

Habib Insurance Company Limited

Contents

Company Information	1
Directors' Report	2
Six Years' Review at a Glance	6
Statement of Compliance with the Code of Corporate Governance	7
Auditors' Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance	9
Auditors' Report to the Members	10
Balance Sheet	11
Profit and Loss Account	12
Statement of Comprehensive Income	13
Statement of Cash Flow	14
Statement of Changes in Equity	15
Statement of Premiums	16
Statement of Claims	17
Statement of Expenses	18
Statement of Investment Income	19
Notes to the Financial Statements	20
Pattern of Shareholding	57
Notice of Annual General Meeting	60
Proxy Form	

Habib Insurance Company Limited

Company Information

Board of Directors

Chairman	:	Rafiq M. Habib
Directors	:	Abbas D. Habib
		Mansoor G. Habib
		Mohamedali R. Habib
		Sajjad Hussain Habib
		Aun Mohammad A. Habib
		Ali Fadoo

Managing Director & Chief Executive : Ali Raza D. Habib

Deputy Managing Director : Zeeshan Raza

Company Secretary / Executive Director : Shabbir Gulamali

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

Share Registrar : M/s. Central Depository Company of Pakistan Limited
CDC House, 99-B, Block-B,
SMCHS, Main Shahrah-e-Faisal,
Karachi-74400

Registered Office : 1st Floor, State Life Bldg. No. 6,
Habib Square, M. A. Jinnah Road,
P.O. Box 5217, Karachi-74000,
Pakistan
Tel : (92-21) 32424030/38/39
Fax : (92-21) 32421600
UAN : (92-21) 111 03 03 03
Website : www.habibinsurance.net

Habib Insurance Company Limited

Seventy Third Report of the Directors to the Shareholders for the year ended December 31, 2015

The Shareholders,

The Board of Directors have pleasure in presenting the Seventy Third Annual Report along with the audited accounts of the Company for the year ended December 31, 2015.

	Rupees in ' 000
Total comprehensive income after tax for the year 2015	221,911
Amount available after appropriations for the year 2014	<u>31,525</u> <u>253,436</u>
The Board of Directors now propose:	
Payment of dividend at Rs. 1.75 per share of Rs. 5/- each i.e. @ 35%	216,781
Unappropriated profit carried forward	<u>36,655</u> <u>253,436</u>
Basic earnings per share of Rs. 5/- each	1.83

By the Grace of Allah, 2015 has been a good year for your Company and the Directors are pleased to recommend a payout of 35% to shareholders as mentioned above.

There was a substantial rise in underwriting profit of the Company increasing to Rs. 117.9 million as compared to Rs. 86.8 million of last year, a notable growth of 35.8% resulting from improved commission earnings and favourable claim experience. The gross written premium also grew to Rs. 1.12 billion with net premium revenue increasing to Rs. 500.4 million from Rs. 458.7 million of the corresponding period last year.

There has been a drop in investment income from Rs. 256.9 million to Rs. 199.6 million, mainly because of fall in capital gains to Rs. 118.9 million as compared to Rs. 152.9 million of the previous year due to favourable market opportunities prevalent then. The decrease in dividend income was owing to changes in tax laws affecting dividend received from investments in Funds.

Finally the overall profit after tax of the Company for 2015 was Rs. 226.9 million as compared to Rs. 260.0 million for the previous year.

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

There have been many positive factors in the overall performance of the economy during 2015 which will hopefully help boost the economy. GDP grew by 4.2% during FY2015 against 4.0% of last year. Substantial decline in inflation with corresponding cuts in discount rate to 6.5% by State Bank of Pakistan were contributing factors. Foreign exchange reserves stood at US\$ 20,812 billion and direct foreign investment at US\$ 2,678 billion in FY2015. While the KSE 100 Index closed at 32816 as at December 31, 2015, after reaching an all time high of 36229 in August 2015, the stock market remained volatile shadowed by global economic slowdown coupled with continuously decline trend of commodities affecting almost all international bourses.

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

Habib Insurance Company Limited

We anticipate the year 2015 to be exciting with challenges ahead. Given the right circumstances of the general situation in the Country and in the economy, we look forward to a year of good progress. The Company will Inshallah pursue its plan for expansion of business without compromising on its cautious underwriting and we are confident that Inshallah the investment income will continue to perform.

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

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. 34.0 million during the year; furthermore, an additional amount of over Rs. 276.2 million was deducted/ collected by the Company on account of withholding taxes, sales tax on services and federal excise duties paid to the Government of Pakistan.

Audit Committee

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

		No. of Meetings attended
Mr. Mansoor G. Habib	Chairman	4
Mr. Mohamedali R. Habib	Member	2
Mr. Aun Mohammad A. Habib	Member	4
Mr. Ali Fadoo	Member	4

Habib Insurance Company Limited

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

Directors Training Programme

Three of our Directors have completed the Directors formal Training programme, out of which One Director has acquired the Training subsequent to the year end.

Auditors

The present auditors Messrs Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and offer themselves for reappointment. As suggested by the Audit Committee, the Board of Directors has recommended their appointment as auditors of the Company for the year ending December 31, 2016, 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, 2015 is Rs. 74.9 million.

Habib Insurance Company Limited

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

Date of Meeting	Attended by	
February 23, 2015	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Sajjad Hussain Habib Mr. Aun Mohammad A. Habib Mr. Ali Fadoo Mr. Ali Raza D. Habib	Chief Executive
April 28, 2015	Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Sajjad Hussain Habib Mr. Aun Mohammad A. Habib Mr. Ali Fadoo Mr. Ali Raza D. Habib	Chief Executive
August 31, 2015	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Sajjad Hussain Habib Mr. Aun Mohammad A. Habib Mr. Ali Fadoo Mr. Ali Raza D. Habib	Chief Executive
October 13, 2015	Mr. Rafiq M. Habib Mr. Abbas D. Habib Mr. Mansoor G. Habib Mr. Mohamedali R. Habib Mr. Sajjad Hussain Habib Mr. Aun Mohammad A. Habib Mr. Ali Fadoo Mr. Ali Raza D. Habib	Chief Executive

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

13. Except as stated below, no trades in the shares of the Company were carried out by the Directors, CEO, CFO, Company Secretary and their spouses and minor children.

Acquired through Gift	No. of Shares
Mr. Aun Mohammad A. Habib	646,074
Mrs. Razia w/o Mr. Ali Raza D. Habib	757,323

On behalf of the Board of Directors

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

Karachi: February 24, 2016

Habib Insurance Company Limited

Six Years' Review at a Glance

	(Rupees in '000)					
Years	2015	2014	2013	2012	2011	2010
Gross Written Premium	1,123,213	1,009,255	963,147	955,934	894,331	777,531
Net Premium Revenue	500,364	458,726	438,332	435,966	420,310	394,643
Investment Income	199,615	256,869	240,301	204,350	117,389	149,355
Net Claims	221,739	221,537	215,023	229,906	231,180	183,787
Profit after Tax	226,867	260,008	243,981	194,988	126,296	168,482
Paid-up Capital	619,374	619,374	495,499	495,499	450,454	400,403
Reserves & Retained Earnings	514,834	540,673	529,536	462,232	426,409	451,482
Total Assets - at Book Value	2,742,865	2,850,999	2,237,670	2,005,434	1,878,731	1,666,985
Cash Dividend - %	35	40	25	35	25	25
Stock Dividend - %	-	-	25	-	10	12.5

Habib Insurance Company Limited

Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2015

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Listing Regulation No. 5.19.23(b) of the rule book of the Pakistan Stock Exchange, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

The independent Director meets the criteria of independence under clause I(b) of the CCG.

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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred on the Board during the year.
5. The Company 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, three Directors have acquired the formal Directors Training Certificate. During the year none of the Directors attended the Directors' Training Program, however, subsequent to the year end one Director acquired the Certification.
10. There was no new appointment of CFO, Company Secretary and Head of Internal Audit during the year.

Habib Insurance Company Limited

11. The Directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed underwriting/ claim settlement/ reinsurance & co-insurance committee(s).
16. The Board has formed an audit committee. It comprises of four members, all of whom are non-executive Directors including the Chairman of the Committee.
17. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the audit committee for compliance.
18. The Board has formed an HR and Remuneration Committee. It comprises of four members, all of whom are non-executive Directors including the Chairman of the Committee.
19. The Board has set-up an effective internal audit department which is considered suitably qualified and are fully conversant with the policies and procedures of the Company.
20. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to the Directors, employees and Stock Exchange(s).
23. Material/ price sensitive information has been disseminated amongst all market participants at once through Stock Exchange(s).
24. We confirm that all material principles contained in the Code have been complied with, except for the matter stated in point # 9, which has been complied with subsequent to the year end.

On behalf of the Board of Directors

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

Karachi: February 24, 2016

Habib Insurance Company Limited

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **Habib Insurance Company Limited** (the Company) for the year ended **31 December 2015** to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited Chapter 5, clause 5.19.23(b) of the Code of Corporate Governance where the company is listed.

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

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 2015.

Further, we highlight below instance of non-compliance with the requirements of the code as reflected in the note reference where this is stated in the Statement of Compliance:

Note Reference	Description
9	None of the Directors attended Directors' Training Program during the year

Karachi: February 24, 2016

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

Habib Insurance Company Limited

Auditors' Report to the Members

We have audited the annexed financial statements comprising of:

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

of **Habib Insurance Company Limited** (the Company) as at **31 December 2015** together with the notes forming part thereof, for the year then ended.

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

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

In our opinion:

- (a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984;
- (b) the financial statements together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000 and the Companies Ordinance, 1984, and accurately reflect the books and records of the Company and are further in accordance with accounting policies consistently applied except for the changes as stated in notes 4.1 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 2015** and of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan, and give the information required to be disclosed by the Insurance Ordinance, 2000 and the Companies Ordinance, 1984; and
- (d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of the Ordinance.

Karachi: February 24, 2016

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

Habib Insurance Company Limited

Balance Sheet as at December 31, 2015

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)		Note	2015 (Rupees in '000)	2014 (Rupees in '000)
Share Capital and Reserves				Cash and Bank Deposits	10		
Authorised share capital [130,000,000 (December 31, 2014: 130,000,000) ordinary shares of Rs. 5 each]		650,000	650,000	Cash and other equivalents		139	372
Paid-up share capital	5.1	619,374	619,374	Current and other accounts		136,225	74,186
Retained earnings		250,712	286,551			<u>136,364</u>	<u>74,558</u>
Reserves		264,122	254,122	Loans - secured, considered good to employees	11	45,258	27,453
TOTAL EQUITY		<u>1,134,208</u>	<u>1,160,047</u>	Investments	12	895,064	1,043,878
Underwriting Provisions				Deferred Taxation	13	19,172	21,201
Provision for outstanding claims (including IBNR)		688,411	868,747	Current Assets - others			
Provision for premium deficiency		6,125	263	Premiums due but unpaid	14	319,230	284,948
Provision for unearned premium		463,255	432,293	Amounts due from other insurers/ reinsurers	15	341,179	282,282
Commission income unearned		55,631	49,476	Accrued investment income	16	3,274	3,424
Total underwriting provisions		1,213,422	1,350,779	Reinsurance recoveries against outstanding claims		597,207	794,592
Deferred Liability				Salvage recoveries outstanding		43,124	30,076
Staff retirement benefits	6	62,270	46,854	Deferred commission expense		49,716	45,363
Creditors and Accruals				Advances, deposits and prepayments	17	256,985	222,234
Amounts due to other insurers/ reinsurers	7	102,631	55,416	Sundry receivables	18	11,863	7,297
Accrued expenses		12,595	8,528			<u>1,622,578</u>	<u>1,670,216</u>
Taxation - provision less payments		39,325	44,843	Fixed Assets	19		
Other creditors & accruals	8	134,096	146,305	Tangible and intangible			
		288,647	255,092	Furniture, fixtures and office equipment		13,119	6,800
Other liabilities				Computers and related equipment		2,479	1,570
Unclaimed dividends		44,318	38,227	Motor vehicles		5,901	2,401
				Computer software		2,930	2,922
TOTAL LIABILITIES		<u>1,608,657</u>	<u>1,690,952</u>			<u>24,429</u>	<u>13,693</u>
TOTAL EQUITY AND LIABILITIES		<u>2,742,865</u>	<u>2,850,999</u>	TOTAL ASSETS		<u>2,742,865</u>	<u>2,850,999</u>
Contingencies and Commitments	9						

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

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

ALI FADOO
Director

ALI RAZA D. HABIB
Managing Director
& Chief Executive

Habib Insurance Company Limited

Profit and Loss Account for the year ended December 31, 2015

	Note	Fire and Property	Marine and Transport	Motor	Other Classes	(Rupees in '000)	
						2015 Aggregate	2014 Aggregate
Revenue Account							
Net premium revenue		106,241	148,585	140,657	104,881	500,364	458,726
Net claims		(9,262)	(39,203)	(101,736)	(71,538)	(221,739)	(221,537)
Premium deficiency expense		–	–	–	(5,862)	(5,862)	1,253
Expenses	20	(87,250)	(48,279)	(30,320)	(34,092)	(199,941)	(175,195)
Net commission		36,725	10,986	(12,937)	10,344	45,118	23,591
Underwriting result		46,454	72,089	(4,336)	3,733	117,940	86,838
Net investment income						199,615	256,869
Other income - net	21					7,312	8,256
General and administration expenses	20					(66,318)	(59,154)
Profit before tax						258,549	292,809
Taxation - net	22					(31,682)	(32,801)
Profit after tax						226,867	260,008
Profit and loss appropriation account							
Balance at commencement of the year						286,551	275,414
Total comprehensive income for the year						221,911	258,887
Issuance of bonus shares for the year 2014: Nil (2013: 25%)						–	(123,875)
Cash dividend for the year ended December 31, 2014 at Rs. 2.00 per share (2013: Rs. 1.25 per share)						(247,750)	(123,875)
Transfer to general reserve						(10,000)	–
						(35,839)	11,137
Balance of unappropriated profit at end of the year						250,712	286,551
Earnings per share of Rs. 5 each	23					Rupees 1.83	2.10

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

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

ALI FADOO
Director

ALI RAZA D. HABIB
Managing Director
& Chief Executive

Habib Insurance Company Limited

Statement of Comprehensive Income for the year ended December 31, 2015

	2015 (Rupees in '000)	2014
Net profit after tax for the year	226,867	260,008
Other comprehensive income for the year		
Not to be reclassified to profit and loss account in subsequent periods		
Actuarial loss on defined benefit plan	(7,289)	(1,673)
Related tax impact	2,333	552
Total comprehensive income for the year	<u>221,911</u>	<u>258,887</u>

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

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

ALI FADOO
Director

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

Habib Insurance Company Limited

Statement of Cash Flow for the year ended December 31, 2015

	2015 (Rupees in '000)	2014 (Rupees in '000)		2015 (Rupees in '000)	2014 (Rupees in '000)
Operating Cash Flows			Reconciliation to Profit and Loss Account		
a) Underwriting activities			Operating cash flows	(35,539)	(196,907)
Premiums received	1,030,038	953,049	Depreciation/ amortisation expense	(6,003)	(3,904)
Reinsurance premiums paid	(578,206)	(697,244)	Profit on disposal of fixed assets	196	53
Claims paid	(816,777)	(740,315)	Decrease in assets other than cash	276,249	678,962
Reinsurance and other recoveries received	599,039	500,023	Increase in liabilities	(207,800)	(464,628)
Commissions paid	(114,413)	(110,904)		27,103	13,576
Commissions received	150,666	127,042	Other adjustments		
Net cash inflow from underwriting activities	270,347	31,651	Income tax paid	32,838	20,452
b) Other operating activities			Reversal of provision for impairment	-	12,631
Income tax paid	(32,838)	(20,452)	Provision for gratuity	(8,608)	(7,960)
General management expenses paid	(248,162)	(223,473)	Gratuity paid	481	1,488
Other operating payments/ receipts	(7,081)	13,669	Profit/ return received	13,067	13,858
Loans advanced	(34,073)	(10,564)	Dividends received	74,772	85,844
Loans repayment received	16,268	12,262	Capital gain	118,896	152,920
Net cash outflow from other operating activities	(305,886)	(228,558)	Provision for taxation	(31,682)	(32,801)
Total cash outflow from all operating activities	(35,539)	(196,907)		199,764	246,432
Investment activities				226,867	260,008
Profit/ return received	13,067	13,857	Definition of cash		
Dividends received	74,772	85,844	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.		
Payments for investments	(1,205,161)	(843,525)	Cash for the purposes of the Statement of Cash Flows consists of:		
Proceeds from disposal of investments	1,472,871	1,082,564	Cash and bank deposits		
Fixed capital expenditure	(16,794)	(6,661)	Cash and other equivalents		
Proceeds from disposal of fixed assets	251	134	Cash in hand	73	264
Total cash inflow from investing activities	339,006	332,213	Policy stamps	66	108
Financing activities				139	372
Dividends paid	(241,661)	(121,366)	Current and other accounts		
Total cash outflow from financing activities	(241,661)	(121,366)	Current accounts	20,864	20,995
Net cash inflow from all activities	61,806	13,940	Profit and loss sharing accounts	115,361	53,191
Cash at beginning of the year	74,558	60,618		136,225	74,186
Cash at end of the year	136,364	74,558	Cash and bank deposits as per balance sheet	136,364	74,558

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

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

ALI FADOO
Director

ALI RAZA D. HABIB
Managing Director
& Chief Executive

Habib Insurance Company Limited

Statement of Changes in Equity for the year ended December 31, 2015

(Rupees in '000)

	Share Capital Issued, subscribed and paid up	Reserves		Total	
		Capital Reserves Reserve for exceptional losses (note 5.2)	Revenue Reserves General reserve		Retained earnings
Balance as at December 31, 2013	495,499	9,122	245,000	275,414	1,025,035
Total comprehensive income for the year					
Profit for the year	-	-	-	260,008	260,008
Other comprehensive income - net of tax	-	-	-	(1,121)	(1,121)
	-	-	-	258,887	258,887
Transaction with owners recorded directly in equity					
Bonus shares distribution for the year ended December 31, 2013 @ 25%	123,875	-	-	(123,875)	-
Final dividend for the year ended December 31, 2013 of Rs. 1.25 per share	-	-	-	(123,875)	(123,875)
	123,875	-	-	(247,750)	(123,875)
Balance as at December 31, 2014	619,374	9,122	245,000	286,551	1,160,047
Total comprehensive income for the year					
Profit for the year	-	-	-	226,867	226,867
Other comprehensive income - net of tax	-	-	-	(4,956)	(4,956)
	-	-	-	221,911	221,911
Transaction with owners recorded directly in equity					
Transfer to general reserves	-	-	10,000	(10,000)	-
Final dividend for the year ended December 31, 2014 of Rs. 2.00 per share	-	-	-	(247,750)	(247,750)
	-	-	10,000	(257,750)	(247,750)
Balance as at December 31, 2015	619,374	9,122	255,000	250,712	1,134,208

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

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Statement of Premiums for the year ended December 31, 2015

(Rupees in '000)

Business underwritten inside Pakistan

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium ceded		Reinsurance expense	2015 Net premium revenue	2014 Net premium revenue
		Opening	Closing			Opening	Closing			
Direct and facultative										
1. Fire and Property	490,147	222,484	245,225	467,406	384,125	163,415	186,375	361,165	106,241	83,888
2. Marine and Transport	271,220	38,885	37,563	272,542	125,039	17,524	18,606	123,957	148,585	145,412
3. Motor	170,329	86,417	98,869	157,877	19,975	4,181	6,936	17,220	140,657	128,758
4. Other Classes	191,517	84,507	81,598	194,426	96,281	27,266	34,002	89,545	104,881	100,668
Grand Total	1,123,213	432,293	463,255	1,092,251	625,420	212,386	245,919	591,887	500,364	458,726

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

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Statement of Claims for the year ended December 31, 2015

(Rupees in '000)

Business underwritten inside Pakistan

Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2015 Net claims expense	2014 Net claims expense
		Opening	Closing			Opening	Closing			
Direct and facultative										
1. Fire and Property	296,544	742,254	548,220	102,510	285,870	732,624	540,002	93,248	9,262	11,568
2. Marine and Transport	254,202	44,106	24,594	234,690	199,792	42,845	38,540	195,487	39,203	36,716
3. Motor	100,818	28,727	32,969	105,060	10,801	11,965	4,488	3,324	101,736	89,606
4. Other Classes	165,213	53,660	82,628	194,181	102,576	37,234	57,301	122,643	71,538	83,647
Grand Total	<u>816,777</u>	<u>868,747</u>	<u>688,411</u>	<u>636,441</u>	<u>599,039</u>	<u>824,668</u>	<u>640,331</u>	<u>414,702</u>	<u>221,739</u>	<u>221,537</u>

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

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Habib Insurance Company Limited

Statement of Expenses for the year ended December 31, 2015

(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*	2015 Net underwriting expense	2014 Net underwriting expense
Direct and facultative									
1. Fire and Property	59,619	26,079	29,584	56,114	87,250	143,364	92,839	50,525	49,219
2. Marine and Transport	23,820	4,191	3,712	24,299	48,279	72,578	35,285	37,293	34,870
3. Motor	14,635	9,313	10,006	13,942	30,320	44,262	1,005	43,257	38,297
4. Other Classes	5,672	5,780	6,414	5,038	34,092	39,130	15,382	23,748	29,218
Grand Total	103,746	45,363	49,716	99,393	199,941	299,334	144,511	154,823	151,604

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

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

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Habib Insurance Company Limited

Statement of Investment Income for the year ended December 31, 2015

	Note	2015 (Rupees in '000)	2014
Income from Non-Trading Investments			
Held-to-maturity			
Return on Government Securities		7,985	7,367
Available-for-sale			
Dividend income			
- Related parties		51,076	67,269
- Others		23,696	16,742
Return on other fixed income securities		–	683
Gain on sale of investments		118,896	152,920
		<u>201,653</u>	<u>244,981</u>
Reversal for impairment in value of available-for-sale investment - net	12.5.2	–	12,631
Investments related expenses		(2,038)	(743)
Net investment income		<u>199,615</u>	<u>256,869</u>

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

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Director

ALI FADOO
Director

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

Habib Insurance Company Limited

Notes to the Financial Statements for the year ended December 31, 2015

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 Pakistan Stock Exchange. 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.

2.4 Use of estimates and judgements

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

Habib Insurance Company Limited

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
- Provision for outstanding claims including IBNR	4.5
- 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 INTERPRETATIONS AND AMENDMENTS TO APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

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

Standard or interpretation	Effective date (annual periods beginning on or after)
IFRS 10 - IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
IFRS 10 - Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalised
IFRS 11 - Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IAS 1 - Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
IAS 16 - Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 - Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 - Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

Habib Insurance Company Limited

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

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

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 - Regulatory Deferral Accounts	January 01, 2016
IFRS 15 - Revenue from Contracts with Customers	January 01, 2018
IFRS 16 - Leases	January 01, 2019

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 New Standards, Interpretations and Amendments

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

- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 19 - Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions

Improvements to Accounting Standards Issued by the IASB in December 2013

- IFRS 2 - Share-based Payment - Definitions of vesting conditions
- IFRS 3 - Business Combinations - Accounting for contingent consideration in a business combination
- IFRS 3 - Business Combinations - Scope exceptions for joint ventures
- IFRS 8 - Operating Segments - Aggregation of operating segments
- IFRS 8 - Operating Segments - Reconciliation of the total of the reportable segments' assets to the entity's assets
- IFRS 13 - Fair Value Measurement - Scope of paragraph 52 (portfolio exception)
- IAS 16 - Property, Plant and Equipment and IAS 38 Intangible Assets – Revaluation method – proportionate restatement of accumulated depreciation / amortisation
- IAS 24 - Related Party Disclosures - Key management personnel
- IAS 40 - Investment Property - Interrelationship between IFRS 3 and IAS 40 (ancillary services)

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any material effect on the financial statements, except for IFRS 13, which requires additional disclosures (see note 27.3).

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.

Habib Insurance Company Limited

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.

Habib Insurance Company Limited

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

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

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

4.6 Reinsurance and other recoveries against outstanding claims

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

4.7 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 Securities and Exchange Commission of Pakistan on January 09, 2012.

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

Habib Insurance Company Limited

4.9 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

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, 2015 using the "Projected Unit Credit Method".

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

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

4.9.3 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.

Habib Insurance Company Limited

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 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.

Habib Insurance Company Limited

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.

Habib Insurance Company Limited

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.

Habib Insurance Company Limited

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.

Habib Insurance Company Limited

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 recognized when approved.

5. PAID-UP SHARE CAPITAL AND RESERVES

5.1 Paid-up share capital

2015 (Number of Shares)	2014		2015 (Rupees in '000)	2014
1,000,000	1,000,000	Ordinary shares of Rs. 5/- each issued as fully paid in cash	5,000	5,000
122,874,755	122,874,755	Ordinary shares of Rs. 5/- each issued as fully paid bonus shares	614,374	614,374
<u>123,874,755</u>	<u>123,874,755</u>		<u>619,374</u>	<u>619,374</u>
123,874,755	99,099,804	Ordinary shares of Rs. 5/- each at the beginning of the year	619,374	495,499
–	24,774,951	Fully paid bonus shares issued during the year	–	123,875
<u>123,874,755</u>	<u>123,874,755</u>		<u>619,374</u>	<u>619,374</u>

5.1.1 At December 31, 2015 related parties including directors and their dependents held 17.508 million (14.14%) [2014: 16.115 million (13.00%)] 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.

Habib Insurance Company Limited

6. STAFF RETIREMENT BENEFITS

Defined benefit plan - unfunded gratuity scheme

The latest actuarial valuation was carried out on December 31, 2015 by Akhtar and Hasan (Private) Limited using "Projected Unit Credit Actuarial Cost Method".

	2015	2014
6.1		
The number of employees covered under the defined benefit scheme are:	<u>189</u>	<u>169</u>
6.2		
The following principal actuarial assumptions were used for the valuation of above mentioned scheme:		
Financial assumptions		
Discount rate (per annum compounded)	9.00%	10.50%
Salary increase per annum	7.50%	8.50%
Demographic assumptions		
Expected service length of the employees	15 years	15 years
Normal retirement	60 years	60 years
Rate of employee turnover	Moderate	Moderate
Mortality rate	SLIC (2001-05)	SLIC (2001-05)
6.3		
Liability in balance sheet		
Present value of defined benefit obligations	<u>62,270</u>	<u>46,854</u>
6.4		
Movement in liability during the year		
Opening balance	46,854	38,709
Charged to profit and loss account	8,608	7,960
Benefits paid during the year	(438)	(1,124)
Benefits paid to outstanding ex-employees	(43)	(364)
Actuarial loss recognised in other comprehensive income	7,289	1,673
Closing balance	<u>62,270</u>	<u>46,854</u>
	2015	2014
	(Rupees in '000)	
6.5		
Reconciliation of the present value of defined benefit obligations		
Present value of defined benefit obligations as at January 1,	46,854	38,709
Current service cost	3,603	3,006
Interest cost	5,005	4,954
Benefits paid	(438)	(1,124)
Benefits paid to outstanding ex-employees	(43)	(364)
Actuarial loss on obligation	7,289	1,673
Present value of defined benefit obligations as at December 31,	<u>62,270</u>	<u>46,854</u>
6.6		
Charge for the defined benefit plan		
6.6.1		
Cost recognised in profit and loss		
Current service cost	3,603	3,006
Interest cost	5,005	4,954
	<u>8,608</u>	<u>7,960</u>

Habib Insurance Company Limited

	2015	2014
	(Rupees in '000)	
6.6.2 Actuarial loss/ (gain) on defined benefit obligation recognised in other comprehensive income		
Actuarial loss/ (gain) on defined benefit obligation		
(Gain)/ loss due to change in financial assumptions	1,994	(631)
Loss due to change in experience adjustments	5,295	2,304
	<u>7,289</u>	<u>1,673</u>
Expected contributions to the funds in the following year	<u>9,192</u>	<u>8,608</u>
Expected benefit payments to retirees in the following year	<u>2,490</u>	<u>1,776</u>
Weighted average duration of the defined benefit obligation (year)	<u>7.88</u>	<u>8.27</u>

6.7 Sensitivity analysis

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

	2015
	(Rupees in '000)
Increase in discount rate by 1%	(57,603)
Decrease in discount rate by 1%	67,403
Increase in expected future increment in salary by 1%	67,741
Decrease in expected future increment in salary by 1%	(57,236)

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

	2015	2014
	(Rupees in '000)	
7. AMOUNT DUE TO OTHER INSURERS/ REINSURERS		
Foreign reinsurers	50,288	13,786
Local reinsurers	24,569	22,517
Co-insurers	27,774	19,113
	<u>102,631</u>	<u>55,416</u>
8. OTHER CREDITORS AND ACCRUALS		
Federal excise duty	17,147	13,438
Federal insurance fee	1,187	976
Withholding tax payable	1,352	1,373
Agents commission payable	65,274	75,941
Worker's welfare fund payable	32,657	27,381
Sundry creditors	16,479	27,196
	<u>134,096</u>	<u>146,305</u>

Habib Insurance Company Limited

9. CONTINGENCIES AND COMMITMENTS

9.1 CONTINGENCIES

During the year, the company received orders u/s. 122 (5A) passed by the Additional Commissioner Inland Revenue for the tax year 2009 and 2012 wherein prior year assessments were revised by treating dividend income as single basket income and taxing it at 35% instead of fixed rate of 10% resulting in aggregate demand of Rs.16.0 million. The Company has filed appeals against the said orders with CIT (Appeals) which are pending adjudication. The Company, based on its tax advisor's opinion, is confident that the ultimate outcome of the appeal will be in its favour. Therefore, no provision for the said demand has been made in these financial statements.

9.2 COMMITMENTS

As at December 31, 2015 there is no commitment.

	Note	2015 (Rupees in '000)	2014
10. CASH AND BANK DEPOSITS			
Cash and other equivalents			
Cash in hand		73	264
Policy stamps		66	108
		139	372
Current and other accounts			
Current accounts	10.1	20,864	20,995
Profit and loss sharing accounts	10.2	115,361	53,191
		136,225	74,186
		136,364	74,558

10.1 This includes balance with related parties amounting to Rs. 14.172 million (2014: 19.901 million).

10.2 This balance is held with related parties and carries profit rates ranging between 5.0% to 6.0% (2014: 6.5% to 9%) per annum.

11. LOANS - (secured, considered good)

To employees	45,258	27,453
---------------------	--------	--------

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% (2014: 5% to 10%) per annum except loans amounting to Rs. 1.774 million (2014: Rs. 2.603 million) which are interest free.

Habib Insurance Company Limited

	Note	2015 (Rupees in '000)	2014
11.1 Reconciliation of carrying amount of loans			
Opening balance		27,453	29,151
Mark-up for the year		2,070	2,170
Disbursements during the year		34,073	10,564
		<u>63,596</u>	<u>41,885</u>
Repayments (including mark-up) during the year		(18,338)	(14,432)
Closing balance		<u>45,258</u>	<u>27,453</u>
12. INVESTMENTS			
12.1 Type of investments			
Held-to-maturity			
Government securities (deposited with SBP)			
- Pakistan Investment Bonds	12.2	69,384	68,803
Available-for-sale			
- Units of open end mutual funds - quoted	12.3.1	349	349
- Modaraba Certificates - quoted	12.3.2	14,840	14,840
- Ordinary shares of quoted/ unquoted companies	12.3.3	287,380	248,939
- Ordinary shares of quoted companies/ units of open end mutual funds (related parties)	12.3.4	523,111	710,947
		<u>825,680</u>	<u>975,075</u>
		<u>895,064</u>	<u>1,043,878</u>

12.2 Held-to-maturity - amortised cost

Government securities - deposited with SBP

This represents Pakistan Investment Bonds having face value of Rs. 68.5 million (market value of Rs. 61.36 million) [2014: Rs. 68.5 million (market value of Rs. 72.21 million)]. These carry mark-up ranging from of 8.75% to 12% (2014: 11.25% to 12.00%) per annum and will mature between July 18, 2016 to July 19, 2022. These have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of circular no. 15 of 2008 dated July 07, 2008 issued by the Securities and Exchange Commission of Pakistan.

Habib Insurance Company Limited

12.3 Available-for-sale

12.3.1 Units of open end mutual funds - quoted

2015 (Number of units)	2014	Face Value (Rupees)	Name of the investee entity	Note	2015 (Rupees in '000)	2014
27,500	27,500	10	National Investment (Unit) Trust		252	252
5,238	5,238	50	Pakistan Income Fund		97	97
					<u>349</u>	<u>349</u>

12.3.2 Modaraba certificates - quoted

2015 (Number of Certificates)	2014	Face Value (Rupees)	Name of the investee entity	2015 (Rupees in '000)	2014
2,015,000	2,015,000	5	First Habib Modaraba	13,695	13,695
109,000	109,000	10	Standard Chartered Modaraba	1,145	1,145
				<u>14,840</u>	<u>14,840</u>

12.3.3 Ordinary shares of quoted/ unquoted companies

2015 (Number of shares)	2014	Face Value (Rupees)	Name of the investee entity	2015 (Rupees in '000)	2014
Oil and Gas					
-	15,000	10	Pakistan Oilfields Limited	-	5,690
-	41,000	10	Pakistan Petroleum Limited	-	8,647
-	1,200	10	Mari Petroleum Company Limited	-	376
-	12,500	10	Pakistan State Oil Limited	-	4,843
-	1,300	10	Oil & Gas Development Co. Limited	-	330
Chemicals					
140,000	140,000	5	Dynea Pakistan Limited	1,722	1,722
-	3,000	10	ICI Pakistan Limited	-	1,156
Fertilizer					
100,000	40,000	10	Fauji Fertilizer Company Limited	12,086	4,830
25,000	-	10	Engro Fertilizer Limited	2,371	-
Construction and Materials (Cement)					
340,000	35,000	10	Fauji Cement Company Limited	12,271	710
10,600	5,000	10	Lucky Cement Limited	4,709	1,915
85,000	30,000	10	D.G. Khan Cement Limited	10,281	2,660
50,000	10,000	10	Cherat Cement Company Limited	4,167	681
10,999	30,000	10	Pakcem Limited	180	492
50,000	-	10	Pioneer Cement Limited	4,359	-
45,000	135,000	10	Maple Leaf Cement Factory Limited	1,436	4,307

Habib Insurance Company Limited

2015 (Number of shares)	2014	Face Value (Rupees)	Name of the investee entity	2015 (Rupees in '000)	2014
			General Industries		
51,000	51,000	10	Packages Limited	8,516	8,516
			Electronic and Electrical Equipment		
12,000	12,000	10	Pakistan Cables Limited	1,458	1,458
			Industrial Engineering		
65,750	65,750	5	Al-Ghazi Tractors Limited	12,024	12,024
-	5,000	10	Honda Atlas Cars (Pakistan) Limited	-	581
20,000	34,550	10	Millat Tractors Limited	10,018	17,306
			Automobile and Parts		
20,000	20,000	5	Agriauto Industries Limited	1,190	1,190
18,840	18,840	10	Atlas Battery Limited	1,692	1,692
			Beverages		
1,591	1,591	10	Shezan International Limited	112	112
			Food Producers		
150	150	10	Nestle Pakistan Limited	79	79
285,000	285,000	5	Habib ADM Limited	4,334	4,334
			Personal Goods		
6,000	6,000	10	Bata Pakistan Limited	5,440	5,440
-	17,500	10	Nishat (Chunian) Limited	-	829
25,000	17,300	10	Gadoon Textile Mills Limited	2,094	990
375,000	375,000	10	Gul Ahmed Textile Mills Limited	4,310	4,310
-	12,500	10	Nishat Mills Limited	-	1,573
			Pharma and Bio Tech		
61,700	61,700	10	Abbott Laboratories (Pakistan) Limited	9,537	9,537
53,500	53,500	10	Glaxosmithkline Pakistan Limited	5,187	5,187
			Electricity		
345,000	295,000	10	The Hub Power Company Limited	27,617	18,321
-	25,000	10	Nishat Chunian Power Limited	-	977
-	25,000	10	Nishat Power Limited	-	895
8,425	8,425	10	Engro Powergen Qadirpur Limited	253	253
50,000	20,000	10	Kot Addu Power Company Limited	3,921	1,192
			Banks		
50,000	50,000	10	Allied Bank of Pakistan Limited	5,500	5,500
35,000	35,000	10	Bank Alfalah Limited	936	936
140,000	33,000	10	Habib Bank Limited	27,266	4,742
40,000	30,000	10	MCB Bank Limited	9,847	7,693
50,000	50,000	10	National Bank of Pakistan Limited	2,918	2,918
-	80,000	10	Standard Chartered Bank (Pakistan) Limited	-	1,888
46,000	40,000	10	Faysal Bank Limited	659	659
45,000	33,449	10	United Bank Limited	7,276	5,445

Habib Insurance Company Limited

2015 (Number of shares)	2014	Face Value (Rupees)	Name of the investee entity	2015 (Rupees in '000)	2014
Non Life Insurance					
10,000	10,000	10	Adamjee Insurance Company Limited	479	479
166,500	166,500	10	Atlas Insurance Limited	4,116	4,116
25,000	54,200	10	EFU General Insurance Limited	1,909	4,140
420,000	420,000	10	IGI Insurance Limited	51,957	51,957
246,208	246,208	10	Jubilee General Insurance Company Limited	15,319	15,319
Life insurance					
74,235	75,735	10	EFU Life Assurance Limited	7,834	7,992
				287,380	248,939

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

2015 (Number of shares/units)	2014	Face Value (Rupees)	Name of the investee entity	2015 (Rupees in '000)	2014
4,123,000	3,998,000	10	Bank AL Habib Limited	106,845	101,718
1,371,023	1,594,623	100	First Habib Cash Fund (units)	142,014	160,941
–	685,788	100	First Habib Income Fund (units)	–	70,908
–	706,724	100	First Habib Islamic Balanced Fund (units)	–	70,726
2,702,424	2,277,424	10	Habib Metropolitan Bank Limited	70,488	56,174
4,517,258	5,017,258	5	Habib Sugar Mills Limited	89,774	99,711
44,060	41,600	10	Indus Motor Company Limited	19,602	13,345
3,341,668	4,546,668	5	Shabbir Tiles and Ceramics Limited	29,672	51,468
911,000	1,210,000	5	Thal Limited	64,716	85,956
				523,111	710,947

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, 2015 would have been higher by Rs. 565.829 million (2014: higher by Rs. 788.804 million).

12.5 Available-for-sale - quoted

Cost	12.5.1	834,136	987,795
Provision for impairment - net of reversals	12.5.2	(8,456)	(12,720)
		825,680	975,075

12.5.1 Market value of quoted available-for-sale investments is Rs. 1,391.389 million (December 31, 2014: Rs. 1,763.860 million).

Habib Insurance Company Limited

	Note	2015 (Rupees in '000)	2014
12.5.2 Provision for impairment - net of reversals			
Opening provision		12,720	28,204
Reversal for the year		–	(12,631)
On disposal of investments		(4,264)	(2,853)
Closing provision		<u>8,456</u>	<u>12,720</u>
13. DEFERRED TAXATION			
13.1 Deferred tax asset/ (liability) - net			
Deferred taxation comprises temporary difference relating to following:			
Taxable temporary differences			
Accelerated tax depreciation allowance		(3,111)	(851)
Deductible temporary differences			
Provisions		22,283	22,052
		<u>19,172</u>	<u>21,201</u>
13.2 Reconciliation of deferred tax			
Opening provision		21,201	27,450
Directly recognised due to actuarial loss		2,333	552
Recognised in profit and loss account		(4,362)	(6,801)
Closing balance		<u>19,172</u>	<u>21,201</u>
14. PREMIUMS DUE BUT UNPAID - unsecured			
Considered good	14.1	319,230	284,948
Considered doubtful		38,762	38,762
		<u>357,992</u>	<u>323,710</u>
Provision against doubtful debts	14.2	(38,762)	(38,762)
		<u>319,230</u>	<u>284,948</u>
14.1	This includes an amount of Rs. 109.660 million (December 31, 2014: Rs. 103.766 million) due from related parties.		
14.2 Provision against premium due but unpaid - net			
Balance as on January 01,		38,762	38,762
Charge for the year		–	–
Balance as on December 31,		<u>38,762</u>	<u>38,762</u>

Habib Insurance Company Limited

	Note	2015 (Rupees in '000)	2014
15. AMOUNTS DUE FROM OTHER INSURERS/ REINSURERS - unsecured			
Considered good			
- Premiums due from Co-insurers		86,390	75,770
- Foreign reinsurers		1,903	1,911
- Local reinsurers		201,729	148,879
- Claims due from Co-insurers		51,157	55,722
Considered doubtful - Amount due from co-insurers		14,559	14,559
		<u>355,738</u>	<u>296,841</u>
Provision against amount due from co-insurers	15.1	(14,559)	(14,559)
		<u>341,179</u>	<u>282,282</u>
15.1 Provision against premium due from co-insurers - net			
Balance as on January 1,		14,559	14,559
Charge for the year		-	-
Balance as on December 31,		<u>14,559</u>	<u>14,559</u>
16. ACCRUED INVESTMENT INCOME			
Mark-up on Government securities		3,272	3,424
Profit on bank accounts		2	-
		<u>3,274</u>	<u>3,424</u>
17. ADVANCES, DEPOSITS AND PREPAYMENTS			
Security deposits		2,025	2,025
Advances		5,095	4,004
Prepaid reinsurance premium ceded		245,919	212,386
Others		3,946	3,819
		<u>256,985</u>	<u>222,234</u>
18. SUNDRY RECEIVABLES			
Sales tax receivable		7,966	3,946
Other receivables		3,897	3,351
		<u>11,863</u>	<u>7,297</u>

Habib Insurance Company Limited

	Note	2015 (Rupees in '000)	2014
19. FIXED ASSETS			
Tangible - operating fixed assets	19.1	21,499	10,771
Intangible - computer software	19.2	2,930	2,922
		<u>24,429</u>	<u>13,693</u>

19.1 Tangible - operating assets

	December 31, 2015						(Rupees in '000)	
	Cost			Depreciation			Written Down Value as at Dec. 31, 15	Depreciation Rate %
	As at Jan. 01, 15	Additions / (disposals)	As at Dec. 31, 15	As at Jan. 01, 15	for the year/ (disposals)	As at Dec. 31, 15		
Furniture, fixtures and office equipment	15,575	8,478 (795)	23,258	8,775	2,153 (789)	10,139	13,119	10-20
Computers and related equipment	6,726	2,293 (638)	8,381	5,156	1,357 (611)	5,902	2,479	33
Motor vehicles	5,546	4,792 (186)	10,152	3,145	1,270 (164)	4,251	5,901	20
	<u>27,847</u>	<u>15,563 (1,619)</u>	<u>41,791</u>	<u>17,076</u>	<u>4,780 (1,564)</u>	<u>20,292</u>	<u>21,499</u>	

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

Habib Insurance Company Limited

19.2 Intangible assets

(Rupees in '000)

	Cost			Amortisation			Written Down Value as at Dec. 31, 15	Depreciation Rate %
	As at Jan. 01, 15	Additions / (disposals)	As at Dec. 31, 15	As at Jan. 01, 15	for the year/ (disposals)	As at Dec. 31, 15		
Computer software	5,748	1,231	6,979	2,826	1,223	4,049	2,930	20
		-						
2015	5,748	1,231	6,979	2,826	1,223	4,049	2,930	
		-						
2014	5,748	-	5,748	1,676	1,150	2,826	2,922	20

19.3 Disposal of tangible assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Net gain/ (loss) (note 21)	Mode of disposal	Sold to
(Rupees in '000)							
Motor vehicles							
	62	53	9	13	4	Negotiation	Zeeshan Afzal, employee
	60	53	7	12	5	Negotiation	Ghulam Samdani, employee
	64	58	6	4	(2)	Negotiation	Bilawal Iqbal, employee
Office Equipment							
	795	789	6	174	168	Negotiation	Various
Computer and related equipment							
	348	336	12	22	10	Negotiation	Anjum Traders, Karachi.
	290	275	15	26	11	Negotiation	Various
	<u>1,619</u>	<u>1,564</u>	<u>55</u>	<u>251</u>	<u>196</u>		

Habib Insurance Company Limited

	Note	2015	2014
		(Rupees in '000)	
20. EXPENSES			
Salaries and wages including bonus, contribution to provident fund and staff welfare	20.1	177,559	146,538
Motor car expenses		19,895	20,542
Travelling and entertainment expenses		8,385	6,295
Rent, taxes and electricity		15,197	14,714
Communications		4,829	5,421
Printing and stationery		3,022	2,795
Repair and maintenance		4,632	4,651
Legal and professional expenses		3,422	3,328
Corporate & subscription		5,804	7,757
Depreciation		4,780	2,754
Amortisation		1,223	1,150
Donation	20.2	2,000	2,000
Auditors' remuneration	20.3	1,697	1,364
Worker's Welfare Fund		5,276	5,978
Other expenses		8,538	9,062
		<u>266,259</u>	<u>234,349</u>

The above expenses amounting to Rs. 199.941 million and Rs. 66.318 million (2014: 175.195 million and Rs. 59.154 million) have been charged to underwriting under their respective classes and general and administration expenses respectively.

20.1 This includes staff retirement benefits amounting to Rs. 8.608 million (2014: Rs. 6.063 million).

20.2 An amount of Rs. 2.0 million (2014: Rs. 2.0 million) was donated to the following Trusts in which the Directors' have interest:

Name of Institution/ Address	Director / Trustee	2015	2014
		(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	400
Rehmatbai Habib Widows & Orphans Trust UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Aun Mohammad A. Habib	400	400
Rehmatbai Habib Food & Clothing Trust UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Mohamedali R. Habib		
	2. Mr. Sajjad Hussain Habib		
	3. Mr. Aun Mohammad A. Habib	400	400
Habib Poor Fund UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Mansoor G. Habib		
	2. Mr. Mohamedali R. Habib		
	3. Mr. Aun Mohammad A. Habib	400	400
Habib Medical Trust UBL Building, I.I. Chundrigar Road, Karachi	1. Mr. Rafiq M. Habib		
	2. Mr. Mohamedali R. Habib	400	400
		<u>2,000</u>	<u>2,000</u>

Habib Insurance Company Limited

	Note	2015 (Rupees in '000)	2014
20.3 Auditors' remuneration			
Annual audit		775	622
Interim review		259	259
Certifications fees and review of statement of compliance with Code of Corporate Governance		423	269
Out of pocket expenses		240	214
		<u>1,697</u>	<u>1,364</u>
21. OTHER INCOME - NET			
Income from financial assets			
Profit on bank accounts		4,930	6,470
Mark-up on staff loan	11.1	2,070	2,170
		<u>7,000</u>	<u>8,640</u>
Income from non-financial assets			
Net (loss) / gain on sale of fixed assets	19.3	196	53
Others		116	(437)
		<u>312</u>	<u>(384)</u>
		<u>7,312</u>	<u>8,256</u>
22. TAXATION - NET			
Current		34,000	26,000
Prior		(6,680)	—
Deferred		4,362	6,801
		<u>31,682</u>	<u>32,801</u>
22.1 Relationship between tax expense and accounting profit			
Profit before taxation for the year		<u>258,549</u>	<u>292,809</u>
Tax at the applicable rate of 32% (December 31, 2014: 33%)		82,736	96,627
Tax effect of capital gains subject to separate rate of tax		(33,585)	(44,493)
Tax effect of income subject to lower rates		(14,677)	(20,163)
Others		(2,792)	830
		<u>31,682</u>	<u>32,801</u>

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

Further, the tax authorities have also issued orders for the tax year 2008 and 2009 wherein certain disallowances have been made mainly relating to the same matters mentioned above. During 2011, the Commissioner Income Tax has decided the matter in favour of the Company in respect of tax year 2008 and 2009. The department has filed appeal before the learned Appellate Tribunal Inland Revenue for the tax years 2008 and 2009. During the year 2012, the Appellate Tribunal Inland Revenue decided the matter in favour of the Company. However, the Department has filed reference application before the Honourable High Court of Sindh against the aforesaid order of the Appellate Tribunal Inland Revenue. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company.

Habib Insurance Company Limited

The Company has filed return of total income for the tax year 2014 and 2015 (financial year ended December 31, 2013 and 2014) which is deemed to have been assessed under the Income Tax Ordinance, 2001 unless selected by the taxation authorities for audit purposes. Furthermore, in respect of tax year 2012, the tax authorities have issued an order disallowing certain expenses claimed by the Company. The Company has filed an appeal against the said order before the Appellate Tribunal Inland Revenue. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company.

23. EARNINGS PER SHARE - basic and diluted

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

	2015 (Rupees in '000)	2014 (Rupees in '000)
Profit after tax for the year	<u>226,867</u>	<u>260,008</u>
	(Number of shares)	
Weighted average number of shares of Rs. 5/- each	<u>123,874,755</u>	<u>123,874,755</u>
	(Rupees)	
Basic earnings per share of Rs. 5/- each	<u>1.83</u>	<u>2.10</u>

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	
	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in '000)							
Fees	-	-	380	245	-	-	380	245
Managerial remuneration	11,880	10,800	-	-	58,249	34,704	70,129	45,504
Bonus	1,548	1,260	-	-	12,092	10,135	13,640	11,395
Retirement benefits	594	540	-	-	2,772	1,868	3,366	2,408
Others	598	660	-	-	499	780	1,097	1,440
	<u>14,620</u>	<u>13,260</u>	<u>-</u>	<u>-</u>	<u>73,612</u>	<u>47,487</u>	<u>88,232</u>	<u>60,747</u>
Number of persons	<u>1</u>	<u>1</u>	<u>7</u>	<u>7</u>	<u>24</u>	<u>20</u>	<u>32</u>	<u>28</u>

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

Habib Insurance Company Limited

25. TRANSACTIONS WITH RELATED PARTIES

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

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

Transactions and balances with associated companies

	2015	2014
	(Rupees in '000)	
<i>Transactions during the year with associated companies</i>		
Premium written	326,005	284,713
Claims paid	239,731	191,166
Dividend received	51,076	67,269
Dividend paid	20,954	11,441
Investment made	1,103,896	598,969
Investment sold	1,399,459	717,999
Gain on sale of investments	110,309	73,263
Reversal for impairment in value of available for sale securities - net	-	11,003
Interest received on bank accounts	4,930	6,470
Bank charges	369	283
Government Securities purchased	14,017	15,415
<i>Balances with associated companies</i>		
Premium due but unpaid	106,667	103,747
Claims outstanding	34,274	52,339
Bank balances	134,568	73,092
Profit receivable on bank accounts	2	-
Investment held	523,111	712,669
<i>Bonus from associated companies</i>		
	(Number of shares)	
Bonus shares received	-	406,200
Bonus shares issued	-	2,288,250
<i>Transactions during the year with other related parties including key management personnel</i>		
Premium written	38	202
Claims paid	103	-
Repayment of loans to employees (secured)	422	841
Share registrar fees paid	630	555
Brokerage expenses paid	1,322	743
Contribution to the provident fund	5,279	4,386
<i>Balance with other related parties including key management personnel</i>		
Premium due but unpaid	24	19
Loans to employees (secured)	540	904
Due to / (from) the provident fund	82	23
Brokerage Expenses Payable	716	-

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, 2015 are disclosed in note 12.3.5 and 14.1 to these financial statements.

Habib Insurance Company Limited

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, 2015 and December 31, 2014, allocated capital expenditures and depreciation/ amortisation during the year. The above have been assigned to the following segments on the basis of gross premium earned by the segments.

	Fire and Property		Marine and Transport		Motor		Other Classes		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	(Rupees in '000)									
Segment Assets										
Segment Assets	693,588	739,118	404,428	416,920	234,275	245,762	288,512	261,539	1,620,803	1,663,339
Unallocated corporate assets									1,122,062	1,187,660
Consolidated total assets									<u>2,742,865</u>	<u>2,850,999</u>
Segment Liabilities										
Segment liabilities	591,109	658,599	344,673	371,501	199,661	218,989	245,884	233,047	1,381,327	1,482,136
Unallocated corporate liabilities									227,330	208,816
Consolidated total liabilities									<u>1,608,657</u>	<u>1,690,952</u>
Capital expenditure										
Capital expenditure	7,187	2,961	4,191	1,670	2,427	984	2,989	1,046	<u>16,794</u>	<u>6,661</u>
Depreciation/ amortisation	2,569	1,735	1,498	979	868	577	1,068	613	<u>6,003</u>	<u>3,904</u>

Habib Insurance Company Limited

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.

Habib Insurance Company Limited

(c) Key assumptions

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

(d) Changes in assumptions

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

(e) Sensitivity analysis

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

	Underwriting results		Shareholder's equity	
	2015	2014	2015	2014
	(Rupees in '000)			
Average claim cost				
Fire and property	926	1,157	630	775
Marine and transport	3,920	3,672	2,666	2,460
Motor	10,174	8,961	6,918	6,004
Other classes	7,154	8,365	4,865	5,605
	<u>22,174</u>	<u>22,155</u>	<u>15,079</u>	<u>14,844</u>

Concentration of risk

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

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

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

Habib Insurance Company Limited

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

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

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

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

	Gross sum insured		Reinsurance		Net	
	2015	2014	2015	2014	2015	2014
	(Rupees in ' 000)					
Fire and property	20,637,620	22,026,411	20,634,120	21,960,786	3,500	65,625
Marine and transport	1,823,310	969,296	1,821,310	944,298	2,000	24,998
Motor	23,000	15,000	22,000	10,250	1,000	4,750
Other	13,823,644	15,844,542	13,808,644	15,064,542	15,000	780,000
	<u>36,307,574</u>	<u>38,855,249</u>	<u>36,286,074</u>	<u>37,979,876</u>	<u>21,500</u>	<u>875,373</u>

Claims development table

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

Analysis on gross basis

Accident year	2011 and prior years	2012	2013	2014	2015	Total
	(Rupees in ' 000)					
Estimate of ultimate claims cost:						
At end of accident year	<u>899,670</u>	<u>421,406</u>	<u>524,178</u>	<u>1,284,637</u>	<u>658,822</u>	<u>3,788,713</u>
One year later	<u>1,212,433</u>	<u>441,141</u>	<u>499,596</u>	<u>1,292,527</u>	<u>-</u>	<u>3,445,697</u>
Two years later	<u>1,173,341</u>	<u>425,429</u>	<u>471,064</u>	<u>-</u>	<u>-</u>	<u>2,069,834</u>
Three years later	<u>431,180</u>	<u>426,614</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>857,794</u>
Four years later	<u>5,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,986</u>
Estimate of cumulative claims	<u>5,986</u>	<u>426,614</u>	<u>471,064</u>	<u>1,292,527</u>	<u>658,822</u>	<u>2,855,013</u>
Cumulative payment made to date	<u>(1,162)</u>	<u>(420,653)</u>	<u>(468,596)</u>	<u>(762,120)</u>	<u>(514,071)</u>	<u>(2,166,602)</u>
Liability for outstanding claims	<u>4,824</u>	<u>5,961</u>	<u>2,468</u>	<u>530,407</u>	<u>144,751</u>	<u>688,411</u>

Habib Insurance Company Limited

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, 2015 is as follows:

	Note	2015		2014	
		Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
(Rupees in '000)					
Bank balances	10	136,225	136,225	74,186	74,186
Loan to employees	11	45,258	45,258	27,453	27,453
Investments	12	895,064	–	1,043,878	–
Premiums due but unpaid	14	319,230	319,230	284,948	284,948
Amounts due from other insurers/ reinsurers	15	341,179	341,179	282,282	282,282
Accrued investment income	16	3,274	3,274	3,424	3,424
Reinsurance recoveries against outstanding claims		640,331	640,331	824,668	824,668
Advances, deposits and prepayment	17	2,025	2,025	9,848	2,025
Sundry receivables	18	11,863	11,863	7,297	7,297
		<u>2,394,449</u>	<u>1,499,385</u>	<u>2,557,984</u>	<u>1,506,283</u>

Habib Insurance Company Limited

Differences in the balances as per financial statements and maximum exposure in investments is due to investments in government securities of Rs.69.384 million (2014: Rs.68.803 million) and listed equity shares/ units of Rs.825.680 million (2014: Rs.975.075 million) which are not exposed to credit risk.

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

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

The 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, 2015		December 31, 2014	
	(Rupees in'000)	%	(Rupees in'000)	%
Automobiles	56,349	15.8	66,925	20.7
Banks, Modaraba and Leasing	51,530	14.4	43,708	13.5
Textile and Composite	52,428	14.6	69,684	21.5
Sugar	14,073	3.9	12,173	3.8
Chemicals and Allied Industries	37,619	10.5	12,598	3.9
Glass, Ceramics and Tiles	6,364	1.8	6,499	2.0
Cable, Engineering and Steel	11,463	3.2	15,218	4.7
Cement	255	0.1	234	0.1
Food and Confectionary	27,075	7.6	31,843	9.8
Fuel and Energy	2,973	0.8	6,801	2.1
Insurance	2,300	0.6	77	0.0
Pharmaceuticals	13,871	3.9	11,809	3.6
Others	81,692	22.8	46,141	14.3
	<u>357,992</u>	<u>100</u>	<u>323,710</u>	<u>100</u>

Habib Insurance Company Limited

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

	December 31, 2015		December 31, 2014	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Upto 1 year	285,227	–	263,692	–
1-2 years	23,879	–	23,651	2,395
2-3 years	14,825	4,701	19,038	19,038
Over 3 years	34,061	34,061	17,329	17,329
Total	<u>357,992</u>	<u>38,762</u>	<u>323,710</u>	<u>38,762</u>

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

	Amount due from reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2015	2014
				(Rupees in '000)	
A or above (including PRCL)	202,331	640,331	245,919	1,088,581	1,187,507
BBB	1,301	–	–	1,301	337
	<u>203,632</u>	<u>640,331</u>	<u>245,919</u>	<u>1,089,882</u>	<u>1,187,844</u>

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

	2015		2014	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Upto 1 year	139,233	–	205,850	–
1-2 years	220,608	–	46,924	–
Over 2 years	(4,103)	14,559	44,067	14,559
Total	<u>355,738</u>	<u>14,559</u>	<u>296,841</u>	<u>14,559</u>

Habib Insurance Company Limited

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

	2015		2014	
	Gross	Impairment	Gross	Impairment
	(Rupees in '000)			
Upto 1 year	(148,605)	–	97,281	–
1-2 years	540,342	–	694,479	–
Over 2 years	248,594	–	32,908	–
Total	640,331	–	824,668	–

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

27.2.3 Liquidity risk

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

The following are the contractual maturities of financial liabilities:

	2015	2014
	Carrying Amount (Rupees in '000)	
Non-derivative financial liabilities		
Provision for outstanding claims	688,411	868,747
Amount due to other insurers/ reinsurers	102,631	55,416
Accrued expenses	12,595	8,528
Other creditors and accruals	83,105	104,510
Unclaimed dividends	44,319	38,227
	931,061	1,075,428

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

27.2.4 Market risk

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

Habib Insurance Company Limited

27.2.4.1 Interest rate risk

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

	2015	2014	2015	2014
	Effective interest rate (in %)		(Rupees in '000)	
Fixed rate instruments				
- Government securities	(8.75 to 12)	(11.25 to 12)	69,384	68,803
Variable rate instruments				
- Bank balances	(5 to 6)	(6.5 to 9)	115,361	53,191
			115,361	53,191

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

27.2.4.2 Equity price risk

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

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

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

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

For available for sale equity investments, in case of 10% decrease in equity prices at the reporting date, the net income and equity would have been lower by Rs.Nil (2014: Rs.1.472 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.Nil (2014: Rs.5.147 million) as per the policy of the Company.

Habib Insurance Company Limited

27.3 Fair value of financial instruments

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table provides the fair value measurement hierarchy of the Company's assets:

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
	(Rupees)			
Asset measured at fair value				
At fair value through profit or loss - held-for-trading				
Pakistan Investment Bonds (fair value disclosed only)	–	61,360	–	61,360
Available-for-sale				
Equity securities / modaraba certificates (fair value disclosed only)	1,247,442	–	–	1,247,442
Mutual fund units (fair value disclosed only)	–	143,947	–	143,947
	<u>1,247,442</u>	<u>205,307</u>	<u>–</u>	<u>1,452,749</u>
	December 31, 2014			
	Level 1	Level 2	Level 3	Total
	(Rupees)			
Asset measured at fair value				
At fair value through profit or loss - held-for-trading				
Pakistan Investment Bonds (fair value disclosed only)	–	72,210	–	72,210
Available-for-sale				
Equity securities / modaraba certificates (fair value disclosed only)	1,447,885	–	–	1,447,885
Mutual fund units (fair value disclosed only)	–	315,994	–	315,994
	<u>1,447,885</u>	<u>388,204</u>	<u>–</u>	<u>1,836,089</u>

Habib Insurance Company Limited

28. CAPITAL MANAGEMENT

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

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

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

29. NUMBER OF EMPLOYEES

The number of employees at the end of year was 198 (2014: 192) and average number of employees during the year was 192 (2014: 190).

30. SUBSEQUENT EVENT - NON ADJUSTING

The Finance Act, 2015 introduced a tax on every public company at the rate of 10 percent of such undistributed reserves which exceed the amount of its paid up capital. However, this tax shall not apply in case of a public company which distributes cash dividend equal to at least either 40 percent of its after tax profits or 50 percent of its paid up capital, within the prescribed time after the end of the relevant tax year.

In the meeting held on February 23, 2016 the Board of Directors of the Company proposed a final cash dividend of Rs.1.75 per share (2014: Rs.2.00 per share) amounting to Rs. 216.781 million (2014: Rs. 247.750 million) for the year ended December 31, 2015, for approval by the members in Annual General Meeting to be held on April 27, 2016.

31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors in their meeting held on February 24, 2016.

32. GENERAL

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

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

ALI FADOO
Director

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

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2015

Number of Shareholders	Size of Shareholding Rs. 5/- each		Total Shares Held
1,060	1	to 100	14,319
331	101	to 500	93,037
234	501	to 1,000	188,102
519	1,001	to 5,000	1,392,582
160	5,001	to 10,000	1,172,277
134	10,001	to 15,000	1,683,099
55	15,001	to 20,000	988,995
44	20,001	to 25,000	1,014,924
26	25,001	to 30,000	719,861
17	30,001	to 35,000	557,891
16	35,001	to 40,000	601,842
14	40,001	to 45,000	595,638
12	45,001	to 50,000	594,829
2	50,001	to 55,000	102,952
6	55,001	to 60,000	345,214
20	60,001	to 65,000	1,254,044
6	65,001	to 70,000	403,296
4	70,001	to 75,000	286,742
5	75,001	to 80,000	391,826
6	80,001	to 85,000	491,053
8	85,001	to 90,000	702,284
1	90,001	to 95,000	90,205
6	95,001	to 100,000	592,244
1	100,001	to 105,000	100,142
2	105,001	to 110,000	217,155
3	110,001	to 115,000	336,972
3	115,001	to 120,000	352,039
8	120,001	to 125,000	986,731
3	125,001	to 130,000	381,644
5	130,001	to 135,000	652,721
3	135,001	to 140,000	416,993
4	140,001	to 145,000	575,256
1	145,001	to 150,000	149,000
4	150,001	to 155,000	617,080
2	155,001	to 160,000	312,857
1	160,001	to 165,000	160,912
4	165,001	to 170,000	669,010
3	170,001	to 175,000	516,288
1	175,001	to 180,000	179,000
2	180,001	to 185,000	365,181
2	185,001	to 190,000	371,610
2	190,001	to 195,000	386,360
4	195,001	to 200,000	795,794
3	205,001	to 210,000	627,078
2	220,001	to 225,000	441,740
4	225,001	to 230,000	908,174
3	240,001	to 245,000	722,780
7	245,001	to 250,000	1,737,641
1	250,001	to 255,000	250,058
1	265,001	to 270,000	267,317
2	270,001	to 275,000	541,777
1	275,001	to 280,000	275,863
1	280,001	to 285,000	284,133
1	300,001	to 305,000	300,183
5	305,001	to 310,000	1,544,719
3	330,001	to 335,000	994,060
2	340,001	to 345,000	685,604
1	345,001	to 350,000	346,741
1	350,001	to 355,000	353,885
1	355,001	to 360,000	357,992
1	375,001	to 380,000	376,893
1	380,001	to 385,000	382,220
1	385,001	to 390,000	387,848
1	410,001	to 415,000	410,721
3	420,001	to 425,000	1,261,783
1	430,001	to 435,000	431,302
3	445,001	to 450,000	1,344,016

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2015

Number of Shareholders	Size of Shareholding Rs. 5/- each		Total Shares Held
1	480,001	to 485,000	481,010
1	490,001	to 495,000	493,416
1	495,001	to 500,000	500,000
1	510,001	to 515,000	510,868
1	525,001	to 530,000	526,915
1	535,001	to 540,000	539,443
3	540,001	to 545,000	1,626,666
1	580,001	to 585,000	582,919
2	600,001	to 605,000	1,205,543
1	615,001	to 620,000	619,372
1	620,001	to 625,000	620,360
1	630,001	to 635,000	633,270
1	690,001	to 695,000	693,695
1	705,001	to 710,000	707,263
1	710,001	to 715,000	712,500
1	735,001	to 740,000	736,117
2	740,001	to 745,000	1,483,871
1	755,001	to 760,000	757,323
1	770,001	to 775,000	774,830
1	790,001	to 795,000	793,546
1	795,001	to 800,000	800,000
1	800,001	to 805,000	800,219
1	805,001	to 810,000	809,452
1	815,001	to 820,000	817,570
1	840,001	to 845,000	841,785
2	880,001	to 885,000	1,765,047
2	925,001	to 930,000	1,853,972
1	930,001	to 935,000	930,194
1	990,001	to 995,000	990,198
1	1,005,001	to 1,010,000	1,006,162
1	1,025,001	to 1,030,000	1,028,157
1	1,060,001	to 1,065,000	1,064,758
2	1,085,001	to 1,090,000	2,177,874
1	1,090,001	to 1,095,000	1,092,797
1	1,205,001	to 1,210,000	1,208,386
1	1,215,001	to 1,220,000	1,219,590
1	1,225,001	to 1,230,000	1,227,082
1	1,245,001	to 1,250,000	1,248,800
1	1,300,001	to 1,305,000	1,300,681
1	1,395,001	to 1,400,000	1,399,918
1	1,530,001	to 1,535,000	1,533,066
1	1,810,001	to 1,815,000	1,813,828
1	2,315,001	to 2,320,000	2,315,737
1	2,350,001	to 2,355,000	2,353,618
1	2,370,001	to 2,375,000	2,372,500
1	2,720,001	to 2,725,000	2,721,386
1	2,990,001	to 2,995,000	2,994,651
1	3,410,001	to 3,415,000	3,412,500
1	4,975,001	to 4,980,000	4,979,761
1	5,360,001	to 5,365,000	5,363,772
1	5,415,001	to 5,420,000	5,419,516
1	5,735,001	to 5,740,000	5,735,396
1	6,220,001	to 6,225,000	6,222,926
2,854	TOTAL		123,874,755

Categories of Shareholders	Numbers	Shares Held	Percentage
1. Individuals	2,773	74,207,886	59.90
2. Insurance companies	6	7,049,591	5.69
3. Joint stock companies	29	12,606,132	10.18
4. Charitable trusts	17	20,077,740	16.21
5. Government institutions	2	917	0.00
6. Foreign investors	27	9,932,489	8.02
	2,854	123,874,755	100.00

Habib Insurance Company Limited

Pattern of Shareholding as at December 31, 2015

Additional Information

Shareholders' Category	Number of shareholders/ folios	Number of shares held
Associated Companies		
Habib Sugar Mills Limited	1	5,363,772
Thal Limited	1	5,735,396
Karachi Mercantile Co. (Pvt.) Limited	1	342,087
NIT and ICP		
IDBL (ICP Unit)	2	917
Directors		
Mr. Rafiq M. Habib	1	166,856
Mr. Abbas D. Habib	2	753,308
Mr. Mansoor G. Habib	1	50,000
Mr. Mohamedali R. Habib	2	1,943,891
Mr. Sajjad Hussain Habib	1	284,133
Mr. Aun Mohammad A. Habib	1	930,194
Mr. Ali Fadoo	1	2,000
Chief Executive Officer		
Mr. Ali Raza D. Habib	1	61,313
Directors' Spouses		
Mrs. Jamila Rafiq w/o Mr. Rafiq M. Habib	2	966,797
Mrs. Niamat-e-Fatima w/o Mr. Abbas D. Habib	1	20,877
Mrs. Sayyeda Mohamedali w/o Mr. Mohamedali R. Habib	1	130,063
Mrs. Razia w/o Mr. Ali Raza D. Habib	1	757,323
Banks, Development Financial Institutions, Insurance Companies, Modaraba Companies and Mutual Funds		
	8	7,422,274
Joint Stock Companies and Corporations		
	26	1,164,877
Individuals/ Others		
	2,756	67,768,448
Charitable Trusts, Societies and Government Institutions		
	17	20,077,740
Foreign Investors		
	27	9,932,489
	2,854	123,874,755
	2,854	123,874,755

Habib Insurance Company Limited

Notice of Annual General Meeting

NOTICE is hereby given that the 73rd 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 27, 2016 at 11:30 a.m. to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended December 31, 2015 together with the Directors' and Auditors' Report thereon.
2. To approve payment of cash dividend @ 35% i.e. Rs. 1.75 per share of Rs. 5/- each for the year ended December 31, 2015 as recommended by the Board of Directors.
3. To appoint Auditors for the year ending December 31, 2016 and to fix their remuneration. Messrs Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants, being eligible offer themselves for reappointment.
4. To consider any other business of the Company with the permission of the Chair.

By order of the Board

SHABBIR GULAMALI
Company Secretary

Karachi: February 24, 2016

Notes:

1. The share transfer books of the Company will remain closed from Thursday, April 14, 2016 to Wednesday, April 27, 2016 (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. Central Depository Company of Pakistan Limited.
5. Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants. Shareholders holding physical share certificate are therefore requested to submit a copy of their valid CNIC, if not already provided to M/s. Central Depository Company of Pakistan Limited, CDC House, 99-B, Block-B, SMCHS, Main Shahrah-e-Faisal, Karachi-74400 (the Share Registrar). In case of non-receipt of the copy of valid CNIC, Habib Insurance Company Limited would be unable to comply with SRO 831(1)2012 dated July 05, 2012 of SECP and therefore will be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrant of such shareholders.

Habib Insurance Company Limited

6. The Government of Pakistan through Finance Act, 2015 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

- (a) For filers of income tax returns 12.5%
- (b) For non-filers of income tax returns 17.5%

To enable the Company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the book closure of the Company, otherwise tax on their cash dividend will be deducted @ 17.5% instead of 12.5%.

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

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

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

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

M/s. Central Depository Company of Pakistan Limited
 CDC House, 99-B, Block-B
 SMCHS, Main Shahrah-e-Faisal
 Karachi-74400

Habib Insurance Company Limited

Status of approvals for investment in associated companies

Bank AL Habib Limited

Sr. No.	Description	Information Required
1	Information to be disclosed to the members:- If the associate 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. 75 million approved by the shareholders at Annual General Meeting held on March 26, 2015
b)	amount of investment made to date:	Rs. 7.410 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 increased to Rs. 31,697.833 million from Rs. 27,554.655 million due to an increase in reserves of Rs. 4,143.178 million

Habib Insurance Company Limited

Habib Sugar Mills Limited

Sr. No.	Description	Information Required
1	Information to be disclosed to the members:- If the associate 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 5,363,772 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 March 26, 2015
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 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 increased to Rs. 5,860.222 million from Rs. 5,449.252 million due to an increase in reserves of Rs. 410.97 million

Habib Insurance Company Limited

Habib Metropolitan Bank Limited

Sr. No.	Description	Information Required
1	<p>Information to be disclosed to the members:-</p> <p>If the associate 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</p>	<p>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</p>
2	<p>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:</p>	
a)	total investment approved:	Rs. 50 million approved by the shareholders at Annual General Meeting held on March 26, 2015
b)	amount of investment made to date:	Rs. 15.374 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 increased to Rs. 33,119.958 million from Rs. 30,200.254 million due to an increase in reserves of Rs. 2,919.704 million

Habib Insurance Company Limited

Indus Motor Company Limited

Sr. No.	Description	Information Required
1	Information to be disclosed to the members:- If the associate 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	Indus Motor Company 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 meeeting(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 March 26, 2015
b)	amount of investment made to date:	Rs. 31.001 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 increased to Rs. 24,035.520 million from Rs. 19,915.652 million due to an increase in reserves of Rs. 4,119.868 million

Habib Insurance Company Limited

Shabbir Tiles & Ceramics Limited

Sr. No.	Description	Information Required
1	Information to be disclosed to the members:- If the associate 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	Shabbir Tiles & Ceramics 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. 25 million approved by the shareholders at Annual General Meeting held on March 26, 2015
b)	amount of investment made to date:	Rs. 12.788 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 increased to Rs. 2,063.682 million from Rs. 1,693.637 million due to issue of right shares of Rs. 439.26 million but decrease in reserves of Rs. 69.215 million

Habib Insurance Company Limited

Thal Limited

Sr. No.	Description	Information Required
1	<p>Information to be disclosed to the members:-</p> <p>If the associate 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</p>	<p>Thal Limited is holding 5,735,396 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</p>
2	<p>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:</p>	
a)	total investment approved:	Rs. 200 million approved by the shareholders at Annual General Meeting held on March 26, 2015
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 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 increased to Rs. 10,771.870 million from Rs. 9,418.739 million due to an increase in reserves of Rs. 1,353.131 million

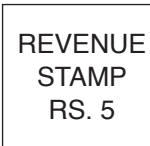
Habib Insurance Company Limited

Form of Proxy

I/We _____ of _____
being a member(s) of Habib Insurance Company Limited and holding _____
ordinary shares, as per Register Folio No./CDC Account and Participant's I.D. No. _____
do hereby appoint _____ Folio No./CDC Account and Participant's I.D.
No. _____ of _____
or failing him/her _____ Folio No./CDC Account and Participant's I.D.
No. _____ of _____

another member of the Habib Insurance Company Limited as my/our proxy to vote for me/us and on my/our behalf at the Seventy Third Annual General Meeting of the Company to be held on April 27, 2016 and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2016.



SIGNATURE OF MEMBER (S)

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

Witnesses:

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

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

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

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

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

Habib Insurance Company Limited

مختار نامہ (پراکسی فارم)

میں / ہم _____ ساکن _____ بحیثیت ممبر (رکن) حبیب انشورنس کمپنی لمیٹڈ اور حامل _____

عام حصص، بمطابق شیئرز رجسٹر فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپیٹ آئی ڈی نمبر _____

ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپیٹ آئی ڈی نمبر _____ کو

یا ان کی غیر حاضری میں ممبر (رکن) محترم / محترمہ _____ فولیو نمبر / سی ڈی سی اکاؤنٹ اور پارٹیسپیٹ آئی ڈی نمبر _____

کو اپنے / ہمارے ایماء پر بروز پیر ۲ اپریل ۲۰۱۶ء کو حبیب انشورنس کمپنی لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے تہترویں سالانہ اجلاس عام میں

حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا / ہمارا بطور مختار (پراکسی) مقرر کرتا / کرتی ہوں / کرتے ہیں۔

آج بروز _____ بتاریخ _____ ۲۰۱۶ء کو دستخط کئے گئے۔

پانچ روپے مالیت کا
رسیدی ٹکٹ پر دستخط

دستخط ممبر (رکن)

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

گواہان:

۱۔ دستخط _____ ۲۔ دستخط _____

نام _____ نام _____

پتہ _____ پتہ _____

کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ نمبر _____

ممبر (رکن) جو اجلاس میں شرکت اور ووٹ دینے کا مجاز ہوا اپنی جگہ کسی اور ممبر (رکن) کو بطور مختار (پراکسی) شرکت کرنے اور ووٹ دینے کا حق تفویض کر سکتا ہے۔

سی ڈی سی اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر کو مختار نامہ (پراکسی فارم) کے ہمراہ کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی مصدقہ نقول بھی منسلک کرنی ہوگی۔ مختار (پراکسی) کو اجلاس کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔ کارپوریٹ ادارہ ہونے کی صورت میں بحیثیت ممبر (رکن)، بورڈ آف ڈائریکٹرز کی منظور شدہ قرارداد / پاور آف اٹارنی بمعہ نمونہ دستخط ہمراہ مختار نامہ (پراکسی فارم) جمع کرانا ہوگا۔

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

مختار نامہ (پراکسی فارم) بمعہ نامزد کرنے والے شخص کی تصدیق شدہ پاور آف اٹارنی (حسب ضرورت) بینک کے رجسٹرڈ آفس میں اجلاس کے مقررہ وقت سے کم از کم ۴۸ گھنٹے قبل جمع کرانا ضروری ہے۔

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