

Habib Insurance Company Limited

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Habib Insurance Company Limited

Company Information

Board of Directors

Chairman : Rafiq M. Habib

Directors : Abbas D. Habib
Mansoor G. Habib
Mohamedali R. Habib
Sajjad Hussain Habib
Aun Mohammad A. Habib
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

Habib Insurance Company Limited

Sixty Sixth Report of the Directors' to the Shareholders for the year ended December 31, 2008

The Shareholders,

The Board wishes to place special tribute to Late Mr. Mohammed Ali Haji Mohammed (Mithoo Seth) who passed away exactly a year back. He served your Company for 50 years from its early inception until his retirement as Chief Executive in 1992. He worked with single-minded devotion and unrelenting effort to make a strong institution of high trust and integrity. His noble and sincere dedication were the inspiration for the continuing success and progress of the Company. He shall be remembered with great fondness and affection. We offer Sura-e-Fatiha for the departed soul and pray that Allah grant his soul eternal peace and a heavenly reward. Also, our prayers to Allah that He may guide his wife and children towards all the good acts of nobility and charity which Mithoo Seth was so well known for.

The Board of Directors have pleasure in presenting the Sixty Sixth Annual Report along with the audited accounts of the Company for the year ended December 31, 2008.

	Rupees in '000
Net loss after tax	(396,428)
Unappropriated profit brought forward	<u>436,958</u>
Profit available for appropriation	40,530
Appropriation for the year 2007	<u>(387,276)</u>
	<u>(346,746)</u>
The Board of Directors now propose:	
Transfer from general reserve	(450,000)
Payment of dividend at Rs. 0.625 per share of Rs. 5/- each i.e. @ 12.5%	44,489
Issue of one bonus share for every eight shares held i.e. @ 12.5%	44,489
Unappropriated profit carried forward	<u>14,276</u>
	<u>(346,746)</u>
Basic / Diluted earnings per share of Rs. 5/- each	(5.57)

The year 2008 was to witness the ever worst financial disaster as not seen in recent memory as, markets and businesses worldwide collapsed amidst a feel of complete helplessness and despair. The damage to the Pakistan economy was deep and severe, however, to a lesser degree.

The Karachi Stock Exchange, the all important Index to the economy, crumbled from a high point of 15675 in April 2008 to a low level of 4815 points in January 2009, a staggering fall of 69.3%. Our investment portfolio which, at market value was Rs. 1,591.6 million at the beginning of 2008 dropped to Rs. 767.8 million at the close, a reduction of 51.8% against the even steeper decline of 58.2% of the Karachi Stock Exchange closing at 5865 from its opening of 14028.

According to the options given by the Securities & Exchange Commission of Pakistan to Insurance Companies listed on the Stock Exchange, the management took the decision as part of its traditional conservative and cautious approach of recording 100% impairment loss of Rs. 474.6 million on all the shares held in the portfolio where market value was lower than cost at the end of the year.

Habib Insurance Company Limited

The underwriting results of your Company by the Grace of Allah recorded growth from Rs. 6.6 million to Rs. 67.7 million, and along with dividend income, realised capital gains and other sources amounting to Rs. 86.6 million, helped to repair the damage to some extent and the year 2008 closed with a loss of Rs. 396.4 million after tax. The Directors decided to call on the general reserve, which had appreciably built up over the previous few years and have recommended for payment to shareholders dividend and bonus as mentioned above.

The gross written premium grew by 7.6% over last year and the net premium revenue increased to Rs. 398 million from Rs. 336 million, an improvement of 18.5%. The underwriting results benefited from a favourable claim ratio decreasing from 64.6% to 50.8% with a reduction in commission expenses.

The year under review, apart from the global financial crisis and the serious impact within our own economy, the conditions in Pakistan have not been very conducive for growth and progress. The GDP growth dropped to 5.8% as compared to 6.8% of last year. Likewise, inflation increased from 7.8% to 12.0% this year. Other indicators have also not been too bright.

The year 2009, despite its uncertainties will also be one with great challenges. The Karachi Stock Exchange index has recovered around 1000 points to 6845 to date. We remain hopeful and pray to Allah that He protect our Country from all the internal and external pressures and grant the much needed peace and prosperity. The management will make every effort towards the growth of business without compromising on quality and we are hopeful that Inshallah, the Company will achieve the desired progress.

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

As always, we are indeed thankful to all our clients and customers who have expressed their confidence in our Company and we will continue in our endeavour to meet all their insurance requirements. A special mention must be made for all the support and guidance we have received from our reinsurers. The Board of Director's would like to express their appreciation to all 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 Code of Corporate Governance requires all listed companies to change their external auditors after every five years. In light of the Code, the present auditors, Messrs. Ford Rhodes Sidat Hyder & Co., Chartered Accountants retire and having completed five years as auditors are not eligible for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended the appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of the Company for the year ending December 31, 2009, 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.

Habib Insurance Company Limited

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.
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 at December 31, 2008 is Rs. 28.394 million.
10. During the year four Board meetings were held and the attendance of the Directors is as follows:

Date of Meeting	Attended by
March 03, 2008	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
April 28, 2008	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Sajjad Hussain Habib Mr. Mazher Ali Jumani Mr. Ali Raza D. Habib Chief Executive
August 29, 2008	Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Aun Mohammad A. Habib Mr. Mazher Ali Jumani
October 30, 2008	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Sajjad Hussain Habib Mr. Aun Mohammad A. Habib Mr. Ali Raza D. Habib Chief Executive

Habib Insurance Company Limited

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

On behalf of the Board of Directors

Karachi: March 31, 2009

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

Habib Insurance Company Limited

Six Years' Review at a Glance

(Rupees in '000)

Years	2008	2007	2006	2005	2004	2003
Gross Written Premium	737,442	685,606	559,526	452,759	359,883	326,883
Net Premium Revenue	397,960	335,974	268,075	229,715	178,985	157,197
Investment (Loss) / Income	(390,531)	443,297	604,110	132,579	120,270	86,615
Net Claims	202,219	217,176	122,423	94,606	78,289	91,138
(Loss) / Profit after Tax	(396,428)	420,378	600,945	147,901	99,747	68,916
Paid-up Capital	355,914	296,595	219,700	169,000	130,000	100,000
Reserves & Retained Earnings	307,376	941,080	740,402	249,307	140,406	109,659
Total Assets - at Book Value	1,457,466	2,101,104	1,523,545	863,209	731,115	678,702
Cash Dividend - %	12.5	60	65	35	30	25
Stock Dividend - %	12.5	20	35	30	30	30

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Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2008

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.

Habib Insurance Company Limited

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 & 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 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

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

Karachi: March 31, 2009

Habib Insurance Company Limited

Auditors' 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, 2008 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 31, 2009

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Habib Insurance Company Limited

Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

- (i) balance sheet;
- (ii) profit and loss account;
- (iii) statement of 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, 2008 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, 2008 and of the loss, its cash flows and changes in equity for the year then ended in accordance with Approved Accounting Standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Karachi: March 31, 2009

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Habib Insurance Company Limited

Balance Sheet as at December 31, 2008

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)		Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Share Capital and Reserves				Cash and Bank Deposits	14		
Authorised share capital	7	500,000	500,000	Cash and other equivalents		471	544
				Current and other accounts		56,964	128,033
				Deposits maturing within 12 months		–	1,363
						57,435	129,940
Paid-up share capital	7	355,914	296,595	Loans - secured, considered good to employees	15	1,899	981
Retained earnings		(346,746)	436,958				
Reserves	8	654,122	504,122	Investments	16	719,561	1,313,616
TOTAL EQUITY		663,290	1,237,675	Security Deposits	17	1,403	1,174
Underwriting Provisions				Deferred Taxation	18	5,728	19,357
Provision for outstanding claims (including IBNR)	9	171,286	281,704	Current Assets – others			
Provision for unearned premium		306,115	302,948	Premiums due but unpaid	19	183,284	154,991
Commission income unearned		39,792	26,959	Amounts due from other insurers / reinsurers	20	145,581	106,594
Total underwriting provisions		517,193	611,611	Accrued investment income	21	3,486	2,744
Deferred Liability				Reinsurance recoveries against outstanding claims		96,179	161,669
Staff retirement benefits	10	15,243	11,711	Deferred commission expense		41,081	39,697
Creditors and Accruals				Prepayments			
Premiums received in advance		323	323	- Prepaid reinsurance premium ceded		144,001	115,518
Amounts due to other insurers / reinsurers	11	114,889	126,667	- Others		2,548	3,978
Accrued expenses		10,367	9,430	Sundry receivables	22	9,654	5,133
Taxation - provision less payments		18,415	19,973			625,814	590,324
Other creditors & accruals	12	117,746	83,714	Fixed Assets	23		
		261,740	240,107	Tangible			
TOTAL LIABILITIES		794,176	863,429	Furniture, fixtures and renovation		9,119	8,661
				Office equipments		2,871	2,652
				Computers and related equipment		2,129	1,916
				Motor vehicles		26,866	25,692
				Capital work in progress		3,500	4,487
				Intangible			
				Computer software		1,141	2,304
						45,626	45,712
TOTAL EQUITY AND LIABILITIES		1,457,466	2,101,104	TOTAL ASSETS		1,457,466	2,101,104
Commitment	13						

The annexed notes 1 to 37 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

MAZHER ALI JUMANI
Director

ALI RAZA D. HABIB
Managing Director
& Chief Executive

Habib Insurance Company Limited

Profit and Loss Account for the year ended December 31, 2008

(Rupees in '000)

	Note	Fire and Property	Marine and Transport	Motor	Other Classes	2008	2007
Revenue Account							
Net premium revenue		94,904	92,414	160,488	50,154	397,960	335,974
Net claims		(28,106)	(25,270)	(109,765)	(39,078)	(202,219)	(217,176)
Expenses	24	(44,553)	(27,846)	(23,391)	(15,594)	(111,384)	(90,848)
Net commission		6,943	(6,248)	(17,514)	149	(16,670)	(21,322)
Underwriting result		29,188	33,050	9,818	(4,369)	67,687	6,628
Investment (loss) / income						(390,531)	443,297
(Loss) / profit on sale of fixed assets	23					(2,458)	578
Other Income						4,989	8,153
General and administration expenses	24					(59,134)	(51,139)
						(447,134)	400,889
(Loss) / profit before tax						(379,447)	407,517
Provision for taxation	25					(16,981)	12,861
(Loss) / profit after tax						(396,428)	420,378
Profit and loss appropriation account							
Balance at commencement of the year						436,958	611,280
(Loss) / profit after tax for the year						(396,428)	420,378
Final dividend @ 60% (2007: 65%)						(177,957)	(142,805)
Transfer to reserve for issue of bonus shares @ 20% (2007: 35%)						(59,319)	(76,895)
Transfer to general reserve						(150,000)	(375,000)
Balance unappropriated (loss) / profit at end of the year						(346,746)	436,958
(Loss) / earnings per share (Basic and diluted) of Rs. 5/- each	33						
						Rupees (5.57)	5.91

The annexed notes 1 to 37 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

MAZHER ALI JUMANI
Director

ALI RAZA D. HABIB
Managing Director
& Chief Executive

Habib Insurance Company Limited

Statement of Changes in Equity for the year ended December 31, 2008

(Rupees in '000)

	Share Capital Issued, subscribed and paid up	Capital Reserves Reserve for exceptional losses	Revenue Reserves		Total
			General reserve	Retained earnings	
Balance as on January 01, 2007	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
Issue of bonus shares in the ratio of 2:10	59,319	–	–	(59,319)	–
Final dividend @ 60% for the year ended December 31, 2007	–	–	–	(177,957)	(177,957)
Transfer to general reserve	–	–	150,000	(150,000)	–
Loss for the year	–	–	–	(396,428)	(396,428)
Balance as on December 31, 2008	355,914	9,122	645,000	(346,746)	663,290

The annexed notes 1 to 37 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

MAZHER ALI JUMANI
Director

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

Habib Insurance Company Limited

Statement of Cash Flow for the year ended December 31, 2008

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Operating Cash Flows			
a) Underwriting activities			
Premiums received		652,608	607,535
Reinsurance premiums paid		(376,576)	(266,829)
Claims paid		(490,731)	(217,518)
Reinsurance and other recoveries received		243,584	72,314
Commissions paid		(69,077)	(89,359)
Commissions received		91,113	66,612
Other underwriting receipts		191	114
Net cash flow from underwriting activities		51,112	172,869
b) Other operating activities			
Income tax paid		(4,909)	(12,621)
General management expenses paid		(135,052)	(122,640)
Loans advanced		(2,159)	(914)
Loans repayments received		1,171	1,027
Other operating receipts / (payments)		1,526	(12,951)
Net cash flow used in other operating activities		(139,423)	(148,099)
Total cash (outflow) / inflow from all operating activities		(88,311)	24,770
Investment activities			
Profit / return received		5,027	7,900
Dividends received		32,710	35,792
Payments for investments		(483,286)	(2,580,133)
Proceeds from disposal of investments		653,436	2,667,958
Fixed capital expenditure		(21,158)	(16,115)
Proceeds from disposal of fixed assets		6,052	1,778
Total cash flow from investing activities		192,781	117,180
Financing activities			
Dividends paid		(176,975)	(138,445)
Total cash flow used in financing activities		(176,975)	(138,445)
(Decrease) / increase in cash and bank balance during the year		(72,505)	3,505
Cash at the beginning of the year		129,940	126,435
Cash at the end of the year	14	57,435	129,940

Reconciliation to Profit and Loss Account

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Operating cash flows		(88,310)	24,770
Depreciation expense		(11,747)	(10,692)
(Loss) / profit on disposal of fixed assets		(2,458)	578
Dividend paid		985	4,360
Increase in assets other than cash		53,205	244,458
Decrease / (increase) in liabilities other than running finance		71,221	(306,379)
		22,896	(42,905)
Other adjustments			
Income tax paid		4,909	12,621
Provision for premiums due but unpaid		(8,913)	(4,986)
Provision for amount due from other insurers / reinsurers		(8,640)	(6,055)
Provision for gratuity		(3,954)	(3,372)
Provision for impairment		(474,556)	(78)
Gratuity paid		422	145
Profit / return received		5,027	7,900
Dividends received		32,710	35,792
Capital gain		50,652	408,455
Provision for taxation		(16,981)	12,861
		(419,324)	463,283
(Loss) / profit after taxation		(396,428)	420,378

Definition of cash

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.

Cash for the purposes of the Statement of Cash Flows consists of:

Cash and other equivalents

Cash in hand	94	136
Policy stamps	377	408
	471	544

Current and other accounts with banks

Current Accounts	12,361	11,483
PLS Savings Accounts	44,603	116,550
	56,964	128,033

Deposits with banks maturing within 12 months

Deposit Accounts	-	1,363
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Total	14	57,435	129,940
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The annexed notes 1 to 37 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

MAZHER ALI JUMANI
Director

ALI RAZA D. HABIB
Managing Director
& Chief Executive

Habib Insurance Company Limited

Statement of Premiums for the year ended December 31, 2008

(Rupees in '000)

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2008 Net premium revenue	2007 Net premium revenue
		Opening	Closing			Opening	Closing			
Direct and facultative										
1. Fire and Property	272,597	117,379	135,385	254,591	170,382	64,637	75,332	159,687	94,904	73,686
2. Marine and Transport	156,060	21,354	21,938	155,476	63,082	7,768	7,788	63,062	92,414	90,794
3. Motor	176,965	104,219	91,043	190,141	39,040	2,033	11,420	29,653	160,488	133,181
4. Other Classes	131,820	59,996	57,749	134,067	92,294	41,080	49,461	83,913	50,154	38,313
Total	737,442	302,948	306,115	734,275	364,798	115,518	144,001	336,315	397,960	335,974

The annexed notes 1 to 37 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

MAZHER ALI JUMANI
Director

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

Habib Insurance Company Limited

Statement of Claims for the year ended December 31, 2008

(Rupees in '000)

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2008 Net claims expense	2007 Net claims expense
		Opening	Closing			Opening	Closing			
Direct and facultative										
1. Fire and Property	226,858	165,258	26,813	88,413	154,673	111,685	17,319	60,307	28,106	59,409
2. Marine and Transport	73,960	36,235	11,216	48,941	43,590	20,669	750	23,671	25,270	28,398
3. Motor	132,646	59,907	49,682	122,421	23,019	18,838	8,475	12,656	109,765	102,358
4. Other Classes	57,267	20,304	83,575	120,538	22,302	10,477	69,635	81,460	39,078	27,011
Total	490,731	281,704	171,286	380,313	243,584	161,669	96,179	178,094	202,219	217,176

The annexed notes 1 to 37 form an integral part of these financial statements.

RAFIQ M. HABIB
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MANSOOR G. HABIB
Director

MAZHER ALI JUMANI
Director

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

Habib Insurance Company Limited

Statement of Expenses for the year ended December 31, 2008

(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	2008 Net underwriting expense	2007 Net underwriting expense
Direct and facultative									
1. Fire and Property	44,756	19,032	23,063	40,725	44,553	85,278	47,668	37,610	28,354
2. Marine and Transport	25,190	3,277	3,691	24,776	27,846	52,622	18,528	34,094	31,355
3. Motor	16,685	12,488	9,590	19,583	23,391	42,974	2,069	40,905	36,788
4. Other Classes	9,700	4,900	4,737	9,863	15,594	25,457	10,012	15,445	15,673
Total	96,331	39,697	41,081	94,947	111,384	206,331	78,277	128,054	112,170

The annexed notes 1 to 37 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

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Director

MAZHER ALI JUMANI
Director

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*Managing Director
& Chief Executive*

Habib Insurance Company Limited

Statement of Investment Income for the year ended December 31, 2008

	Note	2008 (Rupees in '000)	2007
Income from Non-Trading Investments			
Available-for-Sale			
Gain on sale of investments		50,652	408,455
Dividend income	26	33,518	37,142
Return on fixed income securities and deposits		166	–
		<u>84,336</u>	<u>445,597</u>
Less: Impairment in value of available-for-sale investments		(474,556)	–
Investment related expenses (brokerage)		(311)	(2,222)
		<u>(474,867)</u>	<u>(2,222)</u>
Held-to-Maturity			
Impairment in value of held-to-maturity investments		–	(78)
Net investment (loss) / income		<u>(390,531)</u>	<u>443,297</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

MAZHER ALI JUMANI
Director

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

Habib Insurance Company Limited

Notes to the Financial Statements for the year ended December 31, 2008

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 and impairment	6.7 & 16
• Useful lives of assets and methods of depreciation	6.8 & 23
• Provision for taxation current and deferred	6.15 & 25
• Provision for doubtful receivables	6.2.3, 6.16 19.1 & 20.1

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 which represents claims that are incurred before the balance sheet date but reported subsequently.

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 1/24th or 1/6th 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 maintains, 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.

Habib Insurance Company Limited

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.

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, 2008 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.

Habib Insurance Company Limited

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.

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 16.2.8.

In case of fixed income securities redeemable at a given date where the cost is different from the redemption value, such difference is amortised uniformly over the period between the acquisition date and the date of maturity in determining cost at which these investments are stated as per the requirements of the SEC (Insurance) Rules, 2002.

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.

Habib Insurance Company Limited

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 23.1 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 consists of advances made to suppliers in respect of tangible and intangible assets.

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

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 23.3 to the financial statements after taking into account residual value, if any.

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

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

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.

Habib Insurance Company Limited

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 Return on Term Finance Certificates

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

6.9.4 Return on fixed income securities

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

6.9.5 Income on Held-to-Maturity investment

Profit / interest on government securities is recognised on a time proportion basis taking into account the effective yield on the investment.

6.9.6 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 Off setting

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.

Standard or interpretation	Effective date (accounting periods beginning on or after)
IAS 1 Presentation of Financial Statements (Revised)	01 January 2009
IAS 23 Borrowings Costs (Revised)	01 January 2009
IAS 27 Consolidated and Separate Financial Statements (Revised)	01 January 2009
IFRS 3 Business Combinations (Revised)	01 July 2009
IFRS 4 Insurance Contracts	01 January 2009
IFRS 8 Operating segments	01 January 2009
IFRIC 13 Customer Loyalty Programs	01 July 2008
IFRIC 15 Agreements for the Construction of Real Estate	01 January 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	01 October 2008
IFRIC 17 Distributions of Non-cash Assets to owners	01 July 2009
IFRIC 18 Transfers of Assets from Customers	01 July 2009

Habib Insurance Company Limited

The Company considers that the adoption of the above standards and interpretations, other than IFRS 4, are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentations and disclosures in the financial statements. In respect of IFRS 4, the Company is currently evaluating the impact on the financial statements for the year ending December 31, 2009.

In addition to the above, amendments to various accounting standards have also been issued by International Accounting Standards Board which are generally effective for accounting periods beginning on or after January 01, 2009. The management is in the process of evaluating the impact of such amendments on the Company's financial statements for the ensuing periods.

7. SHARE CAPITAL

7.1 Authorised share capital

2008 (Number of Shares in '000)	2007		2008 (Rupees in '000)	2007 (Rupees in '000)
<u>100,000</u>	<u>100,000</u>	Ordinary shares of Rs. 5/- each	<u>500,000</u>	<u>500,000</u>

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>70,183</u>	<u>58,319</u>	Ordinary shares of Rs. 5/- each issued as fully paid bonus shares	<u>350,914</u>	<u>291,595</u>
<u>71,183</u>	<u>59,319</u>		<u>355,914</u>	<u>296,595</u>
59,319	43,940	Ordinary shares of Rs. 5/- each at the beginning of the year	296,595	219,700
<u>11,864</u>	<u>15,379</u>	Fully paid bonus shares issued during the year	<u>59,319</u>	<u>76,895</u>
<u>71,183</u>	<u>59,319</u>		<u>355,914</u>	<u>296,595</u>

7.2.1 As at December 31, 2008 related parties including directors and their dependents held 9,233,837 (12.97%) [2007: 7,694,870 (12.97%)] number of ordinary shares of Rs. 5/- each.

8. RESERVES

Capital reserves

Reserve for exceptional losses

Note
2008
2007
(Rupees in '000)

Revenue reserves

Balance at beginning of the year

Transfer from profit and loss appropriation

8.1	9,122	9,122
	<u>495,000</u>	<u>120,000</u>
	<u>150,000</u>	<u>375,000</u>
	<u>645,000</u>	<u>495,000</u>
	<u>654,122</u>	<u>504,122</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.

2008 2007
(Rupees in '000)

9. PROVISION FOR OUTSTANDING CLAIMS (INCLUDING IBNR)

Related parties	29,763	114,961
Others	141,523	166,743
	<u>171,286</u>	<u>281,704</u>

10. STAFF RETIREMENT BENEFITS – Unfunded Gratuity Scheme

15,243 11,711

The latest valuation of scheme was carried out as at December 31, 2008 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	15% per annum compounded
Salary Increase	13% per annum
Rate of return on investment	15% per annum
Normal retirement	60 years

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

2008 2007
(Rupees in '000)

Present value of defined benefit obligation	19,105	17,249
Unrecognised actuarial loss	(3,862)	(5,538)
Recognised liability	<u>15,243</u>	<u>11,711</u>

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

Balance at commencement of the year	11,711	8,484
Cost for the year	3,954	3,372
Benefits paid during the year	(422)	(145)
Balance at the end of the year	<u>15,243</u>	<u>11,711</u>

The following amounts have been charged to the profit and loss account for the year ended December 31, 2008 in respect of the staff gratuity:

Current service cost	1,912	1,385
Interest cost	1,770	1,308
Annual amortisation of transition obligation	–	458
Annual amortisation of loss	272	221
Cost for the year	<u>3,954</u>	<u>3,372</u>

Habib Insurance Company Limited

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(Rupees in '000)				
Present value of defined benefit obligations	19,105	17,249	13,378	10,672	7,600
Fair value of plan assets	–	–	–	–	–
Deficit	<u>19,105</u>	<u>17,249</u>	<u>13,378</u>	<u>10,672</u>	<u>7,600</u>
Experience gain on obligation	<u>1,404</u>	<u>1,324</u>	<u>1,028</u>	<u>1,857</u>	<u>807</u>

	2008	2007
	(Rupees in '000)	
11. AMOUNTS DUE TO OTHER INSURERS / REINSURERS		
Foreign reinsurers	36,851	41,827
Local reinsurers	24,834	37,247
Premium payable to co-insurers	53,204	47,593
	<u>114,889</u>	<u>126,667</u>

12. OTHER CREDITORS AND ACCRUALS		
Federal insurance fee	686	811
Federal excise duty	6,032	4,190
Withholding tax	429	307
Unclaimed dividends	18,537	17,557
Agents commission payable	85,213	57,959
Worker's welfare fund	264	–
Sundry creditors - others	6,585	2,890
	<u>117,746</u>	<u>83,714</u>

13. COMMITMENT

The Company has entered into an agreement with M/s. S.K. Enterprises, for renovation of a branch office, amounting to Rs. 5.0 million against which the Company has paid an advance of Rs. 3.5 million (see note 23.2.1)

Habib Insurance Company Limited

	Note	2008 (Rupees in '000)	2007
14. CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		94	136
Policy stamps		377	408
		471	544
Current and other accounts			
Current accounts		12,361	11,483
PLS savings accounts	14.1	44,603	116,550
		56,964	128,033
Deposits maturing within 12 months			
Deposit account	14.2	–	1,363
		<u>57,435</u>	<u>129,940</u>

14.1 These carry mark-up rates ranging from 8% to 12.5% (2007: 7% to 8.5%) per annum.

14.2 Carries mark-up rate of Nil (2007: 11%) per annum.

15. LOANS - secured, considered good

Employees	15.1	2,534	1,546
Less: Recoverable within one year		(635)	(565)
		<u>1,899</u>	<u>981</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% to 10% (2007: 7%) per annum.

15.1 Reconciliation of carrying amount of loans

Opening balance		1,546	1,659
Disbursements		2,159	914
		3,705	2,573
Repayments		(1,171)	(1,027)
		<u>2,534</u>	<u>1,546</u>

Habib Insurance Company Limited

	Note	2008 (Rupees in '000)	2007
16. INVESTMENTS			
Held-to-Maturity	16.1	–	78
Less: Provision for impairment		–	(78)
		<u>–</u>	<u>–</u>
Available-for-Sale	16.2	719,561	1,313,616
		<u>719,561</u>	<u>1,313,616</u>
		<u><u>719,561</u></u>	<u><u>1,313,616</u></u>
16.1 Held-to-Maturity			
No. of Shares/Units/ Certificates	Face Value (Rupees)	Company's Name	
2008	2007		
		Debentures	
12	12	Tariq Cotton Mills Limited (under liquidation)	78
			<u>–</u>
			<u>78</u>
16.2 Available-for-Sale			
Quoted securities deposited with the State Bank of Pakistan	16.2.1	349	357
Quoted - Term Finance Certificates	16.2.2	9,145	–
Quoted - Mutual Funds	16.2.3	1,271	432,818
Quoted - Modaraba Certificates	16.2.4	9,424	8,699
Quoted - Shares	16.2.5	352,589	484,315
Quoted - Investments in related parties	16.2.6	346,783	387,427
		<u>719,561</u>	<u>1,313,616</u>
		<u><u>719,561</u></u>	<u><u>1,313,616</u></u>
16.2.1 Deposited with the State Bank of Pakistan			
No. of Shares/Units/ Certificates	Face Value (Rupees)	Company's Name	
2008	2007		
27,500	27,500	National Investment (Unit) Trust	252
2,018	2,018	Pakistan Income Fund (PIF)	97
			<u>252</u>
			<u>97</u>
			<u>349</u>
			<u>357</u>
16.2.2 Quoted - Term Finance Certificates			
		TERM FINANCE CERTIFICATES	
1,000	–	5,000	Bank Al-Falah Limited
1,000	–	5,000	Engro Chemical Pakistan Limited
			<u>4,510</u>
			<u>4,635</u>
			<u>9,145</u>
			<u>–</u>
16.2.3 Quoted - Mutual funds			
		MUTUAL FUND	
–	1,657,825	100	Askari Income Fund
–	7,296,004	10	BMA Chundrigar Road Savings Fund
–	16,664,445	10	NAFA Cash Fund
199,500	199,500	10	PICIC Investment Fund
155,000	155,000	10	PICIC Growth Fund
			<u>–</u>
			<u>–</u>
			<u>–</u>
			<u>405</u>
			<u>866</u>
			<u>1,271</u>
			<u>175,000</u>
			<u>75,000</u>
			<u>175,000</u>
			<u>2,353</u>
			<u>5,465</u>
			<u>1,271</u>
			<u>432,818</u>

Habib Insurance Company Limited

No. of Shares/Units/ Certificates		Face Value (Rupees)	Company's Name	2008 (Rupees in '000)	2007
2008	2007				
16.2.4 Quoted - Modaraba certificates					
MODARABA					
49,000	49,000	10	First Habib Bank Modaraba	148	332
1,505,000	752,500	5	First Habib Modaraba	8,534	7,222
109,000	109,000	10	Standard Chartered Modaraba	742	1,145
				9,424	8,699
16.2.5 Quoted - Shares					
LEASING					
48,300	42,000	10	Askari Leasing Limited	300	300
INVESTMENT COMPANIES / BANK					
31,250	25,000	10	Arif Habib Securities Limited	1,314	4,616
443,188	13,800	10	Jahangir Siddiqui & Co. Limited	23,170	341
5,459	3,900	10	JS Global Capital Limited	258	258
–	75,000	10	JS Investments Limited	–	5,206
COMMERCIAL BANKS					
311,075	204,500	10	Askari Bank Limited	4,532	21,529
33,000	30,000	10	Habib Bank Limited	2,470	8,503
60,000	–	10	MCB Bank Limited	7,549	–
42,500	55,000	10	National Bank of Pakistan	2,139	12,546
262,940	100,000	10	NIB Bank Limited	1,228	2,080
–	72,000	10	PICIC Commercial Bank Limited	–	2,453
200,000	250,000	10	Soneri Bank Limited	2,200	9,195
142,000	142,000	10	Standard Chartered Bank (Pakistan) Limited	1,228	7,757
25,000	–	10	United Bank Limited	923	–
INSURANCE					
40,000	40,000	10	Adamjee Insurance Company Limited	4,074	15,210
111,800	50,000	10	Atlas Insurance Limited	4,911	7,000
58,190	116,600	10	EFU General Insurance Company Limited	6,378	14,697
403,125	125,000	10	IGI Insurance Limited	46,468	52,662
180,600	50,500	10	New Jubilee Insurance Company Limited	17,728	5,926
223,888	43,300	10	Pakistan Reinsurance Company Limited	5,304	12,386
3,500	2,000	10	PICIC Insurance Limited	36	21
TEXTILE SPINNING					
48,900	48,900	10	Gadoon Textile Mills Limited	1,450	1,450
25,954	23,595	10	Gulistan Spinning Mills Limited	186	251
8,000	8,000	10	Saif Textile Mills Limited	76	285

Habib Insurance Company Limited

No. of Shares/Units/ Certificates		Face Value (Rupees)	Company's Name	2008 (Rupees in '000)	2007
2008	2007				
TEXTILE WEAVING					
5,861	5,861	10	Nakshbandi Industries Limited	44	50
TEXTILE COMPOSITE					
117	117	10	Colony Textile Mills Limited	1	1
11,174	–	10	Dawood Lawrencepur Limited	557	–
413,500	195,000	10	Gul Ahmed Textile Mills Limited	15,369	7,435
93	93	10	Kohinoor (Gujarkhan) Mills Limited (unquoted)	–	–
4,575	4,575	10	Kohinoor Industries Limited	7	14
16,500	15,000	10	Nishat (Chunian) Limited	160	1,275
110,000	10,000	10	Nishat Mills Limited	2,486	606
SYNTHETIC & RAYON					
20	20	10	National Silk & Rayon Mills Limited	–	–
SUGAR AND ALLIED INDUSTRIES					
443	–	10	Colony Sugar Mills Limited	–	–
20,000	20,000	10	Dewan Sugar Mills Limited	36	295
280,000	280,000	5	Habib ADM Limited	2,786	4,877
427	427	10	Kohinoor Sugar Mills Limited	2	2
33,000	33,000	10	Noon Sugar Mills Limited	426	1,278
CEMENT					
–	30,000	10	D.G. Khan Cement Company Limited	–	2,788
30,000	30,000	10	Lucky Cement Limited	938	2,938
22,750	22,750	10	Maple Leaf Cement Factory Limited	93	284
22,500	22,500	10	Pakistan Cement Company Limited	72	225
POWER GENERATION & DISTRIBUTION					
311,000	311,000	10	The Hub Power Company Limited	4,382	8,832
70,000	70,000	10	Kot Addu Power Company Limited	2,209	3,423
47,000	47,000	10	Sitara Energy Limited	836	836
OIL & GAS MARKETING COMPANIES					
–	10,000	10	Pakistan State Oil Company Limited	–	3,965
76,625	61,300	10	Shell Pakistan Limited	23,778	25,917
75,345	75,345	10	Sui Southern Gas Company Limited	792	1,873

Habib Insurance Company Limited

No. of Shares/Units/ Certificates		Face Value (Rupees)	Company's Name	2008 (Rupees in '000)	2007
2008	2007				
OIL & GAS EXPLORATION COMPANIES					
110,000	135,000	10	Oil & Gas Development Company Limited	5,499	15,894
96,000	30,000	10	Pakistan Oilfields Limited	9,839	10,063
55,000	50,000	10	Pakistan Petroleum Limited	5,534	12,877
ENGINEERING					
–	22,000	10	Dadex Eternit Limited	–	1,237
24,000	–	10	International Industries Limited	1,103	–
AUTOMOBILE ASSEMBLER					
61,300	31,600	5	Al Ghazi Tractors Limited	12,246	4,273
–	173,160	10	Honda Atlas Cars (Pakistan) Limited	–	1,738
34,375	27,500	10	Millat Tractors Limited	4,603	7,864
18,000	18,000	10	Pak Suzuki Motor Company Limited	1,433	5,358
AUTOMOBILE PARTS & ACCESSORIES					
18,000	–	5	Agriauto Industries Limited	556	–
12,561	12,561	10	Atlas Battery Limited	904	904
CABLE & ELECTRICAL GOODS					
20,000	20,000	10	Electric Lamp Manufacturers Limited (unquoted)	–	–
11,537	10,489	10	Pakistan Cables Limited	693	1,402
TECHNOLOGY & COMMUNICATIONS					
200,000	200,000	10	Pakistan Telecommunication Company Limited	3,378	9,573
80,000	80,000	10	TRG Pakistan Limited - Class 'A'	142	949
FERTILIZER					
111,804	80,000	10	Dawood Hercules Chemicals Limited	24,631	32,203
146,000	160,000	10	Engro Chemical Pakistan Limited	14,083	44,690
50,000	–	10	Fauji Fertilizer Company Limited	2,937	–
PHARMACEUTICALS					
252,000	72,500	10	Abbott Laboratories (Pakistan) Limited	22,582	16,124
59,800	59,800	10	GlaxoSmithKline Pakistan Limited	4,541	12,102
CHEMICALS					
40,000	15,000	10	BOC Pakistan Limited	4,513	4,008
10,500	8,400	10	Clariant Pakistan Limited	1,323	1,323
12,500	12,500	10	ICI Pakistan Limited	859	2,005

Habib Insurance Company Limited

No. of Shares/Units/ Certificates		Face Value	Company's Name	2008 (Rupees in '000)	2007
2008	2007	(Rupees)			
PAPER AND BOARD					
200,000	35,000	10	Packages Limited	16,238	13,327
LEATHER AND TANNERIES					
5,992	5,992	10	Bata Pakistan Limited	312	312
FOOD PERSONAL CARE - PRODUCTS					
150	150	10	Nestle Pakistan Limited	79	79
1,320	1,320	10	Shezan International Limited	124	124
13,940	13,940	50	Unilever Pakistan Limited	25,199	33,753
GLASS AND CERAMICS					
6,825	6,500	10	Ghani Glass Limited	342	547
Quoted - total shares				352,589	484,315

16.2.6 Quoted – Investments in related parties

–	15,000	5	Agriauto Industries Limited	–	1,360
982,280	755,600	10	Bank AL Habib Limited	24,429	49,704
140,000	140,000	5	Dynea Pakistan Limited	1,722	1,722
1,140,725	741,794	100	First Habib Income Fund (units)	110,090	75,000
957,141	797,618	10	Habib Metropolitan Bank Limited	25,202	34,697
2,541,646	2,033,317	5	Habib Sugar Mills Limited	55,038	55,038
41,600	41,600	10	Indus Motor Company Limited	5,112	13,345
1,180,080	983,400	5	Shabbir Tiles and Ceramics Limited	26,680	26,680
1,204,130	860,093	5	Thal Limited	98,510	129,881
Quoted – total investments in related parties				346,783	387,427

16.2.7 Market value of investments

Available-for-sale	767,798	1,591,604
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16.2.8 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, 2008 would have been higher by Rs. 48.24 million (2007: Rs. 277.99 million).

Habib Insurance Company Limited

	Note	2008 (Rupees in '000)	2007
17. SECURITY DEPOSITS			
Office rent deposit		762	643
Aga Khan University Hospital		350	240
Others		291	291
		<u>1,403</u>	<u>1,174</u>
18. DEFERRED TAXATION			
18.1 Deferred taxation comprises temporary differences relating to:			
- Provisions		-	10,383
- Unused tax losses		7,111	10,710
- Accelerated tax depreciation		(1,383)	(1,736)
		<u>5,728</u>	<u>19,357</u>
18.2 Reconciliation of deferred tax asset			
Opening balance		19,357	3,496
(Charge) / recognised during the year		(13,629)	15,861
Closing balance		<u>5,728</u>	<u>19,357</u>
19. PREMIUMS DUE BUT UNPAID - unsecured			
Considered good	19.2	183,284	154,991
Considered doubtful		8,913	4,986
		<u>192,197</u>	<u>159,977</u>
Less: Provision for doubtful balances	19.1	(8,913)	(4,986)
		<u>183,284</u>	<u>154,991</u>
19.1 Reconciliation of provision for doubtful balances			
Opening provision		4,986	5,293
Charge / (reversal) for the year		3,927	(307)
Balance at the end of the year		<u>8,913</u>	<u>4,986</u>
19.2 Premiums due but unpaid includes a sum of Rs. 79.072 million (2007: Rs. 56.245 million) due from related parties.			
20. AMOUNTS DUE FROM OTHER INSURERS / REINSURERS - unsecured, considered good			
Considered good			
- Premiums due from co-insurers		69,279	83,160
- Foreign reinsurers		37,228	10,703
- Local reinsurers		14,226	6,359
- Claims due from co-insurers		24,848	6,372
Considered doubtful - Premiums due from co-insurers		8,640	6,055
		<u>154,221</u>	<u>112,649</u>
Less: Provision against amount due from co-insurers	20.1	(8,640)	(6,055)
		<u>145,581</u>	<u>106,594</u>

Habib Insurance Company Limited

	Note	2008	2007
(Rupees in '000)			
20.1	Reconciliation of provision for doubtful balances		
	Opening provision	6,055	4,482
	Charge during the year	2,585	1,573
	Balance at the end of the year	<u>8,640</u>	<u>6,055</u>
21.	ACCRUED INVESTMENT INCOME		
	Dividend receivable	3,305	2,498
	Profit receivable	30	246
	Income from Term Finance Certificates	151	–
		<u>3,486</u>	<u>2,744</u>
22.	SUNDRY RECEIVABLES - considered good		
	Current portion of long term loan to employees	635	565
	Advance against purchase of assets	4,001	–
	FED receivable	22.1 1,408	1,408
	Other advances	3,013	686
	Other receivables	597	2,474
		<u>9,654</u>	<u>5,133</u>
22.1	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.		
23.	FIXED ASSETS		
	Tangible	23.1 40,985	38,921
	Capital work in progress	23.2 3,500	4,487
	Intangible	23.3 1,141	2,304
		<u>45,626</u>	<u>45,712</u>

Habib Insurance Company Limited

23.1 Tangible

(Rupees in '000)

	Cost			Accumulated Depreciation			Written Down Value as at Dec. 31, 08	Depreciation Rate %
	As at Jan. 01, 08	Additions / (disposals)	As at Dec. 31, 08	As at Jan. 01, 08	Charge/adjustment for the year	As at Dec. 31, 08		
	Furniture and fixtures	6,782	2,182 (1,129)	7,835	4,167	648 (66)		
Renovation	10,840	5,211 (4,099)	11,952	4,794	1,290 (165)	5,919	6,033	10
Office equipments	6,714	1,987 (900)	7,801	4,062	1,171 (303)	4,930	2,871	20
Computers and related equipment	8,712	1,455 (494)	9,673	6,796	1,240 (492)	7,544	2,129	33
Motor vehicles	49,742	10,323 (9,531)	50,534	24,050	6,235 (6,617)	23,668	26,866	20
2008	82,790	21,158 (16,153)	87,795	43,869	10,584 (7,643)	46,810	40,985	

	Cost			Accumulated Depreciation			Written Down Value as at Dec. 31, 07	Depreciation Rate %
	As at Jan. 01, 07	Additions / (disposals)	As at Dec. 31, 07	As at Jan. 01, 07	Charge/adjustment for the year	As at Dec. 31, 07		
	Furniture and fixtures	5,846	1,001 (65)	6,782	3,688	506 (27)		
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	

Habib Insurance Company Limited

	Note	2008 (Rupees in '000)	2007
23.2 Capital work in progress			
Advance to suppliers and contractors in respect of renovation	23.2.1	<u>3,500</u>	<u>4,487</u>

23.2.1 Represents amount paid to M/s S.K. Enterprises against civil works.

23.3 Intangible

(Rupees in '000)

	Cost			Accumulated Depreciation			Written Down Value as at Dec. 31, 08	Depreciation Rate %
	As at Jan. 01, 08	Additions / (disposals)	As at Dec. 31, 08	As at Jan. 01, 08	Charge/adjust- ment for the year	As at Dec. 31, 08		
Computer software	9,070	–	9,070	6,766	1,163	7,929	1,141	20
2008	<u>9,070</u>	<u>–</u>	<u>9,070</u>	<u>6,766</u>	<u>1,163</u>	<u>7,929</u>	<u>1,141</u>	

	Cost			Accumulated Depreciation			Written Down Value as at Dec. 31, 07	Depreciation 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		
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>	

Habib Insurance Company Limited

23.4 Disposals of Fixed Assets

Description	Cost	Accumulated depreciation	Written Down Value	Sale Proceeds	Profit/(Loss) on Sale	Mode of Sale	Particulars of Purchaser
(Rupees in '000)							
VEHICLES							
Habib Motorcycle - HB 70	40	10	30	32	2	Negotiation	Mr. Abdul Shahid Khan, Karachi
Toyota Corolla - ACD 275	679	588	91	355	264	Negotiation	Mr. Babar Naseer, Karachi
Suzuki Cultus - AFE 830	618	416	202	350	148	Negotiation	Gulaman-e-Abbas School, Karachi
Suzuki Khyber - ABS 644	348	310	38	155	117	Negotiation	Mr. Muhammad Tahir, Karachi
Daihatsu Cuore - ACX 048	427	355	72	238	166	Negotiation	Mr. Asim Rasheed, Karachi
Honda City - LXV 0403	761	633	128	351	223	Negotiation	Mr. Muhammad Aqeel, Karachi
Suzuki Baleno - AFH 249	750	505	245	340	95	Negotiation	Mr. Roeinton Shroff, Karachi
Suzuki Khyber - LXL 2143	417	361	56	162	106	Negotiation	Syed Sajid Abbas, Sheikhpura
Toyota Corolla - AFR 473	862	509	353	615	262	Negotiation	Gulaman-e-Abbas School, Karachi
Suzuki Baleno - AEY 662	750	504	246	350	104	Negotiation	Habib Education Trust, Karachi
Daihatsu Cuore - ACY 077	427	356	71	190	119	Negotiation	Mr. Sarfraz, Karachi
Suzuki Cultus - ADU 338	564	446	118	250	132	Negotiation	Mr. Sarfraz, Karachi
Suzuki Alto - AEC 482	477	352	125	200	75	Negotiation	Mr. Sohail Abbas, Karachi
Daihatsu Cuore - AKV 743	433	133	300	295	(5)	Negotiation	Mr. Sohail Abbas, Karachi
Toyota Corolla - AEY 518	952	640	312	350	38	Negotiation	Mr. Imdad Hussain, Chakwal
Toyota Corolla GLI - AJZ 752	984	480	504	775	271	Negotiation	Gulaman-e-Abbas School, Karachi
Habib Motorcycle - KBH 0068	42	21	21	23	2	Negotiation	Mr. Faisal Shabbir, Karachi
FURNITURE AND FIXTURES							
Various	845	49	796	400	(396)	Negotiation	B.R.R. Guardian Modaraba
Various	284	16	268	115	(153)	Negotiation	Various parties
OFFICE EQUIPMENTS							
Various	900	303	597	254	(343)	Negotiation	Various parties
RENOVATION							
Branch office	4,099	165	3,934	235	(3,699)	Negotiation	B.R.R. Guardian Modaraba
COMPUTER EQUIPMENTS							
Various	342	342	–	9	9	Negotiation	Mr. Mushtaq, Karachi
Various	152	149	3	8	5	Negotiation	Various parties
	<u>16,153</u>	<u>7,643</u>	<u>8,510</u>	<u>6,052</u>	<u>(2,458)</u>		

Habib Insurance Company Limited

	Note	2008 (Rupees in '000)	2007
24. EXPENSES	24.1		
Salaries, wages including bonus, contribution to provident fund and staff welfare	24.2	91,842	78,381
Motor car expenses		15,537	11,216
Travelling and entertainment expenses		4,289	3,968
Rent, taxes and electricity		12,240	9,898
Communications		6,469	5,423
Printing and stationery		3,564	3,355
Legal and professional expenses		5,490	5,220
Corporate & subscription		2,362	3,688
Depreciation		11,747	10,692
Donations	24.3	1,800	1,200
Auditors' remuneration	24.4	602	495
Other expenses		8,064	7,185
Provision for premiums due but unpaid		3,927	(307)
Provision for amount due from other insurers / reinsurers		2,585	1,573
		<u>170,518</u>	<u>141,987</u>

24.1 The above expenses have been appropriately charged to underwriting under their respective classes and to general and administration expenses.

24.2 This includes staff retirement benefits amounting to Rs. 6.625 million (2007: Rs. 5.718 million).

24.3 Donations

An amount of Rs. 1.8 million (2007: 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	360
Rehmatbai Habib Widows & Orphans Trust UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Aun Mohammad A. Habib	360
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	360
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	360
Habib Medical Trust UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Rafiq M. Habib	
	2. Mr. Mohamedali R. Habib	360
		<u>1,800</u>

Habib Insurance Company Limited

	2008	2007
	(Rupees in '000)	
24.4 Auditors' remuneration		
Annual audit fee	225	200
Half yearly review	90	80
Other certifications and corporate advisory services	153	110
Out of pocket expenses	134	105
	<u>602</u>	<u>495</u>
25. TAXATION		
Current	3,352	3,000
Deferred	13,629	(15,861)
	<u>16,981</u>	<u>(12,861)</u>
25.1	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 2008 corresponding to the income year ended December 31, 2007 which is deemed to be assessed under the provision of the Income Tax Ordinance, 2001.	
25.2	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.	
26. DIVIDEND INCOME		
	2008	2007
	(Rupees in '000)	
From related parties		
Agriauto Industries Limited	-	53
Bank AL Habib Limited	1,134	-
First Habib Income Fund	5,193	-
Habib Sugar Mills Limited	3,177	2,033
Habib Metropolitan Bank Limited	797	-
Indus Motor Company Limited	437	333
Thal Limited	-	992
	<u>10,738</u>	<u>3,411</u>
From other quoted companies	22,780	33,731
	<u>33,518</u>	<u>37,142</u>

Habib Insurance Company Limited

27. 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 32, are given below:

	2008	2007
	(Rupees in '000)	
Relationship: Common Directorship		
Profit received on bank accounts	5,857	7,061
Purchase of fixed assets	2,440	3,172
Advance paid for purchase of fixed assets	2,778	–
Dividend received	10,737	3,411
Dividend paid	20,776	12,530
Premium underwritten	227,048	211,434
Claims paid	183,667	52,715
Brokerage expenses paid	621	3,426
Staff retirement benefits		
Provident fund contribution	2,659	2,345
	(Number of shares/units)	
Bonus shares received	1,435,250	682,385
Bonus shares issued	1,538,967	1,420,427
Bonus units received	31,335	3,712

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

28. FINANCIAL RISK MANAGEMENT

28.1 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.

28.2 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.

28.3 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 for the Company to continue as a going concern in order to provide returns for shareholders. 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. 355.914 million against the minimum required paid capital of Rs. 160 million set by the SECP for the insurance companies for the year ended December 31, 2008.

Habib Insurance Company Limited

28.4 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.

Industry sector	2008		2007	
	Rupees in '000	%	Rupees in '000	%
Automobiles	46,965	14	19,710	8
Banks, Modaraba and Leasing	26,179	8	20,829	8
Textile and Composite	56,499	17	27,778	11
Sugar	21,273	6	11,454	4
Chemicals and Allied Industries	5,217	2	5,610	2
Glass, Ceramics and Tiles	10,159	3	3,650	1
Cable, Engineering and Steel	4,490	1	1,467	1
Cement	1,804	1	2,378	1
Food and Confectionary	9,688	3	2,808	1
Fuel and Energy	2,616	1	623	0
Insurance	2,196	1	1,755	1
Pharmaceuticals	6,301	2	1,459	1
Others	135,477	41	162,064	61
	<u>328,864</u>	<u>100</u>	<u>261,585</u>	<u>100</u>

28.5 Market risk

The Company has invested its funds in ordinary shares, unit trust, mutual funds, modarabas and term finance certificates 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

29. SEGMENT REPORTING

(Rupees in '000)

	Fire and Property		Marine and Transport		Motor		Other Classes		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Revenue										
Premiums earned	254,591	223,590	155,476	144,280	190,141	153,320	134,067	100,312	734,275	621,502
Segment Result	29,188	(14,077)	33,050	31,041	9,818	(5,965)	(4,369)	(4,371)	67,687	6,628
Investment (loss) / income									(390,531)	443,297
(Loss) / profit on sale of fixed assets									(2,458)	578
Other income									4,989	8,153
General and administration expenses									(59,134)	(51,139)
									(447,134)	400,889
(Loss) / profit before tax									(379,447)	407,517
Provision for taxation									(16,981)	12,861
Net (loss) / profit after tax									(396,428)	420,378
Other Information										
Segment Assets	227,365	222,659	138,849	143,679	169,808	152,682	119,730	99,895	655,752	618,915
Unallocated corporate assets									801,714	1,482,189
Consolidated total assets									1,457,466	2,101,104
Segment Liabilities	260,096	295,363	158,838	190,594	194,251	202,536	136,966	132,512	750,151	821,005
Unallocated corporate liabilities									44,025	42,424
Consolidated total liabilities									794,176	863,429
Capital expenditure	7,336	5,797	4,480	3,741	5,479	3,976	3,863	2,601	21,158	16,115
Depreciation / amortisation	4,073	3,846	2,488	2,482	3,042	2,638	2,144	1,726	11,747	10,692

Habib Insurance Company Limited

30. 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.

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)						
As at December 31, 2008						
Financial Assets						
Cash and bank balances	8%-12.5%	57,435	44,603	–	–	12,832
Loans	7%-10%	2,534	615	50	1,163	706
Investments	17%	719,561	4	4,516	4,625	710,416
Premiums due but unpaid		183,284	–	–	–	183,284
Amounts due from other insurers / reinsurers		145,581	–	–	–	145,581
Accrued investment income		3,486	–	–	–	3,486
Reinsurance recoveries against outstanding claims		96,179	–	–	–	96,179
Sundry receivables		9,019	–	–	–	9,019
		<u>1,217,079</u>	<u>45,222</u>	<u>4,566</u>	<u>5,788</u>	<u>1,161,503</u>
Financial Liabilities						
Provision for outstanding claims (including IBNR)		171,286	–	–	–	171,286
Staff retirement benefits		15,243	–	–	–	15,243
Amounts due to other insurers / reinsurers		114,889	–	–	–	114,889
Accrued expenses		10,367	–	–	–	10,367
Other creditors and accruals		117,746	–	–	–	117,746
		<u>429,531</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>429,531</u>
Interest rate / yield sensitivity gap			<u>45,222</u>	<u>4,566</u>	<u>5,788</u>	
Cumulative interest rate sensitivity gap			<u>45,222</u>	<u>49,788</u>	<u>55,576</u>	

Habib Insurance Company Limited

	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)						
As at December 31, 2007						
Financial Assets						
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		4,568	552	-	-	4,016
		<u>1,875,668</u>	<u>119,030</u>	<u>176</u>	<u>-</u>	<u>1,756,462</u>
Financial Liabilities						
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			119,030	176	-	
Cumulative interest rate sensitivity gap			<u>119,030</u>	<u>119,206</u>	<u>119,206</u>	

31. 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 or 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 16 to the financial statements.

32. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2008			2007		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Fees	-	178	-	-	10	-
Managerial Remuneration	3,240	-	21,019	2,880	-	17,094
Contribution to Provident Fund	180	-	807	160	-	741
Other Perquisites	773	-	736	614	-	739
Total	<u>4,193</u>	<u>-</u>	<u>22,562</u>	<u>3,654</u>	<u>-</u>	<u>18,574</u>
Number of persons	<u>1</u>	<u>7</u>	<u>14</u>	<u>1</u>	<u>7</u>	<u>10</u>

Habib Insurance Company Limited

32.1 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.

33. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

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

	2008	2007 (Restated)
(Loss) / profit after tax (Rupees in '000)	<u>(396,428)</u>	<u>420,378</u>
Weighted average number of shares (in '000)	<u>71,183</u>	<u>71,183</u>
(Loss) / earnings per share - basic (Rupees)	<u>(5.57)</u>	<u>5.91</u>

33.1 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.

33.2 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.

34. NUMBER OF EMPLOYEES

The number of employees at the end of the year was 258 (2007: 245).

35. 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 31, 2009.

36. MOVEMENT BETWEEN RESERVES AND PROPOSED DIVIDEND

In the meeting held on March 31, 2009, the Board of Directors of the Company recommended a final cash dividend of 12.5 percent and bonus shares in the ratio of one share for every eight shares held of Rs. 5/- each for the year ended December 31, 2008, each amounting to Rs. 44.489 million for approval of the members at the Annual General Meeting. In addition, the Board has approved transfer from general reserve of Rs. 450 million (2007: transfer to general reserve of Rs. 150 million).

37. CORRESPONDING FIGURES

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

37.2 Figures have been rounded off to the nearest thousand of rupees.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

MAZHER ALI JUMANI
Director

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

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2008

Number of Shareholders	Size of Shareholding Rs. 5/- each		Total Shares Held
304	1	to 100	11,215
296	101	to 500	85,133
161	501	to 1,000	119,154
401	1,001	to 5,000	954,299
148	5,001	to 10,000	1,048,320
65	10,001	to 15,000	827,603
29	15,001	to 20,000	503,360
18	20,001	to 25,000	407,131
15	25,001	to 30,000	424,002
7	30,001	to 35,000	229,482
24	35,001	to 40,000	879,139
4	40,001	to 45,000	165,372
11	45,001	to 50,000	528,119
8	50,001	to 55,000	419,743
12	55,001	to 60,000	677,111
10	60,001	to 65,000	629,511
7	65,001	to 70,000	476,630
20	70,001	to 75,000	1,448,427
6	75,001	to 80,000	460,911
2	80,001	to 85,000	164,660
7	85,001	to 90,000	622,239
4	90,001	to 95,000	369,111
6	95,001	to 100,000	578,076
1	100,001	to 105,000	100,381
4	105,001	to 110,000	427,089
4	110,001	to 115,000	449,816
10	115,001	to 120,000	1,174,448
1	120,001	to 125,000	120,612
4	125,001	to 130,000	513,021
2	130,001	to 135,000	261,900
4	135,001	to 140,000	552,988
8	140,001	to 145,000	1,143,110
1	145,001	to 150,000	147,111
1	150,001	to 155,000	151,491
3	155,001	to 160,000	469,849
2	160,001	to 165,000	326,540
1	170,001	to 175,000	172,000
7	175,001	to 180,000	1,243,568
3	190,001	to 195,000	571,226
3	195,001	to 200,000	595,827
1	200,001	to 205,000	203,356
1	205,001	to 210,000	205,717
1	210,001	to 215,000	213,548
2	215,001	to 220,000	436,216
1	220,001	to 225,000	222,872
1	235,001	to 240,000	236,016
2	240,001	to 245,000	483,650
1	245,001	to 250,000	247,843
3	255,001	to 260,000	773,425
2	290,001	to 295,000	585,564
1	295,001	to 300,000	296,040
1	300,001	to 305,000	302,784
3	310,001	to 315,000	934,743
1	320,001	to 325,000	321,931
1	330,001	to 335,000	330,463
1	340,001	to 345,000	341,552
2	345,001	to 350,000	692,750
5	355,001	to 360,000	1,783,159
1	360,001	to 365,000	363,900
1	370,001	to 375,000	373,921
1	395,001	to 400,000	398,623
2	425,001	to 430,000	854,192
1	430,001	to 435,000	434,660
1	445,001	to 450,000	447,412
1	455,001	to 460,000	456,000
2	465,001	to 470,000	934,947
1	480,001	to 485,000	483,720
1	495,001	to 500,000	498,279
1	500,001	to 505,000	501,948
2	530,001	to 535,000	1,067,740
1	565,001	to 570,000	569,004
1	590,001	to 595,000	590,816
1	610,001	to 615,000	611,848
1	705,001	to 710,000	705,126
1	715,001	to 720,000	717,606
1	745,001	to 750,000	747,418
1	770,001	to 775,000	770,622
1	885,001	to 890,000	885,914
1	995,001	to 1,000,000	997,963
1	1,040,001	to 1,045,000	1,042,291
1	1,045,001	to 1,050,000	1,048,169
1	1,350,001	to 1,355,000	1,352,473
1	1,355,001	to 1,360,000	1,356,604
1	1,360,001	to 1,365,000	1,360,800
1	1,560,001	to 1,565,000	1,563,805
1	1,670,001	to 1,675,000	1,674,831
1	1,685,001	to 1,690,000	1,687,032
1	1,690,001	to 1,695,000	1,694,098
1	2,860,001	to 2,865,000	2,861,547
1	3,080,001	to 3,085,000	3,082,214
1	3,110,001	to 3,115,000	3,114,247
1	3,295,001	to 3,300,000	3,295,762
1	3,575,001	to 3,580,000	3,575,914
1,692	TOTAL		71,182,800

Categories of Shareholders	Numbers	Shares Held	Percentage
1. Individuals	1,582	43,735,124	61.44
2. Investment Companies	5	7,648	0.01
3. Insurance Companies	8	5,065,308	7.12
4. Joint Stock Companies	42	7,300,788	10.26
5. Financial Institutions	5	1,810,153	2.54
6. Charitable Trusts	26	10,146,837	14.25
7. Government Institutions	1	39,150	0.05
8. Mutual Funds	1	56,700	0.08
9. Modaraba Companies	1	296,040	0.42
10. Foreign Investors	21	2,725,052	3.83
	1,692	71,182,800	100.00

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2008

Additional Information

Shareholders' Category	Number of Shareholders / Folios	Number of Shares Held
Associated Companies		
Habib Sugar Mills Limited	1	3,082,214
Thal Limited	1	3,295,762
Karachi Mercantile Co. (Pvt.) Limited	1	196,576
NIT and ICP		
IDBP (ICP Unit)	2	1,480
Directors		
Mr. Rafiq M. Habib	1	95,882
Mr. Abbas D. Habib	2	432,879
Mr. Mansoor G. Habib	1	3,240
Mr. Mohamedali R. Habib	2	1,117,031
Mr. Sajjad Hussain Habib	1	163,274
Mr. Aun Mohammad A. Habib	1	163,266
Mr. Mazher Ali Jumani	2	6,183
Chief Executive Officer		
Mr. Ali Raza D. Habib	1	35,234
Directors' Spouses		
Mrs. Jamila Rafiq w/o Mr. Rafiq M. Habib	2	555,558
Mrs. Niamat-e-Fatima w/o Mr. Abbas D. Habib	1	11,998
Mrs. Sayyeda Mohamedali w/o Mr. Mohamedali R. Habib	1	74,740
Banks, Development Financial Institutions, Insurance Companies, Modaraba Companies and Mutual Funds		
	14	6,780,789
Joint Stock Companies and Corporations		
	39	726,236
Individuals / Others		
	1570	41,082,007
Charitable Trusts, Societies and Government Institutions		
	28	10,633,399
Foreign Investors		
	21	2,725,052
	1,692	71,182,800

Habib Insurance Company Limited

Notice of Annual General Meeting

NOTICE is hereby given that the 66th Annual General Meeting of the Shareholders of the Company will be held at The Institute of Chartered Accountants of Pakistan, Kehkashan, Clifton, Karachi, on Thursday, April 30, 2009 at 09:00 a.m. to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended December 31, 2008 together with the Directors' and Auditors' Report thereon.
2. To approve payment of cash dividend @ 12.5% i.e. Rs. 0.625 per share of Rs. 5/- each for the year ended December 31, 2008 as recommended by the Board of Directors.
3. To approve the issue of bonus shares in the proportion of one share for every eight shares held i.e. 12.5% for the year ended December 31, 2008 as recommended by the Board of Directors.
4. To appoint auditors for the year ending December 31, 2009 and to fix their remuneration. Existing auditors Messrs Ford Rhodes Sidat Hyder & Co., Chartered Accountants, have retired. In compliance with the Code of Corporate Governance and based on the recommendation of the Audit Committee, the Board recommends the appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants, as auditors in place of the retiring auditors.
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 payment of proceeds of fractional bonus shares to a charitable institution.

"RESOLVED that in the event of any member holding shares which are not an exact multiple of 1:8, 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 item No. 6, statement under section 160 of the Companies Ordinance, 1984 is annexed.

By order of the Board

SHABBIR GULAMALI
Company Secretary

Karachi: March 31, 2009

Habib Insurance Company Limited

Notes:

1. The share transfer books of the Company will remain closed from Wednesday, April 22, 2009 to Thursday, April 30, 2009 (both days inclusive).
2. A member entitled to attend and vote at this meeting is entitled to appoint another member of the Company as his/her proxy to attend and vote on his/her behalf. Proxy form, in order to be effective, must be received at the Registered Office of the Company duly stamped and signed not less than 48 hours before the meeting.
3. The CDC account/sub account holders are requested to bring with them their Computerised National ID Cards along with the Participant(s) ID number and their account numbers at the time of attending the AGM in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution/Power of Attorney with specimen signatures be produced at the time of meeting.
4. Members are requested to promptly communicate any change in their address to our Share Registrar, M/s. Noble Computer Services (Pvt.) Limited situated at 2nd Floor, Sohni Centre, BS 5 & 6, Main Karimabad, Block 4, Federal 'B' Area, Karachi-75950.

Habib Insurance Company Limited

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

The statement is annexed to the Notice of the 66th Annual General Meeting to be held on April 30, 2009 at which certain business are to be transacted. The purpose of this statement is to set forth material facts concerning such special business.

ITEM NUMBER 6 OF THE AGENDA

The Board of Directors of Habib Insurance Company Limited in their meeting held on March 31, 2009 have proposed to issue bonus shares in the proportion of one share for every eight shares held and to pay the proceeds of fractional bonus shares to a charitable institution and in this regard to pass the following special resolution:

“RESOLVED that in the event of any member holding shares which are not an exact multiple of 1:8, 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.”

The Directors are interested in this business to the extent of their shareholding.

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

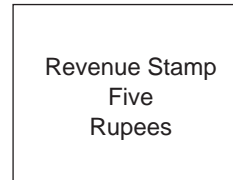
and/or CDC Account and Participant's I.D. Numbers

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 Sixth Annual General Meeting of the Company to be held on April 30, 2009 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.