

Habib Insurance Company Limited

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Habib Insurance Company Limited

Company Information

Board of Directors

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

Habib Insurance Company Limited

DIRECTORS' REVIEW

The Shareholders,

The Directors have pleasure to present the unaudited accounts for the period ended 30th June 2019.

By the Grace of Allah, the gross written premium for the 1st half of the year grew to Rs. 823.0 million, an increase of 34% over last year with net premium revenue rising to Rs. 357.2 million as compared to Rs. 246.3 million for the corresponding period and combined with a favourable claims experience, we Mashallah had substantial improvement in underwriting profit rising to Rs. 44.8 million from Rs. 18.6 million for the period under review.

The investment income for the period was Rs. 50.1 million. The Stock Exchange has experienced a sharp decline from the beginning of the year and corporate payouts have also reduced during this time. We pray and expect that economic conditions improve for the remainder of the year.

Consequently, the overall profit after tax for the period under review was Rs. 41.3 million as against Rs. 65.4 million of the previous year, registering an earnings of Rs. 0.33 per share.

We pray to Allah for Peace and Prosperity in the Nation and look forward to continued progress of the Company and for, Inshallah, a successful year ahead.

On behalf of the Board of Directors

Karachi: August 29, 2019

RAFIQ M. HABIB
Chairman

SHABBIR GULAMALI
Chief Executive

Habib Insurance Company Limited

حبیب انشورنس کمپنی لمیٹڈ

ڈائریکٹرز کا جائزہ

معزز شیئرز ہولڈرز،

ڈائریکٹرز بمسرت ۳۰ جون ۲۰۱۹ء کو ختم ہونے والی مدت کے لئے غیر آڈٹ شدہ حسابات پیش کر رہے ہیں۔

اللہ تعالیٰ کے فضل و کرم سے سال کی پہلی ششماہی کے لئے مجموعی تحریری پریمئیم بڑھ کر 823.0 ملین روپے ہو گیا جو گزشتہ سال کے مقابلے میں 34 فیصد زائد ہے اس کے ساتھ گزشتہ سال کے 246.3 ملین روپے کے مقابلے میں خالص پریمئیم آمدنی بڑھ کر 357.2 ملین روپے ہوئی اور ایک موافق کلیمز تجربے کے ساتھ مشترک رہی، ہم ماشا اللہ زیر جائزہ مدت کیلئے 18.6 ملین روپے سے رواں مدت میں انڈر رائٹنگ منافع 44.8 ملین روپے تک بڑھانے میں کامیاب رہے۔

اس مدت کے لئے سرمایہ کار آمدنی 50.1 ملین روپے رہی۔ اسٹاک ایکسچینج نے سال کے آغاز سے نمایاں کمی کا سامنا کیا اور اس سال کے دوران کارپوریٹ پے آؤٹ بھی کم ہوئے۔ ہم دعا گو ہیں اور توقع کرتے ہیں کہ سال کی باقی ماندہ مدت کیلئے معاشی صورتحال میں بہتری آئے گی۔

اس کے ساتھ ساتھ زیر جائزہ مدت کیلئے مجموعی منافع بعد از ٹیکس 41.3 ملین روپے رہا جو اس کے مقابلے میں گزشتہ سال 65.4 ملین روپے تھا جس کے باعث آمدنی 0.33 روپے فی شیئر حاصل ہوئی۔

ہم اللہ تعالیٰ سے دعا گو ہیں کہ ملک میں امن استحکام ہو اور مستقبل میں کمپنی کی مسلسل ترقی کی امید کرتے ہوئے توقع کرتے ہیں کہ انشا اللہ 2019 ایک کامیاب سال ثابت ہوگا۔

بورڈ آف ڈائریکٹرز کی جانب سے

شبیر غلام علی
چیف ایگزیکٹو

رفیق ایم۔ حبیب
چیئر مین

کراچی:
۲۹ اگست ۲۰۱۹ء

Habib Insurance Company Limited

Condensed Interim Statement of Financial Position (Unaudited) as at June 30, 2019

	Note	(Unaudited) June 30, 2019	(Audited) December 31, 2018
(Rupees in '000)			
Assets			
Property and equipment	6	166,923	109,076
Intangible assets		3,614	4,443
Investments			
Equity securities	7	961,913	1,129,856
Debt securities	8	70,435	70,763
Loans and other receivables	9	117,907	110,522
Insurance/ reinsurance receivables	10	1,043,773	932,311
Reinsurance recoveries against outstanding claims	19	314,467	406,143
Salvage recoveries accrued		23,916	9,616
Deferred commission expense	20	66,924	61,071
Prepayments	11	349,392	292,158
Cash and bank	12	31,886	102,396
		3,151,150	3,228,355
Total Assets of Window Takaful Operations - Operator's Fund		63,153	54,048
Total assets		3,214,303	3,282,403
EQUITIES AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital		619,374	619,374
Reserve	13	499,059	608,509
Unappropriated profit		59,050	110,676
Total Equity		1,177,483	1,338,559
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	19	482,507	543,938
Unearned premium reserves	18	713,571	631,754
Unearned reinsurance commission	20	99,145	77,002
Retirement benefit obligations		97,661	88,470
Deferred taxation - net		80,222	129,519
Lease liability	14	131,012	68,950
Premium received in advance		19,366	424
Insurance/ reinsurance payables	15	208,123	222,570
Other creditors and accruals	16	190,307	166,118
Taxation - provision less payment		2,466	9,147
Total Liabilities		2,024,380	1,937,892
Total Liabilities of Window Takaful Operations - Operator's Fund		12,440	5,952
Total Liabilities		2,036,820	1,943,844
Total Equity and Liabilities		3,214,303	3,282,403
Contingencies and commitments	17		

The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB MANSOOR G. HABIB AUN MOHAMMAD A. HABIB SHABBIR GULAMALI MURTAZA HUSSAIN
Chairman *Director* *Director* *Chief Executive* *Chief Financial Officer*

Habib Insurance Company Limited

Condensed Interim Statement of Comprehensive Income (Unaudited) for the half year ended June 30, 2019

	Note	(Unaudited) Three months period ended June 30,		(Unaudited) Six months period ended June 30,	
		2019 (Rupees in '000)	2018 (Rupees in '000)	2019 (Rupees in '000)	2018 (Rupees in '000)
Net insurance premium	18	189,114	131,485	357,208	246,264
Net insurance claims	19	(97,302)	(42,676)	(189,883)	(143,710)
Net commission and other acquisition cost	20	10,314	16,818	21,247	34,645
Insurance claims and acquisition expenses		(86,988)	(25,858)	(168,636)	(109,065)
Management expenses		(70,383)	(61,532)	(143,751)	(118,556)
Underwriting results		31,743	44,095	44,821	18,643
Investment income	21	19,350	42,108	50,092	116,562
Other income		7,187	2,446	11,451	4,109
Other expenses		(32,223)	(23,969)	(58,291)	(46,484)
Results of operating activities		26,057	64,680	48,073	92,830
Finance costs		(4,163)	-	(6,969)	-
Profit from Window Takaful Operations - Operator's Fund		1,619	-	3,660	-
Profit before tax for the period		23,513	64,680	44,764	92,830
Income tax expense	22	3,620	(18,926)	(3,484)	(27,399)
Profit after tax for the period		27,133	45,754	41,280	65,431
Other comprehensive income:					
Unrealised (loss) / gain on available-for-sale investments during the period		(166,211)	(33,021)	(161,418)	106,974
Less: Net gain / (loss) transferred to profit and loss on disposal of investments		14,969	(32,807)	13,995	(68,889)
		(151,242)	(65,828)	(147,423)	38,085
Related tax impact		42,388	19,113	37,973	(4,608)
Other comprehensive income for the period		(108,854)	(46,715)	(109,450)	33,477
Total comprehensive income for the period		(81,721)	(961)	(68,170)	98,908
Earning (after tax) per share - Rupees	23	0.22	0.37	0.33	0.53

The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Changes in Equity (Unaudited) for the half year ended June 30, 2019

	Capital Reserves		Reserves		Unappropriated profit	Total Equity	
	Share capital	Reserve for exceptional losses	General reserve	Revenue Reserves Available for sale reserve (Rupees in '000)			Total
Balance as at January 01, 2018 (Restated)	619,374	9,122	255,000	450,547	714,669	101,584	1,435,627
Profit for the six months ended June 30, 2018	-	-	-	-	-	65,431	65,431
Other comprehensive income	-	-	-	33,477	33,477	-	33,477
Total comprehensive income for the six months period ended June 30, 2018	-	-	-	33,477	33,477	64,431	98,908
Final dividend of Rs. 0.75 per share for the year ended December 31, 2017	-	-	-	-	-	(92,906)	(92,906)
Balance as at June 30, 2018	<u>619,374</u>	<u>9,122</u>	<u>255,000</u>	<u>484,024</u>	<u>748,146</u>	<u>74,109</u>	<u>1,441,629</u>
Balance as at January 01, 2019	619,374	9,122	255,000	344,387	608,509	110,676	1,338,559
Profit for the six months ended June 30, 2019	-	-	-	-	-	41,280	41,280
Other comprehensive income	-	-	-	(109,450)	(109,450)	-	(109,450)
Total comprehensive income for the six months period ended June 30, 2019	-	-	-	(109,450)	(109,450)	41,280	(68,170)
Final dividend of Rs. 0.75 per share for the year ended December 31, 2018	-	-	-	-	-	(92,906)	(92,906)
Balance as at June 30, 2019	<u>619,374</u>	<u>9,122</u>	<u>255,000</u>	<u>234,937</u>	<u>499,059</u>	<u>59,050</u>	<u>1,177,483</u>

The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Cash Flow (Unaudited) for the half year ended June 30, 2019

	(Unaudited) June 30, 2019	(Unaudited) June 30, 2018
	(Rupees in '000)	
Operating cash flows		
(a) Underwriting activities		
Insurance premium received	685,679	539,131
Reinsurance premium paid	(416,651)	(300,664)
Claims paid	(503,623)	(344,050)
Reinsurance and other recoveries received	329,685	199,532
Commission paid	(63,269)	(51,825)
Commission received	110,409	89,037
Net cash flow from underwriting activities	142,230	131,161
(b) Other operating activities		
Income tax paid	(21,343)	(40,993)
Other operating payments	(204,978)	(174,485)
Other operating receipts	14,429	19,853
Loans advanced	(6,205)	(7,895)
Loan repayment received	10,617	11,924
Net cash flow from other operating activities	(207,480)	(191,596)
Total cash flow (used in) operating activities	(65,250)	(60,435)
Investment activities		
Profit/ return received	8,176	5,524
Dividend received	36,913	47,838
Payment for investments	(353,031)	(359,613)
Proceeds from investments	405,015	374,954
Fixed capital expenditure	(5,202)	(7,389)
Proceeds from sale of property, plant and equipment	2,207	71
Total cash flow from investing activities	94,078	61,385
Financing activities		
Dividends paid	(90,301)	(86,435)
Lease rentals paid	(9,037)	(3,317)
Total cash flow (used in) financing activities	(99,338)	(89,752)
Net cash flows (used in) all activities	(70,510)	(88,802)
Cash and cash equivalents at beginning of period	102,396	166,460
Cash and cash equivalents at end of period	31,886	77,658
Reconciliation to profit and loss account		
Operating cash flows	(65,250)	(60,435)
Depreciation expense	(13,438)	(4,543)
Income tax paid	21,343	40,993
Finance charges	(6,969)	(1,135)
Provision for impairment	(3,603)	-
Provision for gratuity	(9,977)	(6,473)
Gratuity paid	2,553	6,770
Profit/ return received	8,176	5,524
Dividends received	36,913	47,838
Capital gain	13,995	68,889
Profit on disposal of property, plant and equipment	388	25
Provision for taxation	(3,484)	(27,399)
Increase / (decrease) in assets other than cash	104,558	103,160
(Increase) / decrease in liabilities other than borrowings	(43,925)	(107,783)
Profit after taxation	41,280	65,431

The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Notes to the Condensed Interim Financial Statements for the half year ended June 30, 2019 (Unaudited)

1. LEGAL STATUS AND NATURE OF BUSINESS

Habib Insurance Company Limited (the Company) was incorporated as a Public Limited Company in the year 1942 under the Companies Act, 1913 (now the Companies 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.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These condensed interim financial information has been prepared in accordance with the format prescribed by Securities and Exchange Commission of Pakistan (SECP) through Insurance Rules, 2017, vide SRO 89 (I) / 2017 dated February 09, 2017.

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of: International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012. Where the provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules, 2017, and Insurance Accounting Regulations, 2017, and Takaful Rules, 2012 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules, 2017, and Insurance Accounting Regulations, 2017, and Takaful Rules, 2012 have been followed.

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 Company have been presented as a single line item in the statement of financial position and profit and loss account of the Company respectively.

Further, a separate set of the financial statements of the General Takaful Operations for the six months period ended June 30, 2019 has been annexed to these financial statements as per the requirements of the Takaful Rules, 2012.

The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the Securities and Exchange Commission of Pakistan vide SRO 89(I)/2017 and International Accounting Standard (IAS) 34, "Interim Financial Reporting" and do not include all the information and disclosures required in the annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2018.

2.1 Basis of Measurement

These condensed interim financial statements have been prepared on the historical cost basis except for certain investment which are carried at fair value and obligations under certain employment benefits which are measured at present value.

2.2 Functional and presentation currency

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

Habib Insurance Company Limited

2.3 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current period

IFRS 16, the accounting standard for leases, became effective for annual reporting periods commencing on or after 1 January 2019. The impact of the adoption of IFRS 16 is disclosed in note 3.1 of these condensed interim 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 condensed interim financial statements.

2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective in the current period

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 introduces 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

Habib Insurance Company Limited

b) all other financial assets.

Financial assets	June 30, 2019 (Unaudited)				
	Fail the SPPI test		Pass the SPPI test		
	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*	31,886	–	–	–	–
Investment in equity securities - available for sale	961,913	(147,423)	–	–	–
Investments in debt securities - held to maturity	–	–	70,435	70,435	–
Loans and other receivables*	–	–	117,907	117,907	–
Total	<u>993,799</u>	<u>(147,423)</u>	<u>188,342</u>	<u>188,342</u>	<u>–</u>

	June 30, 2019 (Un-audited)			
	Gross carrying amounts of debt instruments that pass the SPPI test			
	AAA	AA+	A+	Unrated
	(Rupees in '000)			
Investments in debt securities - held to maturity	–	–	–	70,435
Loans and other receivables*	–	–	–	117,907
Total	<u>–</u>	<u>–</u>	<u>–</u>	<u>188,342</u>

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and method of computation adopted in preparation of these condensed interim financial statements are consistent with those followed in preparation of the annual financial statements of the Company for the year ended December 31, 2018 except accounting for leases as disclosed below in note 3.1.

3.1 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.

Habib Insurance Company Limited

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 01, 2019. Accordingly the comparative 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	130,876
Balance at June 30, 2019	137,867

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.

Habib Insurance Company Limited

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 applied this approach to all other leases.

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	137,867
Increase in other liabilities - lease liability against right of use assets	131,012
Increase in net asset - before tax	6,855

ii. Impact on Profit and Loss Account

Increase in finance cost - lease liabilities	6,969
Increase / decrease in management expenses	
Increase in depreciation expense - right of use assets	9,789
Decrease in rent expense	13,978

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised Rs. 137.8 million right-of-use assets and Rs. 131 million of lease liabilities as at June 30, 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 six months ended June 30, 2019, the Company recognise Rs. 9.8 million depreciation charges and Rs. 6.9 million interest cost from these leases.

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4. ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended December 31, 2018.

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

Insurance and financial risk management objectives and policies are consistent with those disclosed in the financial statement for the year ended December 31, 2018.

	Note	(Unaudited) June 30, 2019	(Audited) December 31, 2018
(Rupees in '000)			
6. Property and equipment			
Operating assets	6.1	29,056	29,322
Right-of-use assets	6.2	137,867	79,754
		<u>166,923</u>	<u>109,076</u>
Opening written down value		29,322	19,998
Additions during the period	6.1.1	5,202	25,711
Disposals during period	6.1.2	(1,816)	(10,211)
Write off during the period		(2)	-
Depreciation for the period		<u>(3,650)</u>	<u>(6,176)</u>
		<u>29,056</u>	<u>29,322</u>
6.1.1	The following additions were made to tangible-property and equipment during the period/ year		
	Furniture and fixtures	2,520	2,207
	Computer equipment	1,858	1,609
	Office equipment	783	2,347
	Motor Vehicles - owned	41	19,548
		<u>5,202</u>	<u>25,711</u>
6.1.2	The following disposals of tangible - operating assets were made during the period / year		
	Computer equipment	24	70
	Office equipment	15	48
	Motor Vehicles - owned	1,777	10,093
		<u>1,816</u>	<u>10,211</u>
6.2 Right-of-use assets			
	Balance at January 01, 2019	130,876	-
	Additions during the period	16,779	84,157
	Depreciation charge for the period	<u>(9,788)</u>	<u>(4,403)</u>
	Balance at June 30, 2019	<u>137,867</u>	<u>79,754</u>

6.2.1 This includes assets which were previously capitalised in Operating Assets under finance lease as per IAS 17 amounting to Rs. 79.8 million as at 31 December 2018, which are now recognised as Right-of-use assets under IFRS 16.

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7. INVESTMENT IN EQUITY SECURITIES

	June 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Cost	Impairment / provision (Rupees in '000)	Carrying value	Cost	Impairment / provision (Rupees in '000)	Carrying value
Related Party						
Listed share	302,714	-	302,714	309,093	-	309,093
Others						
Listed share	314,943	(4,360)	310,583	270,427	(757)	269,670
Mutual funds	3,031	-	3,031	58,085	-	58,085
Modaraba certificate	15,014	-	15,014	15,014	-	15,014
	332,988	(4,360)	328,628	343,526	(757)	342,769
Surplus on revaluation	-	-	330,571	-	-	477,994
	<u>635,702</u>	<u>(4,360)</u>	<u>961,913</u>	<u>652,619</u>	<u>(757)</u>	<u>1,129,856</u>

8. INVESTMENT IN DEBT SECURITIES

	June 30, 2019 (Unaudited)			December 30, 2018 (Audited)		
	Cost	Impairment / provision (Rupees in '000)	Carrying value	Cost	Impairment / provision (Rupees in '000)	Carrying value
Government securities	70,435	-	70,435	70,763	-	70,763

- 8.1 This represents Pakistan Investment Bonds having face value of Rs. 70 million (market value of Rs. 65.43 million) [December 31, 2018: face value Rs.70 million (market value of Rs.69.3 million)]. These carry mark-up ranging from 7% to 12% (December 31, 2018: 7% to 12%) per annum and will mature between December 29, 2019 to July 19, 2022. These 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.

	(Unaudited) June 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
9. LOANS AND OTHER RECEIVABLES - Considered good		
Accrued investment income	3,153	3,334
Security Deposits	31,152	26,799
Advances	11,038	9,994
Agents Commission receivable	4,446	2,522
Loan to employees	48,946	52,607
Other receivables	19,172	15,266
	<u>117,907</u>	<u>110,522</u>
10. INSURANCE / REINSURANCE RECEIVABLES - Unsecured and considered good		
Due from insurance contract	664,217	519,477
Less: Provision for impairment of receivables from insurance contract holders	(15,912)	(15,912)
	648,305	503,565
Due from other insurers / reinsurers	401,968	435,246
Less: Provision for impairment of due from other insurers / reinsurers	(6,500)	(6,500)
	395,468	428,746
	<u>1,043,773</u>	<u>932,311</u>

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	(Unaudited) June 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
11. PREPAYMENTS		
Prepaid reinsurance premium ceded	339,582	281,792
Prepaid rent	-	3,171
Prepaid insurance on leased vehicles	3,572	2,554
Others	6,238	4,641
	349,392	292,158
12. CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash in hand	724	108
Policy Stamps	563	57
	1,287	165
Cash at bank		
Current accounts	11,106	13,584
Savings accounts	19,493	88,647
	30,599	102,231
	31,886	102,396
13. RESERVES		
General reserve	255,000	255,000
Reserve for exceptional losses	9,122	9,122
Revaluation reserve - available for sale investments	234,937	344,387
	499,059	608,509
14. LEASE LIABILITIES		
Lease liabilities included in the statement of financial position:		
Current	17,495	11,142
Non current	113,517	57,808
	131,012	68,950
Finance cost on lease liabilities for the six months ended June 30, 2019 was Rs 6.9 million (June 30, 2018: Rs. 1.1 million). Total cash outflow for leases was Rs 13.98 million.		
	(Unaudited) June 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
15. INSURANCE / REINSURANCE PAYABLES		
Due to other insurers / reinsurers		
Foreign reinsurers	97,758	99,554
Local reinsurers	39,126	27,849
Co insurers payable	71,239	95,167
	208,123	222,570

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	(Unaudited) June 30, 2019		(Audited) December 31, 2018	
	(Rupees in '000)			
16. OTHER CREDITORS AND ACCRUALS				
Agents commission payable	38,816		32,213	
Federal excise duty	43,964		24,457	
Federal insurance fee	3,203		1,704	
Accrued expenses	14,414		22,894	
Withholding tax payable	2,164		2,629	
Unclaimed dividend	60,156		57,551	
Sundry creditors	27,289		23,140	
Others	301		1,530	
	<u>190,307</u>		<u>166,118</u>	
17. CONTINGENCIES & COMMITMENTS				
17.1 Contingencies				
There are no contingencies outstanding as at June 30, 2019 except as disclosed in note 22.				
17.2 Commitments				
There were no commitments as at June 30, 2019.				
	Three months period ended June 30,		Six months period ended June 30,	
	2019	2018	2019	2018
	(Rupees in '000)		(Rupees in '000)	
18. NET INSURANCE PREMIUM				
Written gross premium	489,875	370,262	783,439	614,064
Add: Unearned premium reserve opening	581,749	452,387	631,754	481,048
Less: Unearned premium reserve closing	(713,571)	(541,919)	(713,571)	(541,919)
Premium earned	358,053	280,730	701,622	553,193
Less: Reinsurance premium ceded	258,746	184,950	402,204	335,154
Add: Prepaid reinsurance premium opening	249,775	265,704	281,792	273,184
Less: Prepaid reinsurance premium closing	(339,582)	(301,409)	(339,582)	(301,409)
Reinsurance expense	168,939	149,245	344,414	306,929
Net insurance premium	<u>189,114</u>	<u>131,485</u>	<u>357,208</u>	<u>246,264</u>
19. NET INSURANCE CLAIMS EXPENSE				
Claims paid	386,454	130,366	503,623	344,050
Add: Outstanding claims including IBNR closing	482,507	586,701	482,507	586,701
Less: Outstanding claims including IBNR opening	(660,021)	(557,435)	(543,938)	(666,850)
Claims expense	208,940	159,632	442,192	263,901
Less: Reinsurance and other recoveries received	299,753	77,057	329,685	199,532
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	338,383	465,894	338,383	465,894
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(526,498)	(425,995)	(415,759)	(545,235)
Reinsurance and other recoveries revenue	111,638	116,956	252,309	120,191
Net insurance claims	<u>97,302</u>	<u>42,676</u>	<u>189,883</u>	<u>143,710</u>

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	Three months period ended June 30,		Six months period ended June 30,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
	(Rupees in '000)		(Rupees in '000)	
20. NET COMMISSION INCOME / ACQUISITION COST				
Commissions paid or payable	47,261	36,201	72,872	58,514
Add: Deferred commission - opening	53,891	36,825	61,071	37,294
Less: Deferred commission - closing	(66,924)	(48,018)	(66,924)	(48,018)
Commission expense	<u>34,228</u>	<u>25,008</u>	<u>67,019</u>	<u>47,790</u>
Less: Commission from reinsurers				
Commission received or receivable	70,616	47,863	110,409	89,037
Add: Unearned reinsurance commission - opening	73,071	73,992	77,002	73,427
Less: Unearned reinsurance commission - closing	(99,145)	(80,029)	(99,145)	(80,029)
Commission from reinsurers	<u>44,542</u>	<u>41,826</u>	<u>88,266</u>	<u>82,435</u>
Net commission income	<u>10,314</u>	<u>16,818</u>	<u>21,247</u>	<u>34,645</u>
21. INVESTMENT INCOME				
Income from equity securities and mutual fund units - 'available-for-sale'				
- Dividend income	8,192	10,135	36,618	47,838
Income from debt securities - 'held-to-maturity'				
- Return on debt securities	1,439	1,358	3,236	3,112
Net realised gain on investments				
Available-for-sale				
- Equity securities	11,076	32,193	11,850	67,263
- Mutual funds units	1,945	614	2,145	1,626
Total investment income	<u>22,652</u>	<u>44,300</u>	<u>53,849</u>	<u>119,839</u>
Less: Impairment in value of available-for-sale investments	(3,603)	-	(3,603)	-
Less: Investment related expenses	301	(2,192)	(154)	(3,277)
	<u>19,350</u>	<u>42,108</u>	<u>50,092</u>	<u>116,562</u>
22. TAXATION				
For the period				
- Current	(8,461)	(19,252)	(14,662)	(26,908)
- Deferred	12,081	326	11,178	(491)
	<u>3,620</u>	<u>(18,926)</u>	<u>(3,484)</u>	<u>(27,399)</u>

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

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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.

During the period, the Company was served with the notice u/s 161(1A) and 205 of the Income Tax Ordinance, 2001 for the tax year 2017 whereby demand of Rs.220,875,887 was raised on an account of non-deduction of withholding tax on Reinsurance premium, Insurance claims and various Admin expense. The Company filed an Appeal against the said order before the Commissioner Inland Revenue (Appeals- I) (CIR-A) which have been heard and the decision is expected shortly. However, the recovery of the said amount has been stayed by the Honorable High Court of Sindh till the decision of the CIR-A. The management of the Company, based on its tax advisor's opinion, is confident that the ultimate outcome of the appeal will be in the favour of the Company. Therefore, no provision for the said demand has been made in these condensed interim financial statements.

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.

	Three months period ended June 30,		Six months period ended June 30,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
	(Rupees in '000)			
23. EARNINGS PER SHARE - BASIC AND DILUTED				
Profit after tax for the period	27,133	45,754	41,280	65,431
	(Number of Shares)		(Number of Shares)	
Weighted average number of ordinary shares of Rs. 5 each	123,874,755	123,874,755	123,874,755	123,874,755
	(Rupees)		(Rupees)	
Basic earnings per share	<u>0.22</u>	<u>0.37</u>	<u>0.33</u>	<u>0.53</u>

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

24. RELATED PARTY TRANSACTIONS

Related parties comprise of directors, major shareholders, key management personnel, associated companies and entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. The transactions and balances with related parties during the period other than those which have been specifically disclosed elsewhere in these condensed interim financial statements are as follows:

Details of balances and transactions with related parties during the half year ended June 30, 2019 are as follows:

	Three months period ended June 30,		Six months period ended June 30,	
	2019	2018	2019	2018
	(Rupees in '000)			
Transactions with related parties				
Associated Companies				
Dividend received	1,290	2,590	14,883	33,910
Dividend paid	4,302	8,324	4,302	8,324
Bank charges	50	74	139	172
Investment made	–	–	8,304	98,388
Interest received on bank	1,522	1,068	5,054	2,150
Investment related expenses paid	32	–	172	172
Lease rentals paid	4,369	3,317	9,037	3,317
Security deposit paid	3,069	16,470	3,069	16,470
Premium written	55,672	101,921	111,345	162,764
Claims paid	49,231	25,357	98,462	75,611
Investment sold	28,846	109,017	28,846	137,194
Key Management Personnel				
Compensation	24,944	25,257	50,716	51,593
Others				
Dividend paid	4,172	3,926	4,172	3,926
Employee's fund				
Contribution to Provident Fund	2,072	1,702	4,303	3,399
	(Unaudited)		(Audited)	
	June 30,		December 31,	
	2019		2018	
	(Rupees in '000)			
Balances				
Associated Companies				
Bank balances		29,921		101,303
Premium due but unpaid		98,013		114,880
Claims outstanding		106,080		108,870
Investment held		502,208		564,104
Security deposit		19,539		17,162
Finance lease liability		–		68,950
Advance against motor vehicle		5,014		–
Others				
Loans to employees		7,126		25,519
Brokerage expenses payables		–		370

Remuneration to the key management personnel are in accordance with the terms of their employment and the contribution to the provident fund is in accordance with the Company's staff service rules.

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25. SEGMENT REPORTING

	June 30, 2019 (Unaudited)				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Gross Written Premium (inclusive of Administrative Surcharge)	<u>319,474</u>	<u>125,371</u>	<u>259,525</u>	<u>79,069</u>	<u>783,439</u>
Insurance premium earned	247,768	121,281	254,539	78,034	701,622
Insurance premium ceded to reinsurers	(204,209)	(44,674)	(53,911)	(41,620)	(344,414)
Net insurance premium	<u>43,559</u>	<u>76,607</u>	<u>200,628</u>	<u>36,414</u>	<u>357,208</u>
Commission income	51,220	14,917	15,976	6,153	88,266
Net underwriting income	<u>94,779</u>	<u>91,524</u>	<u>216,604</u>	<u>42,567</u>	<u>445,474</u>
Insurance claims	165,478	91,781	149,645	35,288	442,192
Insurance claims recovered from reinsurers	(146,605)	(49,004)	(44,315)	(12,385)	(252,309)
Net Claims	<u>18,873</u>	<u>42,777</u>	<u>105,330</u>	<u>22,903</u>	<u>189,883</u>
Commission expense	(31,963)	(13,420)	(13,510)	(8,126)	(67,019)
Management expenses	(58,619)	(23,004)	(47,619)	(14,508)	(143,751)
Net insurance claims and expenses	(90,582)	(36,424)	(61,129)	(22,634)	(210,770)
Underwriting result	<u>(14,676)</u>	<u>12,323</u>	<u>50,145</u>	<u>(2,970)</u>	<u>44,821</u>
Investment income					50,092
Other income					11,451
Other expenses					(58,291)
Results of operating activities					<u>48,073</u>
Finance cost					(6,969)
Profit from Window Takaful Operations- Operator's Fund					3,660
Profit before tax					<u>44,764</u>
Segment assets	678,222	331,986	696,757	213,607	1,920,572
Segment assets of General Takaful Operations - Operator's Fund	8,354	5,236	7,172	273	21,035
Unallocated assets					1,230,578
Unallocated assets of General Takaful Operations - Operator's Fund					42,118
					<u>3,214,303</u>
Segment liabilities	537,724	263,213	552,419	169,357	1,522,712
Segment liabilities of General Takaful Operations - Operator's Fund	3,274	2,052	2,811	107	8,244
Unallocated liabilities					501,668
Unallocated liabilities of General Takaful Operations - Operator's Fund					4,196
					<u>2,036,820</u>

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	June 30, 2018 (Unaudited)				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Gross Written Premium (inclusive of Administrative Surcharge)	220,394	106,524	212,130	75,016	614,064
Insurance premium earned	193,328	102,041	199,380	58,444	553,193
Insurance premium ceded to reinsurers	(170,987)	(46,204)	(73,727)	(16,011)	(306,929)
Net insurance premium	22,341	55,837	125,653	42,433	246,264
Commission income	43,750	13,641	21,919	3,125	82,435
Net underwriting income	66,091	69,478	147,572	45,558	328,699
Insurance claims	35,809	92,902	148,127	(12,937)	263,901
Insurance claims recovered from reinsurers	(23,652)	(58,472)	(63,608)	25,541	(120,191)
Net Claims	12,157	34,430	84,519	12,604	143,710
Commission expense	(24,371)	(11,324)	(6,669)	(5,426)	(47,790)
Management expenses	(42,521)	(20,552)	(40,927)	(14,556)	(118,556)
Net insurance claims and expenses	(66,892)	(31,876)	(47,596)	(19,982)	(166,346)
Underwriting result	(12,958)	3,172	15,457	12,972	18,643
Investment income					116,562
Other income					4,109
Other expenses					(46,484)
Results of operating activities					92,830
Profit from Window Takaful Operations- Operator's Fund					-
Profit before tax					92,830
	December 31, 2018 (Audited)				
Segment assets	639,579	320,132	662,350	191,911	1,813,972
Segment assets of General Takaful Operations - Operator's Fund	631,234	333,173	650,994	190,825	1,806,226
Unallocated assets					1,414,383
Unallocated assets of General Takaful Operations - Operator's Fund					54,048
					5,088,629
Segment liabilities	531,662	266,116	288,117	589,507	1,675,402
Segment liabilities of General Takaful Operations - Operator's Fund	1,657	875	1,709	501	4,742
Unallocated liabilities					262,490
Unallocated liabilities of General Takaful Operations - Operator's Fund					1,210
					1,943,844

* During the period, few outstanding claims have been declared as no-loss resulting in favourable claim expense and negative recoveries.

26. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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 categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Habib Insurance Company Limited

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 observable

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

Following are the assets which are either measured at fair value or for which fair value is only disclosed and is different from their carrying value:

	As at June 30, 2019 (Unaudited)					Total	Fair value measurement using		
	Available-for-sale	Held to Maturity	Loans & receivables	Other financial assets	Other financial liabilities		Level 1	Level 2	Level 3
	(Rupees in '000)								
Financial assets measured at fair value									
Investments									
Equity securities	946,987	-	-	-	-	964,482	964,482		
Mutual Funds	14,926	-	-	-	-	14,926		14,926	
Financial assets not measured at fair value									
Debt Securities	-	70,435	-	-	-	70,435		65,445	
Loans and other receivable	-	-	117,907	-	-	117,907			
Insurance / reinsurance receivables	-	-	1,043,773	-	-	1,043,773			
Reinsurance recoveries against outstanding	-	-	314,467	-	-	314,467			
Cash and bank balances	-	-	-	31,886	-	31,886			
Total Assets of Window Takaful Operations - Operator's Fund	10,296	-	17,947	29,597	-	57,840			
	<u>972,209</u>	<u>70,435</u>	<u>1,494,094</u>	<u>61,483</u>	<u>-</u>	<u>2,615,716</u>			
Financial liabilities measured at fair value									
Outstanding claims including IBNR	-	-	-	-	(482,507)	(482,507)			
Premium received in advance	-	-	-	-	(19,366)	(19,366)			
Insurance / reinsurance payables	-	-	-	-	(208,123)	(208,123)			
Other creditors and accruals	-	-	-	-	(190,307)	(190,307)			
Total Liabilities of Window Takaful Operations - Operator's Fund	-	-	-	-	(4,197)	(4,197)			
	<u>972,209</u>	<u>70,435</u>	<u>1,494,094</u>	<u>61,483</u>	<u>(904,500)</u>	<u>1,711,216</u>			

Habib Insurance Company Limited

As at December 31, 2018 (Audited)

	Available- for-sale	Held for Maturity	Loans & receivables	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	1,069,937	-	-	-	-	1,069,937	1,069,937		
Mutual Funds	59,919	-	-	-	-	59,919		59,919	
Financial assets not measured at fair value									
Debt Securities	-	70,763	-	-	-	70,763		69,322	
Loans and other receivable	-	-	110,522	-	-	110,522			
Insurance / reinsurance receivables	-	-	932,311	-	-	932,311			
Reinsurance recoveries against outstanding claims	-	-	406,143	-	-	406,143			
Cash and bank balances	-	-	-	102,396	-	102,396			
Total Assets of Window Takaful Operations - Operator's Fund	20,695	-	7,652	25,701	-	54,048			
	<u>1,150,551</u>	<u>70,763</u>	<u>1,456,628</u>	<u>128,097</u>	<u>-</u>	<u>2,806,039</u>			
Financial liabilities measured at fair value									
Outstanding claims including IBNR	-	-	-	-	(543,938)	(543,938)			
Premium 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	-	-	-	-	(2,552)	(2,552)			
	<u>1,150,551</u>	<u>70,763</u>	<u>1,456,628</u>	<u>128,097</u>	<u>(935,602)</u>	<u>1,870,437</u>			

Habib Insurance Company Limited

27. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, to facilitate comparisons.

28. GENERAL

28.1 Figures in these condensed interim financial statements for the quarters ended June 30, 2019 and June 30, 2018 have not been subjected to limited scope review of the auditors.

28.2 Figures have been rounded off to the nearest Thousand Rupee.

29. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements have been authorised for issue on August 29, 2019 by the Board of Directors of the Company.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Financial Statements

Window Takaful Operations

Habib Insurance Company Limited

Condensed Interim Statement of Financial Position (Unaudited) as at June 30, 2019

Note	June 30, 2019 (Unaudited)			December 31, 2018 (Audited)			
	Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate	
	(Rupees in '000)			(Rupees in '000)			
ASSETS							
Investments - Mutual funds	5	10,296	–	10,296	20,695	–	20,695
Other receivables including Qar-e-Hasna to PTF	6	17,947	157	18,104	7,652	–	7,652
Takaful / retakaful receivable		–	24,667	24,667	–	14,561	14,561
Retakaful recoveries against outstanding claims	9	–	3,881	3,881	–	297	297
Deferred Wakala expense	11	–	8,243	8,243	–	3,922	3,922
Deferred commission expense	10	3,207	–	3,207	–	1,255	1,255
Taxation - payments less provision		906	–	906	–	21	21
Prepayments	8	600	17,254	17,854	–	9,088	9,088
Cash and Bank	7	29,597	17,386	46,983	25,401	6,260	31,661
Advances		600	–	600	300	–	300
Total assets		63,153	71,588	134,741	54,048	35,404	89,452
EQUITIES AND LIABILITIES							
RESERVES ATTRIBUTABLE TO OPERATORS' FUND (OPF)							
Statutory Fund		50,000	–	50,000	50,000	–	50,000
Accumulated surplus / (deficit)		713	–	713	(2,947)	–	(2,947)
Available-for-sale reserve		–	–	–	521	–	521
		50,713	–	50,713	47,574	–	47,574
WAQF / PARTICIPANT'S TAKAFUL FUND (PTF)							
Ceded money		–	500	500	–	500	500
Accumulated deficit		–	(2,341)	(2,341)	–	(1,689)	(1,689)
Balance of WAQF / PTF		–	(1,841)	(1,841)	–	(1,189)	(1,189)
LIABILITIES							
PTF underwriting provisions							
Outstanding claims including IBNR	9	–	6,467	6,467	–	1,614	1,614
Unearned contribution reserve	8	–	32,971	32,971	–	15,687	15,687
Unearned retakaful commission	10	–	2,840	2,840	–	1,568	1,568
Unearned Wakala Fee	11	8,243	–	8,243	3,922	–	3,922
Qard-e-Hasna		–	3,652	3,652	–	3,000	3,000
Contribution received in advance		–	486	486	–	50	50
Takaful / retakaful payable		–	11,420	11,420	–	8,239	8,239
Other creditors and accrual		4,197	15,593	19,790	2,030	6,435	8,465
Payable to Habib Insurance Company Limited		–	–	–	522	–	522
Total liabilities		12,440	73,429	85,869	6,474	36,593	43,067
Total fund and liabilities		63,153	71,588	134,741	54,048	35,404	89,452
Contingencies and commitments	12						

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Comprehensive Income (Unaudited) for the half year ended June 30, 2019

		Three months period ended June 30,	Six months period ended June 30,
	Note	2019 (Unaudited) (Rupees in '000)	2019 (Unaudited)
Participants' Takaful Fund			
Net takaful contribution	8	5,474	8,982
Net takaful claims	9	(3,810)	(5,157)
Wakala fee	11	(2,906)	(5,203)
Underwriting result		(1,242)	(1,378)
Profit on bank accounts		615	726
Deficit for the period		(627)	(652)
Other Comprehensive income		-	-
Total comprehensive loss for the period		<u>(627)</u>	<u>(652)</u>
Operator's Fund			
Wakala fee		2,906	5,203
Net commission		59	150
Management expenses		(641)	(1,393)
Other expenses		(1,956)	(2,821)
Investment income		253	919
Profit on bank balances		998	1,602
Profit before taxation		1,619	3,660
Income tax expense		-	-
Profit after tax for the period		1,619	3,660
Other comprehensive income		-	-
Total comprehensive income for the period		<u>1,619</u>	<u>3,660</u>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Changes in Fund (Unaudited) for the half year ended June 30, 2019

	Operator's Fund			Total
	Statutory Fund	Available-for-sale reserve (Rupees in '000)	Accumulated deficit	
Balance as at January 1, 2019	50,000	521	(2,947)	47,574
Profit for the period	–	–	3,660	3,660
Other comprehensive income				
Less: Net gain / (loss) transferred to profit and loss on disposal of investments	–	(521)	–	(521)
Balance as at June 30, 2019	<u>50,000</u>	<u>–</u>	<u>713</u>	<u>50,713</u>

	Participants' Takaful Fund			
	Ceded money	Accumulated surplus / Deficit (Rupees in '000)	Total	
Balance as at January 1, 2019		500	(1,689)	(1,189)
Deficit for the period		–	(652)	(652)
Balance as at June 30, 2019		<u>500</u>	<u>(2,341)</u>	<u>(1,841)</u>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB *Chairman* MANSOOR G. HABIB *Director* AUN MOHAMMAD A. HABIB *Director* SHABBIR GULAMALI *Chief Executive* MURTAZA HUSSAIN *Chief Financial Officer*

Habib Insurance Company Limited

Condensed Interim Cash Flow Statement (Unaudited) for the half year ended June 30, 2019

	Operator's Fund	Participants' Takaful Fund	June 30, 2019 Aggregate
	(Rupees in '000)		
Operating Cash flows			
(a) Takaful activities			
Contribution received	-	(10,106)	(10,106)
Retakaful contribution paid	-	18,532	18,532
Claims paid	-	(4,549)	(4,549)
Retakaful and other recoveries received	-	661	661
Commission paid	-	(4,132)	(4,132)
Commission received	-	3,632	3,632
Net cash inflows from takaful activities	-	4,038	4,038
(b) Other operating activities			
Other operating payments	(8,084)	6,519	(1,565)
Other operating receipts	-	-	-
Net cash flows from other operating activities	(8,084)	6,519	(1,565)
Total cash flows from all / (Used in) operating activities	(8,084)	10,557	2,473
Investment activities			
Profit / return received	1,483	569	2,052
Dividend received	348	-	348
Proceeds from investments	20,745	-	20,745
Payments for investments	(10,296)	-	(10,296)
Total cash flows from investing activities	12,280	569	12,849
Net cash flows from all activities	4,196	11,126	15,322
Cash and cash equivalents at beginning of year	25,401	6,260	31,661
Cash and cash equivalents at end of period	29,597	17,386	46,983
Reconciliation to profit and loss account			
Operating cash flows	(8,084)	10,557	2,473
Profit / return received	1,483	569	2,052
Dividends received	348	-	348
Capital gain	571	-	571
Increase in assets other than cash	15,308	25,710	41,018
Increase in liabilities	(5,966)	(36,184)	(42,150)
Profit after taxation	3,660	652	4,312
Attributed to:			
Operators' Fund			3,660
Participants' Takaful Fund			652
			4,312

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB <i>Chairman</i>	MANSOOR G. HABIB <i>Director</i>	AUN MOHAMMAD A. HABIB <i>Director</i>	SHABBIR GULAMALI <i>Chief Executive</i>	MURTAZA HUSSAIN <i>Chief Financial Officer</i>
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Habib Insurance Company Limited

Notes to the Condensed Interim Financial Statements for the half year ended June 30, 2019 (Unaudited)

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 Ordinance, 1984 (now 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. The Operator commenced activities of WTO on October 01, 2018, therefore, no comparative information is given in these financial statements.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These condensed interim 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.

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of: International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017, the Insurance Ordinance, 2000, Insurance Rules, 2017, Insurance Accounting Regulations, 2017 and Takaful Rules, 2012. Where the provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules, 2017, and Insurance Accounting Regulations, 2017, and Takaful Rules, 2012 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules, 2017, and Insurance Accounting Regulations, 2017, and Takaful Rules, 2012 have been followed.

This condensed interim financial statements reflect the financial statements reflect the financial position and results of operations of both the Operator's Fund and Participants' Takaful Fund in a manner that the assets, liabilities, income and expenses of the Operator and Participants' Takaful Fund remain separately identifiable.

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.

Habib Insurance Company Limited

This condensed interim financial statements does not include all the information and disclosures required in the annual financial statements. Accordingly these condensed interim financial information should be read in conjunction with the Operator's annual financial statements for the year ended December 31, 2018.

2.1 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention except investments which are carried at fair value.

2.2 Functional and presentation currency

These condensed interim 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.

2.3 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current period

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 these condensed interim financial statements.

2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective in the current period

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 introduces 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.

Habib Insurance Company Limited

Financial assets	June 30, 2019 (Unaudited)				
	Fail the SPPI test		Pass the SPPI test		
	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*	46,983	–	–	–	–
Investment in mutual funds - available for sale	10,296	–	–	–	–
Other receivables*	–	–	18,104	18,104	–
Total	57,279	–	18,104	18,104	–

	June 30, 2019 (Unaudited)			
	Gross carrying amounts of debt instruments that pass the SPPI test			
	AAA	AA+	A+	Unrated
	(Rupees in '000)			
Loans and other receivables*	–	–	–	18,104

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

3. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

The significant accounting policies and method of computation adopted in preparation of these condensed interim financial statements are consistent with those followed in preparation of the annual financial statements of the Operator for the year ended December 31, 2018.

4. ESTIMATE AND JUDGEMENTS

The preparation of the condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Operations' accounting policies and the key source of estimation uncertainty were the same as those that were applied to the annual financial statements as at and for the year ended December 31, 2018.

Habib Insurance Company Limited

5. INVESTMENT IN MUTUAL FUNDS

	June 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Cost	Impairment / Revaluation provision	Carrying value	Cost	Impairment / Revaluation provision	Carrying value
	(Rupees in '000)			(Rupees in '000)		
OPF						
Available-for-sale						
Mutual funds - related party						
Meezan Rozana Amdani Fund	10,296	-	10,296	-	-	-
First Habib Islamic Income Fund	-	-	-	20,174	-	20,695

6. OTHER RECEIVABLES INCLUDING QARD-E-HASNA TO PTF

	Note	June 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
		OPF	PTF	Total	OPF	PTF	Total
		(Rupees in '000)			(Rupees in '000)		
Wakala fee		14,176	-	14,176	4,652	-	4,652
Qard e Hasna	6.1	3,652	-	3,652	3,000	-	3,000
Other receivables		119	157	276	-	-	-
		17,947	157	18,104	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. CASH AND BANK

	June 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	OPF	PTF	Total	OPF	PTF	Total
	(Rupees in '000)			(Rupees in '000)		
Cash and cash equivalent						
Saving accounts	29,597	17,386	46,983	25,401	6,260	31,661

Three months period ended June 30,	Six months period ended June 30,
2019 (Unaudited)	2019 (Unaudited)
(Rupees in '000)	

8. NET TAKAFUL CONTRIBUTION - PTF

Written gross contribution	20,932	39,513
Add: Unearned contribution reserve opening	25,121	15,687
Less: Unearned contribution reserve closing	(32,971)	(32,971)
Contribution earned	13,082	22,229
Less: Reinsurance contribution ceded	12,047	21,713
Add: Prepaid retakaful contribution opening	12,815	8,788
Less: Prepaid retakaful contribution closing	(17,254)	(17,254)
Retakaful expense	7,608	13,247
Net takaful contribution	5,474	8,982

Habib Insurance Company Limited

	Three months period ended June 30, 2019 (Unaudited)	Six months period ended June 30, 2019 (Unaudited)
	(Rupees in '000)	
9. NET TAKAFUL CLAIMS EXPENSE - PTF		
Claims paid	3,594	4,549
Add: Outstanding claims including IBNR closing	6,467	6,467
Less: Outstanding claims including IBNR opening	(2,025)	(1,615)
Claims expense	8,036	9,401
Less: Retakaful and other recoveries received	640	661
Add: Retakaful and other recoveries in respect of outstanding claims net of impairment - closing	3,881	3,881
Less: Retakaful and other recoveries in respect of outstanding claims net of impairment - opening	(295)	(298)
Retakaful and other recoveries revenue	4,226	4,244
Net Takaful claims	<u>3,810</u>	<u>5,157</u>
10. NET COMMISSION INCOME - PTF		
Commission paid or payable	2,216	4,162
Add: Deferred commission - opening	2,221	1,255
Less: Deferred commission - closing	(3,207)	(3,207)
Commission expense	1,230	2,210
Less: Commission from reinsurers		
Commission received or receivable	1,972	3,632
Add: Unearned retakaful commission - opening	2,157	1,568
Less: Unearned retakaful commission - closing	(2,840)	(2,840)
Commission from reinsurers	1,289	2,360
Net commission income	<u>59</u>	<u>150</u>
11. NET WAKALA FEE		
Gross Wakala Fee	4,869	9,524
Add: Deferred wakala fee - opening	6,280	3,922
Less: Deferred wakala fee - closing	(8,243)	(8,243)
Net wakala fee	<u>2,906</u>	<u>5,203</u>
12. CONTINGENCIES & COMMITMENTS		
There is no contingency and commitment as at June 30, 2019 (December 31, 2018: Nil).		
13. 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:		

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	(Unaudited) June 30, 2019 (Rupees in '000)	
13.1 Operator's Fund		
Transactions		
<i>Associated companies</i>		
Wakala fee charged during the period		5,203
Profit on bank accounts		1,602
	(Unaudited) June 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
Balances		
<i>Associated companies</i>		
Bank balances	29,597	25,401
		(Unaudited) June 30, 2019 (Rupees in '000)
13.2 Participants' Takaful Fund		
Transactions		
<i>Associated companies</i>		
- Contribution written		801
- Claim paid		1,870
- Profit on bank accounts		726
	(Unaudited) June 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
Balances		
<i>Associated companies</i>		
- Contribution due but unpaid	1,325	6,544
- Claim outstanding	1,741	1,227
- Bank balance	17,386	6,260

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14 SEGMENT INFORMATION

14.1 Participants' Takful Fund

	June 30, 2019 (Unaudited)				Aggregate
	Fire and property	Marine and transport	Motor	Other classes	
	(Rupees in '000)				
Gross Written Contribution (inclusive of Administrative Surcharge)	<u>17,096</u>	<u>6,248</u>	<u>15,666</u>	<u>503</u>	<u>39,513</u>
Takaful contribution earned	8,829	5,533	7,579	288	22,229
Takaful contribution ceded to retakaful operators	(7,519)	(4,667)	(824)	(237)	(13,247)
Net takaful contribution	1,310	866	6,755	51	8,982
Net underwriting income	<u>1,310</u>	<u>866</u>	<u>6,755</u>	<u>51</u>	<u>8,982</u>
Takaful claims	(3,090)	(1,936)	(4,274)	(101)	(9,401)
Retakaful claims and other recoveries	2,500	1,547	119	78	4,244
Net claims	<u>(590)</u>	<u>(389)</u>	<u>(4,155)</u>	<u>(23)</u>	<u>(5,157)</u>
Wakala expensed during the period	(2,116)	(1,323)	(1,699)	(65)	(5,203)
Underwriting result	<u>(1,396)</u>	<u>(846)</u>	<u>901</u>	<u>(37)</u>	<u>(1,378)</u>
Profit on bank balances					726
Loss before taxation					<u>(652)</u>
Segment assets	14,611	9,158	12,544	478	36,791
Unallocated assets					34,797
Total assets					<u>71,588</u>
Segment liabilities	21,519	13,488	18,475	702	54,184
Unallocated liabilities					19,245
Total liabilities					<u>73,429</u>
14.2 Operator's Fund					
Wakala fee	2,116	1,323	1,699	65	5,203
Commission income	1,317	962	28	53	2,360
Commission expense	(1,118)	(812)	(227)	(53)	(2,210)
Management expenses	(603)	(220)	(552)	(18)	(1,393)
Underwriting result	<u>1,712</u>	<u>1,253</u>	<u>948</u>	<u>47</u>	<u>3,960</u>
Investment income					919
Profit on bank balances					1,602
Other expenses					(2,821)
Profit before taxation					<u>3,660</u>
Segment assets	9,093	6,656	5,036	250	21,035
Unallocated assets					42,118
Total assets					<u>63,153</u>
Segment liabilities	3,564	2,608	1,973	98	8,243
Unallocated liabilities					4,197
Total liabilities					<u>12,440</u>

15 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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.

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

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

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

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

Following are the assets which are either measured at fair value or for which fair value is only disclosed and is different from their carrying value:

15.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Operator's Funds

	As at June 30, 2019 (Unaudited)					Total	Fair value measurement using		
	Available-for-sale	Held to Maturity	Loans & receivables	Other financial assets	Other financial liabilities		Level 1	Level 2	Level 3
(Rupees in '000)									
Financial assets measured at fair value									
Investments									
Mutual Funds	10,296	-	-	-	-	10,296		10,296	
Financial assets not measured at fair value									
Other receivables including Qard-e-Hasna to PTF	-	-	17,947	-	-	17,947			
Insurance / reinsurance receivables	-	-	-	-	-	-			
Retakaful recoveries against outstanding claims	-	-	-	-	-	-			
Cash and bank balances	-	-	-	29,597	-	29,597			
Advances	-	-	-	600	-	600			
	<u>10,296</u>	<u>-</u>	<u>17,947</u>	<u>29,597</u>	<u>-</u>	<u>58,440</u>			
Financial liabilities measured at fair value									
Other creditors and accruals	-	-	-	-	(4,197)	(4,197)			
	<u>10,296</u>	<u>-</u>	<u>17,947</u>	<u>29,597</u>	<u>(4,197)</u>	<u>54,243</u>			

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Operator's Funds

	As at December 31, 2018 (Audited)					Fair value measurement using			
	Available-for-sale	Held to Maturity	Loans & receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
(Rupees in '000)									
Financial assets measured at fair value									
Investments									
Mutual Funds	20,695	-	-	-	-	20,695		20,695	
Financial assets not measured at fair value									
Other receivables including Qard-e-Hasna to PTF	-	-	-	7,652	-	-			
Loans and other receivables	-	-	-	-	-	-			
Insurance / reinsurance receivables	-	-	-	-	-	-			
Reinsurance recoveries against outstanding claims	-	-	-	-	-	-			
Cash and bank balances	-	-	-	25,401	-	25,401			
Advances	-	-	-	300	-	300			
	<u>20,695</u>	<u>-</u>	<u>-</u>	<u>33,053</u>	<u>-</u>	<u>46,396</u>			
Financial liabilities measured at fair value									
Other creditors and accruals	-	-	-	-	-	-			
	<u>20,695</u>	<u>-</u>	<u>-</u>	<u>33,053</u>	<u>-</u>	<u>46,396</u>			

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Participants' Takaful Fund

	As at June 30, 2019 (Unaudited)					Fair value measurement using			
	Available-for-sale	Held to Maturity	Loans & receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)								
Financial assets not measured at fair value									
Other receivables including Qard-e-Hasna to PTF	-	-	-	157	-	157			
Takaful / retakaful receivable	-	-	-	24,667	-	24,667			
Retakaful recoveries against outstanding claims	-	-	-	3,881	-	3,881			
Cash and bank balances	-	-	-	17,386	-	17,386			
	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,091</u>	<u>-</u>	<u>46,091</u>			
Financial liabilities measured at fair value									
Outstanding claims including IBNR	-	-	-	-	(6,467)	-			
Qard-e-Hasna	-	-	-	-	(3,652)	-			
Contribution received in advance	-	-	-	-	(486)	-			
Takaful / retakaful payable	-	-	-	-	(11,420)	-			
Other creditors and accruals	-	-	-	-	(15,593)	(15,593)			
	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,091</u>	<u>(37,618)</u>	<u>30,498</u>			

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Participants' Takaful Fund

	As at December 31, 2018 (Audited)					Fair value measurement using			
	Available-for-sale	Held to Maturity	Loans & receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)								
Financial assets not measured at fair value									
Takaful / retakaful receivable	-	-	-	14,561	-	14,561			
Retakaful recoveries against outstanding claims	-	-	-	297	-	297			
Cash and bank balances	-	-	-	6,260	-	6,260			
	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,118</u>	<u>-</u>	<u>21,118</u>			
Financial liabilities measured at fair value									
Outstanding claims including IBNR	-	-	-	-	(1,614)	-			
Qard-e-Hasna	-	-	-	-	(3,000)	-			
Contribution received in advance	-	-	-	-	(50)	-			
Takaful / retakaful payable	-	-	-	-	(8,239)	-			
Other creditors and accruals	-	-	-	-	(6,435)	(6,435)			
	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,118</u>	<u>(19,338)</u>	<u>14,683</u>			

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16. GENERAL

16.1 Figures in these condensed interim financial statements for the quarters ended June 30, 2019 and June 30, 2018 have not been subjected to limited scope review of the auditors.

16.2 Figures have been rounded off to the nearest Thousand Rupee.

17. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on August 29, 2019 by the Board of Directors of the Company.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer