Habib Insurance Company Limited

Contents

Company Information

Board of Directors

Chairman	:	Rafiq M. Habib
Directors	:	Abbas D. Habib
		Mazher Ali Jumani
		Mansoor G. Habib
		Mohamedali R. Habib
		Sajjad Hussain Habib
		Aun Mohammad A. Habib
Managing Director & Chief Executive	:	Ali Raza D. Habib
Company Secretary / Executive Director	:	Shabbir Gulamali
Auditors	:	M/s. KPMG Taseer Hadi & Co. Chartered Accountants Karachi
Share Registar	:	M/s. Noble Computer Services (Pvt.) Ltd. First Floor, House of Habib Building, Siddiqsons Tower, 3 Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi-75350
Registered Office	:	1st Floor, State Life Bldg. No. 6, Habib Square, M. A. Jinnah Road, P.O. Box 5217, Karachi-74000, Pakistan Tel : (92-21) 32424030/38/39 Fax : (92-21) 32421600 UAN : (92-21) 111 03 03 03 Website : www.habibinsurance.net

Seventy First Report of the Directors to the Shareholders for the year ended December 31, 2013

The Shareholders,

The Board of Directors have pleasure in presenting the Seventy First Annual Report along with the audited accounts of the Company for the year ended December 31, 2013.

	Rupees in '000
Net profit after tax for 2013	243,981
Amount available after appropriations for the year 2012	37,409
	281,390
The Board of Directors now propose:	
Payment of dividend at Rs. 1.25 per share of Rs. 5/- each i.e.@ 25%	123,875
Issue of 25 bonus shares for every 100 shares held i.e. @25%	123,875
Unappropriated profit carried forward	33,640
	281,390
Basic earnings per share of Rs. 5/- each	2.46

By the Grace of Allah the year 2013 concluded on a high note of success with impressive profits recorded. Consequently, the Directors are delighted to recommend a payment of 50% to Shareholders on the paid up capital as highlighted above.

The underwriting performance of the Company is commendable, with profits rising to Rs. 73.2 million from Rs. 63.0 million due to the favourable claims experiences, evidently in response to cautious underwriting. The net premium increased from Rs. 436.0 million to Rs. 438.3 million but the growth figures appear conservative because of increased reserve having to be mandatory placed through heavier volume of business underwritten during the latter part of 2013 as compared to the corresponding period of the previous year.

The investment income for the year in review was exceptional and substantially increased from Rs. 204.4 million to Rs. 240.3 million, the key factor being of Capital Gains secured on the sale of shares benefiting from a sharp increase on the Stock Market. Finally the profit after tax of the Company for 2013 was Rs. 244.0 million as compared to Rs. 195.0 million of the last year.

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

On the overall performance of the economy for 2013, the GDP growth for the fiscal year 2012-13 was 3.59% compared to 4.36% of the previous year with inflation soaring to 9.18%. Foreign Exchange Reserves were at US$ 8.3 billion and are presently around US$ 10.0 billion. The Stock Exchange however had an incredible performance during the year closing at the KSE 100 index of 25261 points, a rise of 49% and for the new year as well nearing 27000 mark.

We look forward to the exciting challenges of 2014 hopefully with an improved condition in the National Economy. The Pak Rupee has remarkably strengthened putting a halt to the previous fall that had taken place and infact reversing it. We are confident that Inshallah the investment income will continue to perform with progress from increased corporate payouts and also through the gains on good underwriting results.

We are thankful to all our clients and customers who have placed their confidence in our Company and we will continue to strive towards meeting all their insurance requirements. A special mention is made for all the support and guidance that we have received from our panel of reinsurers. The Board of Directors would like to express their appreciation to all the staff members of the Company for their dedication and hard work throughout the year.

Corporate Social Responsibility (CSR)

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

- corporate philanthropy amounting to Rs. 2.0 million by way of donations during the year for social and educational development and welfare of under privileged classes;

- energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and “No Smoking Zone”, and providing a safe and healthy work environment;

- business ethics, requiring all staff members to comply with the Company’s “Code of Conduct”;

- amicable staff relations, recognition of merit and performance, and on-going opportunities for learning and growth of staff, both on-the-job and through formal training programmes;

- employment through a transparent procedure, without discrimination on the basis of religion, caste, language, etc.;

- contribution to the national exchequer by the Company by way of direct taxes of over Rs. 26.0 million during the year; furthermore, an additional amount of over Rs. 177.5 million was deducted/ collected by the Company on account of withholding taxes, sales tax on services and federal excise duties paid to the Government of Pakistan.

Audit Committee

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

		No. of Meetings attended
Mr. Abbas D. Habib	Chairman	3
Mr. Mazher Ali Jumani	Member	4
Mr. Mohamedali R. Habib	Member	3
Mr. Aun Mohammad A. Habib	Member	3

HR and Remuneration Committee

The HR and Remuneration committee comprises of four members all of whom are non-executive directors. No meeting of the HR and Remuneration Committee was held during the year.

Mr. Mazher Ali Jumani	Chairman
Mr. Mansoor G. Habib	Member
Mr. Aun Mohammad A. Habib	Member
Mr. Ali Raza D. Habib	Member

Directors Training Programme

One of our Directors has completed the Directors formal Training programme from the Pakistan Institute of Corporate Governance (PICG).

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. KPMG Taseer Hadi & Co., Chartered Accountant 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. Ford Rodes Sidat Hyder & Co., Chartered Accountants, as auditors of the Company for the year ending December 31, 2014, at a fee to be mutually agreed.

Statement on Corporate and Financial Reporting Framework

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

2. Proper books of account of the Company have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of the financial statements, changes if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgement.

4. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.

5. The system of internal control is sound in design and has been effectively implemented and monitored.

6. There are no doubts upon the Company's ability to continue as a going concern.

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. Key operating and financial data for the last six years is annexed.

9. Information about the taxes and levies is given in the notes to the financial statements.

10. Value of investments and balance in deposit accounts of Provident Fund as at December 31, 2013 is Rs. 52.5 million.

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

Date of Meeting	Attended by	
February 14, 2013	Mr. Rafiq M. Habib	
	Mr. Abbas D. Habib	
	Mr. Mazher Ali Jumani	
	Mr. Mansoor G. Habib	
	Mr. Mohamedali R. Habib	
	Mr. Sajjad Hussain Habib	
	Mr. Aun Mohammad A. Habib	
	Mr. Ali Raza D. Habib	Chief Executive
April 29, 2013	Mr. Rafiq M. Habib	
	Mr. Mazher Ali Jumani	
	Mr. Mansoor G. Habib	
	Mr. Mohamedali R. Habib	
	Mr. Sajjad Hussain Habib	
	Mr. Aun Mohammad A. Habib	
	Mr. Ali Raza D. Habib	Chief Executive
August 28, 2013	Mr. Rafiq M. Habib	
	Mr. Abbas D. Habib	
	Mr. Mazher Ali Jumani	
	Mr. Mansoor G. Habib	
	Mr. Sajjad Hussain Habib	
	Mr. Ali Raza D. Habib	Chief Executive
October 29, 2013	Mr. Rafiq M. Habib	
	Mr. Abbas D. Habib	
	Mr. Mazher Ali Jumani	
	Mr. Mansoor G. Habib	
	Mr. Mohamedali R. Habib	
	Mr. Sajjad Hussain Habib	
	Mr. Aun Mohammad A. Habib	
	Mr. Ali Raza D. Habib	Chief Executive

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

13. No trades in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

On behalf of the Board of Directors

ALI RAZA D. HABIB
Managing Director
& Chief Executive

Karachi: March 20, 2014

Habib Insurance Company Limited

Six Years' Review at a Glance

(Rupees in '000)

Years	2013	2012	2011	2010	2009	2008
Gross Written Premium	963,147	955,934	894,331	777,531	702,869	737,442
Net Premium Revenue	438,332	435,966	420,310	394,643	359,040	397,960
Investment Income / (Loss)	240,301	204,350	117,389	149,355	184,886	(390,531)
Net Claims	215,023	229,906	231,180	183,787	175,704	202,219
Profit / (Loss) after Tax	243,981	194,988	126,296	168,482	204,743	(396,428)
Paid-up Capital	495,499	495,499	450,454	400,403	400,403	355,914
Reserves & Retained Earnings	529,536	462,232	426,409	451,482	423,141	307,376
Total Assets - at Book Value	2,237,670	2,005,434	1,878,731	1,666,985	1,625,473	1,460,429
Cash Dividend - %	25	35	25	25	35	12.5
Stock Dividend - %	25	–	10	12.5	–	12.5

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2013

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

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

1. The Company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. All elected Directors of the Board are non-executive Directors. The last election of Directors was held on May 10, 2011.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including this Company.

3. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI 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 has prepared a ‘Code of Conduct’ and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies has been maintained and amended/ updated from time to time.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Directors are well conversant with the listing regulations, and corporate requirements and as such are fully aware of their duties and responsibilities. At present, one Director has acquired the formal Directors Training Certificate from the Pakistan Institute of Corporate Governance (PICG).

10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.

11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed underwriting/ claim settlement/ reinsurance & co-insurance committee(s).

16. The Board has formed an audit committee. It comprises of four members, all of whom are non-executive Directors including the Chairman of the Committee.

17. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the audit committee for compliance.

18. The Board has formed an HR and Remuneration Committee. It comprises of four members, all of whom are non-executive Directors including the Chairman of the Committee. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

19. The Board has set-up an effective internal audit department which is considered suitably qualified and are fully conversant with the policies and procedures of the Company.

20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. The ‘closed period’, prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of Company’s securities, was determined and intimated to the Directors, empolyees and Stock Exchange(s).

23. Material/ price sensitive information has been disseminated amongst all market participants at once through Stock Exchange(s).

24. We confirm that all material principles contained in the Code have been complied with.

On behalf of the Board of Directors

ALI RAZA D. HABIB
Managing Director
& Chief Executive

Karachi: March 20, 2014

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Habib Insurance Company Limited** for the year ended 31 December 2013 to comply with the requirements of Listing Regulation No. 35 of the Karachi and Lahore Stock Exchanges where the company is listed, and the Code of Corporate Governance applicable to listed insurance companies issued under SRO 68(I)/2003, by the Securities and Exchange Commission of Pakistan.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2013.

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi: March 20, 2014

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) statement of cash flows;
(v) statement of premiums;
(vi) statement of claims;
(vii) statement of expenses; and
(viii) statement of investment income

of **Habib Insurance Company Limited** ("the Company") as at 31 December 2013 together with the notes forming part thereof, for the year then ended.

It is the responsibility of the Company's Board of Directors 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;

(b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the change in accounting policy as stated in note 4.1 to these financial statements with which we concur;

(c) the financial statements together with the notes thereon present fairly, in all material respects, the state of the Company's affairs as at 31 December 2013 and of the profit, changes in equity and its cash flows 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 20, 2014

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

Balance Sheet as at December 31, 2013

	Note	2013	2012 Restated	2011 Restated
		(Rupees in '000)		
Share Capital and Reserves				
Authorised share capital [100,000,000 (December 31, 2012: 100,000,000) ordinary shares of Rs. 5 each]		500,000	500,000	500,000
Paid-up share capital	5.1	495,499	495,499	450,454
Retained earnings		275,414	208,110	172,287
Reserves		254,122	254,122	254,122
TOTAL EQUITY		1,025,035	957,731	876,863
Underwriting Provisions				
Provision for outstanding claims (including IBNR)		336,514	184,482	209,927
Provision for premium deficiency		1,516	–	–
Provision for unearned premium		400,133	380,692	363,602
Commission income unearned		46,324	42,213	37,137
Total underwriting provisions		784,487	607,387	610,666
Deferred Liability				
Staff retirement benefits	6	38,709	29,473	25,908
Creditors and Accruals				
Premiums received in advance		–	8,287	13,583
Amounts due to other insurers/ reinsurers	7	176,983	137,958	130,152
Accrued expenses		8,747	9,843	10,861
Taxation - provision less payments		39,295	40,098	49,959
Other creditors and accruals	8	128,696	185,380	134,828
		353,721	381,566	339,383
Other liabilities				
Unclaimed dividends		35,718	29,277	25,911
TOTAL LIABILITIES		1,212,635	1,047,703	1,001,868
TOTAL EQUITY AND LIABILITIES		2,237,670	2,005,434	1,878,731
Contingencies	9			

	Note	2013	2012 Restated	2011 Restated
		(Rupees in '000)		
Cash and Bank Deposits	10			
Cash and other equivalents		1,085	848	902
Current and other accounts		59,533	77,750	49,530
		60,618	78,598	50,432
Loans - secured, considered good to employees	11	29,151	29,221	31,237
Investments	12	1,117,367	1,056,208	916,434
Deferred Taxation	13	27,450	27,930	20,100
Current Assets - others				
Premiums due but unpaid	14	290,674	224,697	204,360
Amounts due from other insurers/ reinsurers	15	155,439	153,310	123,623
Accrued investment income	16	4,594	4,450	3,006
Reinsurance recoveries against outstanding claims		251,689	113,480	119,149
Salvage recoveries outstanding		21,991	11,110	5,846
Deferred commission expense		37,343	50,120	38,170
Advances, deposits and prepayments	17	223,509	209,335	171,781
Sundry receivables	18	6,828	35,146	180,468
		992,067	801,648	846,403
Fixed Assets	19			
Tangible and intangible				
Furniture, fixtures and office equipment		4,790	5,987	7,840
Computers and related equipment		1,473	1,109	1,139
Motor vehicles		682	829	898
Capital work in progress - office premises		–	–	3,750
Computer software		4,072	3,904	498
		11,017	11,829	14,125
TOTAL ASSETS		2,237,670	2,005,434	1,878,731

The annexed notes from 1 to 31 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

MOHAMEDALI R. HABIB
Director

ALI RAZA D. HABIB
Managing Director & Chief Executive

Habib Insurance Company Limited

Profit and Loss Account for the year ended December 31, 2013

(Rupees in '000)

	Note	Fire and Property	Marine and Transport	Motor	Other Classes	2013 Aggregate	2012 Aggregate Restated
Revenue Account							
Net premium revenue		90,064	147,681	120,718	79,869	438,332	435,966
Net claims		(10,550)	(45,907)	(90,459)	(68,107)	(215,023)	(229,906)
Premium deficiency expense		–	–	–	(1,516)	(1,516)	–
Expenses	20	(67,973)	(38,599)	(22,210)	(22,009)	(150,791)	(137,586)
Net commission		20,550	(3,206)	(13,762)	(1,416)	2,166	(5,451)
Underwriting result		32,091	59,969	(5,713)	(13,179)	73,168	63,023
Net investment income						240,301	204,350
Other income - net	21					11,061	9,279
General and administration expenses	20					(54,173)	(66,903)
Profit before tax						270,357	209,749
Taxation - net	22					(26,376)	(14,761)
Profit after tax						243,981	194,988
Other comprehensive income							
Re-measurements: actuarial loss on obligation						(4,927)	(2,318)
Related tax impact						1,675	811
Total comprehensive income for the year						240,729	193,481
Profit and loss appropriation account							
Balance at commencement of the year						208,110	172,287
Total comprehensive income for the year						240,729	193,481
Issuance of bonus shares for the year 2012: NIL (2011: 10%)						–	(45,045)
Cash dividend for the year ended December 31, 2012 at Rs. 1.75 per share (2011: Rs. 1.25 per share)						(173,425)	(112,613)
						67,304	35,823
Balance of unappropriated profit at end of the year						275,414	208,110
Earnings per share of Rs. 5 each	23				Rupees	2.46	1.97

The annexed notes from 1 to 31 form an integral part of these financial statements.

RAFIQ M. HABIB	MANSOOR G. HABIB	MOHAMEDALI R. HABIB	ALI RAZA D. HABIB
Chairman	*Director*	*Director*	*Managing Director & Chief Executive*

Statement of Changes in Equity
for the year ended December 31, 2013

(Rupees in '000)

	Share Capital	Reserves			
		Capital Reserves	Revenue Reserves		
	Issued, subscribed and paid up	Reserve for exceptional losses (note 5.2)	General reserve	Retained earnings	Total
Balance as at December 31, 2011 - as previously reported	450,454	9,122	245,000	173,504	878,080
Restatement due to change in accounting policy (refer note 4.1) - net of tax	–	–	–	(1,217)	(1,217)
Balance as at January 1, 2012 - restated	450,454	9,122	245,000	172,287	876,863
Total comprehensive income for the year					
Profit for the year	–	–	–	194,988	194,988
Other comprehensive income - net of tax - restated	–	–	–	(1,507)	(1,507)
	–	–	–	193,481	193,481
Transaction with owners recorded directly in equity					
Bonus share distribution for the year ended December 31, 2011 at 10%	45,045	–	–	(45,045)	–
Final dividend for the year ended December 31, 2011 of Rs. 1.25 per share	–	–	–	(112,613)	(112,613)
	45,045	–	–	(157,658)	(112,613)
Balance as at December 31, 2012 - restated	495,499	9,122	245,000	208,110	957,731
Total comprehensive income for the year					
Profit for the year	–	–	–	243,981	243,981
Other comprehensive income - net of tax	–	–	–	(3,252)	(3,252)
	–	–	–	240,729	240,729
Transaction with owners recorded directly in equity					
Final dividend for the year ended December 31, 2012 of Rs. 1.75 per share	–	–	–	(173,425)	(173,425)
	–	–	–	(173,425)	(173,425)
Balance as at December 31, 2013	495,499	9,122	245,000	275,414	1,025,035

The annexed notes from 1 to 31 form an integral part of these financial statements.

RAFIQ M. HABIB	MANSOOR G. HABIB	MOHAMEDALI R. HABIB	ALI RAZA D. HABIB
Chairman	*Director*	*Director*	*Managing Director & Chief Executive*

Statement of Cash Flow for the year ended December 31, 2013

	2013	2012
	(Rupees in '000)	
Operating Cash Flows		
a) Underwriting activities		
Premiums received	883,254	880,988
Reinsurance premiums paid	(481,478)	(532,007)
Claims paid	(385,740)	(433,640)
Reinsurance and other recoveries received	173,659	178,694
Commissions paid	(174,490)	(77,660)
Commissions received	126,599	108,144
Net cash inflow from underwriting activities	141,804	124,519
b) Other operating activities		
Income tax paid	(25,023)	(31,641)
General management expenses paid	(186,369)	(176,548)
Other operating receipts	34,973	145,967
Loans advanced	(11,099)	(8,866)
Loans repayment received	11,169	10,882
Net cash outflow from other operating activities	(176,349)	(60,206)
Total cash (outflow)/ inflow from all operating activities	(34,545)	64,313
Investment activities		
Profit/ return received	15,233	13,754
Dividends received	100,891	88,284
Payments for investments	(1,174,568)	(894,333)
Proceeds from disposal of investments	1,245,009	866,279
Fixed capital expenditure	(3,129)	(1,240)
Proceeds from disposal of fixed assets	113	356
Total cash inflow from investing activities	183,549	73,100
Financing activities		
Dividends paid	(166,984)	(109,247)
Total cash outflow from financing activities	(166,984)	(109,247)
Net cash (outflow)/ inflow from all activities	(17,980)	28,166
Cash at beginning of the year	78,598	50,432
Cash at end of the year	60,618	78,598

	2013	2012
	(Rupees in '000)	
Reconciliation to Profit and Loss Account		
Operating cash flows	(34,545)	64,313
Depreciation/ amortisation expense	(3,391)	(3,446)
Profit on disposal of fixed assets	38	266
Decrease/ increase in assets other than cash	190,724	(27,115)
Decrease in liabilities	(149,646)	(48,765)
	3,180	(14,747)
Other adjustments		
Income tax paid	25,023	31,641
Federal excise duty receivable - written off	–	(1,408)
Provision for premiums due but unpaid	(3,500)	(15,316)
Provision for amount due from other insurers/ reinsurers	–	(4,310)
Reversal of provision for impairment	25,135	48,415
Provision for gratuity	(5,005)	(4,940)
Gratuity paid	696	3,693
Profit/ return received	16,214	18,245
Dividends received	100,849	89,658
Capital gain	107,765	58,818
Provision for taxation	(26,376)	(14,761)
	240,801	209,735
	243,981	194,988

Definition of cash

Cash comprises of cash in hand, policy stamps and bank balances which are readily convertible to cash in hand and which are used in the cash management function on a day-to-day basis.

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

	2013	2012
Cash and bank deposits		
Cash and other equivalents		
Cash in hand	278	390
Policy stamps	807	458
	1,085	848
Current and other accounts		
Current accounts	21,400	18,426
Profit and loss sharing accounts	38,133	59,324
	59,533	77,750
Cash and bank deposits as per balance sheet	60,618	78,598

The annexed notes from 1 to 31 form an integral part of these financial statements.

RAFIQ M. HABIB	MANSOOR G. HABIB	MOHAMEDALI R. HABIB	ALI RAZA D. HABIB
Chairman	*Director*	*Director*	*Managing Director & Chief Executive*

Habib Insurance Company Limited

Statement of Premiums
for the year ended December 31, 2013

(Rupees in '000)

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve Opening	Unearned premium reserve Closing	Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded Opening	Prepaid reinsurance premium ceded Closing	Reinsurance expense	2013 Net premium revenue	2012 Net premium revenue
Direct and facultative										
1. Fire and Property	434,163	201,270	220,008	415,425	359,436	145,184	179,259	325,361	90,064	99,975
2. Marine and Transport	246,546	23,024	26,055	243,515	97,434	7,244	8,844	95,834	147,681	128,187
3. Motor	141,863	72,048	80,253	133,658	12,981	1,262	1,303	12,940	120,718	128,684
4. Other Classes	140,575	84,350	73,817	151,108	50,652	46,187	25,600	71,239	79,869	79,120
Grand Total	963,147	380,692	400,133	943,706	520,503	199,877	215,006	505,374	438,332	435,966

The annexed notes from 1 to 31 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

MOHAMEDALI R. HABIB
Director

ALI RAZA D. HABIB
Managing Director & Chief Executive

Habib Insurance Company Limited

Statement of Claims
for the year ended December 31, 2013

(Rupees in '000)

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims Opening	Outstanding claims Closing	Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims Opening	Reinsurance and other recoveries in respect of outstanding claims Closing	Reinsurance and other recoveries revenue	2013 Net claims expense	2012 Net claims expense
Direct and facultative										
1. Fire and Property	104,218	91,320	222,315	235,213	93,286	82,470	213,847	224,663	10,550	10,420
2. Marine and Transport	90,423	26,558	31,807	95,672	43,437	13,642	19,970	49,765	45,907	74,929
3. Motor	100,707	33,578	34,420	101,549	12,126	7,933	6,897	11,090	90,459	85,716
4. Other Classes	90,392	33,026	47,972	105,338	24,810	20,545	32,966	37,231	68,107	58,841
Grand Total	385,740	184,482	336,514	537,772	173,659	124,590	273,680	322,749	215,023	229,906

The annexed notes from 1 to 31 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

MOHAMEDALI R. HABIB
Director

ALI RAZA D. HABIB
Managing Director & Chief Executive

Habib Insurance Company Limited

Statement of Expenses
for the year ended December 31, 2013

(Rupees in '000)

Business underwritten inside Pakistan

Class	Commission paid or payable	Deferred commission Opening	Deferred commission Closing	Net commission expense	Other management expenses	Underwriting expense	Commissions from reinsurers*	2013 Net underwriting expense	2012 Net underwriting expense
Direct and facultative									
1. Fire and Property	53,995	29,286	25,916	57,365	67,973	125,338	77,915	47,423	39,012
2. Marine and Transport	37,116	5,781	3,152	39,745	38,599	78,344	36,539	41,805	42,125
3. Motor	8,875	9,548	4,348	14,075	22,210	36,285	313	35,972	30,606
4. Other Classes	7,559	5,505	3,927	9,137	22,009	31,146	7,721	23,425	31,294
Grand Total	107,545	50,120	37,343	120,322	150,791	271,113	122,488	148,625	143,037

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

The annexed notes from 1 to 31 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

MOHAMEDALI R. HABIB
Director

ALI RAZA D. HABIB
Managing Director & Chief Executive

Statement of Investment Income
for the year ended December 31, 2013

	Note	2013	2012
		(Rupees in '000)	
Income from Non-Trading Investments			
Held-to-maturity			
Return on Government Securities		6,643	6,920
Available-for-sale			
Dividend income		100,849	89,658
Return on other fixed income securities		626	1,077
Gain on sale of investments		107,765	58,818
		215,883	156,473
Reversal for impairment in value of available-for-sale securities - net	12.5.2	25,135	48,415
Investments related expenses		(717)	(538)
Net investment income		240,301	204,350

The annexed notes from 1 to 31 form an integral part of these financial statements.

RAFIQ M. HABIB	MANSOOR G. HABIB	MOHAMEDALI R. HABIB	ALI RAZA D. HABIB
Chairman	*Director*	*Director*	*Managing Director & Chief Executive*

Notes to the Financial Statements for the year ended December 31, 2013

1. STATUS AND NATURE OF BUSINESS

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

2. BASIS OF PREPARATION

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

2.1 Statement of compliance

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with 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 judgement or complexity, or areas where assumption and estimates are significant to the financial statements, or judgments were exercised in application of accounting policies, are as follows:

		Note
-	Provision for outstanding claims including IBNR	4.5
-	Premium deficiency reserve	4.8
-	Defined benefit plan	4.9.2
-	Classification of investments and impairment	4.10
-	Useful lives of assets and methods of depreciation	4.11
-	Provision for current and deferred tax	4.17
-	Provision	4.3, 4.20 and 4.21

3. STANDARDS AND IFRIC INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2014:

- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments' (effective for annual periods beginning on or after January 1, 2014). IFRIC 21 is an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 1, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 - Financial Instruments: Presentation. The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and that some gross settlement systems may be considered equivalent to net settlement.

- Amendment to IAS 36 - Impairment of Assets, recoverable amount disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014). These narrow scope amendments to IAS 36 - Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendments to IAS 39 - Financial Instruments: Recognition and Measurement, continuing hedge accounting after derivative novations (effective for annual periods beginning on or after January 1, 2014). The amendments add a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specific criteria.

- Amendments to IAS 19 - Employee Benefits, employee contributions – a practical approach (effective for annual periods beginning on or after July 1, 2014). The practical expedient addresses an issue that arose when amendments were made in 2011 to the previous pension accounting requirements. The amendments introduce a relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria.

- Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 1, 2014). The new cycle of improvements contain amendments to the following standards:

  - IFRS 2 - Share-based Payment. IFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies both: how to distinguish between a market condition and a non-market performance condition and the basis on which a performance condition can be differentiated from a vesting condition.

  - IFRS 3 - Business Combinations. These amendments clarify the classification and measurement of contingent consideration in a business combination. Further IFRS 3 has also been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements including joint operations in the financial statements of the joint arrangement themselves.

  - IFRS 8 - Operating Segments has been amended to explicitly require the disclosure of judgements made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

  - Amendments to IAS 16 - Property, Plant and Equipment and IAS 38 - Intangible Assets. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognising that the restatement of accumulated depreciation/ amortisation is not always proportionate to the change in the gross carrying amount of the asset.

  - IAS 24 - Related Party Disclosure. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

  - IAS 40 - Investment Property. IAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under IAS 40 and perform a separate assessment under IFRS 3 to determine whether the acquisition of the investment property constitutes a business combination.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Changes In Accounting Policy

During the period the Company has adopted IAS-19 - Employee Benefits (Revised) effective from January 1, 2013. The significant changes to IAS 19 are as follows:

- For defined benefit plans, the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income/ (expense). All other changes in the net defined benefit obligation are recognised directly in other comprehensive income with no subsequent recycling through the profit and loss account.

- The distinction between short-term and long-term employee benefits is based on the expected timing of settlement rather than the employee's entitlement to the benefits.

- The revised standard has new or revised disclosure requirements. The disclosures now include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

The adoption of the said amendments has resulted in a change in the Company's accounting policy related to recognition of actuarial gains and losses (note 6.5 to the financial statements for the year ended December 31, 2013). Consequently, the Company now recognises all actuarial gains and losses directly in other comprehensive income with no subsequent recycling through the profit and loss account. Previously, actuarial gains and losses which exceed 10% of the greater of the present value of the Company's obligations and the fair value of planned assets are amortised over the expected average remaining working lives of the eligible employees.

The change in accounting policy has been applied retrospectively. The effect of the change in accounting policy on the current and prior period financial statements have been summarised below:

	2013	2012	2011
		(Rupees in '000)	
Impact on Balance Sheet			
Increase in staff retirement benefits - (deferred liability)	4,927	2,318	1,872
Increase in deferred tax assets	–	811	655
Decrease in current tax expense	(1,675)	–	–
Decrease in unappropriated profit	(3,252)	(1,507)	(1,217)
Impact on Other Comprehensive Income			
Recognition of actuarial loss - net of deferred tax	(3,252)	(1,507)	(1,217)

4.2 Insurance contracts

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

Insurance contracts are classified into following main categories:
- Fire and property
- Marine and transport
- Motor
- Other classes (which includes mainly bankers blanket bond, personal accident, health, liability, engineering etc).

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

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

4.3 Premium

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

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

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

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

4.4 Reinsurance contracts

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

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

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

The deferred portion of reinsurance premium ceded is recognised as a prepayment which is calculated by using 1/24th method as prescribed by the SEC (Insurance) Rules, 2002.

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

4.5 Claims expense

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

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

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

Further actuarial valuation has also been carried out to determine the amount of provision for IBNR in respect of Accident and Health insurance as required by SRO 16(I)/ 2012 issued by the Securities and Exchange Commission of Pakistan on January 9, 2012. However no further provision has been recorded as a result of valuation as the estimate made by management is sufficient to provide for claims reported subsequent to the balance sheet date.

4.6 Reinsurance and other recoveries against outstanding claims

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

4.7 Commission

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

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

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

4.8 Premium deficiency reserve

The Company is required as per SEC (Insurance) Rules, 2002 and IFRS-4, to maintain a provision in respect of premium deficiency for the class of business where the unearned premium reserve is not adequate to meet the expected future liability, after reinsurance, from claims and other expenses, including reinsurance expense, commissions and other underwriting expenses, expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business at the balance sheet date. The movement in the premium deficiency reserve is recorded as an expense in the profit and loss account and the same shall be recognised as a liability.

The Company determines adequacy of liability of premium deficiency by carrying out analysis of expired periods. For this purpose average loss ratio of last three years inclusive of claims settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium. Further actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Accident and Health insurance as required by SRO 16(I)/ 2012 issued by the Securities and Exchange Commission of Pakistan on January 9, 2012.

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

4.9 Staff retirement benefits

4.9.1 Defined contribution plan

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

4.9.2 Defined benefit plan - change in accounting policy

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

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of December 31, 2013 using the “Projected Unit Credit Method”.

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

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

4.9.3 Employees' compensated absences

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

4.10 Investments

4.10.1 Recognition

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

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

4.10.2 Measurement

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

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

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

4.10.2.2 Available-for-sale

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

Quoted

Subsequent to initial recognition at cost, quoted investments are stated at lower of cost or market value (market value on an individual investment basis being taken as lower if the fall is other than temporary) in accordance with the requirements of the SEC (Insurance) Rules, 2002 vide S.R.O. 938 dated December 2002. The Company uses stock exchange quotations at the balance sheet date to determine the market value. Also see note no.12.4.

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

Unquoted

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

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

4.10.2.3 Held-to-maturity

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

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

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

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

4.11 Fixed assets

4.11.1 Tangibles

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment loss. Depreciation on tangible fixed assets except vehicles is charged to income applying the straight line method at the rates specified in note 19.1 to the financial statements after taking into account residual value, if any. Depreciation on vehicles is charged to income applying the reducing balance method whereby the cost of the asset is written off over the estimated useful life. The useful lives, residual value and depreciation method are reviewed and adjusted if appropriate, at each balance sheet date. Depreciation on additions is charged for the full month in which an asset is put to use and on deletions up to the month immediately preceding the deletion.

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

Capital work-in-progress is stated at cost less any impairment in value. It consists of advances made to suppliers in respect of tangible and intangible assets.

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

4.11.2 Intangibles

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

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

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

4.12 Investment and other income

Gain/ (loss) on sale of investments

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

Dividend income

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

Return on term finance certificates

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

Return on fixed income securities

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

Income on held-to-maturity investment

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

Profit on bank accounts and deposits

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

4.13 Management expenses

Underwriting expenses have been allocated to various classes of business on a basis deemed equitable by the management. Expenses not attributable to the underwriting business are charged as administrative expenses.

4.14 Operating segments

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

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The reported operating segments are also consistent with the internal reporting provided to the Board of Directors who assess the performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

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

4.14.1 Fire and property

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

4.14.2 Marine and transport

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

4.14.3 Motor

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

4.14.4 Other classes

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

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

4.15 Financial instruments

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

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

4.16 Offsetting of financial assets and liabilities

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

4.17 Taxation

4.17.1 Current

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

4.17.2 Deferred

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

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

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

4.18 Cash and cash equivalents

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

4.19 Foreign currency translation

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

4.20 Creditors, accruals and provisions

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

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current estimate.

4.21 Impairment

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

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

4.22 Dividend declaration and reserve appropriation

Dividend declaration and reserve appropriations are recognised when approved.

5. PAID-UP SHARE CAPITAL AND RESERVES

5.1 Paid-up share capital

2013	2012		2013	2012
(Number of Shares)			(Rupees in '000)	
1,000,000	1,000,000	Ordinary shares of Rs. 5/- each issued as fully paid in cash	5,000	5,000
98,099,804	98,099,804	Ordinary shares of Rs. 5/- each issued as fully paid bonus shares	490,499	490,499
99,099,804	99,099,804		495,499	495,499
99,099,804	90,090,731	Ordinary shares of Rs. 5/- each at the beginning of the year	495,499	450,454
–	9,009,073	Fully paid bonus shares issued during the year	–	45,045
99,099,804	99,099,804		495,499	495,499

5.1.1 At December 31, 2013 related parties including directors and their dependents held 12.901 million (13.02%) [2012: 12.901 million (13.02%)] number of ordinary shares of Rs. 5 each.

5.2 Reserves for exceptional losses

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

6. STAFF RETIREMENT BENEFITS

Defined benefit plan - unfunded gratuity scheme

The latest actuarial valuation was carried out on December 31, 2013 by M/s. Akhtar and Hasan (Private) Limited using "Projected Unit Credit Actuarial Cost Method".

		2013	2012 Restated
6.1	The number of employees covered under the defined benefit scheme are:	176	173
6.2	The following principal actuarial assumptions were used for the valuation of above mentioned scheme:		
	Financial assumption		
	Discount rate (per annum compounded)	12.75%	12%
	Salary increase per annum	10.75%	10%
	Demographic assumptions		
	Expected service length of the employees	15 years	15 years
	Normal retirement	60 years	60 years
	Rate of employee turnover	Moderate	Moderate
	Mortality rate	SLIC (2001-05)	LIC (1994-96)
6.3	**Liability in balance sheet**		
	Present value of defined benefit obligations	38,709	29,473
6.4	**Movement in liability during the year**		
	Opening balance	29,473	25,908
	Charged to profit and loss account	5,005	4,940
	Benefits paid during the year	(696)	(3,693)
	Re-measurement: recognised in other comprehensive income	4,927	2,318
	Closing balance	38,709	29,473

	2013	2012 Restated
	(Rupees in '000)	

6.5 Reconciliation of the present value of defined benefit obligations

	2013	2012 Restated
Present value of defined benefit obligations as at January 1,	29,473	25,908
Current service cost	1,923	1,942
Interest cost	3,082	2,998
Benefits paid	(696)	(3,693)
Re-measurement: Actuarial loss on obligation	4,927	2,318
Present value of defined benefit obligations as at December 31,	38,709	29,473

6.6 Charge for the defined benefit plan

6.6.1 Cost recognised in profit and loss

	2013	2012 Restated
Current service cost	1,923	1,942
Interest cost	3,082	2,998
	5,005	4,940

6.6.2 Re-measurements recognised in other comprehensive income

	2013	2012 Restated
Re-measurements: Actuarial loss/ (gain) on obligation		
Loss/ (gain) due to change in financial assumptions	170	(171)
Gain due to change in demographic assumptions	(6)	–
Loss due to change in expereience adjustments	4,763	2,489
	4,927	2,318
Expected contributions to funds in the following year	7,960	5,005
Expected benefit payments to retirees in the following year	1,892	8,076
Weighted average duration of the defined benefit obligation	8.35	8.72

6.7 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations on various employee benefit schemes. The increase/ decrease in the present value of defined benefit obligations as a result of change in each assumption is summarised below

	2013 (Rupees in '000)
Increase in discount rate by 1%	(35,590)
Decrease in discount rate by 1%	41,447
Increase in expected future increment in salary by 1%	41,664
Decrease in expected future increment in salary by 1%	(35,359)
If the withdrawal rate is light	(37,581)
If the withdrawal rate is heavy	38,771

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

	Note	2013	2012
		(Rupees in '000)	
7. AMOUNT DUE TO OTHER INSURERS/ REINSURERS			
Foreign reinsurers		32,943	11,984
Local reinsurers		83,965	73,582
Co-insurers		60,075	52,392
		176,983	137,958
8. OTHER CREDITORS AND ACCRUALS			
Federal excise duty		11,461	14,366
Federal insurance fee		776	865
Withholding tax payable		3,817	385
Agents commission payable		78,527	145,472
Worker's welfare fund payable		21,105	15,588
Sundry creditors		13,010	8,704
		128,696	185,380

9. CONTINGENCIES

As at December 31, 2013 there is no contingency.

10. CASH AND BANK DEPOSITS

	Note	2013	2012
Cash and other equivalents			
Cash in hand		278	390
Policy stamps		807	458
		1,085	848
Current and other accounts			
Current accounts	10.1	21,400	18,426
Profit and loss sharing accounts	10.2	38,133	59,324
		59,533	77,750
		60,618	78,598

10.1 This includes balance with related parties amounting to Rs. 19.232 million (2012: 17.033 million).

10.2 This balance is held with related parties and carry profit rates ranging between 6% to 11% (2012: 6% to 11%) per annum.

	Note	2013	2012
		(Rupees in '000)	

11. LOANS - (secured, considered good)

To employees		29,151	29,221

These loans are secured against provident fund balances or deposit of title documents. These loans are recoverable in monthly installments over various periods.

These loans carry mark-up rate of 5% to 10% (2012: 5% to 10%) per annum except loans amounting to Rs. 2.084 million (2012: Rs. 1.111 million) which are interest free.

11.1 Reconciliation of carrying amount of loans

	2013	2012
Opening balance	29,221	31,237
Mark-up for the year	2,354	2,955
Disbursements during the year	11,099	8,866
	42,674	43,058
Repayments (including mark-up) during the year	(13,523)	(13,837)
Closing balance	29,151	29,221

12. INVESTMENTS

12.1 Type of investments

	Note	2013	2012
Held-to-maturity			
Government securities (deposited with SBP)			
- Pakistan Investment Bonds	12.2.1	53,794	52,429
Available-for-sale			
- Units of open end mutual funds deposited with the State Bank of Pakistan - quoted	12.3.1	–	97
- Units of open end mutual funds	12.3.2	5,349	5,252
- Term Finance Certificates - quoted	12.3.3	4,867	4,784
- Modaraba Certificates - quoted	12.3.4	14,840	14,840
- Ordinary shares of quoted/ unquoted companies	12.3.5	217,352	283,519
- Ordinary shares of quoted companies/ units of open end mutual funds (related parties)	12.3.6	821,165	695,287
		1,063,573	1,003,779
		1,117,367	1,056,208

12.2 Held-to-maturity - amortised cost

12.2.1 Government securities - deposited with SBP

This represents Pakistan Investment Bonds having face value of Rs. 53.5 million (market value of Rs. 52.189 million) [2012: Rs. 53.5 million (market value of Rs. 54.398 million)]. These carry mark-up ranging from of 11.75% to 12% (2012: 11.25% to 11.75%) per annum and will mature between August 30, 2015 to July 19, 2022. These have been deposited with the State Bank of Pakistan (SBP) in compliance of section 29 of Insurance Ordinance, 2002.

12.3 Available-for-sale

12.3.1 Units of open end mutual funds deposited with the State Bank of Pakistan - quoted

2013	2012	Face Value	Name of the investee entity	Note	2013	2012
(Number of units)		(Rupees)			(Rupees in '000)	
–	4,878	50	Pakistan Income Fund		–	97
					–	97

12.3.2 Units of open end mutual funds - quoted

2013	2012	Face Value	Name of the investee entity	Note	2013	2012
(Number of Units)						
27,500	27,500	10	National Investment (Unit) Trust		252	252
11,278	11,278	500	Atlas Money Market Fund		5,000	5,000
5,238	–	50	Pakistan Income Fund		97	–
					5,349	5,252

12.3.3 Term Finance Certificates - quoted

2013	2012	Face Value	Name of the investee entity	Note	2013	2012
(Number of Certificates)						
1,000	1,000	5,000	Engro Fertilizers Limited	12.3.3.1	4,867	4,784
					4,867	4,784

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

12.3.4 Modaraba certificates - quoted

2013	2012	Face Value	Name of the investee entity	Note	2013	2012
(Number of Certificates)						
2,015,000	2,015,000	5	First Habib Modaraba		13,695	13,695
109,000	109,000	10	Standard Chartered Modaraba		1,145	1,145
					14,840	14,840

12.3.5 Ordinary shares of quoted/ unquoted companies

2013	2012	Face Value (Rupees)	Name of the investee entity	2013	2012
(Number of shares)				(Rupees in '000)	
			Oil & Gas		
15,000	40,500	10	Shell Pakistan Limited	2,857	5,516
–	15,000	10	Pakistan Oilfields Limited	–	5,575
20,000	40,000	10	Pakistan Petroleum Limited	3,633	6,515
–	10,000	10	Pakistan State Oil Limited	–	2,229
10,000	–	10	Attock Refinery Limited	2,247	–
10,000	–	10	National Refinery Limited	2,312	–
			Chemicals		
40,000	250,000	10	Dawood Hercules Chemicals Limited	2,245	8,135
–	100,000	10	Descon Oxychem Limited	–	615
–	25,000	10	Engro Corporation Limited	–	2,230
–	100,000	10	Fatima Fertilizer Company Limited	–	2,559
50,000	50,000	10	Fauji Fertilizer Company Limited	5,611	5,871
40,000	–	10	Fauji Fertilizer Bin Qasim Limited	1,530	–
1,800	11,500	10	Linde Pakistan Limited	276	1,765
–	13,750	10	Clariant Pakistan Limited	–	1,922
			Industrial Metals & Mining		
40,000	100,000	10	International Industries Limited	1,761	3,291
30,000	100,000	10	International Steels Limited	441	1,470
			General Industries		
25,000	50,000	10	Cherat Packaging Company Limited	822	2,031
50,000	65,000	10	Packages Limited	8,040	9,825
–	9,082	10	Ghani Glass Limited	–	158
			Electronic & Electrical Equipment		
12,000	11,537	10	Pakistan Cables Limited	1,077	542
20,000	20,000	10	Electric Lamp Manufacurers Ltd (unqouted)	–	–
			Industrial Engineering		
50,000	50,000	5	Al-Ghazi Tractors Limited	12,044	12,044
42,350	35,000	10	Millat Tractors Limited	20,434	19,760
			Automobile & Parts		
20,000	20,000	5	Agriauto Industries Limited	1,190	1,190
33,600	27,648	10	Atlas Battery Limited	3,018	2,930
			Beverages		
1,597	1,452	10	Shezan International Limited	124	124
			Food Producers		
150	150	10	Nestle Pakistan Limited	79	79
–	3,500	50	Unilever Pakistan Limited	–	18,634
–	443	10	Colony Sugar Mills Limited	–	–
–	20,000	10	Dewan Sugar Mills Limited	–	65
285,000	285,000	5	Habib ADM Limited	4,334	4,334
–	427	10	Kohinoor Sugar Mills Limited	–	2

2013	2012	Face Value (Rupees)	Name of the investee entity	2013	2012
(Number of shares)				(Rupees in '000)	
			Personal Goods		
6,000	6,000	10	Bata Pakistan Limited	5,440	5,440
–	117	10	Colony Textile Mills Limited	–	–
–	12,850	10	Dawood Lawrencepur Limited	–	588
23,000	25,000	10	Gadoon Textile Mills Limited	1,316	1,431
800,000	901,050	10	Gul Ahmed Textile Mills Limited	11,493	16,911
–	28,549	10	Gulistan Spinning Mills Limited	–	164
–	4,575	10	Kohinoor Industries Limited	–	14
93	93	10	Kohinoor (Gujarkhan) Mills Limited (unquoted)	–	–
20	20	10	National Silk & Rayon Mills Limited	–	–
–	15,000	10	Nishat Mills Limited	–	958
			Pharma & Bio Tech		
70,000	70,000	10	Abbott Laboratories (Pakistan) Limited	7,501	7,501
50,000	75,647	10	Glaxosmithkline Pakistan Limited	3,599	5,547
			Electricity		
25,000	125,000	10	The Hub Power Company Limited	1,312	4,699
–	40,000	10	Kot Addu Power Company Limited	–	1,819
			Banks		
30,500	100,000	10	Allied Bank of Pakistan Limited	2,147	7,022
300,000	–	10	Bank Al Falah Limited	6,875	–
45,900	40,000	10	Habib Bank Limited	6,072	4,156
–	10,000	10	MCB Bank Limited	–	1,574
–	150,000	10	National Bank of Pakistan	–	7,526
100,000	100,000	10	Standard Chartered Bank (Pakistan) Ltd.	2,490	1,242
15,000	25,000	10	United Bank Limited	1,259	1,473
			Non Life Insurance		
438,544	–	10	Adamjee Insurance Company Limited	14,611	–
156,000	144,000	10	Atlas Insurance Limited	3,382	3,747
50,000	50,000	10	EFU General Insurance Limited	4,596	4,275
400,000	663,096	10	IGI Insurance Limited	46,948	63,843
243,225	237,862	10	Jubilee General Insurance Company Limited	17,026	15,963
–	50,000	10	Pakistan Reinsurance Company Limited	–	1,223
			Life Insurance		
88,235	75,000	10	EFU Life Assurance Limited	7,210	6,992
				217,352	283,519

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

2013	2012	Face Value (Rupees)	Name of the investee entity	2013	2012
(Number of shares/units)				(Rupees in '000)	
3,635,000	3,500,000	10	Bank AL Habib Limited	95,831	91,775
140,000	140,000	5	Dynea Pakistan Limited	1,722	1,722
2,753,524	1,790,495	100	First Habib Cash Fund (units)	276,305	180,319
9,003	108,585	100	First Habib Income Fund (units)	909	10,967
630,016	359,109	100	First Habib Stock Fund (units)	69,829	35,000
706,724	607,006	100	First Habib Islamic Balanced Fund (units)	70,726	60,701
1,665,424	1,665,424	10	Habib Metropolitan Bank Limited	34,697	31,393
5,017,258	5,282,258	5	Habib Sugar Mills Limited	99,711	104,978
41,600	41,600	10	Indus Motor Company Limited	13,345	11,232
4,546,668	4,330,160	5	Shabbir Tiles and Ceramics Limited	40,465	37,456
1,655,796	1,826,396	5	Thal Limited	117,625	129,744
				821,165	695,287

12.4 The Company uses stock exchange quotation, at the balance sheet date to determine the market value of quoted equity securities. Had these investment been measured at fair value as required by International Accounting Standard (IAS) - 39, the carrying value of investments and equity of the Company as at December 31, 2013 would have been higher by Rs. 353.089 million (2012: higher by Rs. 176.786 million).

12.5 Available-for-sale

		2013	2012
Cost	12.5.1	1,091,777	1,077,714
Provision for impairment - net of reversals	12.5.2	(28,204)	(73,935)
		1,063,573	1,003,779

12.5.1 Market value of quoted available-for-sale investments is Rs. 1,416.662 million (December 31, 2012: Rs. 1,180.565 million).

12.5.2 Provision for impairment - net of reversals

	2013	2012
Opening provision	73,935	158,532
Reversal for the year	(25,135)	(48,415)
On disposal of investments	(20,596)	(36,182)
Closing provision	28,204	73,935

	Note	2013	2012 Restated
		(Rupees in '000)	

13. DEFERRED TAXATION

13.1 Deferred tax asset/ (liability) - net

Deferred taxation comprises temporary difference relating to following:

		2013	2012
Taxable temporary differences			
Accelerated tax depreciation allowance		(287)	(592)
Deductible temporary differences			
Provisions		27,737	28,522
		27,450	27,930

13.2 Reconciliation of deferred tax

	2013	2012
Opening provision	27,930	20,100
Directly recoginsed due to actuarial gain/ loss	–	811
Recognised in profit and loss account	(480)	7,019
Closing balance	27,450	27,930

14. PREMIUMS DUE BUT UNPAID - unsecured

	Note	2013	2012
Considered good	14.1	290,674	224,697
Considered doubtful		38,762	46,854
		329,436	271,551
Provision against doubtful debts	14.2	(38,762)	(46,854)
		290,674	224,697

14.1 This includes an amount of Rs. 165.285 million (December 31, 2012: Rs. 109.949 million) due from related parties.

14.2 Provision against premium due but unpaid - net

	2013	2012
Balance as on January 1,	46,854	31,538
Charge for the year	3,500	15,316
Written off during the year	(11,592)	–
Balance as on December 31,	38,762	46,854

	Note	2013	2012
		(Rupees in '000)	

15. AMOUNTS DUE FROM OTHER INSURERS/ REINSURERS - unsecured

	Note	2013	2012
Considered good			
- Premiums due from Co-insurers		94,477	103,973
- Foreign reinsurers		2,309	1,413
- Local reinsurers		1,575	5,006
- Claims due from Co-insurers		57,078	42,918
Considered doubtful - Amount due from other insurers/ reinsurers		14,559	14,559
		169,998	167,869
Provision against amount due from other insurers/ reinsurers	15.1	(14,559)	(14,559)
		155,439	153,310

15.1 Provision against premium due from insurers/ reinsurers - net

	2013	2012
Balance as on January 1,	14,559	10,249
Charge for the year	–	4,310
Balance as on December 31,	14,559	14,559

16. ACCRUED INVESTMENT INCOME

	2013	2012
Dividend income	1,832	1,874
Mark-up on term finance certificates	49	47
Mark-up on Government securities	2,709	2,516
Profit on bank accounts	4	13
	4,594	4,450

17. ADVANCES, DEPOSITS AND PREPAYMENTS

	2013	2012
Security deposits	1,525	1,564
Advances	3,374	3,921
Prepaid reinsurance premium ceded	215,006	199,877
Others	3,604	3,973
	223,509	209,335

18. SUNDRY RECEIVABLES

	2013	2012
Receivable against sale of investments	–	31,444
Other receivables	6,828	3,702
	6,828	35,146

	Note	2013	2012
		(Rupees in '000)	
19. FIXED ASSETS			
Tangible - operating fixed assets	19.1	6,945	7,925
Intangible - computer software	19.2	4,072	3,904
		11,017	11,829

19.1 Tangible - operating assets

December 31, 2013 (Rupees in '000)

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

December 31, 2012 (Rupees in '000)

	Cost				Depreciation				Written Down Value	
	As at Jan. 01, 12	Additions / (disposals)	(Written off)	As at Dec. 31, 12	As at Jan. 01, 12	for the year/ (disposals)	(Written off)	As at Dec. 31, 12	as at Dec. 31, 12	Depreciation Rate %
Furniture, fixtures and office equipment	30,354	239	–	30,593	22,514	2,092	–	24,606	5,987	10-20
Computers and related equipment	10,714	803	–	11,470	9,575	826	–	10,361	1,109	33
		(47)				(40)				
Motor vehicles	3,871	198	–	3,661	2,973	184	–	2,832	829	20
		(408)				(325)				
	44,939	1,240	–	45,724	35,062	3,102	–	37,799	7,925	
		(455)				(365)				

19.2 Intangible assets

(Rupees in '000)

	Cost				Amortisation				Written Down Value	Amortisation
	As at Jan. 01, 13	Transfer from CWIP	(Written off)	As at Dec. 31, 13	As at Jan. 01, 13	for the year	(Written off)	As at Dec. 31, 13	as at Dec. 31, 13	Rate %
Computer software	13,602	1,216		5,748	9,698	1,048		1,676	4,072	20
		–	(9,070)				(9,070)			
	13,602	1,216	(9,070)	5,748	9,698	1,048	(9,070)	1,676	4,072	
2012	9,852	–	–	13,602	9,354	344	–	9,698	3,904	20
		3,750								

19.3 Disposal of tangible assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain / (loss) (note 21)	Mode of dsposal	Sold to
			(Rupees in '000)				
Motor vehicles							
Yamaha Junoon FSL-0365	64	49	15	10	(5)	Negotiation	Muhammad Mehmood Ahmed
Suzuki Solo KAV-4443	82	76	6	20	14	Negotiation	Muhammad Siddique
Habib Motorcycle RIK-7206	42	32	10	20	10	Negotiation	Ahsan Ali
Habib Motorcycle KBX-2192	41	31	10	8	(2)	Negotiation	Modern Autos Service
Star DS Motorcycle KBH-086	42	35	7	8	1	Negotiation	Modern Autos Service
Suzuki Splinter KBN-8312	65	52	13	5	(8)	Negotiation	Modern Autos Service
Yamaha Motorcycle MLA-1652	66	59	7	5	(2)	Negotiation	Modern Autos Service
Office equipments							
Microtech UPS MT-1500 VA	22	21	1	1	–	Negotiation	Sohail Electric Company
Air Conditioners	90	90	–	8	8	Negotiation	Haji Shafique Cool Centre
Air Conditioners	49	49	–	3	3	Negotiation	Mr. Abdul Rasheed
Computer and related equipments							
Compaq Laptop	53	53	–	14	14	Negotiation	Zeeshan Raza-Employee
Various	197	191	6	11	5	Negotiation	Various
	813	738	75	113	38		

20. EXPENSES

	Note	2013	2012
		(Rupees in '000)	
Salaries and wages including bonus, contribution to provident fund and staff welfare	20.1	123,050	102,911
Motor car expenses		18,602	18,291
Travelling and entertainment expenses		5,918	5,715
Rent, taxes and electricity		13,444	14,006
Communications		5,223	4,693
Printing and stationery		3,065	3,092
Repair and maintenance		4,843	5,142
Legal and professional expenses		2,932	7,119
Corporate & subscription		6,134	5,452
Depreciation		2,343	3,102
Amortisation		1,048	344
Donation	20.2	2,000	2,000
Auditors' remuneration	20.3	1,131	971
Provision against premium due from other insurers/ reinsurers	15.1	–	4,310
Provision against premiums due but unpaid-net	14.2	3,500	15,316
Worker's Welfare Fund		5,517	4,195
Other expenses		6,214	7,830
		204,964	204,489

The above expenses represents an amount of Rs. 150.791 million and Rs. 54.173 million (2012: 137.586 million and Rs. 66.903 million) charged appropriately to underwriting under their respective classes and general and administration expenses respectively.

20.1 This includes staff retirement benefits amounting to Rs. 8.681 million (2012: Rs. 8.277 million).

20.2 An amount of Rs. 2.0 million (2012: Rs. 2.0 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	400
Rehmatbai Habib Widows & Orphans Trust UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Aun Mohammad A. Habib	400
Rehmatbai Habib Food & Clothing Trust UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Mohamedali R. Habib 2. Mr. Sajjad Hussain Habib 3. Mr. Aun Mohammad A. Habib	400
Habib Poor Fund UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Mansoor G. Habib 2. Mr. Mohamedali R. Habib 3. Mr. Aun Mohammad A. Habib	400
Habib Medical Trust UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Rafiq M. Habib 2. Mr. Mohamedali R. Habib	400
		2,000

	Note	2013	2012
		(Rupees in '000)	
20.3 Auditors' remuneration			
Annual audit		518	432
Interim review		216	180
Certifications fees and review of statement of compliance with Code of Corporate Governance		225	187
Out of pocket expenses		172	172
		1,131	971

21. OTHER INCOME - NET

	Note	2013	2012
Income from financial assets			
Profit on bank accounts		6,591	4,054
Mark-up on staff loan	11.1	2,354	2,955
		8,945	7,009
Income from non-financial assets			
Net gain on sale of fixed assets	19.3	38	266
Others		–	701
Assets written off		(475)	–
Liabilities written back		2,553	1,303
		2,116	2,270
		11,061	9,279

22. TAXATION - NET

	2013	2012
Current	25,896	21,780
Deferred	480	(7,019)
	26,376	14,761

22.1 Relationship between tax expense and accounting profit

	2013	2012
Profit before taxation for the year	270,357	209,749
Tax at the applicable rate of 34% (December 31, 2012: 35%)	91,921	73,412
Tax effect of expenses that are not allowable in determining taxable income	(8,546)	(16,945)
Tax effect of capital gains subject to separate rate of tax	(32,790)	(19,233)
Tax effect of income subject to lower rates	(24,226)	(22,470)
Others	17	(3)
	26,376	14,761

22.2 In respect of tax years 2004 to 2007, the tax authorities have served notices on the Company under section 122(9) for amendment under section 122(5A) in the returns filed by the Company in respect of the aforesaid years. The amendment mainly relates to taxability of capital gains and proration of expenses against dividend and capital gains. The proceedings in respect of tax year 2004 to 2007 are still pending due to the fact that the Company has filed writ petition before the Honourable High Court of Sindh against said notices. The Honourable High Court of Sindh has issued status quo order in respect of tax year 2005.

Further, the tax authorities have also issued orders for the tax year 2008 and 2009 wherein certain disallowances have been made mainly relating to the same matters mentioned above. During 2011, the Commissioner Income Tax has decided the matter in favour of the Company in respect of tax year 2008 and 2009. The department has filed appeal before the learned Appellate Tribunal Inland Revenue for the tax years 2008 and 2009. During the year, the Appellate Tribunal Inland Revenue has decided the matter in favour of the Company.

The Company has filed return of total income for the tax year 2010 and 2011 (financial year ended December 31, 2009 and 2010) which is deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes. Furthermore, in respect of tax year 2012, the tax authorities have issued an order disallowing certain expenses claimed by the Company. The Company has filed an appeal against the said order.

23. EARNINGS PER SHARE - basic and diluted

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

	2013	2012
	(Rupees in '000)	
Profit after tax for the year	243,981	194,988
	(Number of shares)	
Weighted average number of shares of Rs. 5/- each	99,099,804	99,099,804
	(Rupees)	
Basic earnings per share of Rs. 5/- each	2.46	1.97

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

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Chief Executive		Directors		Executives / Key Management Personnel		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees in '000)							
Fees	–	–	245	215	–	–	245	215
Managerial remuneration	8,520	6,000	–	–	39,621	25,244	48,141	31,244
Bonus	–	–	–	–	5,511	3,342	5,511	3,342
Retirement benefits	426	300	–	–	1,468	1,040	1,894	1,340
Others	773	833	–	–	2,473	4,265	3,246	5,098
	9,719	7,133	–	–	49,073	33,891	58,792	41,024
Number of persons	1	1	7	7	26	18	34	26

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

25. TRANSACTIONS WITH RELATED PARTIES

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

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

Transactions and balances with associated companies

	2013	2012
	(Rupees in '000)	
Transactions during the year with associated companies		
Premium written	328,522	390,233
Claims paid	120,986	160,038
Dividend received	80,784	60,840
Dividend paid	15,375	10,401
Investment made	970,058	776,033
Investment sold	852,612	604,517
Gain on sale of investments	16,965	20,983
Reversal for impairment in value of available for sale securities	8,432	2,525
Interest received on bank accounts	6,591	4,055
Bank charges	208	194
Government Securities purchased	40,645	–
Balances with associated companies		
Premium due but unpaid	165,228	109,917
Claims outstanding	36,186	24,748
Bank balances	57,365	76,357
Profit receivable on bank accounts	4	12
Dividend receivable	1,795	1,874
Investment held	821,165	695,287
Bonus from associated companies	(Number of shares)	
Bonus shares received	216,508	436,555
Bonus shares issued	–	832,090
Transactions during the year with other related parties including key management personnel		
Premium written	51	218
Claims paid	426	142
Share registrar fees paid	470	478
Brokerage expenses paid	691	378
Contribution to the provident fund	3,676	3,337
Proceeds from sale of assets	14	350
Balance with other related parties including key management personnel		
Premium due but unpaid	57	32
Due to the provident fund	252	2

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

25.3 Details of other balances and transaction with related parties during the year ended December 31, 2013 are disclosed in note 12.3.6 and 14.1 to these financial statements.

26. SEGMENT INFORMATION

Class of business wise revenue and results have been disclosed in the profit and loss account prepared in accordance with the requirement of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets and liabilities as at December 31, 2013 and December 31, 2012, allocated capital expenditures and depreciation/ amortisation during the year. The above have been assigned to the following segments on the basis of gross premium earned by the segments.

(Rupees in '000)

	Fire and Property		Marine and Transport		Motor		Other Classes		Total	
	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated
Segment Assets										
Segment Assets	432,792	311,810	253,695	192,434	139,246	114,298	157,425	145,881	983,158	764,423
Unallocated corporate assets									1,254,512	1,241,011
Consolidated total assets									2,237,670	2,005,434
Segment Liabilities										
Segment liabilities	457,813	366,747	268,362	226,338	147,296	134,436	166,526	171,583	1,039,997	899,104
Unallocated corporate liabilities									172,638	148,599
Consolidated total liabilities									1,212,635	1,047,703
Capital expenditure										
Capital expenditure	1,378	506	807	312	443	185	501	237	3,129	1,240
Depreciation/ amortisation	1,493	1,407	875	867	480	515	543	657	3,391	3,446

27. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

27.1 Insurance risk management

Insurance risk

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

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

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

(a) Frequency and severity of claims

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

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

(b) Uncertainty in the estimation of future claim payments

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

An estimated amount of the claim is recorded immediately on the intimation to the Company. The estimation of the amount is based on management judgement or preliminary assessment by the independence surveyor appointed for the purpose. The initial estimates include expected settlement cost of the claims. Provision for IBNR is based on the management's best estimate which takes into account the past trends, expected future patterns of reporting of claims and the claim actually reported subsequent to the balance sheet date.

There are several variable factors which affect the amount and timing of recognised claim liabilities. The Company takes all reasonable measures to mitigate the factors affecting the amount and timing of claim settlements. However, uncertainty prevails with estimated claim liabilities and it is likely that final settlement of these liabilities may be different from initial recognised amount. Similarly, the provision for claims incurred but not reported is based on historic reporting pattern of the claims; hence, actual amount of incurred but not reported claims may differ from the amount estimated. Outstanding claims are reviewed on a periodic basis.

(c) Key assumptions

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

(d) Changes in assumptions

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

(e) Sensitivity analysis

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

	Underwriting results		Shareholder's equity	
	2013	2012	2013	2012
	(Rupees in '000)			
Average claim cost				
Fire and property	1,055	1,042	686	677
Marine and transport	4,591	7,493	2,984	4,870
Motor	9,046	8,572	5,880	5,572
Other classes	6,811	5,884	4,427	3,825
	21,503	22,991	13,977	14,944

Concentration of risk

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

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

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

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

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

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

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

	Gross sum insured		Reinsurance		Net	
	2013	2012	2013	2012	2013	2012
			(Rupees in ' 000)			
Fire and property	14,080,833	15,455,228	14,013,491	15,451,728	67,342	3,500
Marine and transport	999,950	1,278,948	969,955	1,266,158	29,995	12,790
Motor	12,500	12,060	11,500	11,360	1,000	700
Other	7,825,087	5,221,385	7,780,087	5,217,885	45,000	3,500
	22,918,370	21,967,621	22,775,033	21,947,131	143,337	20,490

Claims development table

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

Analysis on gross basis

Accident year	2009 and prior years	2010	2011	2012	2013	Total
			(Rupees in ' 000)			
Estimate of ultimate claims cost:						
At end of accident year	443,646	340,549	432,375	421,406	524,178	2,162,154
One year later	450,991	337,188	424,254	441,141	–	1,653,574
Two years later	418,413	335,729	419,199	–	–	1,173,341
Three years later	416,379	333,252	–	–	–	749,631
Four years later	447,566	–	–	–	–	447,566
Estimate of cumulative claims	447,566	333,252	419,199	441,141	524,178	2,165,336
Cumulative payment made to date	(441,171)	(329,392)	(411,896)	(397,278)	(249,085)	(1,828,822)
Liability for outstanding claims	6,395	3,860	7,303	43,863	275,093	336,514

27.2 Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

27.2.1 Risk management framework

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

27.2.2 Credit risk

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

27.2.2.1 Exposure to credit risk

Credit risk of the Company arises principally from the balances with banks, loans to employees, investments (except for investment in government securities and listed equity shares), premium due but unpaid, amount due from other insurers/ reinsurers, reinsurance and other recoveries against outstanding claims and sundry receivable (except receivable against FED). To reduce the credit risk the management continuously reviews and monitors the credit exposure towards the policyholders and other insurers/ reinsurers and makes provision against those balances considered doubtful of recovery.

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

		2013		2012	
	Note	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
		(Rupees in '000)			
Bank balances	10	59,533	59,533	77,750	77,750
Loan to employees	11	29,151	29,151	29,221	29,221
Investments	12	1,117,367	4,867	1,056,208	4,784
Premiums due but unpaid	14	290,674	290,674	224,697	224,697
Amounts due from other insurers/ reinsurers	15	155,439	155,439	153,310	153,310
Accrued investment income	16	4,594	4,594	4,450	4,450
Reinsurance recoveries against outstanding claims		273,680	273,680	124,590	124,590
Advances, deposits and prepayment	17	8,503	1,525	9,458	1,564
Sundry receivables	18	6,828	6,828	35,146	35,146
		1,945,769	826,291	1,714,830	655,512

Differences in the balances as per financial statements and maximum exposure in investments is due to investments in government securities of Rs. 53.794 million (2012: 52.429 million) and listed equity shares/ units of Rs. 1058.706 million (2012: 998.995 million) which are not exposed to credit risk.

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

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

The credit quality of Company's exposure in Term Finance Certificates are disclosed in note 12.3.3.1 of the financial statements.

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

Concentration of credit risk

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

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

	December 31, 2013		December 31, 2012	
	(Rupees in'000)	%	(Rupees in'000)	%
Automobiles	96,819	29.4	46,218	17.0
Banks, Modaraba and Leasing	37,637	11.4	21,618	8.0
Textile and Composite	43,215	13.1	35,425	13.0
Sugar	14,587	4.4	24,170	8.9
Chemicals and Allied Industries	10,695	3.2	4,350	1.6
Glass, Ceramics and Tiles	10,146	3.1	17,618	6.5
Cable, Engineering and Steel	4,459	1.4	6,326	2.3
Cement	15	0	–	0.0
Food and Confectionary	11,906	3.6	4,481	1.7
Fuel and Energy	2,253	0.7	6,718	2.5
Insurance	694	0.2	919	0.3
Pharmaceuticals	9,387	2.9	4,189	1.5
Others	87,623	26.6	99,519	36.7
	329,436	100	271,551	100

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

	December 31, 2013		December 31, 2012	
	Gross	Impairment	Gross	Impairment
	(Rupees in ‘000)			
Upto 1 year	241,810	–	204,855	–
1-2 years	58,493	9,629	26,923	7,081
2-3 years	11,890	11,890	5,459	5,459
Over 3 years	17,243	17,243	34,314	34,314
Total	329,436	38,762	271,551	46,854

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

	Amount due from reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2013	2012
			(Rupees in ‘000)		
A or above (including PRCL)	3,772	273,680	215,006	492,458	330,360
BBB	112	–	–	113	414
Others	–	–	–	–	112
	3,884	273,680	215,006	492,571	330,886

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

	2013		2012	
	Gross	Impairment	Gross	Impairment
	(Rupees in ‘000)			
Upto 1 year	69,645	–	105,287	–
1-2 years	59,779	–	35,551	–
Over 2 years	40,574	14,559	27,031	14,559
Total	169,998	14,559	167,869	14,559

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

	2013		2012	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Upto 1 year	196,715	–	60,253	–
1-2 years	44,286	–	53,131	–
Over 2 years	32,679	–	11,206	–
Total	273,680	–	124,590	–

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

27.2.3 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	2013	2012
	Carrying Amount (Rupees in '000)	
Non-derivative financial liabilities		
Provision for outstanding claims	336,514	184,482
Amount due to other insurers/ reinsurers	176,983	137,958
Accrued expenses	8,747	9,843
Other creditors and accruals	95,354	154,561
Unclaimed dividends	35,718	29,277
	653,316	516,121

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

27.2.4 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices may affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All transactions are carried in Pak Rupees therefore, the Company is not exposed to currency risk. However, the Company is exposed to interest rate risk and other price risk.

27.2.4.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from balances held in profit and loss sharing accounts with reputable banks, term finance certificates and government securities. The Company limits interest rate risk by monitoring changes in interest rates. At the balance sheet date the interest rate profile of the Company's interest-bearing financial instrument are:

	2013	2012	2013	2012
	Effective interest rate (in %)		(Rupees in '000)	
Fixed rate instruments				
- Government securities	(11.75 to 12)	(11.25 to 11.75)	53,794	52,429
Variable rate instruments				
- Bank balances	(6 to 11)	(6 to 11)	38,133	59,324
- Term finance certificates	(11.08)	(11.08)	4,867	4,784
			43,000	64,108

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

27.2.4.2 Equity price risk

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

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

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

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

For available for sale equity investments, in case of 10% decrease in equity prices at the reporting date, the net income and equity would have been lower by Rs. 13.297 million (2012: 23.679 million). However, an increase of 10% in equity prices at the reporting such increase is restricted to amount of cost of investment of such securities, i.e., Rs. 6.279 million (2012: 20.196 million) as per the policy of the Company.

27.3 Fair value of financial instruments

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

28. CAPITAL MANAGEMENT

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

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

The Company is required to maintain assets in excess of minimum solvency requirement under section 11 and section 36 of the Insurance Ordinance, 2000. The Company meets the applicable minimum solvency requirement as it considers that SECP's Circular 15 of 2010 dated July 6, 2010 is effective for which a legal opinion has also been sought.

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

29. NUMBER OF EMPLOYEES

The number of employees at the end of year was 199 (2012: 186) and average number of employees during the year was 192 (2012: 190)

30. SUBSEQUENT EVENT - NON ADJUSTING

In the meeting held on March 20, 2014, the Board of Directors of the Company proposed a final cash dividend of Rs. 1.25 per share (2012: Rs. 1.75 per share) amounting to Rs. 123.875 million (2012: Rs. 173.425 million) and bonus shares in the ratio of 25 shares for every 100 shares held (2012: Nil) amounting to Rs. 123.875 million (2012: Nil) for the year ended December 31, 2013, for approval by the members in the Annual General Meeting to be held on April 30, 2014.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors in their meeting held on March 20, 2014.

RAFIQ M. HABIB	MANSOOR G. HABIB	MOHAMEDALI R. HABIB	ALI RAZA D. HABIB
Chairman	*Director*	*Director*	*Managing Director & Chief Executive*

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2013

Number of Shareholders	Size of Shareholding Rs. 5/- each			Total Shares Held
481	1	to	100	11,391
313	101	to	500	86,430
176	501	to	1,000	135,959
495	1,001	to	5,000	1,290,660
195	5,001	to	10,000	1,557,432
76	10,001	to	15,000	960,699
53	15,001	to	20,000	959,003
24	20,001	to	25,000	535,775
24	25,001	to	30,000	662,048
14	30,001	to	35,000	457,830
15	35,001	to	40,000	579,955
7	40,001	to	45,000	299,488
21	45,001	to	50,000	1,038,180
8	50,001	to	55,000	420,686
4	55,001	to	60,000	226,831
6	60,001	to	65,000	376,290
6	65,001	to	70,000	412,799
3	70,001	to	75,000	215,161
9	75,001	to	80,000	706,578
1	80,001	to	85,000	85,000
5	85,001	to	90,000	441,603
1	90,001	to	95,000	92,459
9	95,001	to	100,000	886,359
9	100,001	to	105,000	926,135
1	105,001	to	110,000	105,160
5	110,001	to	115,000	562,829
2	115,001	to	120,000	232,285
5	120,001	to	125,000	618,030
1	125,001	to	130,000	125,920
5	130,001	to	135,000	669,709
4	135,001	to	140,000	551,686
3	145,001	to	150,000	444,866
1	150,001	to	155,000	153,888
3	155,001	to	160,000	471,694
4	160,001	to	165,000	646,526
4	165,001	to	170,000	667,650
1	175,001	to	180,000	176,930
4	180,001	to	185,000	726,541
4	190,001	to	195,000	769,858
7	195,001	to	200,000	1,390,115
2	200,001	to	205,000	404,547
2	215,001	to	220,000	433,422
2	220,001	to	225,000	442,545
2	225,001	to	230,000	454,603
1	240,001	to	245,000	244,790
6	245,001	to	250,000	1,489,988
2	260,001	to	265,000	529,860
1	265,001	to	270,000	265,389
2	270,001	to	275,000	548,484
1	275,001	to	280,000	277,393
1	280,001	to	285,000	283,108
1	285,001	to	290,000	286,394
1	300,001	to	305,000	301,515
1	305,001	to	310,000	305,776
1	310,001	to	315,000	310,279
2	325,001	to	330,000	328,577
1	335,001	to	340,000	673,329
2	345,001	to	350,000	345,042
1	355,001	to	360,000	715,214
1	380,001	to	385,000	384,808
1	390,001	to	395,000	394,733
1	405,001	to	410,000	408,695
2	410,001	to	415,000	411,534
4	420,001	to	425,000	844,727
2	430,001	to	435,000	1,732,889
2	480,001	to	485,000	964,435
1	495,001	to	500,000	991,786
1	505,001	to	510,000	506,616
2	550,001	to	555,000	554,956
1	565,001	to	570,000	1,135,811
2	585,001	to	590,000	588,894
1	590,001	to	595,000	1,187,097
1	605,001	to	610,000	606,000
1	615,001	to	620,000	619,864
1	620,001	to	625,000	624,323
1	630,001	to	635,000	634,837
1	645,001	to	650,000	647,562
1	650,001	to	655,000	654,056
1	670,001	to	675,000	673,428
1	695,001	to	700,000	698,652
1	700,001	to	705,000	704,226
1	705,001	to	710,000	707,812
1	740,001	to	745,000	742,154
1	790,001	to	795,000	792,159
1	800,001	to	805,000	804,930
1	820,001	to	825,000	822,526
1	850,001	to	855,000	851,807
3	870,001	to	875,000	2,616,538
1	965,001	to	970,000	966,709
1	975,001	to	980,000	975,672
1	980,001	to	985,000	981,666
1	995,001	to	1,000,000	999,040
1	1,040,001	to	1,045,000	1,040,545
1	1,115,001	to	1,120,000	1,119,935
1	1,450,001	to	1,455,000	1,451,063
1	1,880,001	to	1,885,000	1,882,895
1	1,895,001	to	1,900,000	1,898,000
1	2,175,001	to	2,180,000	2,177,109
1	2,330,001	to	2,335,000	2,331,677
1	2,345,001	to	2,350,000	2,346,126
1	2,395,001	to	2,400,000	2,395,721
1	2,725,001	to	2,730,000	2,730,000
1	3,980,001	to	3,985,000	3,983,809
1	4,290,001	to	4,295,000	4,291,809
1	4,335,001	to	4,340,000	4,335,613
1	4,585,001	to	4,590,000	4,588,317
1	4,975,001	to	4,980,000	4,978,341
2,099			TOTAL	99,099,804

Categories of Shareholders	Numbers	Shares Held	Percentage
1. Individuals	2,021	61,045,405	61.60
2. Insurance companies	6	5,639,674	5.69
3. Joint stock companies	35	10,127,671	10.22
4. Charitable trusts	12	14,290,317	14.42
5. Government institutions	2	1,053	0.00
6. Foreign investors	23	7,995,684	8.07
	2,099	99,099,804	100.00

Pattern of Shareholding as at December 31, 2013

Additional Information

Shareholders' Category	Number of shareholders/ folios	Number of shares held
Associated Companies		
Habib Sugar Mills Limited	1	4,291,018
Thal Limited	1	4,588,317
Karachi Mercantile Co. (Pvt.) Limited	1	273,670
NIT and ICP		
IDBP (ICP Unit)	2	1,053
Directors		
Mr. Rafiq M. Habib	1	133,485
Mr. Abbas D. Habib	2	602,647
Mr. Mazher Ali Jumani	2	8,606
Mr. Mansoor G. Habib	2	26,785
Mr. Mohamedali R. Habib	2	1,555,114
Mr. Sajjad Hussain Habib	1	227,307
Mr. Aun Mohammad A. Habib	1	227,296
Chief Executive Officer		
Mr. Ali Raza D. Habib	1	49,051
Directors' Spouses		
Mrs. Jamila Rafiq w/o Mr. Rafiq M. Habib	2	773,438
Mrs. Niamat-e-Fatima w/o Mr. Abbas D. Habib	1	16,702
Mrs. Sayyeda Mohamedali w/o Mr. Mohamedali R. Habib	1	104,051
Banks, Development Financial Institutions, Insurance Companies, Modaraba Companies and Mutual Funds	7	5,888,674
Joint Stock Companies and Corporations	32	974,666
Individuals/ Others	2,004	57,071,923
Charitable Trusts, Societies and Government Institutions	12	14,290,317
Foreign Investors	23	7,995,684
	2,099	99,099,804

Notice of Annual General Meeting

NOTICE is hereby given that the 71st Annual General Meeting of the Shareholders of the Company will be held at The Institute of Chartered Accountants of Pakistan, Kehkashan, Clifton, Karachi, on Wednesday, April 30, 2014 at 12:15 p.m. to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended December 31, 2013 together with the Directors' and Auditors' Report thereon.

2. To approve payment of cash dividend @ 25% i.e. Rs. 1.25 per share of Rs. 5/- each for the year ended December 31, 2013 as recommended by the Board of Directors.

3. To approve the issue of bonus shares in the proportion of 25 shares for every 100 shares held i.e. 25% for the year ended December 31, 2013 as recommended by the Board of Directors, subject to approval of increase in Company's Authorised Share Capital as mentioned in item No. 6 as "Special Business".

4. To appoint Auditors for the year ending December 31, 2014 and to fix their remuneration. Existing auditors Messrs. KPMG Taseer Hadi & 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. Ford Rhodes Sidat Hyder & 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 to increase the Authorised Share Capital of the Company.

   "RESOLVED that the authorised share capital of the Company be and is hereby increased to Rs. 650,000,000 by the creation of 30,000,000 ordinary shares of Rs. 5/- each, such new shares to rank pari pasu in all respects with the existing ordinary shares in the capital of the Company.

   FURTHER RESOLVED that the figures and words "Rs. 500,000,000/- (Rupees five hundred million) divided into 100,000,000 (One hundred million) ordinary shares of the denomination of Rs. 5/- each" appearing in Clause # 5 of the Memorandum of Association and in Article # 3 of the Articles of Association of the Company be and are hereby substituted by the figures and words "Rs. 650,000,000 (Rupees six hundred fifty million) divided into 130,000,000 (One hundred thirty million) ordinary shares of the denomination of Rs. 5/- each"."

7. 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 25:100, 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 #'s 6 and 7, statement under section 160 of the Companies Ordinance, 1984 is annexed.

By order of the Board

SHABBIR GULAMALI
Company Secretary

Karachi: March 20, 2014

Notes:

1. The share transfer books of the Company will remain closed from Thursday, April 17, 2014 to Wednesday, April 30, 2014 (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 First Floor, House of Habib Building, Siddiqsons Tower, 3-Jinnah Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi-75350.

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

The Statement is annexed to the Notice of the 71st Annual General Meeting to be held on April 30, 2014 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

With the issuance of 25% bonus shares as proposed, the Paid-up Capital of the Company would increase to Rs. 619,373,778. Therefore, the present Authorised Capital of the Company needs to be increased to facilitate the issuance of the proposed bonus shares. Accordingly, the Board of Directors, in their meeting held on March 20, 2014 has recommended to increase the Authorised Capital from Rs. 500,000,000/- (Rupees five hundred million) to Rs. 650,000,000/- (Rupees six hundred fifty million) divided into 130,000,000 (One hundred thirty million) ordinary shares of Rs. 5/- each. Increase in Authorised Capital will also necessitate amendments in Clause # 5 of the Memorandum of Association and Article # 3 of the Articles of Association of the Company.

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

ITEM NUMBER 7 OF THE AGENDA

The Board of Directors of Habib Insurance Company Limited in their meeting held on March 20, 2014 have proposed to issue bonus shares in the proportion of 25 shares for every 100 shares held and to pay the proceeds of fractional bonus shares to a charitable institution.

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

Status of approvals for investment in associated companies

Bank AL Habib Limited

Sr. No.	Description	Information Required
	Information to be disclosed to the members:-	
1	If the associated company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance	Bank AL Habib Limited is not holding any shares of the investing company. No Director or Chief Executive has any interest in the investing company except in their individual capacities as Directors/ Chief Executive and/ or as shareholders of the investing company. The shareholding of Directors and Chief Executive is disclosed in the pattern of shareholding
2	In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:-	
a)	total investment approved;	Rs. 60 million approved by the shareholders at Annual General Meeting held on April 28, 2012
b)	amount of investment made to date;	Rs. 59.918 million
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time;	Remaining amount will not be invested
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	The shareholders equity of the investee company has increased to Rs. 25,282.051 million from Rs. 23,814.147 million due to an increase in reserves of Rs. 1,467.904 million

Habib Sugar Mills Limited

Sr. No.	Description	Information Required
	Information to be disclosed to the members:-	
1	If the associated company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance	Habib Sugar Mills Limited is holding 4,291,018 shares of the investing company. No Director or Chief Executive has any interest in the investing company except in their individual capacities as Directors/ Chief Executive and/ or as shareholders of the investing company. The shareholding of Directors and Chief Executive is disclosed in the pattern of shareholding
2	In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:-	
a)	total investment approved;	Rs. 25 million approved by the shareholders at Annual General Meeting held on April 28, 2012
b)	amount of investment made to date;	Nil
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time;	Amount will not be invested
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	The shareholders equity of the investee company has increased to Rs. 4,632.767 million from Rs. 4,054.851 million due to increase in reserves of Rs. 577.916 million

Habib Metropolitan Bank Limited

Sr. No.	Description	Information Required
	Information to be disclosed to the members:-	
1	If the associated company or associated undertaking in which the investment is being made or any of its sponsors or directors is also a member of the investing company, the information about interest of the associated company or associated undertaking and its sponsors and directors in the investing company shall be disclosed in the notice of general meeting called for seeking members' approval pursuant to section 208 of the Ordinance	Habib Metropolitan Bank Limited is not holding any shares of the investing company. No Director or Chief Executive has any interest in the investing company except in their individual capacities as Directors/ Chief Executive and/ or as shareholders of the investing company. The shareholding of Directors and Chief Executive is disclosed in the pattern of shareholding
2	In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:-	
a)	total investment approved;	Rs. 50 million approved by the shareholders at Annual General Meeting held on April 29, 2013
b)	amount of investment made to date;	Rs. 5.970 million
c)	reasons for not having made complete investment so far where resolution required it to be implemented in specified time;	Remaining amount may be invested on availability of shares at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	The shareholders equity of the investee company has decreased to Rs. 27,984.176 million from Rs. 28,188.025 million due to decrease in reserves of Rs. 203.849 million

Habib Insurance Company Limited

PROXY FORM

I/ We ....

of ....

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

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

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

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

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

another member of Habib Insurance Company Limited as my proxy to vote for me/ us and on my/ our behalf at the Seventy First Annual General Meeting of the Company to be held on April 30, 2014 and at any adjournment thereof.

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

Revenue Stamp
Five
Rupees

SIGNATURE OF MEMBER(S)

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

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

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

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

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