Habib Insurance Company Limited

Contents

Company Information

Board of Directors

Chairman	:	Rafiq M. Habib
Directors	:	Abbas D. Habib
		Mansoor G. Habib
		Mohamedali R. Habib
		Qumail R. Habib
		Aun Mohammad A. Habib
		Shahid Ghaffar
Chief Executive	:	Shabbir Gulamali
Chief Financial Officer	:	Murtaza Hussain
Company Secretary	:	Muhammad Maaz Akbar
Auditors	:	KPMG Taseer Haid & Co. Chartered Accountants
Share Registrar	:	M/s. CDC Share Registrar Services Limited CDC House, 99-B, Block-B SMCHS, Main Shahrah-e-Faisal Karachi-74400
Shariah Advisory Board	:	Mufti Imtiaz Alam Mufti Muhammad Ashraf Alam Mufti Muhammad Hanif
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

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

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

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

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

Overall objective of performance evaluation of the Board is to ensure sustainable growth and development of the Company, with focus on the following areas:

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

Accordingly, performance evaluation of the Board was conducted in 2019 as per mechanism approved by the Board. It was concluded that the overall performance of the Board, including effectiveness of the role played by the Board in achieving the Company's objectives, was found to be generally satisfactory.

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

RAFIQ M. HABIB
Chairman

Karachi: April 22, 2020

Seventy Seventh Report of the Directors to the Shareholders for the year ended December 31, 2019

The Shareholders,

The Board of Directors have pleasure in presenting the Seventy Sixth Annual Report alongwith the audited accounts of the Company for the year ended December 31, 2019.

	Rupees in '000
Profit after tax for the year 2019	70,087
Amount available after appropriations for the year 2018	31,549
	101,636
The Board of Directors now propose:	
Payment of dividend at Rs. 0.50 per share of Rs. 5/- each i.e.@ 10%	61,937
Unappropriated profit carried forward	39,699
	101,636
Basic earnings per share	0.57

The Directors are pleased to recommend payout of 10% to shareholders for the year 2019 as mentioned above.

For the year under review, by the Grace of Allah the underwriting profits have increased significantly to Rs. 101.3 million as compared to Rs. 46.6 million for the corresponding period of last year. The written gross premium grew by 27% to Rs. 1.7 billion with net insurance premium increasing to Rs. 755.6 million from Rs. 532.1 million of last year.

The investment income for the year was Rs. 96.9 million as against Rs. 197.4 million due to lower capital gains recorded in the period and decrease in dividend income. As a result, the profit after tax of the Company for 2019 was Rs. 70.1 million.

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

On the overall performance of the economy for 2018-19, the GDP growth was 3.29% and Foreign exchange reserves stood at US$ 13.9 billion. There was a rise in inflation to 12.42% and the discount rate increased from 10.25% to 13.25% in 2019 which has now been reduced to 9.0%. The KSE 100 Index closed at 40735 as at December 31, 2019, an increase of 9.9%.

The year 2020 will be challenging and we hope and pray that the situation returns to normal at the earliest. We continue to take a conservative view on our expected investment returns, and the Company will Inshallah pursue its plan to further improve underwriting results through focusing on expansion of business, without compromising on its cautious underwriting.

The intensity of Covid-19 took the world by complete surprise and Pakistan was no exception to it. The global equity markets have reacted unpredictably with severe swings in either direction. Pakistan Stock Exchange was no exception and index had touched the low of 28000 since then, straitening to 32000 level.

The Government of Pakistan within its limited resources established a comprehensive package including direct cash dispensation to many deserving citizens. We pray to Allah for the safety and health of all citizens of Pakistan and a rapid return to as normal condition as possible.

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

Board of Directors

During the year, there was no change in the Board of Directors of the Company.

Corporate Social Responsibility (CSR)

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

- corporate philanthropy amounting to Rs. 3.2 million by way of donations during the year for social and educational development and welfare of under privileged classes.
- energy conservation, environmental protection, and occupational safety and health by restricting unnecessary lighting, implementing tobacco control law and “No Smoking Zone”, and providing a safe and healthy work environment;
- business ethics, requiring all staff members to comply with the Company’s “Code of Conduct”;
- amicable staff relations, recognition of merit and performance, and on-going opportunities for learning and growth of staff, both on-the-job and through formal training programmes;
- employment through a transparent procedure, without discrimination on the basis of religion, caste, language, etc.; and
- contribution to the national exchequer by the Company by way of direct taxes of Rs. 27.0 million during the year; furthermore, an additional amount of over Rs. 343.3 million was deducted/ collected by the Company on account of withholding taxes, sales tax on services and federal excise duties paid to the Government of Pakistan.

Risk Management Framework

The Company always had a Risk Management Framework commensurate with the size of the Company and the nature of its business. This framework has developed over the years and continues to be refined and improved. The Company aims to take business risks in a prudent manner, guided by a conservative outlook. Business risks and mitigation factors are described in detail in Notes 36 & 37 of the Notes to the Conventional Financial Statements and Notes 25 & 26 of Window Takaful Operations Financial Statements.

Board Committees

Audit Committee

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

		No. of Meetings attended
Mr. Shahid Ghaffar	Chairman	2
Mr. Mansoor G. Habib	Member	4
Mr. Qumail R. Habib	Member	2

Ethics, Nomination, Human Resource & Remuneration Committee

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

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

Investment Committee

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

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

Directors Training Programme

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

Directors' Remuneration Policy

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

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

The details of the remuneration of Executive Director is disclosed in Note 32.

Auditors

The present auditors M/s. KPMG Taseer Hadi & 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, 2019, at a fee to be mutually agreed.

Statement on Corporate and Financial Reporting Framework

1. The financial statements, prepared by the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements, changes if any, have been adequately disclosed and accounting estimates are based on reasonable and prudent judgment.
4. International Financial Reporting Standards and Islamic Financial Accounting Standards as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no doubts upon the Company's ability to continue as a going concern.
7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

8. Key operating and financial data for the last six years is annexed.
9. Information about the taxes and levies is given in the notes to the financial statements.
10. Value of investments and balance in deposit accounts of Provident Fund as at December 31, 2019 is Rs. 83.3 million.
11. During the year four Board meetings were held and the attendance of the Directors is as follows:

Date of Meeting	Attended by	
March 27, 2019	Mr. Rafiq M. Habib	
	Mr. Mansoor G. Habib	
	Mr. Mohamedali R. Habib	
	Mr. Qumail R. Habib	
	Mr. Aun Mohammad A. Habib	
	Mr. Shabbir Gulamali	Chief Executive
April 29, 2019	Mr. Rafiq M. Habib	
	Mr. Mansoor G. Habib	
	Mr. Mohamedali R. Habib	
	Mr. Qumail R. Habib	
	Mr. Aun Mohammad A. Habib	
	Mr. Shabbir Gulamali	Chief Executive
August 29, 2019	Mr. Rafiq M. Habib	
	Mr. Abbas D. Habib	
	Mr. Mansoor G. Habib	
	Mr. Qumail R. Habib	
	Mr. Aun Mohammad A. Habib	
	Mr. Shabbir Gulamali	Chief Executive
October 31, 2019	Mr. Abbas D. Habib	
	Mr. Mansoor G. Habib	
	Mr. Mohamedali R. Habib	
	Mr. Qumail R. Habib	
	Mr. Aun Mohammad A. Habib	
	Mr. Shahid Ghaffar	
	Mr. Shabbir Gulamali	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.

Purchased	No. of shares
Mr. Abbas D. Habib	137,500
Mr. Qumail R. Habib	64,500
Mr. Aun Mohammad A. Habib	260,000
Mrs. Jamila Rafiq Habib w/o Mr. Rafiq M. Habib	150,000
Mrs. Sayyeda Mohamedali w/o Mr. Mohamedali R. Habib	150,000
Sold	
Mrs. Selwa Habib w/o Mr. Qumail R. Habib	119,591

On behalf of the Board of Directors

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive

Karachi: April 22, 2020

Habib Insurance Company Limited

Six Years' Review at a Glance

Years	2019	2018	2017	2016	2015	2014
						(Rupees in '000)
Gross Written Premium/ Contribution	1,705,935	1,345,436	1,163,365	1,400,881	1,123,213	1,009,255
Net Insurance Premium/ Contribution	774,736	532,595	555,977	544,701	500,364	458,726
Investment Income	94,810	196,665	215,224	238,627	199,615	256,869
Net Insurance/ Takaful Claims	432,933	313,987	373,716	281,560	221,739	221,537
Profit after Tax	70,087	105,310	109,956	191,708	226,867	260,008
Paid-up Capital	619,374	619,374	619,374	619,374	619,374	619,374
Reserves & Retained Earnings *	629,807	719,185	816,253	1,117,204	899,572	540,673
Total Assets *	3,640,667	3,282,403	3,276,059	3,665,492	3,298,581	2,850,999
Cash Dividend - %	15	15	15	35	35	40
Stock Dividend - %	–	–	–	–	–	–

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

Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019 for the year ended December 31, 2019

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance.

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

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

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

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

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

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
4. All the resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by a stock exchange.
5. No casual vacancy occurred on the Board during the year.
6. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
7. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive, other Executive Director and the key officers, have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of Board. Written notices of Board meetings, along with agenda and working papers were circulated at least seven days before the meeting.
10. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
11. An orientation of the Board of Directors was conducted to appraise them of their duties and responsibilities including the fiduciary duties as contained in the Companies Act, 2017.
12. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations.

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

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

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

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

14. There was no new appointment of CFO and Head of Internal Audit during the year. However, the Board has approved appointment of Company Secretary, including his remuneration and terms and conditions of employment.

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

16. Chief Financial Officer and Chief Executive duly endorsed the financial statements before approval of the Board.

17. The Directors, Chief Executive, and other executives do not hold any interest in the shares of the Company other than disclosed in the pattern of shareholding.

18. The Company has complied with all the corporate and financial reporting requirements of the Code.

19. The Board has formed the following Management Committees:

Underwriting, Reinsurance & Co-Insurance Committee:

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

Claim Settlement Committee:

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

Risk Management & Compliance Committee:

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

20. The Board has formed the following Board Committees:

Investment Committee:

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

Ethics, Nomination, Human Resource & Remuneration Committee:

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

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

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

22. The meeting of the Committee were held once every quarter prior to approval of interim and final results of the Company whereas the Ethics Nomination, Human Resource & Remuneration Committee met on annual basis as required under the Code.

23. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committee for compliance.

24. The Board has set up an effective internal audit function which is staffed with the resources who are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and are involved in the internal audit function on a regular basis.

25. The Chief Executive, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as required under the Code. Moreover, the persons heading the Underwriting, Claim, Reinsurance, Risk Management and Grievance Departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000).

Name of the Person	**Designition**	**Qualification**	**Experience**
Mr. Shabbir Gulamali	Chief Executive	FCCA	32 years
Mr. Murtaza Hussain	Chief Financial Officer	FCCA	17 years
Mr. Muhammad Maaz Akbar	Company Secretary & Compliance Officer	ACCA	8 years
Syed Fakhar Imam Zaidi	Head of Internal Audit	ACA	12 years
Mr. Mohammad Omar Zubair	Head of Underwriting, Claims, Reinsurance & Risk Management	MBA	26 years
Mr. Murtaza Hussain	Head of Grievance	FCCA	17 years

26. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in term of Section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

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

28. The Board ensures that the Investment Policy of the Company has been drawn up in accordance with the provisions of the Code.

29. The Board ensures that the Risk Management System of the Company is in place as per the requirements of the Code

30. The Company has set up a Risk Management function which carries out its tasks as covered under the Code

31. The Board ensures that as part of the Risk Management System, the Company gets itself rated from the Pakistan Credit Rating Agency which is being used by its Risk Management Function and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency on December 13, 2019 is A+.

32. The Board has set up a Grievance Function which fully complies with the requirements of the Code

33. The Company has complied with the requirement relating to maintenance of register of persons having access to inside information by designated Senior Management Official in a timely manner and maintained proper record including basis of inclusion or exclusion of names of persons from the said list.

34. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of requirements of the Code.

35. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

On behalf of the Board of Directors

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive

Karachi: April 22, 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Habib Insurance Company Limited

Review of the Statement of compliance with the Code of Corporate Governance for Insurers, 2016 & Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurer, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019 (combined called 'the Code') prepared by the Board of Directors of Habib Insurance Company Limited ("the Company") for the year ended 31 December 2019 in accordance with the requirements of the Code.

The responsibility for compliance with the Code is that of the Board Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the 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 and 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Code as applicable to the Company for the year ended 31 December 2019.

Date: April 28, 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the members of Habib Insurance Company Limited

Report on the Audit of the Financial Statements

We have audited the annexed financial statements of Habib Insurance Company Limited (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2019 and total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S.No.	Key audit matter(s)	How the matter was addressed in our audit
1	**Valuation of Claim Liabilities** Refer notes 3.20 and 23 to the financial statements relating to claim liabilities. The Company's claim liabilities represents 25% of its total liabilities. Valuation of these claim liabilities involves significant management judgment regarding uncertainty in the estimation of claims payments and assessment of frequency and severity of claims. Claim liabilities are recognized on intimation of the insured event based on management judgment and estimation. The Company maintains provision for claims incurred but not reported (IBNR) based on the advice of an independent actuary. The actuarial valuation process involves significant judgment and the use of actuarial assumptions. We have identified the valuation of claim liabilities as key audit matter because estimation of claim liabilities involves a significant degree of judgment.	Our audit procedures in respect of this matter included the following: • Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to the claims; • Inspected significant arrangements with reinsurer to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported has been accounted for based on terms and conditions; • Assessed the appropriateness of the Company's accounting policy for recording of claims in line with requirements of applicable accounting and reporting standards; • Tested claims transactions on sample basis with underlying documentations to evaluate that whether the claims reported during the year are recorded in accordance with the requirements of the Company's policy and insurance regulations; • Assessed the sufficiency of reserving of claim liabilities, by testing calculations on the relevant data including recoveries from reinsurers based on their respective arrangements; • Tested specific claims transactions on sample basis recorded close to year end and subsequent to year end with underlying documentation to assess whether claims had been recognized in the appropriate accounting period; • Used an external actuarial specialist to assist us in evaluation of general principles, actuarial assumptions and methods adopted for actuarial valuations by the actuary of the Company for determination of IBNR; and • Considered the adequacy of Company's disclosures about the estimates used and the sensitivity to key assumptions.

<table>
<tr><th>S.No.</th><th>Key audit matter(s)</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>2</td><td>Revenue Recognition Risk

Refer notes 3.11, 22 and 27 to the financial statements relating to revenue recognition.

The Company receives its revenue primarily from two main sources namely; premiums and investments income. Premiums from insurance policies comprise of 87% of the total revenue.

We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.</td><td>Our audit procedures in respect of this matter included the following:

• Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of premium income;

• Assessed the appropriateness of the Company's accounting policy for recording of premiums and investment income in line with requirements of applicable accounting and reporting standards;

• Tested the policies on sample basis where premium was recorded close to year end and subsequent to year end, and evaluated that these were recorded in the appropriate accounting period; and

• Tested the investment income transaction on sample basis and subsequent to year end, and evaluated that these were recorded in the appropriate period.</td></tr>
<tr><td>3</td><td>Valuation of insurance / reinsurance receivables

Refer notes 3.7.1 and 11 to the financial statements relating to valuation of insurance / reinsurance receivables.

The Company's insurance / reinsurance receivables represents 29% of its total assets which are stated net of provision for impairment of Rs. 22.412 million. Valuation of these receivables involves significant judgment regarding uncertainty in determining impairment / provisions.

We identified the valuation of insurance/ reinsurance receivables as a key audit matter as the estimation involves a significant degree of judgment.</td><td>Our audit procedures in respect of this matter included the following:

• Tested the accuracy of insurance / reinsurance receivables aging report, on a sample basis, by comparing individual balances in the report with underlying documentation to evaluate that the balances appearing in the ageing report were classified within appropriate ageing bucket;

• Assessed the appropriateness of assumptions and estimates made by the management for the provision for impairment by comparing, on a sample basis, past experience and historical trends of collection, actual write offs and receipts and settlement from / with customers and reinsurer subsequent to the financial year end;</td></tr>
</table>

S.No.	Key audit matter(s)	How the matter was addressed in our audit
4	**Valuation, Classification and Impairment of Investments** Refer notes 3.12, 3.16, 8 and 9 to the financial statements relating to Valuation, Classification and Impairment of Investments. The Company's investment portfolio comprise of government debt securities, equity securities including other fixed income securities. Investments carried at Available for Sale represent 78% of the total investments while investments classified as Held to Maturity represent 22% of the total investments. We identified the valuation, classification and impairment of investments as key audit matter because of the significance of investments and management's judgment involved in valuation, classification and impairment.	Our audit procedures in respect of this matter included the following: • Obtained an understanding, evaluated the design and tested the operating effectiveness of controls designed for valuation and classification of investments and for impairment of How the matter was addressed in our audit investments classified as available for sale; • Tested, on a sample basis, specific investments buying and selling transactions and classification recorded with underlying documentation; • Assessed the methodology used and evaluated the valuation of equity securities and mutual fund units by comparing the quoted prices of Pakistan Stock Exchange and Mutual Fund Association of Pakistan (MUFAP) respectively for the securities; and • Assessed the appropriateness of impairment in the value of available for sale securities held by the Company in accordance with accounting and reporting standards as applicable in Pakistan.

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

Management is responsible for the Other Information. The Other Information comprises the information included in the Company's Annual Report but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

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

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

Report on other legal and regulatory requirements

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

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

The financial statements of the company for the year ended 31 December 2018 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon dated 27 March 2019.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

KPMG Taseer Hadi & Co.
Chartered Accountants

Date: April 28, 2020

Karachi

Statement of Financial Position
as at December 31, 2019

	Note	2019	2018
		(Rupees in '000)	
Assets			
Property and equipment	6	164,825	109,076
Intangible assets	7	3,095	4,443
Investments			
Equity securities	8	987,699	1,129,856
Government securities	9	277,867	70,763
Loans and other receivables	10	157,604	110,522
Insurance/ reinsurance receivables	11	1,045,702	932,311
Reinsurance recoveries against outstanding claims	23	355,901	406,143
Salvage recoveries accrued		8,304	9,616
Deferred commission expense	25	74,039	61,071
Prepayments	14	377,555	292,158
Cash and bank	15	121,116	102,396
		3,573,707	3,228,355
Total Assets of Window Takaful Operations - Operator's Fund		66,960	54,048
Total Assets		3,640,667	3,282,403
EQUITIES AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital	16	619,374	619,374
Reserves	17	538,400	608,509
Unappropriated profits		91,407	110,676
Total Equity		1,249,181	1,338,559
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	23	594,636	543,938
Unearned premium reserves	22	778,636	631,754
Premium deficiency reserves		2,236	–
Unearned reinsurance commission	25	105,979	77,002
Retirement benefit obligations	12	102,396	88,470
Deferred taxation	13	101,949	129,519
Borrowings	18	208,558	68,950
Premium received in advance		20,605	424
Insurance/ reinsurance payables	19	261,265	222,570
Other creditors and accruals	20	191,942	166,118
Taxation - provision less payment		9,611	9,147
		2,377,813	1,937,892
Total Liabilities of Window Takaful Operations - Operator's Fund		13,673	5,952
Total Liabilities		2,391,486	1,943,844
Total Equity and Liabilities		3,640,667	3,282,403
Contingencies and commitments	21		

The annexed notes from 1 to 44 form an integral part of these financial statements.

RAFIQ M. HABIB	MANSOOR G. HABIB	SHAHID GHAFFAR	SHABBIR GULAMALI	MURTAZA HUSSAIN
Chairman	*Director*	*Director*	*Chief Executive*	*Chief Financial Officer*

Statement of Comprehensive Income
for the year ended December 31, 2019

	Note	2019	2018
		(Rupees in '000)	
Net insurance premium	22	755,586	532,062
Net Insurance claims	23	(417,753)	(312,495)
Premium deficiency		(2,236)	–
Net commission and other acquisition cost	25	60,118	78,369
Insurance claims and acquisition expense		(359,871)	(234,126)
Management expenses	26	(294,417)	(251,325)
Underwriting results		101,298	46,611
Investment income	27	94,810	196,665
Other income	28	21,449	8,550
Other expenses	29	(109,805)	(87,177)
Results of operating activities		107,752	164,649
Finance cost		(14,569)	(3,786)
Profit/ (loss) before tax from Window Takaful Operations - Operator's Fund		4,044	(2,947)
Profit before tax		97,227	157,916
Income tax expense	30	(27,140)	(52,606)
Profit after tax		70,087	105,310
Other comprehensive income:			
Total items that may be reclassified subsequently to profit and loss account			
Unrealised loss on available-for-sale investments during the year		(127,546)	(294,889)
Less: Net gain transferred to profit and loss on disposal / redemption / impairment of investment		34,268	129,244
		(93,278)	(165,645)
Related tax impact		22,416	59,107
		(70,862)	(106,538)
Other comprehensive income from Window Takaful Operations - Operator's Fund - net of tax		753	375
Items not to be reclassified to profit and loss account in the subsequent year			
Actuarial gain / (loss) on defined benefit plan		5,000	(4,598)
Related tax impact		(1,450)	1,289
		3,550	(3,309)
Other comprehensive loss		(66,559)	(109,472)
Total comprehensive income / (loss) for the year		3,528	(4,162)
		(Rupees in '000)	
Earning (after tax) per share - rupee	31	0.57	0.85

The annexed notes from 1 to 44 form an integral part of these financial statements.

RAFIQ M. HABIB	MANSOOR G. HABIB	SHAHID GHAFFAR	SHABBIR GULAMALI	MURTAZA HUSSAIN
Chairman	*Director*	*Director*	*Chief Executive*	*Chief Financial Officer*

Habib Insurance Company Limited

Statement of Changes in Equity
for the year ended December 31, 2019

	Share capital	Capital reserves: Reserve for exceptional losses	Revenue Reserves: General reserves	Revenue Reserves: Available-for-sale reserve	Unappropriated profit	Total Equity
	Attributable to equity holders of the Company					
			(Rupees in '000)			
Balance as at January 01, 2018	619,374	9,122	255,000	450,547	101,584	1,435,627
Total comprehensive income for the year ended December 31, 2018						
Profit after tax	–	–	–	–	105,310	105,310
Other comprehensive loss	–	–	–	(165,645)	(4,598)	(170,243)
Related tax impact	–	–	–	59,110	1,286	60,396
Other comprehensive income for the year from Window Takaful Operations	–	–	–	375	–	375
Total comprehensive loss for the year	–	–	–	(106,160)	101,998	(4,162)
Transaction with owner directly recorded with equity						
Final dividend for the year ended December 31, 2017 of Rs. 0.75 per share	–	–	–	–	(92,906)	(92,906)
Balance as at December 31, 2018	619,374	9,122	255,000	344,387	110,676	1,338,559
Balance as at January 01, 2019	619,374	9,122	255,000	344,387	110,676	1,338,559
Total comprehensive income for the year ended December 31, 2018						
Profit after tax	–	–	–	–	70,087	70,087
Other comprehensive (loss)/ income	–	–	–	(93,278)	5,000	(88,278)
Related tax impact	–	–	–	22,416	(1,450)	20,966
Other comprehensive income for the year from Window Takaful Operations	–	–	–	753	–	753
Total comprehensive income / (loss) for the year	–	–	–	(70,109)	73,637	3,528
Transaction with owner directly recorded with equity						
Final dividend for the year ended December 31, 2018 of Rs. 0.75 per share	–	–	–	–	(92,906)	(92,906)
Balance as at December 31, 2019	619,374	9,122	255,000	274,278	91,407	1,249,181

The annexed notes from 1 to 44 form an integral part of these financial statements.

RAFIQ M. HABIB	MANSOOR G. HABIB	SHAHID GHAFFAR	SHABBIR GULAMALI	MURTAZA HUSSAIN
Chairman	*Director*	*Director*	*Chief Executive*	*Chief Financial Officer*

Statement of Cash Flow
for the year ended December 31, 2019

		2019	2018
		(Rupees in '000)	
	Operating cash flow		
(a)	Underwriting activities		
	Insurance premium received	1,526,841	1,184,883
	Reinsurance premium paid	(763,672)	(575,488)
	Claims paid	(944,415)	(722,774)
	Reinsurance and other recoveries received	628,914	416,843
	Commission paid	(143,422)	(118,167)
	Commission received	222,943	182,216
	Net cash flows from underwriting activities	527,189	367,513
(b)	Other operating activities		
	Income tax paid	(33,588)	(84,456)
	Other operating payments	(386,527)	(362,275)
	Other operating receipts	37,602	2,919
	Loans advanced	(15,378)	(11,406)
	Loan repayment received	18,401	25,709
	Net cash flows from other operating activities	(379,490)	(429,509)
	Total cash flows from all operating activities	147,699	(61,996)
	Investment activities		
	Profit/ return received	11,747	11,483
	Dividend received	46,898	66,876
	Payment for investments	(763,308)	(701,135)
	Proceeds from investments	617,706	721,655
	Fixed capital expenditure	(11,737)	(25,711)
	Proceeds from sale of property and equipment	2,246	20,230
	Total cash flows from investing activities	(96,448)	93,398
	Financing activities		
	Rentals paid	(22,085)	(5,273)
	Loan received	200,000	–
	Loan paid	(120,000)	–
	Dividends paid	(90,446)	(90,193)
	Total cash flows from financing activities	(32,531)	(95,466)
	Net cash flows from all activities	18,720	(64,064)
	Cash and cash equivalents at beginning of year	102,396	166,460
	Cash and cash equivalents at end of year	121,116	102,396
	Reconciliation to profit and loss account		
	Operating cash flows	147,699	(61,996)
	Depreciation and amortisation expense	(32,857)	(12,427)
	Financial charges expense	(14,569)	(3,786)
	Profit on disposal of property and equipment	382	581
	Profit/ return received	11,747	11,483
	Capital gain	36,272	130,001
	Dividends income	46,898	66,876
	Provision for gratuity	(20,889)	(12,946)
	Provision for impairment	(2,004)	(757)
	Gratuity paid	1,963	12,703
	Income tax paid	33,588	84,456
	Provision of taxation	(27,140)	(52,606)
	Increase in assets other than cash	207,284	4,780
	Decrease in liabilities other than borrowings	(322,331)	(58,105)
	Profit after tax from conventional insurance operations	66,043	108,257
	Profit/ (loss) from Window Takaful Operations - Operator's Fund	4,044	(2,947)
	Profit after taxation	70,087	105,310

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

RAFIQ M. HABIB	MANSOOR G. HABIB	SHAHID GHAFFAR	SHABBIR GULAMALI	MURTAZA HUSSAIN
Chairman	*Director*	*Director*	*Chief Executive*	*Chief Financial Officer*

Notes to the Financial Statements for the year ended December 31, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

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

1.2 The Company operates through the following locations in Pakistan;

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

1.3 Subsequent to the year end, the novel coronavirus (COVID 19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Heallh Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020 whereby potentially impacting the earnings and cash flows of the Company . The Company considers this outbreak to be a non-adjusting post balance sheet event . The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the company will evaluate the potential impacts and respond accordingly.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

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

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for available for sale investments that have been measured at fair value and obligations under certain employment benefits which are measured at present value.

2.3 Functional and presentation currency

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

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

IFRS 16, the accounting standard for leases, became effective for annual reporting periods commencing on or after January 01, 2019. The impact of the adoption of IFRS 16 is disclosed in note 4 of these financial statements of the Company.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable for accounting periods beginning on or after January 01, 2019. These are considered either to not be relevant or not to have any significant impact on the Company's financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise.

The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.

IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after July 01, 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated - i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.

IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after 30 June 2019. It replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 Insurance Contracts' - Applying IFRS 9 'Financial Instruments with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 01, 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.

The Company has determined that it is eligible for the temporary exemption option since the Company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Company can defer the application of IFRS 9 until the application IFRS 17.

To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ('SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

IFRS 9 defines the terms “principal” as being the fair value of the financial asset at initial recognition, and the “interest” as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.

The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and

b) all other financial assets

Financial assets	Fail the SPPI test – Fair value	Fail the SPPI test – Change in unrealised gain/(loss) during the year	Pass the SPPI test – Carrying value	Pass the SPPI test – Cost less Impairment	Pass the SPPI test – Change in unrealised gain/(loss) during the year
	December 31, 2019				
	(Rupees in '000)				
Cash and bank*	121,116	–	–	–	–
Investment in equity securities - available for sale	987,699	(93,278)	–	–	–
Investment in debt securities - held to maturity	–	–	277,867	277,867	–
Loans and other receivable*	–	–	157,604	157,604	–
Total	1,108,815	(93,278)	435,471	435,471	–

	AAA	AA+	AA	A	Unrated
	December 31, 2019 – Gross carrying amounts of debt instruments that pass the SPPI test				
	(Rupees in '000)				
Investment in debt securities - held to maturity	–	–	–	–	277,867
Loans and other receivable*	–	–	–	–	157,604
Total	–	–	–	–	435,471

* The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and Equipment

3.1.1 Tangible assets - owned

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment loss. Depreciation on tangible fixed assets except vehicles is charged to income applying the straight line method at the rates specified in note 6.1 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 live, residual value and depreciation method are reviewed and adjusted if appropriate, at each reporting date. Depreciation on additions is charged for the full month in which as asset is put to use and on deletions up to the month immediately preceding the deletion.

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

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

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

3.1.2 Intangible assets

These are stated at cost less accumulated amortisation and any provision for impairment loss. Amortisation of intangible fixed assets is charged to income applying the straight line method at the rates specified in note 6 to the financial statements after taking into account residual value, if any.

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

3.2 Insurance contracts

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

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

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

3.2.1 Fire and property

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

3.2.2 Marine and transport

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

3.2.3 Motor

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

3.2.4 Group hospitalisation

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

3.2.5 Other classes

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

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

3.3 Commission

3.3.1 Deferred Commission expense

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 by applying the 1/24th method.

3.3.2 Commission Income

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

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

3.4 Unearned Premium

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

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

Revenue from premiums is determined after taking into account the unearned portion of premium by applying 1/24th method as prescribed by the Insurance Rules, 2017. The unearned portion of premium income is recognised as liability.

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

3.5 Premium deficiency

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

The Company determines adequacy of liability of premium deficiency by carrying out analysis of expired periods. For this purpose average loss ratio of last three years inclusive of claims settlement cost but excluding major exceptional claims are taken into consideration to determine ultimate loss ratio to be applied on unearned premium. Further actuarial valuation has been carried out to determine the amount of premium deficiency reserve in respect of Group hospitalisation insurance as required by SRO 16 (I) / 2012 issued by Securities and Exchange Commission of Pakistan on January 09, 2012.

No provision has been made have the unearned premium reserve of each class of business and at the year end is adequate to meet the expected future liability after reinsurance from claims and other expenses, expected to be incurred after the reporting date in respect of policies inforce at reporting date.

3.6 Reinsurance contracts held

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

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

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

The deferred portion of reinsurance premium ceded is recognised as a prepayment which is calculated by using 1/24th method as prescribed by the Insurance Rules, 2017.

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

3.7 Receivables and payables

3.7.1 Receivables and payables related to Insurnace contract

Receivable and payables related to insurnace contracts are recognized and due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that the insurance receivable is impaired, as a result of one or more events that occured after the initial recognition the company reduces the carrying amount of the insurance receivables accordingly and recognizes that impairment loss in the profit and loss account

Provision for impairment in premium receivables is estimated on a systamatics basis after analyzing the receivable as per their aging.

3.7.2 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 financial statement date and adjusted to reflect the current estimate.

3.8 Reinsurance recoveries against outstanding claims

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

3.9 Segment reporting

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

The Company presents segments reporting of operating results using the classes of business as specified under the Insurance Ordinance, 2000 and the Insurance Rules, 2017. The reported operating segments are also consistent with the internal reporting provided to the Board of Directors who assess the performance of the operating segments. The performance of segments is evaluated on the basis of underwriting results of each segment.

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

The Company has four primary business segments for reporting purposes namely fire and property, marine and transport, motor and other classes. The nature and business activities of these segments are disclosed in note no. 3.2.

3.10 Cash and cash equivalents

Cash and cash equivalents are carried in the financial statement at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, stamps in hand and current and saving accounts with bank.

3.11 Revenue recognition

3.11.1 Premium

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

3.11.2 Commission income

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

3.11.3 Dividend income

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

3.11.4 Gain / loss on sale / redemption of investments

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

3.11.5 Income on held to maturity investment

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

3.11.6 Mark-up on bank accounts and deposits

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

3.12 Investments

- In equity securities
- In debt securities

3.12.1 Recognition

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

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

3.12.2 Measurement

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

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

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

3.12.2.2 Available-for-sale

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

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

Quoted

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

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

Unquoted

Unquoted available-for-sale investments are recorded at cost less accumulated impairment losses, if any.

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

3.12.2.3 Held-to-maturity

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

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

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

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

3.13 Off setting of financial assets and liabilities

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

3.14 Taxation

3.14.1 Current

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

3.14.2 Deferred

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

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

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

3.15 Staff retirement benefits

3.15.1 Defined contribution plan

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

3.15.2 Defined benefit plan

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

Provisions are made to cover the obligations under the scheme on the basis of actuarial valuation and are charged to profit and loss account. The most recent valuation was carried out as of December 31, 2019 using the "Projected Unit Credit Method".

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

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

3.15.3 Employees' compensated absences

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

3.16 Impairment of assets

A financial asset is assesed at each financial statement date to determine wether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is an objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset. If a decline in fair value is significant or prolonged, than there is an objective evidence, of impairment regardless of how long management intends to hold the investment.

The carrying amount of non financial assets is reviewed at each financial statement date to determine wether there is any indication of impairment of any asset or group of assets. If such indication exist, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use an its fair value less cost of sell. An imparment loss is recognised the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognised in the profit and loss account. Provision of impairment are reviewed at each financial statement date and are adjusted to reflect the current best estimates. Change in the provisions are recognised as an income or expense.

3.17 Dividend distribution

Dividend declaration and reserve appropriations are recognised when approved.

3.18 Management expenses

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

3.19 Foreign currency translations

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

3.20 Provision

3.20.1 Claims

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

3.20.2 Provision for outstanding claims

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

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

3.20.3 Claims reported but not settled

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

3.21 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 financial statement include bank deposits, investments, premium due but unpaid, premium received in advance, amount due from other insurers / reinsurers, accrued investment income, reinsurance recoveries against outstanding claims, sundry receivables, provision for outstanding claims, amount due to other insurers / reinsurers, accrued expenses, other creditors and accruals, short term running finance and obligation under finance lease. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

3.22 Earning per share

The company presents basic and diluted earning per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary share holders of the company by the weighted average no. of ordinary shares outstanding during the year. Diluted EPS is dertermined by adjusting the profit or loss attributable to ordinary share holders and the weighted average no. of ordinary shares outstanding for the effects of all dilutive potentional ordinary shares.

4. Change in Accounting policies

The Company has initially adopted IFRS 16 Leases from January 01, 2019. A number of other new standards are effective from January 01, 2019 but they do not have a material effect on the Company's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, therefore the comparatives information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

A. Definition of Lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 - Determining Whether an Arrangement contains a Lease. The Company now assess whether a contract is or contains a lease based on the new definition of a lease. Under identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 01, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-leases component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

B. As a lessee

The Company lease office premises and motor vehicles.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16 , the Company recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on balance sheet.

The Company presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment, the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

	Office premises and motor vehicles
	(Rupees in '000)
Balance at January 01, 2019	114,663
Balance at December 31, 2019	133,399

i. Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, are subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Company classified property leases as operating leases under IAS 17 which include office premises and motor vehicles. The contract period of other offices are for short term typically run for 1 year with termination clause on both parties and option of renew for an additional period of one year.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application - the Company applied this approach to its largest property leases and motor vehicles: or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments
- The Company uses the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term
- Excluded initial direct cost from measuring the right-of-use assets at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

C. Impact on financial statements

Summary of the effect of this change in accounting policy is as follows:

		(Rupees in '000)
i.	**Impact on Statement of Financial Position**	
	Increase in fixed assets - right of use assets	133,399
	Increase in other liabilities - lease liability against right of use assets	128,558
	Increase in net asset - before tax	4,841
ii.	**Impact on Profit and Loss Account**	
	Increase in finance cost - lease liabilities	13,628
	Increase in depreciation expense - right of use assets	23,415
	Decrease in rent expense	8,637

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised Rs.133.4 million right-of-use assets and Rs. 128.56 million of lease liabilities as at December 31, 2019.

Also in relation to those leases under IFRS 16, the Company has recognised depreciation and interest cost, instead of operating lease expense. During the year ended December 31, 2019, the Company recognise Rs. 23.4 million depreciation charges and Rs.13.6 million interest cost from these leases.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

	Note
Property and equipment	3.1 & 4
Premium deficiency	3.5
Insurance/ Reinsurance receivable	3.7.1
Provision for outstanding claims including IBNR	3.2
Taxation	3.14
Staff retirement benefits	3.15
Impairment of assets	3.16

6. PROPERTY AND EQUIPMENT

	Note	2019	2018
		(Rupees in '000)	
Operating assets	6.1	31,426	109,076
Right of use assets	6.2	133,399	–
		164,825	109,076

6.1 Operating Assets

	2019											
	Cost					Accumulated Depreciation					Written Down Value	
	As at January 01, 2019	Additions	Disposals	Written Off	As at December 31, 2019	As at January 01, 2019	Charge for the year	Disposals	Written Off	As at December 31, 2019	As at December 31, 2019	Depreciation Rate %
	(Rupees in '000)											
Computer equipment	10,715	2,568	435	–	12,848	8,989	1,462	399	–	10,052	2,796	33
Furniture and fixtures	20,209	2,567	–	99	22,677	11,051	1,739	–	99	12,691	9,986	10
Office equipment	9,438	1,802	268	242	10,730	5,742	1,450	243	240	6,709	4,021	20
Motor vehicles - Owned	23,233	4,800	2,174	13	25,846	8,491	3,118	373	13	11,223	14,623	20
	63,595	11,737	2,877	354	72,101	34,273	7,769	1,015	352	40,675	31,426	

	2018											
	Cost					Accumulated Depreciation					Written Down Value	
	As at January 01, 2018	Additions	Disposals	Written Off	As at December 31, 2018	As at January 01, 2018	Charge for the year	Disposals	Written Off	As at December 31, 2018	As at December 31, 2018	Depreciation Rate %
	(Rupees in '000)											
Computer equipment	9,352	1,609	246	–	10,715	8,064	1,101	176	–	8,989	1,726	33
Furniture and fixtures	18,002	2,207	–	–	20,209	9,508	1,543	–	–	11,051	9,158	10
Office equipment	7,550	2,347	459	–	9,438	4,834	1,319	411	–	5,742	3,696	20
Motor vehicles - Owned	14,224	19,548	10,539	–	23,233	6,724	2,213	446	–	8,491	14,742	20
	49,128	25,711	11,244	–	63,595	29,130	6,176	1,033	–	34,273	29,322	

6.1.1 Details of tangible assets disposed/ write off during the year are as follows:

Category of assets	Cost	Accumulated Depreciation	Book value	Sale proceeds	Gain / (loss)	Mode of disposals	Sold to
	(Rupees in '000)						
Motor vehicles	67	30	37	40	3	Negotiation	Muhammad Ali
	1,900	186	1,714	2,100	386	Negotiation	Zahid Karamat Ali
	42	31	11	10	(1)	Negotiation	Syed Ahmed Raza (Employee)
	43	40	3	5	2	Negotiation	Zulfiqar
	36	27	9	8	(1)	Negotiation	Aun Abbas
	4	3	1	–	(1)	Write Off	
	4	3	1	–	(1)	Write Off	
	3	3	–	–	–	Write Off	
	3	3	–	–	–	Write Off	
	43	29	14	8	(6)	Negotiation	Rehan Ahmed
	42	31	11	8	(3)	Negotiation	Bilal Ali Shah
	2,187	386	1,801	2,179	378		
Office equipment	510	483	27	42	15	Negotiation	Various
Computer and related equipment	435	399	36	25	(11)	Negotiation	Various
Furniture and fixtures	99	99	–	–	–	Write Off	
2019	3,231	1,367	1,864	2,246	382		
2018	20,829	1,180	19,649	20,230	581		

6.1.2 Fully depreciated assets amount to Rs. 23.945 million (2018: Rs. 14.523 million) at year end.

6.2 Right of use assets operating Assets

	2019											
	Cost					Accumulated Depreciation					Written Down Value	
	As at January 01, 2019	Additions	Disposals	Written Off	As at December 31, 2019	As at January 01, 2019	Charge for the year	Disposals	Written Off	As at December 31, 2019	As at December 31, 2019	Depreciation Rate %
	(Rupees in '000)											
Leasehold property	30,506	20,617	–	–	51,123	–	6,693	–	–	6,693	44,430	Lease term
Motor vehicles - Leased	84,157	25,937	–	–	110,094	4,403	16,722	–	–	21,125	88,969	20
	114,663	46,554	–	–	161,217	4,403	23,415	–	–	27,818	133,399	

Right of use assets operating Assets

	2018											
	Cost					Accumulated Depreciation					Written Down Value	
	As at January 01, 2018	Additions	Disposals	Written Off	As at December 31, 2018	As at January 01, 2018	Charge for the year	Disposals	Written Off	As at December 31, 2018	As at December 31, 2018	Depreciation Rate %
	(Rupees in '000)											
Motor vehicles - Leased	–	93,742	9,585	–	84,157	–	4,550	147	–	4,403	79,754	20
	–	93,742	9,585	–	84,157	–	4,550	147	–	4,403	79,754	

7. INTANGIBLE ASSETS

	2019									
	Cost				Accumulated Amortisation				Written Down Value	Amortisation Rate %
Owned	As at January 01, 2019	Additions	Disposals	As at December 31, 2019	As at January 01, 2019	Charge for the year	Disposals	As at December 31, 2019	As at December 31, 2019	
	(Rupees in '000)									
Computer Software	14,041	325	–	14,366	9,598	1,673	–	11,271	3,095	20

	2018									
	Cost				Accumulated Amortisation				Written Down Value	Amortisation Rate %
Owned	As at January 01, 2018	Additions	Disposals	As at December 31, 2018	As at January 01, 2018	Charge for the year	Disposals	As at December 31, 2018	As at December 31, 2018	
	(Rupees in '000)									
Computer Software	13,184	857	–	14,041	7,897	1,701	–	9,598	4,443	20

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

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

8. INVESTMENT IN EQUITY SECURITIES

	2019				2018			
	Cost	Impairment / Provision	Revaluation surplus / (deficit)	Carrying Value	Cost	Impairment Provision	Revaluation surplus / (deficit)	Carrying Value
	(Rupees in '000)							
Available-for-sale								
Related parties								
Listed shares								
Bank AL Habib Limited	84,100	–	68,221	152,321	87,967	–	69,562	157,529
Habib Metropolitan Bank Limited	87,617	–	12,979	100,596	87,621	–	39,155	126,776
Indus Motor Company Limited	17,453	–	10,444	27,897	31,261	–	21,203	52,464
Shabbir Tiles & Ceramics Limited	7,429	–	942	8,371	7,429	–	4,749	12,178
Thal Limited	70,824	–	56,283	127,107	94,815	–	120,341	215,156
Habib Sugar Mills Limited	88,573	–	81,592	170,165	88,573	–	76,032	164,605
	355,996	–	230,461	586,457	397,666	–	331,042	728,708
Others								
Listed shares								
Packages Limited	7,514	–	10,430	17,944	7,514	–	9,893	17,407
Dynea Pakistan Limited	1,722	–	11,274	12,996	1,722	–	9,058	10,780
Abbott Laboratories (Pakistan) Limited	8,956	–	15,930	24,886	8,956	–	26,194	35,150
GlaxoSmithKline Pakistan Limited	4,943	–	3,218	8,161	4,943	–	784	5,727
Nestle Pakistan Limited	79	–	1,129	1,208	79	–	1,271	1,350
Shezan International Limited	84	–	572	656	84	–	523	607
Habib ADM Limited	3,042	–	6,352	9,394	3,042	–	6,886	9,928
Al-Ghazi Tractors Limited	11,264	–	7,717	18,981	11,264	–	16,937	28,201
Millat Tractors Limited	10,018	–	5,831	15,849	10,018	–	6,621	16,639
Atlas Battery Limited	1,692	–	3,096	4,788	1,692	–	3,374	5,066
Agriauto Industries Limited	1,190	–	2,810	4,000	1,190	–	3,251	4,441
United Bank Limited	–	–	–	–	8,332	–	(1,893)	6,439
Allied Bank Limited	–	–	–	–	2,200	–	(51)	2,149
MCB Bank Limited	–	–	–	–	4,259	–	(388)	3,871
Gadoon Textile Mills Limited	1,571	–	1,823	3,394	1,571	–	3,457	5,028
Bata Pakistan Limited	5,440	–	6,518	11,958	5,440	–	3,830	9,270
Pakistan Cables Limited	1,938	–	12	1,950	1,938	–	150	2,088
The Hub Power Company Limited	89,126	–	16,024	105,150	17,880	–	(722)	17,158
Oil & Gas Development Company	4,870	(244)	–	4,626	4,948	–	(788)	4,160
Pakistan Petroleum Limited	–	–	–	–	4,645	–	(903)	3,742
International Steel Limited	2,202	(523)	–	1,679	2,620	–	(713)	1,907
International Industries Limited	1,527	(917)	–	610	1,527	(757)	–	770
Kohat Cement Company Limited	3,422	(713)	–	2,709	3,772	–	(799)	2,973
D.G Khan Cement Company Limited	1,292	(363)	–	929	1,292	–	(290)	1,002
Atlas Insurance Limited	3,955	–	7,309	11,264	3,955	–	5,837	9,792
EFU Life Assurance Limited	4,338	–	5,180	9,518	4,338	–	5,030	9,368
IGI Holding Limited	52,950	–	40,890	93,840	–	–	–	–
IGI Insurance Limited	–	–	–	–	52,950	–	39,593	92,543
Jubilee General Insurance Company Limited	9,683	–	(17)	9,666	9,683	–	1,057	10,740
	232,818	(2,760)	146,098	376,156	181,854	(757)	137,199	318,296

	2019				2018			
	Cost	Impairment / Provision	Revaluation surplus / (deficit)	Carrying Value	Cost	Impairment Provision	Revaluation surplus / (deficit)	Carrying Value
	(Rupees in '000)							
Mutual funds								
First Habib Income Fund	–	–	–	–	243	–	2	245
First Habib Asset Allocation Fund	–	–	–	–	1,114	–	(46)	1,068
First Habib Cash Fund	–	–	–	–	31,173	–	178	31,351
National Investment (Unit) Trust	252	–	1,495	1,747	252	–	1,491	1,743
NAFA Financial Sector Fund	1,480	–	106	1,586	–	–	–	–
UBL Liquidity Plus Fund	–	–	–	–	25,144	–	–	25,144
Pakistan Income Fund	183	–	222	405	159	–	209	368
	1,915	–	1,823	3,738	58,085	–	1,834	59,919
Modaraba certificates								
Orix Modaraba (note 8.1)	1,319	–	504	1,823	1,319	–	557	1,876
First Habib Modaraba (note 8.1)	13,695	–	5,830	19,525	13,695	–	7,362	21,057
	15,014	–	6,334	21,348	15,014	–	7,919	22,933
	605,743	(2,760)	384,716	987,699	652,619	(757)	477,994	1,129,856

8.1 Modaraba certificates

Company Name	Chief Executive Officer	Nominal value	Number of certificates / shares
Orix Modaraba	Mr. Raheel Qamar Ahmed	Rs.10	108,750
First Habib Modaraba	Mr. Muhammad Shoaib Ibrahim	Rs.5	2,015,000

9. INVESTMENT IN GOVERNMENT SECURITIES

	Note	2019	2018
		(Rupees in '000)	
Held to maturity			
Pakistan Investment Bonds (PIBs)	9.1	277,867	70,763

9.1 This represents PIBs having face value of Rs.320.0 million (market value of Rs.259.479 million) [December 31, 2018: Rs.70.0 million (market value of Rs.69.3 million)]. These carry mark-up ranging from 7.00% to 12% (December 31, 2018: 7.00% to 12%) per annum and will mature between July 19, 2022 to July 12, 2028. PIBs having face value of Rs.70.0 million have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of Section 29 of the Insurance Ordinance, 2000 and circular No. 15 of 2008 dated July 07, 2008 issued by the SECP.

10. LOANS AND OTHER RECEIVABLES

	Note	2019	2018
		(Rupees in '000)	
Considered good			
Accrued investment income		13,518	3,334
Security deposits		33,832	26,799
Advances	10.1	6,690	9,994
Agent commission receivable		8,850	2,522
Loans to employees	10.2	53,765	52,607
Receivable against sale of investments		18,582	–
Other receivable		22,367	15,266
		157,604	110,522

10.1 This includes Rs.3.135 million (2018: Rs.4.303 million) receivable from related parties.

10.2 These loans are secured against provident fund balances or deposit of title documents. These loans are recoverable in monthly installments over various periods and includes Rs. 2.584 million (2018: Rs. 7.502 million) receivable in 2019 representing current portion of loan to employees.

These loans carry mark-up rate of 9% to 12% (2018: 3% to 6%) per annum except loans amounting to Rs. 0.058 million (2018: Rs. 0.811 million) which are interest free.

	Note	2019	2018
		(Rupees in '000)	
10.2.1 Reconciliation of carrying amount of loans			
Opening balance		52,607	64,831
Mark-up for the year		4,181	2,079
Disbursements during the year		15,378	11,406
		72,166	78,316
Repayments (including mark-up) during the year		(18,401)	(25,709)
Closing balance		53,765	52,607

11. INSURANCE / REINSURANCE RECEIVABLES
Unsecured and considered good

	2019	2018
Due from insurance contract holders		
Considered good	591,235	503,565
Considered doubtful	15,912	15,912
Less: Provision for impairment of receivables from Insurance contract holders	(15,912)	(15,912)
	591,235	503,565
Due from other insurers/ reinsurers		
Considered good	454,467	428,746
Considered doubtful	6,500	6,500
Less: Provision for impairment of due from other insurers/ reinsurers	(6,500)	(6,500)
	454,467	428,746
	1,045,702	932,311

12. RETIREMENT BENEFIT OBLIGATIONS

Defined benefit plan - unfunded gratuity scheme

The latest actuarial valuation was carried out on December 31, 2019 by an appointed actuary using "Projected Unit Credit Actuarial Cost Method".

	2019	2018
	Number of Employees	
The number of employees covered under the defined benefit scheme are:	177	164

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

	2019	2018
Financial assumptions		
- Discount rate (per annum compounded)	11.25%	13.25%
- Salary increase per annum	13.51%	13.25%
Demographic assumptions		
- Expected service length of the employees	15 years	15 years
- Normal retirement	60 years	60 years
- Rate of employee turnover	Moderate	Moderate
- Mortality rate	SLIC (2001-05) - 1	SLIC 2001-05) - 1

	2019	2018
	(Rupees in '000)	
Liability in financial statement		
Present value of defined benefit obligations	102,396	88,470
Movement in Defined benefit plan		
Opening balance	88,470	83,629
Charged to profit and loss account	20,889	12,946
Benefits paid during the year	(1,963)	(12,703)
Actuarial (gain) / loss recognised in other comprehensive income	(5,000)	4,598
Closing balance	102,396	88,470
Movement in present value of defined benefit obligations		
Present value of defined benefit obligations as at 01 January	88,470	83,629
Current service cost	8,729	5,953
Interest cost	12,160	6,993
Benefits paid	(1,963)	(12,703)
Actuarial loss on obligation	(5,000)	4,598
Present value of defined benefit obligations as at 31 December	102,396	88,470
Charge for the defined benefit plan		
Cost recognised in profit and loss		
Current service cost	8,729	5,953
Interest cost	12,160	6,993
	20,889	12,946
Actuarial loss on defined benefit obligation recognised in other comprehensive income		
Actuarial loss on defined benefit obligation		
- Loss due to change in financial assumptions	(916)	8,150
- Loss due to change in experience adjustments	(4,084)	2,911
	(5,000)	11,061
Expected contributions to the fund in the following year	16,642	14,661
Expected benefit payments to retirees in the following year	4,484	3,950
Weighted average duration of the defined benefit obligation (year)	9.17	9.43

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:

	2019	2018
	(Rupees in '000)	
Increase in discount rate by 0.5%	(97,790)	(84,367)
Decrease in discount rate by 0.5%	107,186	92,719
Increase in expected future increment in salary by 0.5%	107,404	92,904
Decrease in expected future increment in salary by 0.5%	(97,550)	(84,164)

Comparison for Five Years As at December 31,	2019	2018	2017	2016	2015
			(Rupees in '000)		
Defined benefit obligation	102,396	88,470	83,629	83,083	62,270
Experience adjustment loss on obligation (as percentage of plan obligations)	-3.99%	2.97%	3.48%	8.56%	8.50%

	2019	2018
	(Rupees in '000)	

13. DEFERRED TAXATION - net

	2019	2018
Deferred debits arising in respect of		
Provisions	(12,478)	(11,102)
Financial lease liability	(37,113)	(19,655)
Deferred credits arising in respect of		
Accelerated depreciation	1,286	2,728
Unrealised gain on available-for-sale investments	111,568	133,984
Right of use asset	38,686	23,564
	101,949	129,519

13.1 Reconciliation of deferred tax

	2019	2018
Opening balance	129,519	173,649
Directly recognised in other comprehensive income due to actuarial (Gain) / loss	1,450	(1,289)
Directly recognised in other comprehensive income due to unrealised gain on available-for-sale investments		
- General Insurance Operations	(22,416)	(59,109)
- Window Takaful Operations	308	147
Charge for the year	(6,912)	16,121
Closing balance	101,949	129,519

14. PREPAYMENTS

	2019	2018
Prepaid reinsurance premium ceded	366,576	281,792
Prepaid rent	–	3,171
Prepaid insurance on leased vehicles	2,729	2,554
Others	8,250	4,641
	377,555	292,158

	Note	2019	2018
		(Rupees in '000)	
15. CASH AND BANK			
Cash and cash equivalent			
- Cash in hand		201	108
- Policy stamps, revenue stamps and bond paper		147	57
		348	165
Cash at bank			
- Current accounts		21,946	13,584
- Saving accounts	16.1	98,822	88,647
		120,768	102,231
		121,116	102,396

15.1 This balance is held with related parties and carries mark-up rates ranging between 8.5% to 11.75% (2018: 5.5% to 8.0%) per annum.

Cash and short borrowings include the following for the purposes of the cash flow statement.

	2019	2018
	(Rupees in '000)	
Cash and cash equivalent	121,116	102,396

16. SHARE CAPITAL

Authorised capital

2019	2018		2019	2018
(Number of Shares)				
130,000,000	130,000,000	Ordinary shares of Rs. 5/- each	650,000	650,000

16.1 Issued, subscribed and paid-up share capital

123,874,755	123,874,755	Ordinary shares of Rs. 5/- each at the beginning and end of the year	619,374	619,374

16.2 At December 31, 2019 related parties including directors and their dependants held 11.940 million (9.64%) [2018: 14.181 million (11.45%)] number of ordinary shares of Rs.5 each.

	Note	2019	2018
		(Rupees in '000)	
17. RESERVES			
Capital Reserves			
Reserve for exceptional losses	17.1	9,122	9,122
Revenue Reserves			
General reserve		255,000	255,000
Available-for-sale reserve		274,278	344,387
		529,278	599,387
		538,400	608,509

17.1 Under the Income Tax Act, 1922 applicable to insurance companies, the Company set aside in prior years amounts up to ten percent of premium earnings, net of reinsurances of the year as a reserve for exceptional losses, which was treated as an 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.

18. BORROWINGS

	Note	2019	2018
		(Rupees in '000)	
Short term borrowings	18.1	80,000	–
Finance lease liability	18.2	128,558	68,950
Total borrowings		208,558	68,950
Current portion		118,772	11,142
Non-current portion		89,786	57,808
Total borrowings		208,558	68,950

18.1 The Company has a secured short term credit facility with Bank AL Habib (related party) with a carrying amount of Rs.80 million at December 31, 2019 (2018: Nil). This loan is repayable in tranches to be payable within six months or on demand while mark-up of six months average KIBOR plus 0.5 percent per annum. The covenent under the arrangement is that current assets to current liabilities ratio does not fall below 1:1. The facility is secured against the pledge of Pakistan Investment Bonds having Face Value of Rs. 250 million.

18.2 Finance Lease Liability

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

	2019			2018
	Minimum Lease Payments	Financial Charges	Present value of minimum lease payments	Present value of minimum lease payments
	(Rupees in ' 000)			
Not later than one year	27,855	15,392	12,463	11,142
Later than one year but not later than five years	128,472	12,377	116,095	57,808
	156,327	27,769	128,558	68,950

The liability against assets subject to finance lease represents the leases entered into with a related party for purchase of vehicles. The periodic lease payments carry mark-up rates of 12 months KIBOR plus 2% (2018: Nil) per annum. The Company, shall subject to compliance with the conditions specified in the lease agreement, purchase the asset from the lessor at the end of the lease term. These leases have maturities in March 2023.

	Note	2019	2018
		(Rupees in '000)	

19. INSURANCE/ REINSURANCE PAYABLES

	Note	2019	2018
Due to other insurers/ reinsurers	19.1	261,265	222,570

19.1 Due to other insurers/ reinsurers

	2019	2018
- Foreign reinsurers	175,904	99,554
- Local reinsurers	24,793	27,849
- Co-insurers	60,568	95,167
	261,265	222,570

20. OTHER CREDITORS AND ACCRUALS

	Note	2019	2018
Agents commission payable		44,457	32,213
Federal excise duty		32,654	24,457
Federal insurance fee		2,386	1,704
Accrued expenses		25,693	22,894
Withholding tax payable		1,055	2,629
Unclaimed dividends		60,010	57,551
Sundry creditors	20.1	24,746	23,140
Others		941	1,530
		191,942	166,118

20.1 This represents outstanding claims in respect of which cheques aggregating to Rs.24.746 million (2018: Rs.23.140 million) have been issued by the Company for claim settlement but the same have not been encashed by the claimant.

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

	2019	2018
	(Rupees in '000)	
More than 6 months	24,746	23,140
1 to 6 months (Unpresented cheques in respect of claims paid)	38,811	49,829
	63,557	72,969

	Age-wise break-up					
Claims not encashed	1 to 6 months	7 to 12 months	13 to 24 months	25 to 36 months	Beyond 36 months	Total
			(Rupees in '000)			
2019	38,811	3,196	2,900	2,122	16,528	63,557
2018	49,829	2,608	1,717	2,314	16,501	72,969

21. CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

There are no contingencies outstanding as at December 31, 2019 other than those reported in note 30.2 to the financial statements.

21.2 Commitments

There were no commitments as at December 31, 2019.

	2019	2018
	(Rupees in '000)	

22. NET INSURANCE PREMIUM

	2019	2018
Written gross premium	1,620,051	1,327,024
Add: Unearned premium reserve opening	631,754	481,048
Less: Unearned premium reserve closing	(778,636)	(631,754)
Premium earned	1,473,169	1,176,318
Less: Reinsurance premium ceded	802,367	652,864
Add: Prepaid reinsurance premium opening	281,792	273,184
Less: Prepaid reinsurance premium closing	(366,576)	(281,792)
Reinsurance expense	717,583	644,256
Net insurance premium	755,586	532,062

23. NET INSURANCE CLAIMS

	2019	2018
Claims paid	944,415	722,774
Add: Outstanding claims including IBNR closing	594,636	543,938
Less: Outstanding claims including IBNR opening	(543,938)	(666,850)
Claims expense	995,113	599,862
Less: Reinsurance and other recoveries received	628,914	416,843
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	364,205	415,759
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(415,759)	(545,235)
Reinsurance and other recoveries revenue	577,360	287,367
Net insurance claims	417,753	312,495

24. CLAIM DEVELOPMENT

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

Accident year	2015	2016	2017	2018	2019
			(Rupees in '000)		
Estimate of ultimate claims costs:					
At end of accident year	661,953	851,821	827,534	652,310	988,306
One year later	142,796	299,966	301,322	224,201	–
Two year later	369,908	25,692	27,508	–	–
Three year later	337,892	14,531	–	–	–
Four year later	284,505	–	–	–	–
Current estimate of	284,505	14,531	27,508	224,201	988,306
Cumulative payments to date	(182,736)	(2,019)	(13,718)	(149,775)	(596,167)
Liability for outstanding claims	101,769	12,512	13,790	74,426	392,139

	Note	2019	2018
		(Rupees in '000)	
25. NET COMMISSION INCOME			
Commissions paid or payable		155,666	124,049
Add: Deferred commission - opening		61,071	37,294
Less: Deferred commission - closing		(74,039)	(61,071)
Commission expense		142,698	100,272
Less: Commission from reinsurers			
Commission received or receivable		231,793	182,216
Add: Unearned reinsurance commission - opening		77,002	73,427
Less: Unearned reinsurance commission - closing		(105,979)	(77,002)
Commission from reinsurers		202,816	178,641
Net commission income		60,118	78,369
26. MANAGEMENT EXPENSES			
Employee benefit cost	26.1	225,037	180,120
Travelling expenses		6,495	5,676
Advertisement and sales promotion		571	1,437
Printing and stationary		4,912	3,251
Depreciation & Amortization		11,984	8,699
Rent, rates and taxes		1,378	9,074
Legal and professional charges		1,354	–
Electricity, gas and water		5,414	4,737
Entertainment		2,463	3,138
Vehicle running expenses		18,843	18,517
Office repairs and maintenance		4,538	3,877
Postages, telegrams and telephone		5,391	4,627
Annual supervision fee of SECP		2,327	2,800
Miscellaneous		3,710	5,372
		294,417	251,325

26.1 This includes Rs. 217.943 million (2018: Rs. 174.107 million) being salaries and other benefits and Rs. 7.094 million (2018: Rs. 6.013 million) being contribution to employees' provident fund.

	2019	2018
	(Rupees in '000)	
27. INVESTMENT INCOME		
Income from equity securities available-for-sale		
- Dividend income	46,603	67,091
Income from debt securities - 'held-to-maturity'		
- Return on government securities - PIBs	14,272	6,560
Net realised gain on investments available-for-sale		
- Equity securities	33,868	127,747
- Mutual funds units	2,404	2,254
	36,272	130,001
Total investment income	97,147	203,652
Less: Impairment in value of investments available-for-sale		
- Equity securities	(2,004)	(757)
Less: Investment related expenses	(333)	(6,230)
	94,810	196,665

		Note	2019	2018
			(Rupees in '000)	
28.	**OTHER INCOME**			
	Return on bank balances		7,954	5,027
	Gain on sale of fixed assets		382	581
	Return on loan to employees		4,181	2,135
	Miscellaneous		8,932	807
			21,449	8,550
29.	**OTHER EXPENSES**			
	Legal and professional charges		8,164	13,791
	Travelling expenses		2,178	–
	Auditor's remuneration	29.1	1,864	2,288
	Subscription		5,739	3,769
	Donations	29.2	3,200	3,260
	Employee benefit cost	29.3	52,671	41,738
	Vehicle running expenses		3,632	3,320
	Rent, rates and taxes		581	1,590
	Electricity, gas and water		1,368	1,187
	Entertainment		731	–
	Printing and stationary		1,611	917
	Office repairs and maintenance		1,637	1,224
	Postage, Telegram & Telephone		1,166	–
	Advertisement and sales promotion		223	616
	Depreciation		20,874	3,218
	Amortisation		–	510
	Miscellaneous		4,166	9,749
			109,805	87,177
29.1	**Auditor's remuneration**			
	Audit fee		853	853
	Review of financial statements		285	285
	Special certifications		823	823
			1,961	1,961
	Sindh sales tax		157	157
	Out-of-pocket expenses		170	170
			2,288	2,288

29.2 An amount of Rs.3.20 million (2018: Rs.3.26 million) was donated to the following Trusts:

Name of Directors	Interest in Donee	Name of Donee	Address of Donee	Amount (Rs. in '000)
Mr. Rafiq M.Habib Mr. Mansoor G.Habib Mr. Aun Mohammad A. Habib	Trustee	Al-Sayyeda Benevolent Trust	UBL Building, I.I.Chundrigar Road, Karachi	640
Mr. Aun Mohammad A. Habib	Trustee	Rehmatbai Habib Widows & Orphans Trust	UBL Building, I.I.Chundrigar Road, Karachi	640
Mr. Mohamedali R.Habib Mr. Aun Mohammad A. Habib	Trustee	Rehmatbai Habib Food & Clothing Trust	UBL Building, I.I.Chundrigar Road, Karachi	640
Mr. Mansoor G.Habib Mr. Mohamedali R.Habib Mr. Aun Mohammad A. Habib	Trustee	Habib Poor Fund	UBL Building, I.I.Chundrigar Road, Karachi	640
Mr. Rafiq M.Habib Mr. Mohamedali R.Habib	Trustee	Habib Medical Trust	UBL Building, I.I.Chundrigar Road, Karachi	640
				3,200

29.3 This includes Rs.50.978 million (2018: Rs. 40.345 million) being salaries and other benefits and Rs.1.693 million (2018: Rs. 1.393 million) being contribution to employees' provident fund.

	2019	2018
	(Rupees in '000)	
30. TAXATION		
For the year		
Current	34,052	36,485
Deferred	(6,912)	16,121
	27,140	52,606
30.1 Relationship between tax expense and accounting profit		
Profit before taxation	97,227	157,916
Tax at enacted rate of 29% (2018: 29%)	28,196	45,796
Deffered Tax due to change of rate	985	–
Others	(2,041)	6,810
	27,140	52,606

30.1.1 The tax rate applicable on the Company for Tax Year 2019 is 29% (2018: 29%). The change in tax rate was enacted in Finance Act, 2019.

30.2 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.

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

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

For tax year 2017, the Company had filed the appeals before the Commissioner (Appeals-I), Karachi, against the order passed under section 122(5A) of the Income Tax Ordinance, 2001 (ITO), for the tax year 2017, whereby a demand of Rs.3.3 million has raised. The recovery has automatically been stayed till the decision on payment of 10% demand. In response thereto, the Company filed second appeal before the ATIR, Karachi, against the Order of Commissioner (Appeals-I), Karachi, who has maintained the demand raised under section 161/205 of the ITO for the tax year 2017. The recovery has automatically been stayed till the decision on payment of 10% demand. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company.

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

Further during the period, the tax authorities have also issued show cause notice u/s 14(1) of the Federal Excise Act, 2005 for the tax year 2017 for short payment of Federal Excise Duty amounting to Rs.75,545,059 on aggregate premium revenue received. The Company have obtained stay order from Honorable High Court of Sindh against the show cause notice. However, based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company.

In respect of the Tax year 2019 , the tax authorities have served a notice under section 122(5A) in which the following matters major matters were adressed by the Income Tax department ; Non withholding of the tax on the commision paid , addition on account of cash withdrawl , writing off bad/doubtful debts and the admissibility of various expenses and credits. The tax advisor believes that modification will be made by the department therefore no provision has been made in the finanacial statements for the year ended 31 December 2019.

In addition to above, the company has revised the income tax returns for the tax year 2003 , 2004 and 2011. - The revised return for the tax year 2003 and 2004 was submitted with a total tax liability of Rs 3.61 million and 1.9 million respectively. - Furthermore, the return for the tax year 2011 was revised due to the double deduction of the amount of provision pertaining to workers welfare fund (WWF). After adjustement of the same against the taxes paid or held , a refund was to be claimed by the entity. As per the tax advisor on the above matters disclosed , they might be taken up to the High Court if income tax department doesnot accept the contention.

Besides above 2nd Appeals for TIs 2009 and 2012, 2nd Appeals have also been filed for the Tax Years 2011, 2013, 2014, 2015 and 2016 before the Appellate Tribunal Inland Revenue, Karachi, against the Orders of the Commissioner (Appeals) vide order No.06 to 09/A-1 dated 26.04.2017 and order No.14/A-1 dated 20.06.2017 in respect of orders passed u/s 122(5A) by the Add!. CommissionerB, Zone-II, LTU, Karachi, on the following issues. Appeals are yet to be fixed for hearing.

The company had also filed writ Petition before the Honourable High Court of Sindh, for the assessment years 1999-2000 & 2000-01, under the lead of M/s. Adamjee Insurance on taxation of Capital gain at the corporate rate, vi. The company had also filed writ Petition before the Honourable High Court of Sindh, for the assessment years 1999-2000 & 2000-01, under the lead of M/s. disallowance of Excess Management expenses, over and above the ceiling specified in the Insurance Act and on taxation of Dividend Income at normal corporate tax rate.

At present tax demands of Rs. 3.36 million & Rs. 12.63 million are payable in respect of Tax Years 2009 & 2012, as a result of orders passed u/s 122(5A) whereby normal tax rate was applied on Dividend Income instead of separate tax rate (10% & 7.5%) available in the First Schedule to the Income Tax Ordinance, 2001. Besides above demands, by virtue of appeal effects new tax demands of Rs. 23.4 million, Rs. 2.4 million & Rs.4.4 million, are also payable for the tax years 2011, 2014 & 2015, respectively. Whereas, consequent to appeal effect, a refund of Rs. 9.3 million has also been determined for the tax year 2013. The Appeal Effect for the Tax Year 2016, 2017 and 2018 is still awaited, therefore, at present no tax demand in respect of these Tax Years, are in the field.

As regards the above demands, a rectification application u/s 221 is pending with the tax department in respect of demand of Rs. 23.4 million, for the tax year 2011. Further, a determined refund of Rs. 9.3 million for the Tax Year 2013 and expected refunds to be determined as a result of appeal effect for the tax years 2008 and 2009, amounting to Rs. 0.65 miilion and Rs.1.02 million, respectively, would be available to the Company for adjustment against tax demands for the tax years 2009, 2012, 2014 and 2015 and any other tax liability in future.

An appeal is pending before Commissioner Appeal SRB amount of tax Rs. 190.3 miilion adjudged vide order in original number 134 of 2019, related to reinsurance, subsequently an interim stay order (CP. No. 1694 of 2019) obtained from honorable high court of Sindh Karachi bench till the judgment passed by commissioner appeal SRB, the tax advisor is confident regarding the outcome of the matter, hence no provision is recorded within the financial statements.

A show cause no 000500 dated 23-06-2019, for short payment of sales tax Rs. 35.6 million has been issued from the office of Assistant Commissioner Sindh Revenue Board Karachi, for reinsurance service obtained by Habib Insurance Company Limited during the period July 2011 to December 2011, the adjudication proceeding are under process, and the tax advisor is confident regarding the outcome of the matter.

31. EARNINGS PER SHARE - BASIC AND DILUTED

	2019	2018
	(Rupees in '000)	
Profit after tax for the year	70,087	105,310
	(Number of Shares)	
Weighted average number of ordinary shares of Rs.5 each	123,874,755	123,874,755
	(Rupees)	
Earnings per share	0.57	0.85

31.1 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.

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

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

	Note	Chief Executive Officer		Directors		Executives / Key Management Personnel		Total	
		2019	2018	2019	2018	2019	2018	2019	2018
					(Rupees in '000)				
Director fee		–	–	610	690	–	–	610	690
Managerial remuneration	32.1	9,000	7,500	17,297	9,750	53,542	45,680	79,839	62,930
Bonus		1,250	1,042	2,340	1,049	6,154	4,994	9,744	7,085
Retirement benefits		508	424	960	547	3,083	2,618	4,551	3,589
Contribution to defined contribution plan		270	210	618	726	2,161	2,268	3,049	3,204
		11,028	9,176	21,825	12,762	64,940	55,560	97,793	77,498
Number of persons		1	1	7	8	14	11	23	20

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

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

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

33. TRANSACTIONS WITH RELATED PARTIES

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

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

Transactions and balances with associated companies

	2019	2018
	(Rupees in '000)	
Transactions during the year with associated companies		
Premium written	300,926	270,098
Claims paid	117,869	127,337
Dividend received	30,223	34,078
Dividend paid	11,202	8,324
Investment made	16,118	81,923
Investment sold	86,836	193,327
Gain on sale of investments	29,052	130,001
Interest received on bank accounts	7,954	5,027
Bank charges	353	54
Fees paid	610	690
Lease rentals paid	20,521	10,981
Security deposit paid	4,320	17,162
Interest expense	7,669	–
Remuneration of key management personnel	97,194	77,498
Balances with associated companies		
Premium due but unpaid	137,000	114,880
Claims outstanding	162,653	108,870
Bank balances	117,838	101,303
Investment held	586,456	564,104
Security deposit	20,237	17,162
Finance lease liability	81,695	68,950
Borrowings	80,000	–
Transactions during the year with other related parties including key management personnel		
Repayment of loans to employees (secured)	7,927	12,349
Brokerage expenses paid	–	6,230
Contribution to the provident fund	8,787	7,406
Balance with other related parties including key management personnel		
Premium due but unpaid	15	–
Loans to employees (secured)	21,454	25,519
Brokerage Expenses Payable	–	370

33.1 Remuneration to the key management personnel are in accordance with the terms of their employment (refer note 32). Contribution to the provident fund is in accordance with the Company's staff services rules and other transactions with the related parties are in accordance with the agreed terms.

34. SEGMENT REPORTING

	Fire and property	Marine and transport	Motor	Group Hospitalisation	Other Classes	Aggregate
	2019					
	(Rupees in '000)					
Gross Written Premium (inclusive of administrative surcharge)	636,730	238,457	560,579	8,148	176,138	1,620,052
Insurance premium earned	551,010	235,067	525,856	8,300	152,937	1,473,170
Insurance premium ceded to reinsurers	(434,007)	(84,405)	(108,653)	–	(90,519)	(717,584)
Net insurance premium	117,003	150,662	417,203	8,300	62,418	755,586
Premium deficiency reserve	–	–	–	(2,236)	–	(2,236)
Commission income	125,017	29,100	32,526	–	16,173	202,816
Net underwriting income	242,020	179,762	449,729	6,064	78,591	956,166
Insurance claims	348,711	226,664	323,061	14,414	82,263	995,113
Insurance claims recovered from reinsurers	(300,199)	(147,761)	(90,013)	199	(39,586)	(577,360)
Net Claims	48,512	78,903	233,048	14,613	42,677	417,753
Commission expense	(70,819)	(27,240)	(25,815)	48	(18,872)	(142,698)
Management expenses	(115,715)	(43,335)	(101,876)	(1,481)	(32,010)	(294,417)
Net insurance claims and expenses	(186,534)	(70,575)	(127,691)	(1,433)	(50,882)	(437,115)
Underwriting result	6,974	30,284	88,990	(9,982)	(14,968)	101,298
Investment income						94,810
Other income						21,449
Other expenses						(109,805)
Results of operating activities						107,752
Financial charges						(14,569)
Loss from Window Takaful Operations - Operator's Fund						4,044
Profit before tax						97,227
Revenue from major customers	44,999	47,159	307,092	–	30,529	429,779
Segment assets	754,957	322,074	720,494	11,372	209,545	2,018,442
Unallocated assets						1,555,265
Unallocated assets of General Takaful Operations - Operator's Fund						66,960
						3,640,667
Segment liabilities	659,548	281,371	629,440	9,935	183,063	1,763,357
Unallocated liabilities						614,456
Unallocated liabilities of General Takaful Operations - Operator's Fund						13,673
						2,391,486

	2018					
	Fire and property	**Marine and transport**	**Motor**	**Group Hospitalisation**	**Other Classes**	**Aggregate**
	(Rupees in '000)					
Gross Written Premium (inclusive of administrative surcharge)	469,971	215,295	489,443	14,552	137,763	1,327,024
Insurance premium earned	414,751	207,598	429,518	30,358	94,093	1,176,318
Insurance premium ceded to reinsurers	(364,185)	(88,360)	(147,028)	(30)	(44,653)	(644,256)
Net insurance premium	50,566	119,238	282,490	30,328	49,440	532,062
Commission income	100,297	27,453	43,473	6	7,412	178,641
Net underwriting income	150,863	146,691	325,963	30,334	56,852	710,703
Insurance claims	109,422	183,411	309,565	(16,004)	13,468	599,862
Insurance claims recovered from reinsurers	(73,783)	(118,129)	(119,490)	13,349	10,686	(287,367)
Net Claims	35,639	65,282	190,075	(2,655)	24,154	312,495
Commission expense	(47,635)	(22,588)	(18,317)	(242)	(11,490)	(100,272)
Management expenses	(87,130)	(39,894)	(90,769)	(2,635)	(30,897)	(251,325)
Net insurance claims and expenses	(134,765)	(62,482)	(109,086)	(2,877)	(42,387)	(351,597)
Underwriting result	(19,541)	18,927	26,802	30,112	(9,689)	46,611
Investment income						196,665
Other income						8,550
Other expenses						(87,177)
Results of operating activities						164,649
Financial charges						(3,786)
Loss from Window Takaful Operations - Operator's Fund						(2,947)
Profit before tax						157,916
Revenue from major customers	–	44,515	343,916	8,716	32,751	429,898
Segment assets	639,579	320,132	662,350	46,814	145,097	1,813,972
Unallocated assets						1,414,383
Unallocated assets of General Takaful Operations - Operator's Fund						54,048
						3,282,403
Segment liabilities	531,662	266,116	288,117	550,592	38,915	1,675,402
Unallocated liabilities						262,490
Unallocated liabilities of General Takaful Operations - Operator's Fund						5,952
						1,943,844

35. MOVEMENT IN INVESTMENTS

	Held to Maturity	Available-for-sale	Total
		(Rupees in '000)	
As at January 01, 2018	69,395	1,207,878	1,277,273
Addtions	15,378	701,135	716,513
Disposals (sale and redemption)	(13,500)	(518,003)	(531,503)
Fair value net gains (excluding net realised gains)	–	(260,397)	(260,397)
Imairment of investments	–	(757)	(757)
Amortisation of premium/ discount	(510)	–	(510)
As at December 31, 2018	70,763	1,129,856	1,200,619
Additions	206,419	553,144	759,563
Disposals (sale and redemption)	–	(600,020)	(600,020)
Fair value net gains (excluding net realised gains)	–	(93,278)	(93,278)
Impairment of investments	–	(2,003)	(2,003)
Amortisation of premium/ discount	685	–	685
As at December 31, 2019	277,867	987,699	1,265,566

36 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

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

36.1 Insurance risk management

36.1.1 Insurance risk

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

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

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.

36.1.2 Frequency and severity of claims

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

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

36.1.3 Uncertainty in the estimation of future claim payments

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

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the financial statement date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the financial statement date. The details of estimation of outstanding claims (including IBNR) are given under note 3.20.

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.

36.1.4 Key assumptions

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

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

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

36.1.5 Sensitivity Analysis

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

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

	Underwriting results/ profit before tax		Shareholder's equity	
	2019	2018	2019	2018
	(Rupees in '000)			
Impact of change in claims liabilities +10%				
Fire and property	(4,851)	(3,564)	(3,444)	(2,495)
Marine and transport	(7,890)	(6,528)	(5,602)	(4,570)
Motor	(23,305)	(19,008)	(16,547)	(13,306)
Group hospitalisation	(1,461)	266	(1,037)	186
Other classes	(4,268)	(2,415)	(3,030)	(1,691)
	(41,775)	(31,249)	(29,660)	(21,876)
Impact of change in claims liabilities –10%				
Fire and property	4,851	3,564	3,444	2,495
Marine and transport	7,890	6,528	5,602	4,570
Motor	23,305	19,008	16,547	13,306
Group hospitalisation	1,461	(266)	1,037	(186)
Other classes	4,268	2,415	3,030	1,691
	41,775	31,249	29,660	21,876

36.1.6 Concentration of risk

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

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

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

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

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

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	
	2019	2018	2019	2018	2019	2018
	(Rupees in ' 000)					
Fire and property	29,030,047	25,684,291	25,530,047	25,672,019	3,500,000	12,272
Marine and transport	1,144,889	739,807	1,143,389	738,307	1,500	1,500
Motor	32,000	23,400	30,500	21,400	1,500	2,000
Group hospitalisation	800	800	–	–	800	800
Other classes	925,084	580,395	921,584	576,895	3,500	3,500
	31,132,820	27,028,693	27,625,520	27,008,621	3,507,300	20,072

37. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

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

37.1 Credit risk

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

37.1.1 Management of credit risk

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

- Credit rating and / or credit worthiness of the counter party is taken into account along with the financial background so as to minimize the risk of default. Collaterals are obtained wherever appropriate / relevant.

- The risk of counterparty exposure due to failed agreements causing a loss to the Company is mitigated by a periodic review of the credit ratings, financial statements, credit worthiness, etc. on a regular basis and makes provision against those balances considered doubtful of recovery.

- Loans given to employees are deductible from the salary of the employees.

- Cash is held with reputable banks only.

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

37.1.2 Exposure to credit risk

Credit risk of the Company arises principally from the balances with banks, loans to employees, investments (except for investment in government securities and listed equity shares), premium due but unpaid, amount due from other insurers / reinsurers, reinsurance and other recoveries against outstanding claims and sundry receivable (except receivable against FED). In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31 is as follows:

	2019		2018	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	(Rupees in ' 000)			
Investment in equity securities and mutual funds units	987,699	–	1,129,856	–
Investment in government securities	277,867	–	70,763	–
Loans and other receivables	157,604	104,983	110,522	104,983
Insurance/ reinsurance receivables	1,045,702	1,045,702	932,311	932,311
Reinsurance recoveries against outstanding claims	355,901	355,901	406,143	406,143
Salvage recoveries accrued	8,304	8,304	9,616	9,616
Prepayments	377,555	–	292,158	–
Balances with banks	120,768	120,768	102,231	102,231
	3,331,400	1,635,658	3,053,600	1,555,284

37.1.3 Past due / impaired assets

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

	2019		2018	
	Gross	Impairment	Gross	Impairment
	(Rupees in ' 000)			
Upto 1 year	559,073	–	435,083	–
1-2 years	33,532	–	40,595	–
2-3 years	7,753	–	20,667	8,692
Over 3 years	6,789	15,912	23,132	7,220
Total	607,147	15,912	519,477	15,912

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

	2019		2018	
	Gross	Impairment	Gross	Impairment
	(Rupees in ' 000)			
Upto 1 year	199,421	–	155,464	–
1-2 years	53,224	–	120,017	–
Over 2 years	208,322	6,500	159,765	6,500
Total	460,967	6,500	435,246	6,500

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

	2019		2018	
	Gross	Impairment	Gross	Impairment
	(Rupees in ' 000)			
Upto 1 year	120,438	–	137,147	–
1-2 years	112,084	–	(13,175)	–
Over 2 years	131,683	–	291,787	–
Total	364,205	–	415,759	–

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.

37.1.4 Credit Rating and Collateral

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

	Short/ Long term Rating	Rating Agency	Amount (Rupees in '000) 2019	2018
Habib Bank Limited	AAA / A1+	JCR-VIS	2,931	927
Habib Metropolitan Bank Limited	A1+ / AA+	PACRA	–	–
Bank AL Habib Limited	A1+ / AA+	PACRA	117,838	101,304
			120,769	102,231

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

	Amount due from other insurers / reinsurers	Reinsurance recoveries against outstanding claims	Prepaid reinsurance premium ceded	2019	2018
			(Rupees in '000)		
A or above (including PRCL)	454,467	364,205	366,576	1,185,248	1,126,297

37.1.5 Concentration of credit risk

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

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

	2019		2018	
	(Rupees in '000)	%	(Rupees in '000)	%
Automobiles	50,158	8.3	30,485	5.9
Banks, modaraba and leasing	212,576	35.0	157,485	30.3
Textile and composite	54,273	8.9	52,706	10.1
Sugar	25,483	4.2	31,034	6.0
Chemicals and allied industries	17,320	2.9	25,740	5.0
Glass, ceramics and tiles	14,698	2.4	14,862	2.9
Cable, engineering and steel	19,706	3.2	6,380	1.2
Food and confectionary	24,765	4.1	19,794	3.8
Fuel and energy	(470)	(0.1)	27,501	5.3
Insurance	–	–	1,108	0.2
Pharmaceuticals	8,688	1.4	12,648	2.4
Others	179,950	29.70	139,734	26.90
	607,147	100.0	519,477	100.0

37.1.6 Settlement risk

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

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

37.1.7 Liquidity risk

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

37.1.8 Management of liquidity risk

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

37.1.9 Maturity analysis for financial assets and liabilities

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

	2019						
	Interest/ Markup bearing			Non-Interest/ Non-markup bearing			
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total
				(Rs. in '000)			
FINANCIAL ASSETS							
Investments							
Equity securities	–	–	–	987,699	–	987,699	987,699
Government securities	30,000	247,867	277,867	–	–	–	277,867
Loans and other receivables	2,584	51,181	53,765	103,839	–	103,839	157,604
Insurance / reinsurance receivables	–	–	–	1,045,702	–	1,045,702	1,045,702
Reinsurance recoveries against outstanding claims	–	–	–	355,901	–	355,901	355,901
Salvage recoveries accrued	–	–	–	8,304	–	8,304	8,304
Cash and bank	121,116	–	121,116	–	–	–	121,116
As at December 31, 2019	153,700	299,048	452,748	2,501,445	–	2,501,445	2,954,193
FINANCIAL LIABILITIES							
Premium received in advance	–	–	–	20,605	–	20,605	20,605
Outstanding claims including IBNR	–	–	–	594,636	–	594,636	594,636
Insurance / reinsurance payables	–	–	–	261,265	–	261,265	261,265
Borrowings	80,000	128,558	208,558	–	–	–	208,558
As at December 31, 2019	80,000	128,558	208,558	876,506	–	876,506	1,085,064

	2018						
	Interest/ Markup bearing			Non-Interest/ Non-markup bearing			
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	Total
				(Rs. in '000)			
FINANCIAL ASSETS							
Investments							
Equity securities	–	–	–	1,129,856	–	1,129,856	1,129,856
Government securities	–	70,763	70,763	–	–	–	70,763
Loans and other receivables	7,502	45,105	52,607	–	–	–	52,607
Insurance / reinsurance receivables	–	–	–	932,311	–	932,311	932,311
Reinsurance recoveries against outstanding claims	–	–	–	406,143	–	406,143	406,143
Salvage recoveries accrued	–	–	–	9,616	–	9,616	9,616
Cash and bank	102,396	–	102,396	–	–	–	102,396
As at December 31, 2018	109,898	115,868	225,766	2,477,926	–	2,477,926	2,703,692
FINANCIAL LIABILITIES							
Premium received in advance	–	–	–	424	–	424	424
Outstanding claims including IBNR	–	–	–	543,938	–	543,938	543,938
Insurance / reinsurance payables	–	–	–	222,570	–	222,570	222,570
Borrowings	–	68,950	68,950	–	–	–	68,950
As at December 31, 2018	–	68,950	68,950	766,932	–	766,932	835,882

37.2 Market risk

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

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

37.2.1 Interest rate risk

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

37.2.1.1 Sensitivity analysis

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

	2019	2018	2019	2018
Financial assets	Effective interest rate (in %)		(Rupees in '000)	
Assets subject to fixed rate				
- Government securities	7.00% - 12.00% 8.75% - 12.00%	7.00% - 12.00% 8.75% - 12.00%	277,867	70,763
- Loan to employees	3.00% to 12.00%	3.00% to 6.00%	53,765	52,607
Assets subject to variable rate				
- Bank balances	8.50% - 11.75%	5.00% - 6.00%	98,822	88,647

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

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

	2019		2018	
	(Rupees in '000)			
	Mark-up 100 bps		Mark-up 100 bps	
	Increase	Decrease	Increase	Decrease
Cash flow sensitivity - variable rate financial assets	9,882	(9,882)	8,865	(8,865)

37.2.1.3 Exposure to interest rate risk

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

	2019				
	Mark-up/ return (%)	Less than 1 year	1 year to 5 year	More than 5 year	Total
		(Rupees in '000)			
Assets					
Investment in govt. securities	7.00 to 12.00	30,000	247,867	–	277,867
Loans to employees	3.00 to 12.00	2,584	51,181	–	53,765
Bank balances	8.50 to 11.75	98,822	–	–	98,822
Total assets		131,406	299,048	–	430,454
Liabilities		–	–	–	–
Total interest sensitivity gap		131,406	299,048	–	430,454

	2018				
	Mark-up/ return (%)	Less than 1 year	1 year to 5 year	More than 5 year	Total
		(Rupees in '000)			
Assets					
Investment in govt. securities	7.00 to 12.00	30,276	40,487	–	70,763
Loans to employees	3.00 to 12.00	7,502	45,105	–	52,607
Bank balances	5.00 to 6.00	88,647	–	–	88,647
Total assets		126,425	85,592	–	212,017
Liabilities		–	–	–	–
Total interest sensitivity gap		126,425	85,592	–	212,017

37.2.1.2 Price risk

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

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

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

37.2.2.1 Sensitivity analysis

The table below summarizes Company's equity price risk as of 31 December 2019 and 2018 and shows the effects of a hypothetical 10% increase / (decrease) in market prices as at the year end. The selected hypothetical change does not reflect what could be considered to be the best or worst case scenarios. Indeed, results could be worse in Company's equity investment portfolio because of the nature of equity markets.

	Fair value	Hypothetical price change	Estimated fair value after change in prices	Increase/ (decrease) in shareholders' equity	Increase (decrease) in profit before tax
	(Rupees in '000)		(Rupees in '000)		
2019	987,699	10% increase	1,086,469	98,770	98,770
		10% decrease	888,929	(98,770)	(98,770)
2018	1,129,856	10% increase	1,242,842	112,986	112,986
		10% decrease	1,016,870	(112,986)	(112,986)

37.2.3 Foreign currency risk

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

37.3 Capital Management

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

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

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

The statement of solvency is presented in note 39 to the financial statements.

37.4 Fair value of financial instruments

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

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

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

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

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

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

	2019					Fair value measurement using		
	Available for sale	Loans & receivable	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
				(Rupees in '000)				
Financial assets measured at fair value								
Investments								
Equity securities - quoted	962,613	–	–	–	962,613	962,613	–	–
Mutual fund units	–	3,738	–	–	3,738	–	3,738	–
Modaraba certificates	21,348	–	–	–	21,348	21,348	–	–
Financial assets not measured at fair value								
Investments								
Debt securities	–	277,867	–	–	277,867	–	259,479	–
Loans and other receivables	–	157,604	–	–	157,604	–	–	–
Insurance / reinsurance receivable	–	1,045,702	–	–	1,045,702	–	–	–
Reinsurance recoveries against outstanding claims	–	355,901	–	–	355,901	–	–	–
Cash and bank balances	–	–	121,116	–	121,116	–	–	–
Total assets of Window Takaful Operations - Operator's Fund	36,809	25,211	193	–	62,213	–	–	–
	1,020,770	1,866,023	121,309	–	3,008,102	983,961	263,217	–
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	–	–	–	(594,636)	(594,636)	–	–	–
Preimum received in advance	–	–	–	(20,605)	(20,605)	–	–	–
Insurance / reinsurance payables	–	–	–	(261,265)	(261,265)	–	–	–
Other creditors and accruals	–	–	–	(191,942)	(191,942)	–	–	–
Total liabilities of Window Takaful Operations - Operator's Fund	–	–	–	(15,120)	(15,120)	–	–	–
	1,020,770	1,866,023	121,309	(1,083,568)	1,924,534	983,961	263,217	–

	2018							
	Available for sale	Loans & receivable	Other financial assets	Other financial liabilities	Total	Fair value measurement using		
						Level 1	Level 2	Level 3
	(Rupees in ‘000)							
Financial assets measured at fair value								
Investments								
Equity securities - quoted	1,047,004	–	–	–	1,047,004	1,047,004	–	–
Mutual fund units	59,919	–	–	–	59,919	–	59,919	–
Modaraba certificates	22,933	–	–	–	22,933	22,933	–	–
Financial assets not measured at fair value								
Investments								
Debt securities	–	69,322	–	–	69,322	–	69,322	–
Loans and other receivables	–	–	–	–	–	–	–	–
Insurance / reinsurance receivable	–	932,311	–	–	932,311	–	–	–
Reinsurance recoveries against outstanding claims	–	–	–	–	–	–	–	–
Cash and bank balances	–	–	102,396	–	102,396	–	–	–
Total assets of Window Takaful Operations - Operator’s Fund	20,695	7,952	–	–	28,647	–	–	–
	1,150,551	1,009,585	102,396	–	2,262,532	1,069,937	129,241	–
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	–	–	–	(543,938)	(543,938)	–	–	–
Preimum received in advance	–	–	–	(424)	(424)	–	–	–
Insurance / reinsurance payables	–	–	–	(222,570)	(222,570)	–	–	–
Other creditors and accruals	–	–	–	(166,118)	(166,118)	–	–	–
Total liabilities of Window Takaful Operations - Operator’s Fund	–	–	–	(6,474)	(6,474)	–	–	–
	1,150,551	1,009,585	102,396	(939,524)	1,323,008	1,069,937	129,241	–

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

38. PROVIDENT FUND

The following is based on the unaudited financial statements for the year ended December 31, 2019:

	2019	2018
	(Rupees in '000)	
Size of the fund - Net Assets	83,312	70,953
Cost of investments	70,846	67,901
Percentage of investments made	85.04%	95.70%
Fair value of investments	83,312	70,953

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

	2019	2018	2019	2018
	(Percentage)		(Rupees in '000)	
National/ Special Savings Scheme	83.30%	93.73%	69,400	66,500
Bank Balances	14.96%	4.30%	12,466	3,052
Mutual Funds Units	1.74%	1.97%	1,446	1,401
Total	100.00%	100.00%	83,312	70,953

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

39. STATEMENT OF SOLVENCY

	2019	2018
	(Rupees in '000)	
Assets		
Property and equipment	164,825	109,076
Intangible assets	3,095	4,443
Investments		
Equity securities	987,699	1,129,856
Debt securities	277,867	70,763
Loans and other receivables	157,604	110,522
Insurance/ reinsurance receivable	1,045,702	932,311
Reinsurance recoveries against outstanding claims	355,901	406,143
Salvage recoveries accrued	8,304	9,616
Deferred commission expense	74,039	61,071
Prepayments	377,555	292,158
Cash and bank deposits	121,116	102,396
Total assets - Operator's Fund	66,960	54,048
	3,640,667	3,282,403
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000		
Property and equipment	117,626	109,076
Intangible Assets	3,095	4,443
Investments		
Equity securities	482,162	710,100
Loans and other receivables	28,454	15,030
Insurance / reinsurance receivable	277,710	251,378
Total of In-admissible Assets (B)	909,047	1,090,027
Total of Admissible Assets (C=A-B)	2,731,620	2,192,376

	2019	2018
	(Rupees in '000)	
Total Liabilities		
Underwriting provisions		
Outstanding claims including IBNR	594,636	543,938
Unearned premium reserves	778,636	631,754
Unearned reinsurance commission	105,979	77,002
Premium deficiency reserve	2,236	–
Deferred taxation	101,949	129,519
Financial lease liability	208,558	68,950
Premium received in advance	20,605	424
Retirement benefit obligations	102,396	88,470
Insurance / reinsurance payables	261,265	222,570
Taxation - provision less payments	9,611	9,147
Other creditors and accruals	191,942	166,118
Total assets - Operator's Fund	13,673	5,952
Total Liabilities (D)	2,391,486	1,943,844
Total Net Admissible Assets (E= C-D)	340,134	248,532
Minimum Solvency Requirement	(151,117)	(150,000)
Excess Solvency	189,017	98,532

40. CORRESPONDING FIGURES

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

41. SUBSEQUENT EVENTS - NON ADJUSTING

In the meeting held on April 22, 2020 the Board of Directors of the Company proposed a final cash dividend of Rs.0.50 per share (2018: Rs.0.75 per share) amounting to Rs.61.937 million (2018: Rs.92.906 million) for the year ended December 31, 2019, for approval by the members in Annual General Meeting to be held on May 18, 2020.

42. Number of employees

The total average number of employees during the year end as at December 2019 and 2018 are as follows:

	2019	2018
At year end	225	218
Average during the year	224	199

43. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on April 22, 2020 by the Board of Directors of the Company.

44. GENERAL

Figures has been rounded off to the nearest thousand rupees.

RAFIQ M. HABIB	MANSOOR G. HABIB	SHAHID GHAFFAR	SHABBIR GULAMALI	MURTAZA HUSSAIN
Chairman	*Director*	*Director*	*Chief Executive*	*Chief Financial Officer*

Financial Statements

Window Takaful Operations

Shariah Advisory Board's Report to the Board of Directors for the year ended December 31, 2019

The Company, Habib Insurance Company Limited commenced Window Takaful Operations on October 1, 2018. By the grace of Almighty Allah and sincere efforts of Management, the year under review was the second successful year of Window Takaful Operations.

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

We acknowledge that as Shariah Advisory Board members of Takaful Operator, it is our responsibility to provide Shariah guidelines and develop framework for assurance that the financial arrangements, contracts and transactions undertaken by the Takaful Operator with its participants and stakeholders are in compliance with the requirements of Shariah rules and principles.

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

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

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

The Takaful Operator's activities and operations are periodically checked and monitored by Shariah Advisory Board. In order to have an independent assessment of the Shariah Governance and Compliance environment of the Takaful operations undertaken by the Operator and the conformity of Takaful operations with Shariah rules and principles an external Shariah audit was conducted and report has been submitted to the Shariah Advisory Board.

In our opinion and to the best of our knowledge, the financial arrangements, products and transactions entered into by the Company and the Waqf, as the case may be, for the year ended December 31, 2019 are in compliance with the requirements of the Shariah rules and guidelines as prescribed by the Shariah Advisory Board and Allah knows the best. However, the following are recommended:

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

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

Mufti Muhammad Hanif
Shariah Advisor & Member
Shariah Advisory Board

Mufti Muhammad Ashraf Alam
Member
Shariah Advisory Board

Mufti Imtiaz Alam
Chairman & Member
Shariah Advisory Board

Karachi: April 22, 2020

Independent Reasonable Assurance Report to the Board of Directors on the Statement of Management's Assessment of Compliance with the Shariah Principles

We were engaged by the Board of Directors of Habib Insurance Company Limited (the Company) to report on the management's assessment of compliance of the Window Takaful Operations (Takaful Operations) of the Company as set out in the annexed statement prepared by the management for the year ended 31 December 2019, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Applicable Criteria

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

Responsibilities of the Management

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

The Board of Directors / management of the Company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Takaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Our Independence and Quality Control

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

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

Our responsibilities

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000. “Assurance Engagements Other Than Audits or Reviews of Historical Financial information” issued by the International Auditing and Assurance Standards Board. that standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

The procedures selected depend on our judgment, including the assessment of the, risks of material non-compliance with the Takaful Rules 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Takaful Operations compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances but not for the purpose of expressing a conclusion as to the effectiveness of the Company's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed included:

– Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;

– Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shari'ah Advisor and the board of directors;

– Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012' and

– Review the statement of management's assessment of compliance of the Takaful transactions during the year ended 31 December 2019 with the Takaful Rules, 2012.

Conclusion

Out conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion the annexed statement, for the year ended 31 December 2019, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

Date: April 28, 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

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

The financial arrangements, contracts and transactions, entered into by Habib Insurance Company Limited - Window Takaful Operations (the Operator) for the year ended December 31, 2019 are in compliance with the Takaful Rules, 2012 and the Shariah Rules and Principles determined by the Shariah Advisor of the Operator, (Shariah Rules and Principles).

Further, we confirm that:

– The Operator has developed and implemented all the policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee/ Shariah Advisor and the Board of Directors have been implemented;

– The Operator has imparted trainings/ orientations and ensured availability of all manuals/ agreements approved by Shariah Advisor/ Board of Directors to maintain the adequate level of awareness, capacity and sensitisation of the staff, management;

– All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts and transactions, entered into by Window Takaful Operations are in accordance with the policies approved by Shariah Advisor; and

– The assets and liabilities of Operator are segregated from the Habib Insurance Company Limited's other assets and liabilities, at all times in accordance with the provisions of the Takaful Rules, 2012.

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

SHABBIR GULAMLI
Chief Executive

Karachi: April 22, 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Habib Insurance Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Habib Insurance Company Limited - Window Takaful Operations** (the "Company"), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 31 December 2019 and total comprehensive income, the changes in fund and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of matter

We draw your attention to Note 28.1 to the financial statements which states that the admissible assets of Participant Takaful Fund are less than its liabilities as at 31 December 2019 which is not consistent with the requirements of Rule 10(k) of Takaful Rules 2012. Our report is not modified in respect of this matter.

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

Management is responsible for the Other Information. The Other Information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of comprehensive income, the statement of changes in fund and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financial statements of the company for the year ended 31 December 2018 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion thereon dated 27 March 2019.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Taufiq.

Date: April 28, 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Statement of Financial Position as at December 31, 2019

	Note	2019 Operator's Fund	2019 Participant's Takaful Fund	2019 Aggregate	2018 Operator's Fund	2018 Participant's Takaful Fund	2018 Aggregate
		(Rupees in '000)					
Assets							
Investments							
Equity securities	5	36,809	20,481	57,290	20,695	–	20,695
Loans and other receivables	6	24,911	334	25,245	7,952	–	7,952
Takaful/ retakaful receivable	7	–	42,277	42,277	–	14,561	14,561
Retakaful recoveries against outstanding claims	12	–	10,521	10,521	–	297	297
Deferred Wakala expense	15	–	10,518	10,518	–	3,922	3,922
Deferred commission expense	14	4,122	–	4,122	1,255	–	1,255
Taxation - payments less provision	24	–	557	557	–	21	21
Prepayments	8	300	20,810	21,110	–	9,088	9,088
Cash and bank	9	193	21,133	21,326	25,401	6,260	31,661
Total Assets		66,335	126,631	192,966	55,303	34,149	89,452
Funds and Liabilities							
Capital and reserves attributable to Company's equity holders							
Statutory Fund		50,000	–	50,000	50,000	–	50,000
Accumulated deficit		(416)	–	(416)	(3,265)	–	(3,265)
Available-for-sale reserve		607	–	607	375	–	375
		50,191	–	50,191	47,110	–	47,110
Waqf / Participants' Takaful Fund (PTF)							
Ceded money		–	500	500	–	500	500
Accumulated deficit		–	(4,510)	(4,510)	–	(1,347)	(1,347)
Balance of WAQF/ PTF		–	(4,010)	(4,010)	–	(847)	(847)
Liabilities							
Underwriting provisions							
Outstanding claims including IBNR	12	–	17,825	17,825	–	1,614	1,614
Unearned contribution reserve	11	–	42,069	42,069	–	15,687	15,687
Unearned retakaful commission	14	–	3,535	3,535	–	1,568	1,568
Unearned Wakala Fee	15	10,518	–	10,518	3,922	–	3,922
Qard-e-Hasna	6	–	3,652	3,652	–	3,000	3,000
Contribution received in advance		–	1,802	1,802	–	50	50
Takaful/ retakaful payable		–	38,422	38,422	–	8,239	8,239
Taxation - payments less provision		539	–	539	–	–	–
Deferred tax liability	19	454	–	454	146	–	146
Other creditors and accrual	10	4,633	23,336	27,969	4,125	4,838	8,963
Total liabilities		16,144	130,641	146,785	8,193	34,996	43,189
Total Equity and liabilities		66,335	126,631	192,966	55,303	34,149	89,452
Contingencies and commitments	20						

The annexed notes from 1 to 30 form an integral part of these financial statements.

RAFIQ M. HABIB	MANSOOR G. HABIB	SHAHID GHAFFAR	SHABBIR GULAMALI	MURTAZA HUSSAIN
Chairman	*Director*	*Director*	*Chief Executive*	*Chief Financial Officer*

Statement of Comprehensive Income
for the year ended December 31, 2019

	Note	2019	2018
		(Rupees in '000)	
Participants' Takaful Fund (PTF)			
Net takaful contribution	11	19,150	533
Net takaful claims	12	(15,180)	(1,492)
Wakala fee	15	(14,654)	(730)
Retakaful rebate	14	5,976	318
Underwriting result		(4,708)	(1,371)
Profit on bank balances		1,545	24
Deficit for the period		(3,163)	(1,347)
Other comprehensive income		–	–
Total comprehensive loss for the period		(3,163)	(1,347)
Operator's Fund (OPF)			
Wakala fee	15	14,654	730
Commission expense	14	(5,902)	(271)
Management expenses	16	(4,711)	(1,743)
Other expenses	18	(4,598)	(2,822)
Investment income	17	2,112	718
Profit on bank balances		2,458	123
Profit / (Loss) before taxation		4,013	(3,265)
Income tax expense	24	(1,164)	–
Profit/ (Loss) after tax for the year		2,849	(3,265)
Other comprehensive income:			
Items that may be reclassified subsequently to profit and loss account			
Unrealised gain on available-for-sale investments during the year		1,061	521
Related tax impact	19	(308)	(146)
		753	375
Total comprehensive income / (loss) for the period		3,602	(2,890)

The annexed notes from 1 to 30 form an integral part of these financial statements.

RAFIQ M. HABIB	MANSOOR G. HABIB	SHAHID GHAFFAR	SHABBIR GULAMALI	MURTAZA HUSSAIN
Chairman	*Director*	*Director*	*Chief Executive*	*Chief Financial Officer*

Statement of Changes in Fund
for the year ended December 31, 2019

	Operator's Fund			
	Statutory Fund	Accumulated (Deficity)/ Surplus	Available-for-sale reserve	Total
	(Rupees in '000)			
Balance as at January 01, 2018	–	–	–	–
Statutory capital injected	50,000	–	–	50,000
Loss for the period	–	(3,265)	–	(3,265)
Unrealised gain on revaluations of - available-for-sale investments	–	–	521	521
Related tax impact	–	–	(146)	(146)
Balance as at December 31, 2018	50,000	(3,265)	375	47,110
Balance as at January 01, 2019	50,000	(3,265)	375	47,110
Profit after tax for the year	–	2,849	–	2,849
Less: Net gain transferred to profit and loss on disposal of investments	–	–	(521)	(521)
Unrealised gain on revaluations of - available-for-sale investments	–	–	1,061	1,061
Related tax impact	–	–	(308)	(308)
Balance as at December 31, 2019	50,000	(416)	607	50,191

	Participants' Takaful Fund		
	Ceded money	Accumulated deficit	Total
	(Rupees in '000)		
Balance as at January 01, 2018	–	–	–
Waqf money received	500	–	500
Loss for the period	–	(1,347)	(1,347)
Balance as at December 31, 2018	500	(1,347)	(847)
Loss for the year	–	(3,163)	(3,163)
Balance as at December 31, 2019	500	(4,510)	(4,010)

The annexed notes from 1 to 30 form an integral part of these financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

SHAHID GHAFFAR
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Statement of Cash Flow
for the year ended December 31, 2019

	December 31, 2019			December 31, 2018		
	Operator's Fund	Participant's Takaful Fund	Aggregate	Operator's Fund	Participant's Takaful Fund	Aggregate
	(Rupees in '000)					
Operating activities						
(a) Takaful activities						
Contribution received	–	59,920	59,920	–	3,802	3,802
Retakaful contribution paid	–	(22,034)	(22,034)	–	(2,898)	(2,898)
Claims paid	–	(10,631)	(10,631)	–	(317)	(317)
Retakaful and other recoveries received	–	1,438	1,438	–	142	142
Commission paid	–	(8,240)	(8,240)	–	(1,526)	(1,526)
Commission received	–	7,943	7,943	–	1,886	1,886
Net cash inflows from takaful activities	–	28,396	28,396	–	1,089	1,089
(b) Other operating activities						
Other operating payments	(13,062)	4,424	(8,638)	(1,592)	–	(1,592)
Other operating receipts	–	–	–	–	1,647	1,647
Net cash flows from other operating activities	(13,062)	4,424	(8,638)	(1,592)	1,647	55
Total cash flows from all operating activities	(13,062)	32,820	19,758	(1,592)	2,736	1,144
Investment activities						
Profit / return received	2,449	1,401	3,850	123	24	147
Dividend received	1,540	–	1,540	44	–	44
Qard-e-hasna	(652)	652	–	(3,000)	3,000	–
Payments for investments	(56,311)	(20,000)	(76,311)	(20,174)	–	(20,174)
Proceeds from investments	40,828	–	40,828	–	–	–
Total cash flows from investing activities	(12,146)	(17,947)	(30,093)	(23,007)	3,024	(19,983)
Financing activities						
Statutory capital injected	–	–	–	50,000	–	50,000
Ceded money received	–	–	–	–	500	500
Total cash flows from financing activities	–	–	–	50,000	500	50,500
Net cash flows from all activities	(25,208)	14,873	(10,335)	25,401	6,260	31,661
Cash and cash equivalents at beginning of year	25,401	6,260	31,661	–	–	–
Cash and cash equivalents at end of period	193	21,133	21,326	25,401	6,260	31,661
Reconciliation to profit and loss account						
Operating cash flows	(13,062)	32,820	19,758	(1,592)	2,736	1,144
Leave encashment	380	–	380	411	–	411
Profit / return received	2,449	1,401	3,850	123	–	123
Dividends received	1,540	–	1,540	44	–	44
Capital gain	572	–	572	674	–	674
(Decrease) / increase in assets other than cash	4,422	85,017	89,439	(3,018)	29,192	26,174
Increase / (decrease) in liabilities	6,548	(122,401)	(115,853)	93	(33,275)	(33,182)
Profit/ (loss) after taxation	2,849	(3,163)	(314)	(3,265)	(1,347)	(4,612)
Attributed to:						
Operator's Fund	2,849	–	2,849	(3,265)	–	(3,265)
Participants' Takaful Fund	–	(3,163)	(3,163)	–	(1,347)	(1,347)
	2,849	(3,163)	(314)	(3,265)	(1,347)	(4,612)

The annexed notes from 1 to 30 form an integral part of these financial statements.

RAFIQ M. HABIB	MANSOOR G. HABIB	SHAHID GHAFFAR	SHABBIR GULAMALI	MURTAZA HUSSAIN
Chairman	*Director*	*Director*	*Chief Executive*	*Chief Financial Officer*

NOTES TO OR FORMS PART OF FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

1 STATUS AND NATURE OF BUSINESS

1.1 Habib Insurance Company Limited (the Operator) was incorporated in Pakistan in 1942 as a public limited company under the Companies Act, 2017 to carry on general insurance business. The Operator was allowed to work as Window Takaful Operator on July 18, 2018 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations (WTO) in Pakistan. The Operator is listed at Pakistan Stock Exchange Limited. The registered office of the Operator is situated at Habib Square, M.A. Jinnah Road, Karachi.

1.2 The Operator transferred statutory fund of Rs. 50 million in a separate bank account for the Window Takaful Operations as per the requirement of circular 8 of 2014. The Operator has formed a Waqf for Participants' Fund by executing the Waqf deed dated June 12, 2018 and deposited a cede money of Rs. 0.5 million. The cede money is required to be invested in Shari'ah compliant remunerative instrument which may be used to acquire immovable Waqf property if Shari'ah and law so warrants. Waqf Deed governs the relationship of Operator and participants for management of takaful operations, investments of participants' funds and investments of the Operator's funds approved by the shari'ah advisor of the Operator.

1.3 Subsequent to the year end, the novel coronavirus (COVID 19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Heallh Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020 whereby potentially impacting the earnings and cash flows of the Company . The Company considers this outbreak to be a non-adjusting post balance sheet event . The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the company will evaluate the potential impacts and respond accordingly.

2 BASIS OF PREPARATION

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

These financial statements reflect the financial position and results of operations of both the Operator's Fund (OPF) and Participants' Takaful Fund (PTF) in a manner that the assets, liabilities, income and expenses of the Operator and PTF remain separately identifiable.

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations, 2017 and SECP Takaful Rules, 2012.

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

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

2.2 Basis of measurement

These financial statements have been prepared on the historical cost basis except for available for sale investments that have been measured at fair value.

2.3 Functional and presentation currency

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

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

There are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable for accounting periods beginning on or after January 01, 2019. These are considered either to not be relevant or not to have any significant impact on the Company's financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2020:

- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process - this means that the overall impact on standard setting may take some time to crystallise.
- The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs. Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after July 01, 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated - i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.
- IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after June 30, 2019. It replaces the existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

- Amendment to IFRS 4 Insurance Contracts' - Applying IFRS 9 'Financial Instruments with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 01, 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.
- The Company has determined that it is eligible for the temporary exemption option since the Company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Company can defer the application of IFRS 9 until the application IFRS 17.
- To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ('SPPI") i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.
- IFRS 9 defines the terms “principal” as being the fair value of the financial asset at initial recognition, and the “interest” as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.
- The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:

a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and

b) all other financial assets

	December 31, 2019				
	Fail the SPPI test		**Pass the SPPI test**		
Financial assets	Fair value	Change in unrealized gain or loss during the period	Carrying value	Cost less Impairment	Change in unrealized gain or loss during the period
	(Rupees in ‘000)				
Cash and bank*	21,326	–	–	–	–
Investment in mutual funds - available for sale	–	–	–	–	–
Other receivables	–	–	25,245	25,245	–
	21,326	–	25,245	25,245	–

	December 31, 2019			
	Gross carrying amounts of debt instruments that pass the SPPI test			
	AAA	AA+	A+	Unrated
	(Rupees in ‘000)			
Loans and other receivable*	–	–	–	25,245

* The carrying amount of these financial assets measured applying IAS 39 are a reasonable approximation of their fair values.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Takaful contracts

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

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

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

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

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

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

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

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

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

3.2 Unearned Contribution

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

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

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

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

3.3 Re-takaful contracts

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

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

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

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

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

3.4 Provision

Claims

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

Provision for outstanding claims including IBNR

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

Claims reported but not settled

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

3.5 Retakaful recoveries against outstanding claims

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

3.6 Commission

Deferred Commission expense

Commission expense incurred in obtaining and recording policies is deferred and recognised in profit and loss account as an expense in accordance with the pattern of recognition of contribution revenue by applying 1/24th method.

Rebate Income

Rebate income from retakaful is recognised at the time of issuance of the underlying takaful policy. These are deferred and recognised as liability and recognised in the profit and loss account as revenue in accordance with the pattern of recognition of the retakaful contributions.

3.7 Contribution deficiency reserve

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

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

3.8 Wakala and Mudarib fees

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

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

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

3.9 Revenue recognition

3.9.1 Contribution

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

3.9.2 Commission from retakaful

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

3.9.3 Dividend income

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

3.9.4 Gain / loss on sale / redemption of investments

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

3.9.5 Income on held to maturity investment

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

3.9.6 Profit on bank accounts and deposits

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

3.10 Management expenses

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

3.11 Takaful surplus

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

3.12 Qard-e-Hasna

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

3.13 Receivables and payables

3.13.1 Receivables and payables related to takaful contract

Receivable and payables related to takaful contracts are recognized and due at cost which is the fair value of the consideration given less provision for impairment, if any. If there is an objective evidence that the takaful receivable is impaired, as a result of one or more events that occured after the initial recognition the company reduces the carrying amount of the takaful receivables accordingly and recognizes that impairment loss in the profit and loss account.

Provision for impairment in contribution receivables is estimated on a systamatics basis after analyzing the receivables as per their aging.

3.13.2 Creditors, accruals and provisions

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

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

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

3.14 Cash and cash equivalents

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

3.15 Impairment of assets

A financial asset is assesed at each financial statement date to determine wether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is an objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset. If a decline in fair value is significant or prolonged, than there is an objective evidence, of impairment regardless of how long management intends to hold the investment.

The carrying amount of non financial assets is reviewed at each financial statement date to determine wether there is any indication of impairment of any asset or group of assets. If such indication exist, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use an its fair value less cost of sell. An impairment loss is recognised the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognised in the profit and loss account. Provision of impairment are reviewed at each financial satement date and are adjusted to reflect the current best estimates. Change in the provisions are recognised as an income or expense.

3.16 Taxation

3.16.1 Current

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

3.16.2 Deferred

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

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

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

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

3.17 Investments

- In equity securities
- In debt securities

3.17.1 Recognition

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

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

3.17.2 Measurement

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

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

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

3.17.2.2 Available-for-sale

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

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

3.17.2.3 Quoted

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

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

3.17.2.4 Held-to-maturity

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

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

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

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

3.18 Impairment of assets

A financial asset is assesed at each financial statement date to determine wether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if there is an objective evidence that one or more events have had a negative effect on the estimated future cash flows of that asset. If a decline in fair value is significant or prolonged, than there is an objective evidence, of impairment regardless of how long management intends to hold the investment.

The carrying amount of non financial assets is reviewed at each financial statement date to determine wether there is any indication of impairment of any asset or group of assets. If such indication exist, the recoverable amount of such asset is estimated. The recoverable amount of an asset is the greater of its value in use an its fair value less cost of sell. An impairment loss is recognised the carrying amount of an asset exceeds its estimated recoverable amount.

All impairment losses are recognised in the profit and loss account. Provision of impairment are reviewed at each financial satement date and are adjusted to reflect the current best estimates. Change in the provisions are recognised as an income or expense.

3.19 Financial instruments

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

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

3.20 Off setting of financial assets and financial liabilities

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

3.21 Foreign currency translations

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

3.22 Segments reporting

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

	Note
- Takaful and retakaful receivable and payable	3.13
- Provision for outstanding claims including IBNR	3.4
- Contribution deficiency reserve	3.7
- Valuation, classification of investment	3.15
- Taxation	3.16

5. INVESTMENT IN EQUITY SECURITIES

	2019				2018			
	Cost	Impairment / provision	Revaluation surplus	Carrying Value	Cost	Impairment / provision	Revaluation surplus	Carrying Value
	(Rupees in '000)							
Available-for-sale								
Mutual funds OPF								
First Habib Islamic Income Fund	–	–	–	–	20,174	–	521	20,695
Meezan Rozana Amdani Fund	26,229	–	–	26,229	–	–	–	–
Meezan Sovereign Fund	10,000	–	580	10,580	–	–	–	–
	36,229	–	580	36,809	20,174	–	521	20,695
Mutual funds - PTF								
NBP Islamic Mahana Amdani Fund	20,000	–	481	20,481	–	–	–	–

6. LOANS AND OTHER RECEIVABLES

	Note	2019			2018		
		OPF	PTF	Total	OPF	PFT	Total
		(Rupees in '000)					
Wakala fee		21,250	–	21,250	4,652	–	4,652
Qard e Hasna	6.1	3,652	–	3,652	3,000	–	3,000
Profit receivable on bank accounts		9	144	153	–	–	–
Others		–	190	190	–	–	–
		24,911	334	25,245	7,652	–	7,652

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

7. TAKAFUL / RETAKAFUL RECEIVABLE

	2019	2018
	(Rupees in '000)	
Due from Takaful contract holders - Considered good	24,936	10,956
Due from other takaful / retakaful operators - Considered good	17,341	3,605
	42,277	14,561

8. PREPAYMENTS

	Note	2019 OPF	2019 PTF	2019 Total	2018 OPF	2018 PFT	2018 Total
				(Rupees in '000)			
Prepaid							
Retakaful contribution ceded		–	20,810	20,810	–	8,788	8,788
Others		300	–	300	–	300	300
		300	20,810	21,110	–	9,088	9,088

9. CASH AND BANK

	Note	2019 OPF	2019 PTF	2019 Total	2018 OPF	2018 PFT	2018 Total
				(Rupees in '000)			
Cash and cash equivalent							
- Policy stamps		–	95	95	–	–	–
Cash at bank							
Profit and loss sharing (PLS) accounts	9.1	193	21,038	21,231	25,401	6,260	31,661
		193	21,133	21,326	25,401	6,260	31,661

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

10. OTHER CREDITORS AND ACCRUALS

	Note	2019 OPF	2019 PTF	2019 Total	2018 OPF	2018 PFT	2018 Total
				(Rupees in '000)			
Creditors		–	–	–	–	43	43
Federal insurance fee		–	108	108	–	76	76
Federal Excise Duty		–	1,972	1,972	–	–	–
Commission payable		1,975	–	1,975	1,446	–	1,446
Taxes and duties payable		–	–	–	1,577	67	1,644
Provision for leave encashment		380	–	380	411	–	411
Wakala fee payable		–	21,250	21,250	–	4,652	4,652
Withholding tax payable		–	6	6	78	–	78
Payable to Habib Insurance	10.1	1,447	–	1,447	522	–	522
Auditor's remuneration		831	–	831	91	–	91
		4,633	23,336	27,969	4,125	4,838	8,963

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

11. NET TAKAFUL CONTRIBUTION - PTF

	2019	2018
	(Rupees in '000)	
Written gross contribution	85,884	18,412
Add: Unearned contribution reserve opening	15,687	–
Less: Unearned contribution reserve closing	(42,069)	(15,687)
Contribution earned	59,502	2,725
Less: Retakaful contribution ceded	52,374	10,980
Add: Prepaid retakaful contribution opening	8,788	–
Less: Prepaid retakaful contribution closing	(20,810)	(8,788)
Retakaful expense	40,352	2,192
Net takaful contribution	19,150	533

12. NET TAKAFUL CLAIMS - PTF

	2019	2018
	(Rupees in '000)	
Claims paid	10,631	317
Add: Outstanding claims including IBNR closing	17,825	1,614
Less: Outstanding claims including IBNR opening	(1,615)	–
Claims expense	26,841	1,931
Less: Retakaful and other recoveries received	1,438	142
Add: Retakaful and other recoveries in respect of outstanding claims net of impairment - closing	10,521	297
Less: Retakaful and other recoveries in respect of outstanding claims net of impairment - opening	(298)	–
Retakaful and other recoveries revenue	11,661	439
Net Takaful claims	15,180	1,492

13. CLAIM DEVELOPMENT - PTF

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

Accident year	2015	2016	2017	2018	2019	Total
			(Rupees in '000)			
Estimate of ultimate claims costs:						
At end of accident year	–	–	–	1,931	27,242	29,173
One year later	–	–	–	1,214	–	1,214
Two year later	–	–	–	–	–	–
Three year later	–	–	–	–	–	–
Four year later	–	–	–	–	–	–
Estimate of cumulative claims	–	–	–	1,214	27,242	28,456
Cumulative payments made to date	–	–	–	(980)	(9,651)	(10,631)
Liability for outstanding claims	–	–	–	234	17,591	17,825

14. NET RETAKAFUL REBATE

	Note	2019	2018
		(Rupees in '000)	
Commissions paid or payable		8,769	1,526
Add: Deferred commission - opening		1,255	–
Less: Deferred commission - closing		(4,122)	(1,255)
Commission expense		5,902	271
Less: Rebate from retakaful			
Rebate received or receivable		7,943	1,886
Add: Unearned retakaful retabe - opening		1,568	–
Less: Unearned retakaful retabe - closing		(3,535)	(1,568)
Rebate from retakaful		5,976	318
Net retakaful rebate		74	47

	Note	2019	2018
		(Rupees in '000)	
15. NET WAKALA FEE			
Gross Wakala Fee		21,250	4,652
Add: Deferred wakala fee - opening		3,922	–
Less: Deferred wakala fee - closing		(10,518)	(3,922)
Net wakala fee		14,654	730
16. MANAGEMENT EXPENSES - OPF			
Employee benefit cost	16.1	2,224	1,348
Traveling expenses		220	–
Subscription		290	–
Utilities - electricity and water		253	62
Printing and stationary		1	6
Repairs and maintenance		1,366	61
Vehicle running expenses		60	90
Rent, rates and taxes		–	137
Legal and professional charges		50	–
Postages, telegrams and telephone		67	39
Miscellaneous		180	–
		4,711	1,743

16.1 This includes Rs.2.192 million (2018: 1.282 million) being salaries and other benefits and Rs.0.059 million (2018: 0.049 million) being contribution to employees' provident fund.

	Note	2019	2018
		(Rupees in '000)	
17. INVESTMENT INCOME - OPF			
Income from mutual fund units - 'available-for-sale'			
- Dividend income		1,540	44
- Capital gain		572	674
Total investment income		2,112	718
18. OTHER EXPENSES - OPF			
Employee benefit cost	18.1	953	578
Utilities - electricity and water		109	27
Subscription		124	–
Vehicle running expenses		26	39
Traveling expenses		94	–
Printing and stationary		–	3
Legal and professional charges		1,788	1,423
Postage, telegram and telephone		29	–
Office repairs and maintenance		585	–
Auditor's remuneration		792	150
Miscellaneous		98	602
		4,598	2,822

18.1 This includes Rs.0.94 million (2018: Rs.0.549 million) being salaries and other benefits and Rs.0.014 million (2018: 0.021 million) being contribution to employees' provident fund.

	Note	2019	2018
		(Rupees in '000)	
19. DEFERRED TAXATION			
Deferred credits arising in respect of:			
Unrealized gain on available-for-sale investments	19.1	454	146
19.1 Reconciliation of deferred tax			
Opening balance		146	–
Directly recognised in other comprehensive income due to unrealised gain on available-for-sale investments		308	146
Closing balance		454	146

20. CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

There are no contingencies outstanding as at December 31, 2019.

20.2 Commitments

There are no commitments as at December 31, 2019.

21. SEGMENT INFORMATION

	For the year ended December 31, 2019				
	Fire & property	Marine & Transport	Motor	Other Classes	Aggregate
	(Rupees in '000)				
21.1 Participants' Takaful Fund					
Gross Written Contribution (inclusive of Administrative Surcharge)	37,285	13,865	33,067	1,666	85,883
Takaful contribution earned	25,249	11,950	21,258	1,045	59,502
Takaful contribution ceded to retakaful operators	(21,391)	(9,752)	(8,339)	(870)	(40,352)
Net takaful contribution	3,858	2,198	12,919	175	19,150
Net underwriting income	3,858	2,198	12,919	175	19,150
Takaful claims	(7,417)	(3,499)	(13,750)	(2,175)	(26,841)
Retakaful claims and other recoveries	6,284	2,862	850	1,665	11,661
Net claims	(1,133)	(637)	(12,900)	(510)	(15,180)
Commission income	3,652	2,045	85	194	5,976
Wakala expensed during the period	(2,952)	(1,682)	(9,886)	(134)	(14,654)
Underwriting result	3,425	1,924	(9,782)	(275)	(4,708)
Profit on bank balances					1,545
Deficit for the year					(3,163)
Segment assets	35,698	16,895	30,055	1,477	84,125
Unallocated assets					42,506
Total assets					126,631
Segment liabilities	45,534	21,550	38,336	1,885	107,305
Unallocated liabilities					23,336
Total liabilities					130,641

	For the year ended December 31, 2019				
	Fire & property	Marine & Transport	Motor	Other Classes	Aggregate
	(Rupees in '000)				
21.2 Operator's Fund					
Wakala fee	6,219	2,943	5,235	257	14,654
Commission expense	(3,408)	(1,665)	(658)	(171)	(5,902)
Management expenses	(2,044)	(761)	(1,815)	(91)	(4,711)
Underwriting result	767	517	2,762	(5)	4,041
Investment income					2,112
Profit on bank balances					2,458
Other expenses					(4,598)
Loss before taxation					4,013
Income tax expense					(1,164)
Profit after tax for the year					2,849
Segment assets	1,749	828	1,473	72	4,122
Unallocated assets					62,213
Total assets					66,335
Segment liabilities	4,463	2,112	3,758	185	10,518
Unallocated liabilities					5,626
Total liabilities					16,144

	For the year ended December 31, 2018				
	Fire & property	Marine & Transport	Motor	Other Classes	Aggregate
	(Rupees in '000)				
Participants' Takaful Fund					
Gross Written Contribution (inclusive of Administrative Surcharge)	10,853	687	6,551	321	18,412
Takaful contribution earned	1,745	247	679	53	2,724
Takaful contribution ceded to retakaful operators	(1,478)	(181)	(490)	(42)	(2,191)
Net takaful contribution	267	66	189	11	533
Net underwriting income	267	66	189	11	533
Takaful claims	(349)	(86)	(1,456)	(40)	(1,931)
Retakaful claims and other recoveries	296	63	49	31	439
Net claims	(53)	(23)	(1,407)	(9)	(1,492)
Commission income	267	40	1	10	318
Wakala expensed during the period	(366)	(90)	(259)	(15)	(730)
Underwriting result	115	(7)	(1,476)	(3)	(1,371)
Profit on bank balances					24
Deficit for the year					(1,347)
Segment assets	17,660	2,500	6,872	536	27,568
Unallocated assets					6,581
Total assets					34,149
Segment liabilities	19,319	2,735	7,517	587	30,158
Unallocated liabilities					4,838
Total liabilities					34,996

	For the year ended December 31, 2018				
	Fire & property	Marine & Transport	Motor	Other Classes	Aggregate
		(Rupees in '000)			
Operator's Fund					
Wakala fee	468	66	182	14	730
Commission expense	(215)	(32)	(15)	(9)	(271)
Management expenses	(1,027)	(65)	(621)	(30)	(1,743)
Underwriting result	(774)	(31)	(454)	(25)	(1,284)
Investment income					718
Profit on bank balances					123
Other expenses					(2,322)
Waqf money donated to Participants' Takaful Fund					(500)
Loss before taxation					(3,265)
Segment assets	804	114	313	24	1,255
Unallocated assets					54,048
Total assets					55,303
Segment liabilities	2,512	356	978	76	3,922
Unallocated liabilities					4,271
Total liabilities					8,193

22. TRANSACTIONS WITH RELATED PARTIES

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

	2019	2018
	(Rupees in '000)	
22.1 Operator's Fund		
Wakala fee charged during the year	14,654	730
Qard-e-Hasna paid during the year	652	3,000
Bank balance	193	–
22.2 Participants' Takaful Fund		
Transactions		
Associated companies		
- Contribution written	6,086	3,749
- Claim paid	2,746	90
- Profit on bank accounts	4,004	24
Others		
- Qard-e-Hasna received during the year	652	3,000
Balances		
Associated companies		
- Contribution due but unpaid	3,889	6,544
- Claim outstanding	1,136	1,227
- Bank balance	21,231	6,260

	Note	OPF 2019	PTF 2018
		(Rupees in '000)	
23. MOVEMENT IN INVESTMENTS			
Available for sale			
As at January 01, 2018		–	–
Additions		20,174	–
Disposals (sale and redemption)		–	–
Fair value net gains (excluding net realized gains)		521	–
Impairment of investments		–	–
As at December 31, 2018		20,695	–
Additions		56,311	20,000
Disposals (sale and redemption)		(40,777)	–
Fair value net gains (excluding net realized gains)		580	481
Impairment of investments		–	–
Amortisation of premium / discount		–	–
As at December 31, 2019		36,809	20,481
24. TAXATION			
For the year			
Current	24.1	1,164	–
Deferred		–	–
		1,164	–
24.1 Relationship between tax expense and accounting profit			
Profit / (loss) before taxation		4,013	(3,265)
Tax at enacted rate of 29% (2018: 29%)		1,164	–

25. MANAGEMENT OF TAKAFUL AND FINANCIAL RISK

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

25.1 Takaful risk management

25.1.1 Takaful risk

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

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

25.1.2 Frequency and severity of claims

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

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

25.1.3 Uncertainty in the estimation of future claim payments

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

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

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

25.1.4 Key assumptions

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

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

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

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

25.1.5 Sensitivity analysis

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

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

	2019		2018	
	PTF			
	Underwriting results	Fund balance	Underwriting results	Fund balance
	(Rupees in '000)			
Average claim cost				
Fire and property	742	519	35	24
Marine and transport	350	245	9	6
Motor	1,375	963	146	102
Other classes	218	152	4	3
	2,685	1,879	194	135

25.1.6 Concentration of risk

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

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

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

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

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

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

	2019		
	Gross sum covered	Retakaful	Net
	(Rupees in '000)		
Fire and property	1,030,551	1,011,795	18,756
Marine and transport	680,064	672,441	7,623
Motor	26,000	24,500	1,500
Other classes	35,116	26,337	8,779
	1,771,731	1,735,073	36,658

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

26. FINANCIAL RISK MANAGEMENT

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

- Credit risk
- Liquidity risk
- Market risk

Risk management framework

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

26.1 Credit risk

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

26.1.1 Management of credit risk

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

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

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

26.1.2 Exposure to credit risk

In summary, compared to the amount included in statement of assets and liabilities, the maximum exposure to credit risk as at December 31, 2019 is as follows:

	2019			
	OPF		PTF	
	Balance as per the financial statement	Maximum exposure	Balance as per the financial statement	Maximum exposure
	(Rupees in '000)			
Loans and other receivables	24,911	–	334	334
Takaful / retakaful receivable	–	–	42,277	42,277
Bank balances	193	193	21,038	21,133
	25,104	193	63,649	63,744

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

26.1.3 Past due / impaired assets

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

	PTF	
	2019	2018
	(Rupees in '000)	
0-90 days	13,917	10,956
Over 90 days	11,019	–
Total	24,936	10,956

The above balance is considered good and is not impaired.

26.1.4 Credit Rating and Collateral

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

Rating Long term	Rating Agency	OTF	PTF	OTF	PTF
		December 31, 2019 (Rupees in '000)		December 31, 2018 (Rupees in '000)	
AA+	PACRA	193	21,038	25,401	6,260

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

	Rating	PTF 2019	PTF 2018
		(Rupees in '000)	
Prepaid re-takaful ceded	A or above	20,810	8,788

26.1.5 Concentration of credit risk

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

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

	PTF		PTF	
	2019		2018	
	(Rupees in '000)	%	(Rupees in '000)	%
Automobiles	200	1%	–	0%
Banks, modaraba and leasing	11,028	44%	6,544	60%
Textile and composite	2,119	9%	616	6%
Chemicals and allied industries	562	2%	–	0%
Glass, ceramics and tiles	289	1%	700	6%
Cable, engineering and steel	4,824	19%	–	0%
Food and confectionary	927	4%	1,748	16%
Fuel and energy	–	0%	304	3%
Pharmaceuticals	489	2%	–	0%
Others	4,498	18%	1,044	9%
	24,936	100%	10,956	100%

26.1.6 Settlement risk

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

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

26.2 Liquidity risk

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

26.2.1 Management of liquidity risk

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

26.2.2 Maturity analysis for financial assets and liabilities

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

OPF	2019 Interest/ Markup bearing Maturity upto one year	Maturity after one year	Sub Total	Non-Interest/ Non-markup bearing Maturity upto one year	Maturity after one year	Sub Total	Total
				(Rs. in '000)			
FINANCIAL ASSETS							
Investments							
Equity securities	–	–	–	36,809	–	36,809	36,809
Loans and other receivables	–	–	–	24,911	–	24,911	24,911
Cash and bank	193	–	193	–	–	–	193
As at December 31, 2019	193	–	193	61,720	–	61,720	61,913
FINANCIAL LIABILITIES	–	–	–	–	–	–	–

OPF	2018 Interest/ Markup bearing Maturity upto one year	Maturity after one year	Sub Total	Non-Interest/ Non-markup bearing Maturity upto one year	Maturity after one year	Sub Total	Total
				(Rs. in '000)			
FINANCIAL ASSETS							
Investments							
Equity securities	–	–	–	20,695	–	20,695	20,695
Loans and other receivables	–	–	–	7,952	–	7,952	7,952
Cash and bank	25,401	–	25,401	–	–	–	25,401
As at December 31, 2018	25,401	–	25,401	28,647	–	28,647	54,048
FINANCIAL LIABILITIES	–	–	–	–	–	–	–

PTF	2019 Interest/ Markup bearing Maturity upto one year	Maturity after one year	Sub Total	Non-Interest/ Non-markup bearing Maturity upto one year	Maturity after one year	Sub Total	Total
				(Rs. in '000)			
FINANCIAL ASSETS							
Investments							
Equity securities	–	–	–	20,481	–	20,481	20,481
Loans and other receivables	–	–	–	334	–	334	334
Takaful / retakaful receivables	–	–	–	42,277	–	42,277	42,277
Retakaful recoveries against outstanding claims	–	–	–	10,521	–	10,521	10,521
Cash and bank	21,133	–	21,133	–	–	–	21,133
As at December 31, 2019	21,133	–	21,133	73,613	–	73,613	94,746
FINANCIAL LIABILITIES							
Contribution received in advance	–	–	–	1,802	–	1,802	1,802
Outstanding claims including IBNR	–	–	–	17,825	–	17,825	17,825
Takaful / retakaful payables	–	–	–	38,422	–	38,422	38,422
As at December 31, 2019	–	–	–	58,049	–	58,049	58,049

PTF	2018 Interest/ Markup bearing Maturity upto one year	Maturity after one year	Sub Total	Non-Interest/ Non-markup bearing Maturity upto one year (Rs. in '000)	Maturity after one year	Sub Total	Total
FINANCIAL ASSETS							
Takaful / retakaful receivables	–	–	–	14,561	–	14,561	14,561
Retakaful recoveries against outstanding claims	–	–	–	297	–	297	297
Cash and bank	6,260	–	6,260	–	–	–	6,260
As at December 31, 2018	6,260	–	6,260	14,858	–	14,858	21,118
FINANCIAL LIABILITIES							
Contribution received in advance	–	–	–	50	–	50	50
Outstanding claims including IBNR	–	–	–	1,614	–	1,614	1,614
Qard-e-Hasna	–	–	–	3,000	–	3,000	3,000
Takaful / retakaful payables	–	–	–	8,239	–	8,239	8,239
As at December 31, 2018	–	–	–	12,903	–	12,903	12,903

26.3 Market risk

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

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

26.3.1 Interest rate risk

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

26.3.1.1 Sensitivity analysis

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

	OPF 2019 Effective interest rate in %	(Rupees in '000)	OPF 2018 Effective interest rate in %	(Rupees in '000)
Financial assets				
Assets subject to variable rate				
- Bank balances	9.25%	193	9.25%	25,401

	PTF 2019 Effective interest rate in %	(Rupees in '000)	PTF 2018 Effective interest rate in %	(Rupees in '000)
Financial assets				
Assets subject to variable rate				
- Bank balances	9.25%	21,038	9.25%	6,260

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

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

	2019		2018	
	Profit and loss 100 bps		Profit and loss 100 bps	
	OPF		OPF	
	Increase	Decrease	Increase	Decrease
	(Rupees in '000)		(Rupees in '000)	
Cash flow sensitivity	19	(19)	2,540	(2,540)
	PTF		PTF	
	Increase	Decrease	Increase	Decrease
	(Rupees in '000)		(Rupees in '000)	
Cash flow sensitivity	2,113	(2,113)	626	(626)

Exposure to interest rate risk

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

	OPF				
	2019				
	Mark-up / return (%)	less than 1 year	1 year to 5 years	More than 5 years	Total
			(Rupees in '000)		
Assets					
Bank balance	9.25%	193	–	–	193
Total assets		193	–	–	193
Liabilities	–	–	–	–	–
Total interest sensitivity gap		193	–	–	193

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

26.3.2 Price risk

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

26.3.3 Foreign currency risk

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

26.4 Fund management

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

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

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 defines fair value as an exit price. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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:

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

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.

Following are the assets where fair value is only disclosed and different from their carrying value.

	2019							
	Available for sale	Loans & receivable	Other financial assets	Other financial liabilities	Total	Fair value measurement using		
						Level 1	Level 2	Level 3
				(Rupees in ‘000)				
Financial assets measured at fair value								
Investments								
Mutual fund units	–	57,290	–	–	57,290	–	57,290	–
Financial assets not measured at fair value								
Loans and other receivables	–	–	25,245	–	25,245	–	–	–
Retakaful recoveries against outstanding claims	–	10,521	–	–	10,521	–	–	–
Cash and bank balances	–	–	21,326	–	21,326	–	–	–
	–	67,811	46,571	–	114,382	–	57,290	–
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	–	–	–	(17,825)	(17,825)	–	–	–
Contribution received in advance	–	–	–	(1,802)	(1,802)	–	–	–
Takaful / retakaful payables	–	–	–	(38,422)	(38,422)	–	–	–
Other creditors and accruals	–	–	–	(27,969)	(27,969)	–	–	–
	–	67,811	46,571	(86,018)	28,364	–	57,290	–

	2018							
	Available for sale	Loans & receivable	Other financial assets	Other financial liabilities	Total	Fair value measurement using		
						Level 1	Level 2	Level 3
				(Rupees in ‘000)				
Financial assets measured at fair value								
Investments								
Mutual fund units	–	20,695	–	–	20,695	–	20,695	–
Financial assets not measured at fair value								
Loans and other receivables	–	–	7,952	–	7,952	–	–	–
Retakaful recoveries against outstanding claims	–	297	–	–	297	–	–	–
Cash and bank balances	–	–	31,661	–	31,661	–	–	–
	–	20,992	39,613	–	60,605	–	20,695	–
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	–	–	–	(1,614)	(1,614)	–	–	–
Contribution received in advance	–	–	–	(50)	(50)	–	–	–
Takaful / retakaful payables	–	–	–	(8,239)	(8,239)	–	–	–
Other creditors and accruals	–	–	–	(8,963)	(8,963)	–	–	–
	–	20,992	39,613	(18,866)	41,739	–	20,695	–

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

28. STATEMENT OF SOLVENCY

	2019	2018
	(Rupees in '000)	
Investments - Mutual funds	20,481	–
Loans and other receivables	334	–
Takaful / retakaful receivable	42,277	14,561
Retakaful recoveries against outstanding claims	10,521	297
Deferred Wakala expense	10,518	3,922
Taxation - payments less provision	557	21
Prepayments	20,810	9,088
Bank Balances	21,133	6,260
Total Assets (A)	126,631	34,149
In-admissible assets as per following clauses of section 32(2) of the Insurance Ordinance, 2000		
Contribution due since more than three months	(11,019)	–
Shares in listed companies in aggregate	(10,241)	–
Total of In-admissible Assets (B)	(21,260)	–
Total of Admissible Assets (C=A-B)	105,371	34,149
Underwriting provisions		
Outstanding claims including IBNR	17,825	1,614
Unearned contribution reserves	42,069	15,687
Unearned retakaful commission	3,535	1,568
Takaful / retakaful payable	38,422	8,239
Qard-e-Hasna	3,652	3,000
Contribution received in advance	1,802	50
Other creditors and accruals	23,336	4,838
Total Liabilities including Qard-e-Hasna (D)	130,641	34,996
Net deficit as at 31 December	(25,270)	(847)
Deficit already financed by Qard-e-Hasna	–	3,000
	(25,270)	2,153

28.1 Rule 10(k) of Takaful Rules 2012 requires that an Operator shall ensure that there is in each Participant Takaful Fund, at all times, a surplus of admissible assets excess of its liabilities. However, certain portion of contribution due but unpaid for more than 3 months and investments in listed companies in aggregate have been considered as inadmissible assets as per guidelines provided for determination of solvency. Resultantly, as at 31 December 2019, the admissible assets of Participants Takaful Fund (PTF) are less than its liabilities by Rs. 25.27 million which is not consistent with the requirements of the said Rule. The Operator is making efforts to mitigate the deficit including providing Qard-e-hasna and it is expected that the deficit would be met in the near future.

29. GENERAL

Figures has been rounded off to the nearest thousand rupees.

30. DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been authorised for issue on April 22, 2020 by the Board of Directors.

RAFIQ M. HABIB	MANSOOR G. HABIB	SHAHID GHAFFAR	SHABBIR GULAMALI	MURTAZA HUSSAIN
Chairman	*Director*	*Director*	*Chief Executive*	*Chief Financial Officer*

Pattern of Shareholding as at December 31, 2019

Number of Shareholders	Shareholdings' Slab			Total Shares Held
1018	1	to	100	14,807
299	101	to	500	91,331
193	501	to	1000	152,854
459	1001	to	5000	1,258,485
157	5001	to	10000	1,180,045
108	10001	to	15000	1,358,562
48	15001	to	20000	857,342
40	20001	to	25000	937,549
30	25001	to	30000	831,525
16	30001	to	35000	526,155
13	35001	to	40000	483,416
14	40001	to	45000	599,635
12	45001	to	50000	592,829
6	50001	to	55000	307,670
4	55001	to	60000	233,063
18	60001	to	65000	1,126,246
3	65001	to	70000	203,046
3	70001	to	75000	217,242
2	75001	to	80000	157,774
7	80001	to	85000	576,828
6	85001	to	90000	524,784
2	90001	to	95000	186,500
8	95001	to	100000	793,022
1	100001	to	105000	100,142
2	105001	to	110000	216,941
2	110001	to	115000	222,486
3	115001	to	120000	347,948
8	120001	to	125000	989,486
3	125001	to	130000	382,644
5	130001	to	135000	655,658
3	135001	to	140000	414,703
2	140001	to	145000	286,542
2	145001	to	150000	299,840
4	150001	to	155000	615,037
2	155001	to	160000	312,857
2	160001	to	165000	325,341
5	165001	to	170000	837,654
4	170001	to	175000	686,577
2	185001	to	190000	371,610
2	190001	to	195000	386,938
3	195001	to	200000	598,897
3	205001	to	210000	627,078
7	220001	to	225000	1,563,278
4	225001	to	230000	908,174
2	235001	to	240000	475,000
2	240001	to	245000	482,361
8	245001	to	250000	1,986,553
1	250001	to	255000	250,058
4	255001	to	260000	1,033,710
1	265001	to	270000	267,317
1	270001	to	275000	270,885
1	275001	to	280000	275,863
2	280001	to	285000	564,196
1	300001	to	305000	300,183
3	305001	to	310000	925,353
1	320001	to	325000	321,696
3	330001	to	335000	994,060
2	340001	to	345000	685,604
1	345001	to	350000	348,986
1	355001	to	360000	357,992
1	375001	to	380000	376,893
1	385001	to	390000	387,848
1	410001	to	415000	410,721
2	420001	to	425000	841,661
1	430001	to	435000	432,318
1	440001	to	445000	445,000

Pattern of Shareholding as at December 31, 2019

Number of Shareholders	Shareholdings' Slab			Total Shares Held
3	445001	to	450000	1,344,016
1	480001	to	485000	481,010
1	490001	to	495000	493,416
1	495001	to	500000	500,000
1	520001	to	525000	524,175
1	525001	to	530000	526,915
2	540001	to	545000	1,084,444
3	600001	to	605000	1,807,134
2	615001	to	620000	1,238,710
1	620001	to	625000	620,360
1	625001	to	630000	625,654
1	630001	to	635000	633,270
1	690001	to	695000	693,695
1	700001	to	705000	703,546
1	705001	to	710000	707,263
1	710001	to	715000	712,500
1	735001	to	740000	736,117
1	740001	to	745000	743,246
1	755001	to	760000	757,323
1	770001	to	775000	774,830
1	800001	to	805000	800,219
1	805001	to	810000	809,452
1	810001	to	815000	813,114
1	815001	to	820000	817,570
1	840001	to	845000	841,785
3	880001	to	885000	2,648,592
1	925001	to	930000	927,692
1	930001	to	935000	930,194
1	990001	to	995000	990,198
1	995001	to	1000000	1,000,000
1	1005001	to	1010000	1,006,162
1	1025001	to	1030000	1,028,157
1	1060001	to	1065000	1,064,758
2	1085001	to	1090000	2,177,874
1	1090001	to	1095000	1,092,797
1	1195001	to	1200000	1,200,000
1	1205001	to	1210000	1,208,386
1	1215001	to	1220000	1,219,590
1	1225001	to	1230000	1,227,082
1	1245001	to	1250000	1,248,800
1	1395001	to	1400000	1,399,918
1	1610001	to	1615000	1,610,364
1	1810001	to	1815000	1,813,828
1	1875001	to	1880000	1,877,462
1	2350001	to	2355000	2,353,618
1	2410001	to	2415000	2,414,237
1	2720001	to	2725000	2,721,386
1	2990001	to	2995000	2,994,651
1	3410001	to	3415000	3,413,075
1	4975001	to	4980000	4,979,761
1	5360001	to	5365000	5,363,772
1	5415001	to	5420000	5,419,516
1	5735001	to	5740000	5,735,396
1	6220001	to	6225000	6,222,926
2639				123,874,755

Categories of Shareholders	Numbers	Shares Held	Percentage
1. Individuals	2,578	85,247,905	69.00
2. Insurance companies	5	736,665	1.00
3. Joint stock companies	28	9,385,608	8.00
4. Charitable trusts	12	19,212,555	16.00
5. Government institutions	2	487	0.00
6. Foreign investors	16	9,291,535	8.00
	2,639	123,874,755	100.00

Pattern of Shareholding as at December 31, 2019

Additional Information

Shareholders' Category	Number of shareholders/ folios	Number of shares held
Associated Companies		
Thal Limited	1	5,735,396
IDBL (ICP Unit)	2	487
Directors		
Mr. Rafiq M. Habib	1	166,856
Mr. Abbas D. Habib	3	890,808
Mr. Mansoor G. Habib	1	5,000
Mr. Mohamedali R. Habib	2	1,943,891
Mr. Qumail R. Habib	2	588,675
Mr. Aun Mohammad A. Habib	2	1,190,194
Mr. Shahid Ghaffar	1	2,000
Directors' Spouses		
Mrs. Jamila Rafiq w/o Mr. Rafiq M. Habib	3	1,116,797
Mrs. Niamat-e-Fatima w/o Mr. Abbas D. Habib	1	20,877
Mrs. Sayyeda Mohamedali w/o Mr. Mohamedali R. Habib	1	280,063
Banks, Development Financial Institutions, Non-Banking Finance Companies	5	736,665
Joint Stock Companies and Corporations	27	3,162,682
Individuals/ Others	2,558	73,307,348
Charitable Trusts, Societies and Government Institutions	12	19,212,555
Foreign Investors	16	9,291,535
Shareholders holding 5% or more	1	6,222,926
	2,639	123,874,755

Notice of Annual General Meeting

NOTICE is hereby given that the 77th Annual General Meeting of the Shareholders of the Company will convene through electronic means on Monday, May 18, 2020 at 12:00 Noon. The Securities and Exchange Commission of Pakistan through its circular No. 5 dated March 17, 2020, has directed the listed companies to modify their usual planning of AGM for the wellbeing of shareholders in light of the threat posed by the evolving COVID-19 situation.

The entitled shareholders whose names appear in the Books of the Company by the close of business on May 12, 2020 and who are interested to attend AGM though online platform are hereby requested to get themselves registered with the Company Secretary Office by providing the following details at the earliest but not later than 24 hours before the time of AGM (i.e before 12:00 Noon on May 17, 2020) at agm@habibinsurance.net

Name of shareholder	CNIC No.	Folio No. / CDS No.	Cell Number	Email address

Upon receipt of the above information from interested shareholders, the Company will send the login details at their email addresses. The company will convene the meeting through “Zoom Cloud meetings” which can be downloaded from google play or apple app store. Our shareholders are therefore requested to download the application ahead of the meeting. On the AGM day, shareholders will be able to login and participate in the AGM proceedings through their smart phones or computer devices from any convenient location.

The login facility will be opened 30 minutes before the meeting time to enable the participants to join the meeting after identification and verification process.

The entitled shareholders (whose names appeared in the Books of the Company by the close of business on May 12, 2020) along with the details mentioned above may send their comments/ suggestions for the proposed Agenda items at the above email address at least 24 hours before the meeting.

The meeting will be convened to transact the following business:

1. To receive and adopt the Audited Accounts for the year ended December 31, 2019 together with the Directors’ and Auditors’ Report thereon.

2. To approve payment of cash dividend @ 10% i.e. Rs. 0.50 per share of Rs. 5/- each for the year ended December 31, 2019 as recommended by the Board of Directors.

3. To appoint Auditors for the year ending December 31, 2020 and to fix their remuneration M/s. KPMG Taseer Hadi & Co., Chartered Accountants, being eligible offer themselves for reappointment.

4. To elect nine Directors as fixed by the Board of Directors vide Resolution by Circular dated March 31, 2020, for the next term of three years commencing from May 10, 2020, in accordance with the provisions of the Companies Act, 2017. The retiring Directors are Messrs. Rafiq M. Habib, Abbas D. Habib, Mansoor G. Habib, Mohamedali R. Habib, Qumail R. Habib, Aun Mohammad A. Habib & Shahid Ghaffar.

5. To consider any other business of the Company with the permission of the Chair.

Special Business

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

   "RESOLVED that the Company be and is hereby authorised to invest upto Rs. 750 million in the units of Funds, managed by Habib Asset Management Limited.

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

For item # 6, a statement under Section 160 of the Companies Act, 2017 is annexed

By order of the Board

Muhammad Maaz Akbar
Company Secretary

Karachi: April 22, 2020

Notes:

1. The share transfer books of the Company will remain closed from Saturday, May 04, 2020 to Monday, May 18, 2020 (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 Computerized National ID Cards along with the Participant(s) ID number and their account numbers at the time of attending the AGM in order to facilitate identification of the respective shareholders. In case of corporate entity, the Board of Directors Resolution/ Power of Attorney with specimen signatures be produced at the time of meeting.

4. Members are requested to promptly communicate any change in their address to our Share Registrar, M/s. CDC Share Registrar Services Limited.

5. Pursuant to the directive of the Securities and Exchange Commission of Pakistan (SECP), it is mandatory to mention CNIC number of member on members' register and other statutory returns. Those shareholders who have not submitted copy of their CNIC to the Company are once again requested to submit copy of their CNIC, otherwise the Company will be constrained under section 243(2)(a) of the Companies Act, 2017 to withhold dividend of such shareholders.

6. The Government of Pakistan through Finance Act, 2017 has made certain amendments in Section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:
   (i) For filers of income tax returns 15 %
   (ii) For non-filers of income tax returns 20 %

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

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

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

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

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

7. Mandatory requirement of Bank details for payment of dividend

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

8. Unclaimed/Unpaid Dividend and Share Certificates

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

9. Transmission of Financial Statements & Notices through email

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

10. Election of Directors

Any person who seeks to contest the election of directors shall, whether he is a retiring director or otherwise, file with the Company, the following documents and information at its registered office not later than fourteen days before the date of the above said meeting:

a). His/her Folio No./ CDC Investor Account No. /CDC Participant No./ Sub-Account No. The qualification of a director shall be his/her holding shares in the Company of the nominal value of Rs.10,000 in terms of Article 52 of the Articles of Association;

b). Notice of his/her intention to offer himself/herself for the election of directors in terms of section 159 of the Companies Act, 2017.

c). Information on Annexure A, along with the attachments required therein, and Affidavit on Annexure B required under Insurance Companies (Sound and Prudent Management) Regulations, 2012 notified by the Securities and Exchange Commission of Pakistan (SECP) vide S.R.O 15(1) of 2012 dated January 09, 2012. Annexure A and Annexure B are available on SECP's website (www.secp.gov.pk), website of the Company (www.habibinsurance.net) and can also be obtained from the Registered Office of the Company; 1st Floor, State Life Building No.6, Habib Square, M.A. Jinnah Road, Karachi.

d). Affidavit on Annexure C required under S.R.O 1165(I) of 2016 dated December 22, 2016. The affidavit is available on Company's website and S.R.O 1165 is available on SECP's website.

e). Undertaking on Annexure A required under direction issued vide S.R.O 1525(1) of 2018 dated December 14, 2018. The undertaking is available on Company's website and S.R.O 1525 is available on SECP's website.

f). Consent to act as director on Form 28 under section 167 of the Companies Act, 2017.

g). A detailed profile alongwith his/her office address as required under SECP's S.R.O 634(1) of 2014 dated July 10, 2014 for placing on website of the Company.

h). An attested copy of Computerized National Identity Card (CNIC or NICOP).

i). A declaration that:

- He/she is not ineligible to become a director of the Company under section 153 of the Companies Act, 2017.
- He/she is not serving as a director of more than seven listed companies.
- He/she is aware of his/her duties and powers under the relevant laws, Memorandum & Article of Association of Company and Listing Regulations of Pakistan Stock Exchange.

j). Please note that as per Regulation 2(2) of the Insurance Companies (Sound and Prudent Management) Regulations, 2012, proposed directors shall not assume the charge of office until their appointment has been approved by the SECP. The above information is required by the SECP for approval of the proposed directors and any other supporting information to evaluate the proposed director's fitness and propriety.

11. Pursuant to Companies (Postal Ballott) Regulations, 2018, for the purpose of election of directors and for any other agenda item subject to the requirements of section 143 and 144 of the Companies Act, 2017, members will be allowed to exercise their right of vote through postal ballot, i.e. voting by post or through any electronic mode, in accordance with the requirements and procedure contained in the aforesaid Regulation.

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

M/s. CDC Share Registrar Services Limited
CDC House, 99-B, Block-B
SMCHS, Main Shahrah-e-Faisal
Karachi-74400

Statement of Material Facts under Section 166(3) of the Companies Act, 2017

Persons eligible under Section 153, meet the criteria under section 166 of the Companies Act, 2017 and the Companies (Manner and Selection of Independent Directors) Regulation, 2018, may submit their nominations to be elected as independent directors. However, it is noteworthy to mention that independent directors shall be elected in the same manner as other directors are elected in terms of Section 159 of the Companies Act, 2017.

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

The statement is annexed to the Notice of the 77th Annual General Meeting to be held on April 29, 2020 at which certain business are to be transacted. The purpose of this statement is to set forth material facts concerning such special business.

ITEM NUMBER 5 OF THE AGENDA

As recommended by the Board of Directors in their meeting held on March 31, 2020, it is proposed to make investment by way of purchase of shares of units of mutual funds managed by our associated company, Habib Asset Management Limited. In this regard the Company seeks the approval of the shareholders under section 208 of the Companies Act, 2017.

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

Sr. No.	Description	Information Required
1	Name of the associated company or associated undertaking along with criteria based on which the associated relationship is established	Habib Asset Management Limited being the associated Company on the basis of common directorship. Mr. Aun Mohammad A. Habib Executive Director of Habib Insurance Company Limited is also a Director of Habib Asset Management Limited
2	Purpose, benefits and period of investment	Long term investment to earn dividend income as well as prospective capital gains
3	Maximum amount of investment	Upto Rs. 750 million
4	Maximum price at which securities will be acquired	At prevailing Net Asset Value (NAV)
5	Maximum number of securities to be acquired	Equivalent to the amount of investment
6	Number of securities and percentage thereof held before and after the proposed investment	Number of securities and percentage after proposed investment will depend on the prevailing prices at the time of actual acquisition of units of mutual funds which could vary with the NAV at which funds are purchased in future
7	In case of investment in listed securities, average of the preceding twelve weekly average price of the security intended to be acquired	N/A
8	In case of investment in unlisted securities, fair market value of such securities determined in terms of regulation 6(1)	N/A
9	Break-up value of securities intended to be acquired on the basis of the latest audited financial statements	Various
10	Earning per share of the associated company or associated undertaking for the last three years	Various
11	Sources of fund from which securities will be acquired	Own source

Sr. No.	Description	Information Required
12	Where the securities are intended to be acquired using borrowed funds: i) Justification for investment through borrowings; and ii) Detail of guarantees and assets pledged for obtaining such funds	Not Applicable
13.	Salient features of the agreement(s), if any, entered into with its associated company or associated undertaking with regards to the proposed investment	Not Applicable
14	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	No Director or Chief Executive has any interest in the proposed investment, except in their individual capacities as Directors/ Chief Executive and/ or as shareholders of the Company
15	Any other important details necessary for the members to understand the transaction	None
16.	In case of investment in securities of a project of an associated company or associated undertaking that has not commenced operations, in addition to the information referred to above, the following further information, is required, namely: i) Description of the project and its history since conceptualisation; ii) Starting and expected dates of completion of work; iii) Time by which such project shall become commercially operational; and iv) Expected time by which the project shall start paying return on investment	Not Applicable

Status of approvals for investments 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:	Rs. 75 million approved by the shareholders at Annual General Meeting held on April 29, 2019
a)	total investment approved:	
b)	amount of investment made to date:	Rs. 7.815 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. 61,503.110 million from Rs. 49,551.680 million due to an increase in reserves of Rs. 11,951.430 million

Habib Metropolitan Bank 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 Metropolitan Bank Limited is not holding any shares of the investing company. No Director or Chief Executive has any interest in the investing company except in their individual capacities as Directors/ Chief Executive and/ or as shareholders of the investing company. The shareholding of Directors and Chief Executive is disclosed in the pattern of shareholding
2	In case any decision to make investment under the authority of a resolution passed pursuant to provisions of section 208 of the Ordinance is not implemented either fully or partially till the holding of subsequent general meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:	Rs. 75 million approved by the shareholders at Annual General Meeting held on April 29, 2019.
a)	total investment approved:	
b)	amount of investment made to date:	Rs. 18.308 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. 40,890.962 million from Rs. 37,001.956 million due to an increase in reserves of Rs. 3,889.006 million

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 meeting(s), the status of the decision must be explained to the members through a statement having the following details namely:	Rs. 75 million approved by the shareholders at Annual General Meeting held on April 29, 2019
a)	total investment approved:	
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:	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. 41,364.044 million from Rs. 40,045.309 million due to an increase in reserves of Rs. 1,318.735 million

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 a)	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: total investment approved:	Rs. 25 million approved by the shareholders at Annual General Meeting held on April 29, 2019.
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:	Remaining amount may be invested on availability of shares at reasonable price within the period specified in the earlier resolution
d)	material change in financial statements of associated company or associated undertaking since date of the resolution passed for approval of investment in such company	The shareholders equity of the investee company has decreased to Rs. 1,909.565 million from Rs. 2,113.619 million due to decrease in reserves of Rs.0.204 million

Thal 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	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
2 a)	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: total investment approved:	Rs. 100 million approved by the shareholders at Annual General Meeting held on April 29, 2019.
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 decreased to Rs. 19,155.786 million from Rs. 27,949.848 million due to an decrease in reserves of Rs. 8,749.062 million

۱۳۔ ماسوائے ذیل میں درج تفصیل، کمپنی کے شیئرز میں ڈائریکٹرز، سی ای او، سی ایف او، کمپنی سیکرٹری اور ان کے شریک حیات و نابالغ بچوں کی جانب سے کوئی خرید وفروخت نہیں کی گئی۔

خریدے گئے	شیئرز کی تعداد
جناب کمیل آر۔حبیب	64,500
جناب عون محمد اے۔حبیب	260,000
جناب عباس ڈی۔حبیب	137,500
محترمہ جمیلہ رفیق حبیب زوجہ جناب رفیق ایم۔حبیب	150,000
فروخت کیے گئے	
محترمہ سلویٰ حبیب زوجہ جناب کمیل آر۔حبیب	119,591

منجانب بورڈ آف ڈائریکٹرز

کراچی:	**رفیق ایم۔حبیب**	**شبیر غلام علی**
۲۲ اپریل ۲۰۲۰ء	ڈائریکٹر	چیف ایگزیکٹو

۱۱۔ سال کے دوران بورڈ کے ۱۴ اجلاس منعقد ہوئے اور اس میں ڈائریکٹرز کی شرکت درج ذیل کے مطابق رہی:

اجلاس کی تاریخ	شرکت کردہ منجانب	
۲۷ مارچ ۲۰۱۹ء	جناب رفیق ایم۔ حبیب	
	جناب منصور جی۔ حبیب	
	جناب محمد علی آر۔ حبیب	
	جناب کمیل آر۔ حبیب	
	جناب عون محمد اے۔ حبیب	
	جناب شبیر غلام علی	چیف ایگزیکٹو
۲۹ اپریل ۲۰۱۹ء	جناب رفیق ایم۔ حبیب	
	جناب منصور جی۔ حبیب	
	جناب محمد علی آر۔ حبیب	
	جناب کمیل آر۔ حبیب	
	جناب عون محمد اے۔ حبیب	
	جناب شبیر غلام علی	چیف ایگزیکٹو
۲۹ اگست ۲۰۱۹ء	جناب رفیق ایم۔ حبیب	
	جناب عباس ڈی۔ حبیب	
	جناب منصور جی۔ حبیب	
	جناب کمیل آر۔ حبیب	
	جناب عون محمد اے۔ حبیب	
	جناب شبیر غلام علی	چیف ایگزیکٹو
۳۱ اکتوبر ۲۰۱۹ء	جناب عباس ڈی۔ حبیب	
	جناب منصور جی۔ حبیب	
	جناب محمد علی آر۔ حبیب	
	جناب کمیل آر۔ حبیب	
	جناب عون محمد اے۔ حبیب	
	جناب شاہد غفار	
	جناب شبیر غلام علی	چیف ایگزیکٹو

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

ڈائریکٹرز کے مشاہرے کی پالیسی

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

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

ایگزیکٹو ڈائریکٹر کے معاوضے کی تفصیلات نوٹ ۳۲ میں واضح کی گئی ہیں۔

آڈیٹرز

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرا اکاؤنٹینٹس سبکدوش ہورہے ہیں اور انہوں نے خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ جیسا کہ آڈٹ کمیٹی کی جانب سے تجویز کیا گیا ہے، بورڈ آف ڈائریکٹر نے ۳۱ دسمبر ۲۰۱۹ کو ختم ہونے والے سال کیلئے باہمی طے کردہ معاوضے پر بطور آڈیٹرز ان کی تقرری کی سفارش کی ہے۔

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کا بیان

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

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

۳۔ درست اکاؤنٹنگ پالیسیاں مالیاتی حسابات کی تیاری میں مستقل طور پر لاگو کی جاتی ہیں۔ اگر ان میں کوئی تبدیلی کی جاتی ہے تو مناسب طور پر اسے واضح کر دیا جاتا ہے جبکہ اکاؤنٹنگ کے تخمینہ جات مناسب اور محتاط فیصلوں پر مبنی ہوتے ہیں۔

۴۔ بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈ اور اسلامک فنانشل اکاؤنٹنگ اسٹینڈرڈز، جیسا کہ پاکستان میں نافذ العمل ہیں، ان پر مالیاتی حسابات کی تیاری میں عمل درآمد کیا جاتا ہے اور ان سے کسی بھی قسم کی روگردانی کو باقاعدہ واضح کر دیا جاتا ہے۔

۵۔ انٹرنل کنٹرول کا نظام مستحکم طور پر تیار کیا گیا ہے اور موثر طور پر نافذ العمل اور زیرِ نگرانی رہتا ہے۔

۶۔ اس امر میں کوئی شبہ نہیں کہ کمپنی میں آگے بڑھنے کی صلاحیت موجود ہے۔

۷۔ کارپوریٹ گورنینس کے بہترین طریقہ کار سے کوئی روگردانی نہیں کا جاتی جیسا کہ لسٹنگ ریگولیشنز میں مفصل طور پر درج ہے۔

۸۔ گزشتہ ۶ سال کیلئے کلیدی آپریٹنگ اور مالیاتی تفصیل منسلک ہے۔

۹۔ ٹیکسز اور لیویز کے بارے میں معلومات مالیاتی حسابات کیلئے نوٹس میں درج ہیں۔

۱۰۔ ۳۱ دسمبر ۲۰۱۹ء کے مطابق پراویڈنٹ فنڈ کے ڈپازٹ اکاؤنٹس میں سرمایہ کاریاں اور بیلنس کی مالیت ۸۳٫۳ ملین روپے ہے۔

بورڈ کی کمیٹیاں

آڈٹ کمیٹی

کمپنی کی آڈٹ کمیٹی ایک انڈیپینڈنٹ ڈائریکٹر بطور چیئر مین کی نمائندگی کے ساتھ ۳ ممبران پر مشتمل ہے جو کہ مالیاتی امور سے بھی واقف ہیں اور ۲ نان۔ایگزیکٹو ڈائریکٹرز ہیں۔آڈٹ کمیٹی نے سال میں ۴ مرتبہ اجلاس منعقد کئے۔اجلاسوں میں شرکت درج ذیل کے مطابق رہی:

		شرکت کردہ اجلاس کی تعداد
جناب شاہد غفار	چیئر مین	2
جناب منصور جی۔حبیب	ممبر	4
جناب کمیل آر۔حبیب	ممبر	2

ضابطہ اخلاق، نامزدگی، ہیومن ریسورس اور ری میونریشن کمیٹی

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

		شرکت کردہ اجلاس کی تعداد
جناب شاہد غفار	چیئر مین	1
جناب کمیل آر۔حبیب	ممبر	-
جناب عون محمد اے۔حبیب	ممبر	1
جناب شبیر غلام علی	ممبر	1

انویسٹمنٹ کمیٹی

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

		شرکت کردہ اجلاس کی تعداد
جناب شاہد غفار	چیئر مین	3
جناب منصور جی۔حبیب	ممبر	4
جناب کمیل آر۔حبیب	ممبر	2
جناب عون محمد اے۔حبیب	ممبر	4
جناب شبیر غلام علی	ممبر	4
جناب مرتضٰی حسین	ممبر	4

ڈائریکٹرز کا تربیتی پروگرام

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

COVID-19 کا اچانک وبائی صورت اختیار کرنا دنیا کے لئے مکمل حیرت کا امر تھا اور پاکستان بھی اس سے مستثنیٰ نہ تھا۔ عالمی ایکویٹی مارکیٹ ہر سمت میں سخت مضر اثرات کے ساتھ غیر یقینی صورتحال سے دوچار ہوگئی۔ پاکستان اسٹاک ایکسچینج بھی اس سے محفوظ نہ رہ سکا اور اس وقت انڈیکس ۳۲۰۰۰ کی سطح سے نیچے گر کر ۲۸۰۰۰ کی سطح پر آ چکا ہے۔

حکومت پاکستان نے اپنے محدود وسائل کے اندر متعدد مستحق شہریوں کو براہِ راست نقد امداد دینے کے ساتھ ساتھ ایک جامع پیکیج بھی تیار کیا۔ ہم اللہ تعالیٰ سے دعا گو ہیں کہ پاکستان کے تمام تر شہریوں کو اس وبا سے تحفظ ملے، ان کی صحت برقرار رہے اور اس کے ساتھ جلد از جلد صورتحال معمول پر واپس آ جائے۔

ہمیشہ کی طرح ہم دل کی گہرائیوں سے اپنے کلائنٹس اور صارفین کے مشکور ہیں جنہوں نے ہماری کمپنی پر اپنے بھرپور اعتماد کا اظہار کیا ہے۔ خصوصی طور پر اس ضمن میں ہم اپنے ری انشوررز سے حاصل ہونے والی معاونت اور سرپرستی پر ان کے شکرگزار ہیں۔ بورڈ آف ڈائریکٹرز کمپنی کے تمام تر اسٹاف ممبران کو خراج تحسین پیش کرتے ہیں کہ انہوں نے سال بھر اپنی محنت اور ایمانداری سے کام کر کے کمپنی کو ان نتائج کے حصول میں مدد دی۔

بورڈ آف ڈائریکٹرز

سال کے دوران کمپنی کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی نہیں آئی۔

کارپوریٹ سوشل ریسپانسیبلٹی (CSR)

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

- پسماندہ طبقات کی ترقی اور فلاح و بہبود کے لئے سماجی، تعلیمی سرگرمیوں کے سلسلے میں سال کے دوران عطیات کے ذریعے ۳ء۲ ملین روپے مالیت کے کام انجام دیئے گئے۔
- غیر ضروری بجلی کے استعمال سے گریز کرتے ہوئے توانائی کی بچت، ماحولیاتی تحفظ اور پیشہ ورانہ سیفٹی اور صحت کے ساتھ تمباکو نوشی سے گریز کے قانون کے نفاذ اور ''نو اسموکنگ زون'' کے قیام اور کام کرنے کیلئے ایک محفوظ اور صحت مند ماحول فراہم کیا گیا۔
- کاروباری اقدار کے ساتھ تمام اسٹاف ممبران کیلئے کمپنی کے ''ضابطہ اخلاق'' پر عملدرآمد کرنا لازمی قرار۔
- عملے کے ساتھ خوشگوار تعلقات، میرٹ اور کارکردگی کو تسلیم کرنا اور اسٹاف کیلئے سیکھنے اور ترقی کے جاری مواقع، دونوں جاب کے دوران اور باقاعدہ تربیتی پروگراموں کے ذریعے فراہم کرنا۔
- شفاف طریقہ کار کے ذریعے بلا کسی مذہبی، ذات پات اور لسانی بنیاد پر امتیاز کے بغیر روزگار کی فراہمی۔
- کمپنی کی جانب سے سال کے دوران ۲۷ء۰ ملین روپے سے زائد کے براہ راست بینکوں کے ذریعے قومی خزانے میں شراکت۔ مزید براں ۳۴۳ء۳ ملین روپے کی ایک اضافی رقم کمپنی کے ذریعے حکومتِ پاکستان کو ودہولڈنگ ٹیکسز، سروسز پر سیلز ٹیکس اور فیڈرل ایکسائز ڈیوٹیز کی مد میں منہا/ وصول کی گئی۔

رسک مینجمنٹ فریم ورک

کمپنی ہمیشہ اپنے کاروبار کی نوعیت اور کمپنی کے حجم کے مطابق ایک رسک مینجمنٹ فریم ورک کی حامل رہی ہے۔ یہ فریم ورک کئی سال قبل تشکیل دیا گیا تھا اور اس کو مزید بہتر اور واضح بنانے کا سلسلہ جاری ہے کمپنی اپنے کاروباری خطرات کو ایک محتاط طریقے سے قدامت پسند نظریئے کی رہنمائی سے نمٹانے پر یقین رکھتی ہے۔ کاروباری خطرات اور ان سے نمٹنے کے عناصر کی وضاحت تفصیل کے ساتھ کونشل فنانشل اسٹیٹمنٹ کیلئے نوٹس ۳۶ اور ۳۷ اور ونڈو تکافل آپریٹنز فنانشل اسٹیٹمنٹس کے نوٹس ۲۵ اور ۲۶ میں واضح کر دی گئی ہے۔

سال مختتمہ ۳۱ دسمبر ۲۰۱۹ء کیلئے
ڈائریکٹرز کی ۷۷ ویں رپورٹ برائے شیئر ہولڈرز

معزز شیئر ہولڈرز،

بورڈ آف ڈائریکٹرز بمسرت سال مختتمہ ۳۱ دسمبر ۲۰۱۹ کے لئے کمپنی کے سالانہ آڈٹ شدہ اکاؤنٹس بشمول ۷۷ ویں سالانہ رپورٹ پیش کر رہے ہیں۔

	('000 روپے میں)
سال ۲۰۱۹ء کیلئے منافع بعد از ٹیکس	70,087
سال ۲۰۱۸ء کیلئے مختص کے بعد دستیاب رقم	31,549
	101,636

بورڈ آف ڈائریکٹرز نے تجویز کیا:

۰٫۵۰ روپے فی شیئر کے منافع منقسمہ کی ادائیگی بابت ۵ روپے فی شیئر یعنی ۱۰ فیصد	61,937
غیر مختص کردہ منافع آگے لے جانیوالا	39,699
	101,636
فی شیئر بنیادی آمدنی	0.57

ڈائریکٹرز نے بمسرت سال ۲۰۱۹ء کیلئے شیئر ہولڈرز کو ۱۵ فیصد مندرجہ بالا کی ادائیگی کی سفارش کی ہے۔

اللہ تعالیٰ کے فضل و کرم سے زیر جائزہ سال کے لئے انڈر رائٹنگ منافع جات نمایاں طور پر بڑھ کر ۱۰۱٫۳ ملین روپے ہوگئے جو اس کے مقابلے میں گذشتہ سال کی اسی مدت کے لئے ۶۴٫۶ ملین روپے تھے۔ حاصل کردہ مجموعی پریمیئم ۲۷ فیصد بڑھ کر ۱٫۷ بلین روپے ہوگیا اس کے ساتھ خالص انشورنس پریمیئم بڑھ کر ۵۵۷٫۶ ملین روپے ہوگیا جو گذشتہ سال ۵۳۲٫۱ ملین روپے تھا۔

سال کے لئے سرمایہ کاری کی آمدنی ۹۴٫۸ ملین روپے تھی جو اس کے برخلاف گذشتہ سال ۱۹۶٫۷ ملین روپے تھی جس کی وجہ مدت کے دوران کمتر کیپٹل فوائد کے باعث اور منافع منقسمہ کی آمدنی میں کمی کا سبب تھا۔ اس کے نتیجے میں سال ۲۰۱۹ کے لئے کمپنی کا منافع بعد از ٹیکس ۷۰٫۱ ملین روپے رہا۔

پاکستان کریڈٹ ریٹنگ ایجنسی نے کمپنی کے لئے +A (اے پلس) انشورر فنانشل اسٹرینتھ (IFS) ریٹنگ تفویض کی۔ اس کا مقصد پالیسی ہولڈرز اور معاہدے کی مالیاتی ذمہ داریوں کو پورا کرنے کی مستحکم گنجائش کا حامل ہونا ہے۔

۱۹-۲۰۱۸ء کیلئے معیشت کی مجموعی کارکردگی پر جی ڈی پی گروتھ ۳٫۲۹ فیصد تھی اور غیر ملکی زرمبادلہ کے ذخائر ۱۳٫۹ بلین امریکن ڈالر پر موجود تھے۔ اس ضمن میں افراطِ زر میں ۱۲٫۴۲ فیصد کا اضافہ ہوا اور شرح سود بتدریج بڑھ کر ۱۳٫۲۵ فیصد تک جا پہنچا جو اب کم ہو کر ۱۱ فیصد پر آ چکا ہے۔ کے ایس ای ۱۰۰ انڈیکس ۳۱ دسمبر ۲۰۱۹ء کو ۹٫۹ فیصد کے اضافے کے ساتھ ۴۰۷۳۵ پر بند ہوا۔

سال ۲۰۲۰ چیلینجنگ ہوگا اور ہم کو امید ہے اور دعا کرتے ہیں کہ صورتحال جلد از جلد معمول پر آ جائے۔ ہم اپنی متوقع سرمایہ کاری کے منافع جات پر ایک محتاط نظریہ رکھتے ہیں اور انشاء اللہ کمپنی انڈر رائٹنگ نتائج کو کاروبار میں توسیع کے لئے اپنے انڈر رائٹنگ پر کسی مفاہمت کے بغیر بھرپور طور پر بہتر بنانے کے لئے اپنے منصوبے پر عمل درآمد کرتی رہے گی۔

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 Seventh Annual General Meeting of the Company to be held on May 18, 2020 and at any adjournment thereof.

As witness my/our hand this__________________day of_________________2020.

REVENUE
STAMP
RS. 5

SIGNATURE OF MEMBER (S)

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

Witnesses:

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

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

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

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

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

مختارنامہ (پراکسی فارم)

میں/ہم ______ ساکن ______ بحیثیت ممبر (رکن) حبیب انشورنس کمپنی لمیٹڈ اور حامل ______
عام حصص، بمطابق شیئر رجسٹر فولیو نمبر/سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر ______
ممبر (رکن) محترم/محترمہ ______ فولیو نمبر/سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر ______ کو
یا اُن کی غیر حاضری میں ممبر (رکن) محترم/محترمہ ______ فولیو نمبر/سی ڈی سی اکاؤنٹ اور پارٹیسپنٹ آئی ڈی نمبر ______
کو اپنے/ہمارے ایماء پر بروز پیر ۱۸ مئی **۲۰۲۰ء** کو حبیب انشورنس کمپنی لمیٹڈ کے رجسٹرڈ آفس میں منعقد ہونے والے چھترویں سالانہ اجلاس میں حق رائے دہی استعمال کرنے یا کسی بھی التواء کی صورت میں اپنا/ہمارا بطور مختار (پراکسی) مقرر کرتا/کرتی ہوں/کرتے ہیں۔

آج بروز ______ بتاریخ ______ **۲۰۲۰ء** 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 اُن 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 ہو 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 مختارنامہ (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 مختارنامہ (پراکسی فارم) جمع کرانا ہونگے۔

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

مختارنامے (پراکسی فارمز) 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۔

Habib Insurance Company Limited

TO ALL MEMBERS OF THE COMPANY

STATEMENT UNDER SECTION 213 OF THE COMPANIES ACT, 2017

This is to inform you that the Board of Directors of the Company in their meeting held on April 22, 2020 approved reappointment and remuneration of Mr. Shabbir Gulamali as Chief Executive of the Company for the term of three years from April 01, 2020 to March 31, 2023. This appointment will be revalidated by the Board of Directors after the Election of Directors in accordance with the law.

He will be entitled to a salary of Rs. 1,000,000 per month, subject to an increment not exceeding 20% per annum. In addition, he shall be entitled for all other benefits incidental or relating to such office.

By order of the Board

Karachi: April 22, 2020

Muhammad Maaz Akbar
Company Secretary


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