriauto Industries Limited	53	55
Dynea Pakistan Limited	—	110
Habib Sugar Mills Limited	2,033	—
Pakistan Papersack Corporation Limited	—	—
Indus Motor Company Limited	333	—
Shabbir Tiles & Ceramics Limited	—	520
Thal Limited	992	2,768
	<u>3,411</u>	<u>3,453</u>
<b>From other quoted companies</b>	33,731	37,516
	<u>37,142</u>	<u>40,969</u>

# Habib Insurance Company Limited

## 29. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise the Directors, major shareholders and the companies owned by such shareholders, entities owned by the Directors of the Company where they also held directorships, staff retirement funds and key management personnel. Material transactions with related parties, other than remuneration and benefits to Directors and key management personnel under the terms of their employment, which are disclosed in note 34, are given below:

	2007	2006
	(Rupees in '000)	
<b>Relationship : Common Directorship</b>		
Profit received on bank accounts	7,061	2,160
Purchase of fixed assets	3,172	4,502
Advance paid for purchase of fixed assets	–	39
Dividend received	3,411	3,453
Dividend paid	12,530	5,182
Premium underwritten	211,434	209,748
Claims paid	52,715	55,935
Brokerage expenses paid	3,426	3,219
<b>Staff retirement benefits</b>		
Provident fund contribution	2,345	1,899
	(Number of shares/units)	
Bonus shares received	682,385	754,344
Bonus shares issued	1,420,427	936,546
Bonus units received	3,712	–

Investments in and balance outstanding with related parties have been disclosed in the relevant notes to the financial statements.

## 30. FINANCIAL RISK MANAGEMENT

### 30.1 Foreign currency risk

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign currency rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions in foreign currencies. As at the year end the Company had no material assets or liabilities in foreign currencies. The Company is not materially exposed to exchange fluctuation risk in foreign currency.

### 30.2 Reinsurance risk

In common with other insurance companies, in order to minimise the financial exposure arising from large claims, the Company, in the normal course of business, enters into agreement with other parties for reinsurance purposes. Reinsurance ceded does not relieve the Company from its obligation to policy holders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that reinsurer fails to meet the obligation under the reinsurance agreements.

# Habib Insurance Company Limited

## 30.3 Capital Management

Capital requirements applicable to the Company are set and regulated by the SECP. These requirements are put in place to ensure sufficient solvency margins. The Company manages its capital requirements by assessing its capital structure against required capital level on a regular basis. Currently the Company has paid-up capital of Rs. 296,595,000 against the minimum required paid capital of Rs. 120,000,000 set by the SECP for the insurance companies for the year ended December 31, 2007.

## 30.4 Credit risk and its concentration

Credit risk is the risk, which 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.

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 affect their ability to meet contractual obligations in a similar manner.

The Company is exposed to its credit risk on premiums due but unpaid, reinsurance recoveries due but unpaid, amounts due from reinsurer / insurers and reinsurance recoveries against outstanding claims. The management monitors and limits Company's exposure to credit risk through monitoring of credit exposure, review and conservative estimates of provisions for doubtful receivables, if any. Company's concentration of credit risk by industry sector is given as under.

	2007	2007	2006	2006
	Rupees in '000	%	Rupees in '000	%
<b>Industry sector</b>				
Automobiles	19,710	8	21,563	11
Banks, Modaraba and Leasing	20,829	8	24,266	12
Textile and Composite	27,778	11	34,190	17
Sugar	11,454	4	9,733	5
Chemicals and Allied Industries	5,610	2	7,509	4
Glass, Ceramics and Tiles	3,650	1	5,139	3
Cable, Engineering and Steel	1,467	1	3,792	2
Cement	2,378	1	1,704	1
Food and Confectionary	2,808	1	2,849	1
Fuel and Energy	623	0	1,357	1
Insurance	1,755	1	1,070	1
Pharmaceuticals	1,459	1	2,325	1
Others	162,064	61	80,098	41
	<u>261,585</u>	<u>100</u>	<u>195,595</u>	<u>100</u>

## 30.5 Market risk

The Company has invested its funds in ordinary shares, unit trust, mutual funds and modarabas resulting in exposure due to the fluctuation in the rate of interest and dividend earned thereon and the possibility of capital gains or losses arising from the sale of these investments.

The Company minimises such risk by having a diversified investment portfolio. In addition, the Company actively monitors key factors that affect the investment market.

# Habib Insurance Company Limited

## 31. Segment Reporting

(Rupees in '000)

	Fire		Marine		Motor		Other Classes		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
<b>Revenue</b>										
Premiums earned	223,590	179,190	144,280	147,779	153,320	100,256	100,312	84,844	621,502	512,069
<b>Segment Result</b>	(14,077)	27,620	31,041	30,690	(5,965)	2,568	(4,371)	(7,924)	6,628	52,954
Investment income									443,375	606,676
Profit on sale of fixed assets									578	1,182
Other income									8,153	64
General and administration expenses									(51,217)	(55,043)
									400,889	552,879
Profit before tax									407,517	605,833
Provision for taxation									12,861	(4,888)
Profit after tax									420,378	600,945
<b>Other Information</b>										
<b>Segment Assets</b>	222,659	137,352	143,679	113,276	152,682	76,848	99,895	65,035	618,915	392,511
Unallocated corporate assets									1,482,189	1,131,034
Consolidated total assets									2,101,104	1,523,545
<b>Segment Liabilities</b>	295,363	180,219	190,594	148,627	202,536	100,832	132,512	85,331	821,005	515,009
Unallocated corporate liabilities									42,424	48,434
Consolidated total liabilities									863,429	563,443
Capital expenditure	5,797	3,633	3,741	2,996	3,976	2,033	2,601	1,720	16,115	10,382
Depreciation / amortisation	3,846	3,269	2,482	2,697	2,638	1,829	1,726	1,548	10,692	9,343

# Habib Insurance Company Limited

## 32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. To guard against the risk, the Company has diversified funding sources and assets are managed with liquidity in mind, maintaining a healthy balance of cash and cash equivalents and readily marketable securities. The maturity profile is monitored to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the Company's assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance date to the contractual maturity date and do not take account of the effective maturities. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

	Total	Within one Year	More than one year and less than five years	More than five years
	(Rupees in '000)			
<b>As at December 31, 2007</b>				
<b>Assets</b>				
Cash and bank deposits	129,940	129,940	–	–
Loans	1,546	565	981	–
Investments	1,313,616	1,313,616	–	–
Security deposits	1,174	–	1,174	–
Premiums due but unpaid	154,991	154,991	–	–
Amounts due from other insurers / reinsurers	106,594	106,594	–	–
Accrued investment income	2,744	2,744	–	–
Reinsurance recoveries against outstanding claims	161,669	161,669	–	–
Deferred commission expense	39,697	39,697	–	–
Prepayments	119,496	119,496	–	–
Sundry receivables	4,568	4,568	–	–
Deferred taxation	19,357	19,357	–	–
Fixed assets	45,712	–	38,333	7,379
	2,101,104	2,053,237	40,488	7,379
<b>Liabilities</b>				
Provision for outstanding claims (including IBNR)	281,704	281,704	–	–
Provision for unearned premium	302,948	302,948	–	–
Commission income unearned	26,959	26,959	–	–
Staff retirement benefits	11,711	11,711	–	–
Premium received in advance	323	323	–	–
Amounts due to other insurers / reinsurers	126,667	126,667	–	–
Accrued expenses	9,430	9,430	–	–
Taxation - provision less payments	19,973	19,973	–	–
Other creditors and accruals	83,714	83,714	–	–
	863,429	863,429	–	–
<b>Net Assets</b>	<b>1,237,675</b>	<b>1,189,808</b>	<b>40,488</b>	<b>7,379</b>
<b>Represented by:</b>				
Share capital and reserves	1,237,675			

# Habib Insurance Company Limited

	Total	Within one Year	More than one year and less than five years	More than five years
			(Rupees in '000)	
<b>As at December 31, 2006</b>				
<b>Assets</b>				
Cash and bank deposits	126,435	126,435	–	–
Loans	1,659	754	905	–
Investments	691,063	691,063	–	–
Security deposits	1,151	–	1,151	–
Premiums due but unpaid	125,948	125,948	–	–
Amounts due from other insurers / reinsurers	68,647	68,647	–	–
Accrued investment income	1,254	1,254	–	–
Reinsurance recoveries against outstanding claims	26,094	26,094	–	–
Deferred commission expense	38,878	38,878	–	–
Prepayments	97,459	97,459	–	–
Sundry receivables	304,459	304,459	–	–
Deferred taxation	3,496	3,496	–	–
Fixed assets	37,002	–	29,711	7,291
	1,523,545	1,484,487	31,767	7,291
<b>Liabilities</b>				
Provision for outstanding claims (including IBNR)	74,157	74,157	–	–
Provision for unearned premium	238,844	238,844	–	–
Commission income unearned	27,430	27,430	–	–
Staff retirement benefits	8,484	8,484	–	–
Premium received in advance	363	363	–	–
Amounts due to other insurers / reinsurers	88,391	88,391	–	–
Accrued expenses	10,358	10,358	–	–
Taxation - provision less payments	29,593	29,593	–	–
Other creditors and accruals	85,823	85,823	–	–
	563,443	563,443	–	–
<b>Net Assets</b>	<b>960,102</b>	<b>921,044</b>	<b>31,767</b>	<b>7,291</b>
<b>Represented by:</b>				
Share capital and reserves	960,102			

# Habib Insurance Company Limited

## Interest rate risk

The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities. The Company limits interest rate risk by monitoring changes in interest rates.

	Effective rate per annum	Total	Exposed to interest rate			Not exposed to interest rate / yield risk
			Within one Year	More than one year and less than five years	More than five years	
(Rupees in '000)						
<b>As at December 31, 2007</b>						
<b>Financial Assets</b>						
Cash and bank balances	7%-11%	129,940	117,913	–	–	12,027
Loans	7%	1,546	565	176	–	805
Investments		1,313,616	–	–	–	1,313,616
Premiums due but unpaid		154,991	–	–	–	154,991
Amounts due from other insurers / reinsurers		106,594	–	–	–	106,594
Accrued investment income		2,744	–	–	–	2,744
Reinsurance recoveries against outstanding claims		161,669	–	–	–	161,669
Sundry receivables	7%	4,568	552	–	–	4,016
		<u>1,875,668</u>	<u>119,030</u>	<u>176</u>	<u>–</u>	<u>1,756,462</u>
<b>Financial Liabilities</b>						
Provision for outstanding claims (including IBNR)		281,704	–	–	–	281,704
Staff retirement benefits		11,711	–	–	–	11,711
Amounts due to other insurers / reinsurers		126,667	–	–	–	126,667
Accrued expenses		9,430	–	–	–	9,430
Other creditors and accruals		83,714	–	–	–	83,714
		<u>513,226</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>513,226</u>
Interest rate / yield sensitivity gap			<u>119,030</u>	<u>176</u>	<u>–</u>	
Cumulative interest rate sensitivity gap			<u>119,030</u>	<u>119,206</u>	<u>119,206</u>	
<b>As at December 31, 2006</b>						
<b>Financial Assets</b>						
Cash and bank balances	7%-10%	126,435	119,186	–	–	7,249
Loans	7%	905	–	401	–	504
Investments		691,063	78	–	–	690,985
Premiums due but unpaid		125,948	–	–	–	125,948
Amounts due from other insurers / reinsurers		68,647	–	–	–	68,647
Accrued investment income		1,254	–	–	–	1,254
Reinsurance recoveries against outstanding claims		26,094	–	–	–	26,094
Sundry receivables	7%	306,364	753	–	–	305,611
		<u>1,346,710</u>	<u>120,017</u>	<u>401</u>	<u>–</u>	<u>1,226,292</u>
<b>Financial Liabilities</b>						
Provision for outstanding claims (including IBNR)		74,157	–	–	–	74,157
Staff retirement benefits		8,484	–	–	–	8,484
Amounts due to other insurers / reinsurers		88,391	–	–	–	88,391
Accrued expenses		10,358	–	–	–	10,358
Other creditors and accruals		85,823	–	–	–	85,823
		<u>267,213</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>267,213</u>
Interest rate / yield sensitivity gap			<u>120,017</u>	<u>401</u>	<u>–</u>	
Cumulative interest rate sensitivity gap			<u>120,017</u>	<u>120,418</u>	<u>120,418</u>	

### 33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of all financial assets and liabilities reflected in the financial statements approximate to their fair values except for quoted available-for-sale investments, which are stated at lower of cost and market value in accordance with the requirements of SEC (Insurance) Rules, 2002. The carrying and fair values of these investments have been disclosed in note 17 to the financial statements.

# Habib Insurance Company Limited

## 34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2007			(Rupees in '000)			2006		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Fees	-	10	-	-	11	-	-	11	-
Managerial Remuneration	2,880	-	17,094	2,640	-	11,624	2,640	-	11,624
Contribution to Provident Fund	160	-	741	149	-	509	149	-	509
Other Perquisites	614	-	739	370	-	564	370	-	564
Total	3,654	-	18,574	3,159	-	12,697	3,159	-	12,697
Number of persons	1	7	10	1	7	8	1	7	8

**34.1** In addition to the above, the Chief Executive and Executives of the Company are provided with Company maintained cars and medical reimbursement at actuals upto a maximum of two basic salaries, where applicable.

## 35. EARNINGS PER SHARE – BASIC AND DILUTED

There is no dilutive effect on basic earnings per share which is based on:

	2007	2006 (Restated)
Profit after tax (Rupees in '000)	420,378	600,945
Weighted average number of shares (in '000)	59,319	59,319
Earnings per share – basic (Rupees)	7.09	10.13

**35.1** The number of shares for the prior period has been adjusted for the effect of bonus shares issued during the current year. Hence the figure for the prior year's earnings per share has been restated.

**35.2** No figures for diluted earnings per share has been presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

## 36. NUMBER OF EMPLOYEES

The number of employees at the end of the year was 245 (2006 : 220).

## 37. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Company in its meeting held on March 03, 2008.

## 38. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

In the meeting held on March 03, 2008, the Board of Directors of the Company recommended a final cash dividend of 60 percent and bonus shares in the ratio of 2 shares for every 10 shares held of Rs. 5/- each for the year ended December 31, 2007, amounting to Rs. 177.957 million and Rs. 59.319 million respectively, for approval of the members at the Annual General Meeting. In addition, the Board has approved appropriation to the general reserve of Rs. 150 million (2006: Rs. 375 million).

## 39. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There is no material reclassification to report.

RAFIQ M. HABIB  
Chairman

ABBAS D. HABIB  
Director

MANSOOR G. HABIB  
Director

ALI RAZA D. HABIB  
Managing Director  
& Chief Executive



# Habib Insurance Company Limited

## Pattern of Shareholding as at December 31, 2007

Number of Shareholders	Size of Shareholding Rs. 5/- each	Total Shares Held
279	1 to 100	9,881
267	101 to 500	75,042
148	501 to 1,000	112,445
385	1,001 to 5,000	925,606
144	5,001 to 10,000	980,970
46	10,001 to 15,000	568,257
29	15,001 to 20,000	515,641
18	20,001 to 25,000	412,320
26	25,001 to 30,000	754,923
10	30,001 to 35,000	325,055
7	35,001 to 40,000	265,301
9	40,001 to 45,000	380,721
10	45,001 to 50,000	472,357
11	50,001 to 55,000	578,671
16	55,001 to 60,000	937,278
13	60,001 to 65,000	806,407
7	65,001 to 70,000	468,503
7	70,001 to 75,000	518,536
7	75,001 to 80,000	550,049
2	80,001 to 85,000	165,382
4	85,001 to 90,000	355,909
3	90,001 to 95,000	279,449
12	95,001 to 100,000	1,170,904
1	100,001 to 105,000	100,510
6	105,001 to 110,000	648,743
1	110,001 to 115,000	114,709
10	115,001 to 120,000	1,178,398
1	120,001 to 125,000	120,312
3	125,001 to 130,000	385,683
2	130,001 to 135,000	265,602
2	135,001 to 140,000	272,117
7	145,001 to 150,000	1,036,309
1	150,001 to 155,000	152,867
3	155,001 to 160,000	476,023
1	160,001 to 165,000	163,814
2	165,001 to 170,000	335,507
1	170,001 to 175,000	171,431
1	175,001 to 180,000	177,957
2	180,001 to 185,000	363,514
1	185,001 to 190,000	185,727
1	195,001 to 200,000	196,680
2	200,001 to 205,000	403,042
1	205,001 to 210,000	206,536
2	210,001 to 215,000	428,114
1	235,001 to 240,000	236,408
1	240,001 to 245,000	244,637
1	245,001 to 250,000	246,700
1	250,001 to 255,000	252,320
3	255,001 to 260,000	778,953
1	265,001 to 270,000	268,276
4	275,001 to 280,000	1,114,732
1	280,001 to 285,000	284,627
2	285,001 to 290,000	577,292
6	295,001 to 300,000	1,782,562
1	300,001 to 305,000	303,250
1	305,001 to 310,000	309,700
1	310,001 to 315,000	311,601
1	330,001 to 335,000	332,186
1	345,001 to 350,000	350,000
2	355,001 to 360,000	711,828
1	360,001 to 365,000	362,217
1	370,001 to 375,000	372,844
1	385,001 to 390,000	387,618
1	390,001 to 395,000	391,505
1	395,001 to 405,000	403,100
2	415,001 to 420,000	833,523
2	440,001 to 445,000	889,784
1	470,001 to 475,000	474,170
1	490,001 to 495,000	492,347
1	505,001 to 510,000	509,874
1	585,001 to 590,000	587,605
1	595,001 to 600,000	598,005
1	620,001 to 625,000	622,849
1	640,001 to 645,000	642,185
1	735,001 to 740,000	738,262
1	840,001 to 845,000	843,485
1	850,001 to 900,000	868,576
1	1,125,001 to 1,130,000	1,127,061
2	1,130,001 to 1,135,000	2,264,504
1	1,300,001 to 1,305,000	1,303,171
1	1,395,001 to 1,400,000	1,395,693
1	1,405,001 to 1,410,000	1,405,860
1	1,410,001 to 1,415,000	1,411,749
1	2,380,001 to 2,385,000	2,384,623
1	2,565,001 to 2,570,000	2,568,512
1	2,595,001 to 2,600,000	2,595,206
1	2,745,001 to 2,750,000	2,746,469
1	2,975,001 to 2,980,000	2,979,929
1,570	TOTAL	59,319,000

Categories of Shareholders	Numbers	Shares Held	Percentage
1. Individuals	1,480	36,690,862	61.85
2. Investment Companies	4	2,791	0.00
3. Insurance Companies	6	3,029,107	5.11
4. Joint Stock Companies	35	6,153,798	10.37
5. Financial Institutions	2	1,503,348	2.53
6. Charitable Trusts	21	8,497,452	14.33
7. Government Institutions	2	876,110	1.48
8. Mutual Funds	1	55,300	0.09
9. Modarbas	1	246,700	0.42
10. Foreign Investors	18	2,263,532	3.82
	1,570	59,319,000	100.00

# Habib Insurance Company Limited

## Pattern of Shareholding as at December 31, 2007

### Additional Information

Shareholders' Category	Number of Shareholders / Folios	Number of Shares Held
<b>Associated Companies</b>		
Habib Sugar Mills Limited	1	2,568,512
Thal Limited	1	2,746,469
Karachi Mercantile Co. (Pvt.) Limited	1	163,814
<b>NIT and ICP</b>		
IDBP (ICP Unit)	2	1,234
<b>Directors</b>		
Mr. Rafiq M. Habib	1	79,902
Mr. Abbas D. Habib	2	360,733
Mr. Mansoor G. Habib	1	2,700
Mr. Mohamedali R. Habib	2	930,860
Mr. Sajjad Hussain Habib	1	136,062
Mr. Aun Mohammad A. Habib	1	136,055
Mr. Mazher Ali Jumani	2	5,153
<b>Chief Executive Officer</b>		
Mr. Ali Raza D. Habib	1	29,362
<b>Directors' Spouses</b>		
Mrs. Jamila Rafiq w/o Mr. Rafiq M. Habib	2	462,965
Mrs. Niamat-e-Fatima w/o Mr. Abbas D. Habib	1	9,999
Mrs. Sayyeda Mohamedali w/o Mr. Mohamedali R. Habib	1	62,284
<b>Banks, Development Financial Institutions, Insurance Companies, Modarabas and Mutual Funds</b>		
	10	4,461,686
<b>Joint Stock Companies and Corporations</b>		
	32	675,003
<b>Individuals / Others</b>		
	1464	34,448,749
<b>Charitable Trusts, Societies and Government Institutions</b>		
	26	9,773,926
<b>Foreign Investors</b>		
	18	2,263,532
	1,570	59,319,000

# Habib Insurance Company Limited

## Notice of Annual General Meeting

NOTICE is hereby given that the 65th Annual General Meeting of the Shareholders of the Company will be held at Pearl Continental Hotel, Club Road, Karachi, on Monday, March 31, 2008 at 11:00 a.m. to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended December 31, 2007 together with the Directors' and Auditors' Report thereon.
2. To approve payment of cash dividend @ 60% i.e. Rs. 3.00 per share of Rs. 5/- each for the year ended December 31, 2007 as recommended by the Board of Directors.
3. To approve the issue of bonus shares as recommended by the Board of Directors and in this regard to pass the following Ordinary Resolution:

“RESOLVED that a sum of Rs. 59,319,000 (Rupees fifty nine million three hundred nineteen thousand only) out of the un-appropriated profit be capitalised and distributed by issuing 11,863,800 fully paid ordinary shares of Rs.5/- each as bonus shares in the proportion of two shares for every ten shares held, to those members whose names appear in the register of members as at the close of business on Monday, March 24, 2008 and that the shares so distributed shall be treated for all purposes as an increase in the paid-up capital of the Company.

FURTHER RESOLVED that the bonus shares so distributed shall rank pari pasu in all respects with the existing shares of the Company except that they shall not qualify for dividend for the year ended December 31, 2007.

FURTHER RESOLVED that in the event of any member holding shares which are not an exact multiple of 2:10, the Directors be and are hereby authorised to consolidate all such fractions of bonus shares and sell these shares in the stock market and to pay the proceeds of sale when realised to a charitable institution.

FURTHER RESOLVED that the Directors be and are hereby authorised and empowered to give effect to this resolution and to do or cause to be done all acts, deeds and things that may be necessary or required for the issue, allotment and distribution of 11,863,800 ordinary shares.”

4. To appoint Auditors for the year ending December 31, 2008 and to fix their remuneration. Messrs Ford Rhodes Sidat Hyder & Co., Chartered Accountants, being eligible offer themselves for reappointment.
5. To consider any other business of the Company with the permission of the Chair.

### Special Business

6. To consider and pass the following special resolution regarding remuneration of Directors for attending Board of Directors meeting.

“RESOLVED that the Article # 54 of the Articles of Association of the Company be altered by substituting the following:

The remuneration of a Director for attending meetings of the Board or a Committee formed by the Board shall from time to time be determined by the Board of Directors, provided that a Director who is an executive of the Company shall not be entitled to any remuneration for attending meetings of the Board or a Committee formed by the Board.”

# Habib Insurance Company Limited

7. To consider and pass the following special resolution for authorising investment by way of purchase of units of mutual funds managed by our associated company, Habib Asset Management Limited.

“RESOLVED that the Company be and is hereby authorised to invest upto Rs. 750 million in the units of First Habib Income Fund and other prospective mutual funds, managed by Habib Asset Management Limited.

FURTHER RESOLVED that the Managing Director & Chief Executive be and is hereby authorised to make the aforesaid investments as and when deemed appropriate and to dispose off and buy a part or all of such investments through any mode from time to time, to take any and all actions which may be required in respect of these investments, and to delegate the aforesaid powers to any two officers of the Company or a committee of such officers.”

For item No's 6 & 7, statement under section 160 of the Companies Ordinance, 1984 is annexed.

By order of the Board

SHABBIR GULAMALI  
Company Secretary

Karachi: March 03, 2008

## Notes:

1. The share transfer books of the Company will remain closed from Tuesday, March 25, 2008 to Monday, March 31, 2008 (both days inclusive).
2. A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as his/her proxy to attend and vote on his/her behalf. Proxy form, in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
3. The CDC account/sub account holders are requested to bring with them their Computerised National ID Cards along with the Participant(s) ID number and their account numbers at the time of attending the AGM in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.
4. Members are requested to promptly communicate to the Company any change in their address.

# Habib Insurance Company Limited

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

The Statement is annexed to the Notice of the 65th Annual General Meeting of Habib Insurance Company Limited to be held on March 31, 2008 at which certain business are to be transacted. The purpose of this statement is to set forth the material facts concerning such special business.

### ITEM NUMBER 6 OF THE AGENDA

The Board of Directors of Habib Insurance Company Limited in their meeting held on March 3, 2008 have approved to amend Article # 54 of the Articles of Association of the Company regarding remuneration of Directors for attending the Board of Directors Meeting and in this regard to pass the following special resolution.

"RESOLVED that the Article # 54 of the Articles of Association of the Company be altered by substituting the following:

The remuneration of a Director for attending meetings of the Board or a Committee formed by the Board shall from time to time be determined by the Board of Directors, provided that a Director who is an executive of the Company shall not be entitled to any remuneration for attending meetings of the Board or a committee formed by the Board."

### ITEM NUMBER 7 OF THE AGENDA

The Board of Directors of Habib Insurance Company Limited in their meeting held on March 3, 2008 approved to make investment by way of purchase of units of mutual funds managed by our associated company, Habib Asset Management Limited and in this regard the Company seeks the approval of the shareholders under section 208 of the Companies Ordinance, 1984.

According to S.R.O. No. 865 (i)/2000 dated December 6, 2000, the following information is required to be annexed with the notice for approval of investment in associated companies for the purpose of section 208 of the Companies Ordinance, 1984. Hence the same is set out below:

Sr. No.	Description	Information Required
1	Name of the Investee Company	First Habib Income Fund and other prospective mutual funds managed by Habib Asset Management Limited
2	Nature, amount and extent of investment	Investment upto Rs. 750 million in units of First Habib Income Fund and other prospective mutual funds managed by Habib Asset Management Limited
3	Average market price of the shares / certificates intended to be purchased during preceding six months in case of listed companies	<i>First Habib Income Fund:</i> Average market price upto February 29, 2008 is Rs. 104 per unit - Face value of Rs. 100 per unit
4	Break-up value of shares / certificates intended to be purchased on the basis of last published financial statement	<i>First Habib Income Fund:</i> June 30, 2007: Rs. 101.67 (Net Asset value per unit)
5	Price at which shares /certificates will be purchased	At market price
6	Earnings per share / certificate of Investee Company in last three years	<i>First Habib Income Fund:</i> June 30, 2007: Rs. 1.67
7	Sources of funds from where shares / certificates will be purchased	Investment will be made out of Company's own sources
8	Period for which investment will be made	Not applicable, investment and redemptions will be governed by market conditions
9	Purpose of Investment	To earn dividend income as well as prospective capital gains
10	Benefits likely to accrue to the Company and the shareholders from the proposed investment	Dividends/capital gains
11	Interest of Directors and their relatives in the Investee Company	Mr. Ali Raza D. Habib, Chief Executive of the Company is also Chairman of Habib Asset Management Ltd. He is interested in this business to the extent of his investment in this Company.

# Habib Insurance Company Limited

## Status of approvals for investments in Associated Companies

As required under the SRO No. 865 (i)/2000 dated December 06, 2000, the position of various investments in Associated Companies against approvals held by the Company is as under:

1. Agriauto Industries Limited - Against approval of Rs. 3 million, the Company has invested Rs. 1.4 million so far. The balance amount of Rs. 1.6 million will be invested on availability of shares at reasonable price. There was no major change in the financial position of the investee company.
2. Bank AL Habib Limited - Against approval of Rs. 50 million, the Company has invested Rs. 49.7 million so far. The balance amount of Rs. 0.3 million will be invested. There was no major change in the financial position of the investee company.
3. Dynea Pakistan Limited - Against approval of Rs. 2 million, the Company has invested Rs. 1.7 million so far. The balance amount of Rs. 0.3 million will be invested. There was no major change in the financial position of the investee company.
4. First Habib Income Fund - Against approval of Rs. 75 million, the Company has fully utilised the limit.
5. Habib Metropolitan Bank Limited - Against approval of Rs. 50 million, the Company has invested Rs. 34.7 million so far. The balance amount of Rs. 15.3 million will be invested on availability of shares at reasonable price. There was no major change in the financial position of the investee company.
6. Habib Sugar Mills Limited - Against approval of Rs. 75 million, the Company has invested Rs. 55 million so far. The balance amount of Rs. 20 million will be invested on availability of shares at reasonable price. There was no major change in the financial position of the investee company.
7. Indus Motor Company Limited - Against approval of Rs. 35 million, the Company has invested Rs. 13.4 million so far. As the share price remained volatile during this period, the Company has delayed further investment in this script. There was no change in the financial position of the investee company.
8. Shabbir Tiles & Ceramics Limited - Against approval of Rs. 30 million, the Company has invested Rs. 26.7 million so far. The balance amount of Rs. 3.3 million will be invested on availability of shares at reasonable price. There was no major change in the financial position of the investee company.
9. Thal Limited - Against approval of Rs. 130 million, the Company has invested Rs. 129.9 million so far. The balance amount of Rs. 0.1 million will not be utilised. There was no major change in the financial position of the investee company.

# Habib Insurance Company Limited

## PROXY FORM

I/We .....

of .....

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

ordinary shares, as per Share Register Folio Number .....

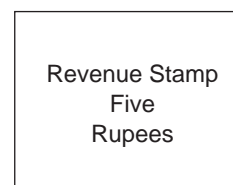
and/or CDC Account and Participant's I.D. Numbers .....

hereby appoint ..... Folio No ..... of .....

or failing him/her ..... Folio No ..... of .....

another member of Habib Insurance Company Limited as my proxy to vote for me/us and on my/our behalf at the Sixty Fifth Annual General Meeting of the Company to be held on March 31, 2008 and at any adjournment thereof.

Signed this ..... day of .....



SIGNATURE OF MEMBER(S)

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

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

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

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

The proxy forms shall be deposited at the Registered Office of the Company not less than 48 hours before the time of the meeting.