

Habib Insurance Company Limited

Contents

| | |
|-----------------------------------|---|
| Company Information | 1 |
| Directors' Review | 2 |
| Statement of Financial Position | 4 |
| Statement of Comprehensive Income | 5 |
| Statement of Changes in Equity | 6 |
| Statement of Cash Flows | 7 |
| Notes to the Financial Statements | 8 |

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
& Company Secretary** : Murtaza Hussain

Auditors : EY Ford Rhodes
Chartered Accountants

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

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

Habib Insurance Company Limited

DIRECTORS' REVIEW

The Shareholders,

The Directors have pleasure to present the unaudited accounts for the period ended 30th June 2018.

By the Grace of Allah, the gross written premium for the first half of the year grew from Rs. 578.2 million to Rs. 614.1 million. As a result, the underwriting profit improved to Rs. 18.6 million from Rs. 16.5 million of the corresponding period last year. We are happy to report that the net insurance claims have improved from Rs. 196.1 million to Rs. 143.7 million.

Investment income for the period was consistent at Rs. 116.6 million as compared to Rs. 118.7 million of last year. Though the overall expenses are controlled, there was an increase in the other expenses due to changes in allocation method between management expenses and other expenses. Consequently, the overall profit after tax for the period under review was Rs. 65.4 million as against Rs. 67.8 million of the previous year, resulting in an earning of Rs. 0.53 per share.

We pray to Allah for Peace and Prosperity in the Nation and for the well being and safety of the people. We are confident that the newly elected government will take necessary measures to meet the economic challenges that lie ahead.

We look forward to continued progress of the Company and for Inshallah a successful closing of 2018.

On behalf of the Board of Directors

Karachi: August 30, 2018

RAFIQ M. HABIB
Chairman

SHABBIR GULAMALI
Chief Executive

Habib Insurance Company Limited

حبیب انشورنس کمپنی لمیٹڈ

ڈائریکٹرز کا جائزہ

بنام شیئر ہولڈرز،

ڈائریکٹرز ۳۰ جون ۲۰۱۸ء کو ختم ہونے والی مدت کیلئے غیر آڈٹ شدہ حسابات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ اللہ تعالیٰ کے فضل و کرم سے سال کی پہلی ششماہی کیلئے مجموعی پرمینیم ۸۷۱۵۷۸ روپے سے بڑھ کر ۱۱۳۶۱۳ ملین روپے ہو گیا جس کے نتیجے میں انڈر رائٹنگ منافع بہتر ہو کر ۶۱۸ ملین روپے ہو گیا جو گزشتہ سال کی اسی مدت کے دوران ۱۶۵۱۹ ملین روپے تھا۔ ہم یہ آگاہ کرتے ہوئے خوش ہیں کہ خالص انشورنس کلیم بھی بہتر ہو کر ۱۹۶۱۹۶ ملین روپے سے ۱۳۳۶۷۷ ملین روپے رہے۔

اس مدت کے لئے سرمایہ کاری کی آمدنی ۱۱۶۶۶۱۱۶ ملین روپے پر برقرار رہی جو گزشتہ سال اس کے مقابلے میں ۱۱۸۷۱۱۸ ملین روپے تھی۔ اگرچہ مجموعی طور پر اخراجات کنٹرول میں رہے تاہم انتظامی اخراجات اور دیگر اخراجات کے درمیان ایلوکیشن کے طریقہ کار میں تبدیلیوں کے باعث دیگر اخراجات میں اضافہ ہو گیا۔ لہذا زیر جائزہ مدت کیلئے مجموعی منافع بعد از ٹیکس ۲۵۶۳۲ ملین روپے رہا جو گزشتہ سال ۶۷۸۸۶۷۸ ملین روپے تھا جس کے نتیجے میں ۵۳۰۰۵۳ روپیہ فی شیئر کی آمدنی حاصل ہوئی۔

ہم اللہ تعالیٰ سے ملک و قوم کے لئے امن و امان اور استحکام اور عوام کی خوشحالی اور تحفظ کی دعا کرتے ہیں۔ ہم پر اعتماد ہیں کہ نئی منتخب شدہ حکومت آنے والے اقتصادی چیلنجوں سے نمٹنے کیلئے ضروری اقدامات کرے گی۔

ہم کمپنی کی مستقل ترقی کیلئے پُر امید ہیں اور انشا اللہ ۲۰۱۸ء کا اختتام کامیابی کے ساتھ ہوگا۔

منجانب بورڈ آف ڈائریکٹرز

شیر غلام علی
چیف ایگزیکٹو

رفیق ایم حبیب
چیرمین

کراچی:
۳۰ اگست ۲۰۱۸ء

Habib Insurance Company Limited

Condensed Interim Statement of Financial Position as at June 30, 2018

| | Note | June 30, 2018 (Rupees in '000) | December 31, 2017 | |
|---|-------------------------------------|--|--|---|
| Assets | | | | |
| Property and equipment | 5 | 91,256 | 19,998 | |
| Intangible assets | | 5,236 | 5,287 | |
| Investments | | | | |
| Equity securities and mutual fund units | | 1,297,776 | 1,207,878 | |
| Debt securities | | 71,131 | 69,395 | |
| Loans and other receivables | 7 | 114,234 | 126,160 | |
| Insurance/ reinsurance receivables | | 894,413 | 818,760 | |
| Reinsurance recoveries against outstanding claims | | 437,064 | 542,470 | |
| Salvage recoveries accrued | | 28,830 | 2,764 | |
| Deferred commission expense | | 48,018 | 37,294 | |
| Prepayments | 8 | 319,236 | 279,593 | |
| Cash and bank balances | 9 | 77,658 | 166,460 | |
| Total Assets | | 3,384,852 | 3,276,059 | |
| Equities and Liabilities | | | | |
| Capital and reserves attributable to Company's equity holders | | | | |
| Authorized Share Capital 130,000,000 (December 31, 2017: 130,000,000) ordinary shares of Rs. 5 each | | 650,000 | 650,000 | |
| Issued subscribed and paid up share capital | | 619,374 | 619,374 | |
| Reserve for exceptional losses | | 9,122 | 9,122 | |
| Unappropriated profit | | 74,109 | 101,584 | |
| General reserves | | 255,000 | 255,000 | |
| Unrealised gain on revaluation of available-for-sale investments-net | | 484,024 | 450,547 | |
| Total Equity | | 1,441,629 | 1,435,627 | |
| Liabilities | | | | |
| Underwriting provisions | | | | |
| Outstanding claims including IBNR | | 586,701 | 666,850 | |
| Unearned premium reserves | | 541,919 | 481,048 | |
| Unearned reinsurance commission | | 80,029 | 73,427 | |
| Retirement benefit obligations | | 83,331 | 83,629 | |
| Deferred taxation | | 178,747 | 173,649 | |
| Finance lease liability | 10 | 66,102 | - | |
| Premium received in advance | | 18,776 | 18,057 | |
| Insurance/ reinsurance payables | | 179,685 | 145,195 | |
| Other creditors and accruals | | 164,896 | 141,459 | |
| Taxation - provision less payment | | 43,037 | 57,118 | |
| Total Liabilities | | 1,943,223 | 1,840,432 | |
| Total Equity and Liabilities | | 3,384,852 | 3,276,059 | |
| Contingencies and commitments | | | | |
| | 11 | | | |
| The annexed notes from 1 to 22 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> |

Habib Insurance Company Limited

Condensed Interim Statement of Comprehensive Income for the half year ended June 30, 2018

| | Note | (Unaudited) Three months period ended June 30, | | (Unaudited) Six months period ended June 30, | |
|---|------|--|----------------------------------|--|----------------------------------|
| | | 2018 (Rupees in '000) | 2017 (Restated note 3.1.2) | 2018 (Rupees in '000) | 2017 (Restated note 3.1.2) |
| Net insurance premium | 12 | 131,485 | 153,274 | 246,264 | 304,326 |
| Net insurance claims | 13 | (42,676) | (92,887) | (143,710) | (196,126) |
| Net commission income | 14 | 16,818 | 18,039 | 34,645 | 38,188 |
| Insurance claims and commission expense | | (25,858) | (74,848) | (109,065) | (157,938) |
| Management expenses | | (61,532) | (66,732) | (118,556) | (129,842) |
| Underwriting results | | 44,095 | 11,694 | 18,643 | 16,546 |
| Investment income | 15 | 42,108 | 61,350 | 116,562 | 118,699 |
| Other income | | 2,446 | 2,032 | 4,109 | 3,879 |
| Other expenses | | (23,969) | (22,277) | (46,484) | (41,580) |
| Results of operating activities and profit before tax for the period | | 64,680 | 52,799 | 92,830 | 97,544 |
| Taxation – Current | | (19,252) | (15,469) | (26,908) | (29,581) |
| – Deferred | | 326 | (392) | (491) | (151) |
| | 16 | (18,926) | (15,861) | (27,399) | (29,732) |
| Profit after tax for the period | | 45,754 | 36,938 | 65,431 | 67,812 |
| Other comprehensive income: | | | | | |
| Unrealised (loss) / gain on available-for-sale investments during the period | | (33,021) | 540 | 106,974 | 21,152 |
| Less: Net gain transferred to profit and loss on disposal of investments | | (32,807) | (47,915) | (68,889) | (64,010) |
| | | (65,828) | (47,375) | 38,085 | (42,858) |
| | | (65,828) | (47,375) | 38,085 | (42,858) |
| Related tax impact | | 19,113 | 14,213 | (4,608) | 22,088 |
| Other comprehensive (loss) / income for the period | | (46,715) | (33,162) | 33,477 | (20,770) |
| Total comprehensive (loss) / income for the period | | (961) | 3,776 | 98,908 | 47,042 |
| Earning (after tax) per share - Rupees | 17 | 0.37 | 0.30 | 0.53 | 0.55 |

The annexed notes from 1 to 22 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 Changes in Equity for the half year ended June 30, 2018

| | Capital Reserves | | Reserves | | | Total | Total |
|---|------------------|--------------------------------|-----------------------|-------------------------------------|--|----------------|------------------|
| | Share capital | Reserve for exceptional losses | Unappropriated profit | General reserve (Rupees in '000) | Unrealised gain on revaluation of available-for-sale investments - net | | |
| Balance as at January 01, 2017 | 619,374 | 9,122 | 216,152 | 255,000 | 636,930 | 1,108,082 | 1,736,578 |
| Profit for the six months ended June 30, 2017 | – | – | 67,812 | – | – | 67,812 | 67,812 |
| Other comprehensive loss (restated note 3.1.2) | – | – | – | – | (20,770) | (20,770) | (20,770) |
| Total comprehensive income for the six months period ended June 30, 2017 | – | – | 67,812 | – | (20,770) | 47,042 | 47,042 |
| Final dividend of Rs. 1.75 per share for the year ended December 31, 2016 | – | – | (216,781) | – | – | (216,781) | (216,781) |
| | – | – | (216,781) | – | – | (216,781) | (216,781) |
| Balance as at June 30, 2017 - restated | <u>619,374</u> | <u>9,122</u> | <u>67,183</u> | <u>255,000</u> | <u>616,160</u> | <u>938,343</u> | <u>1,566,839</u> |
| Balance as at January 01, 2018 | 619,374 | 9,122 | 101,584 | 255,000 | 450,547 | 807,131 | 1,435,627 |
| Profit for the six months ended June 30, 2018 | – | – | 65,431 | – | – | 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 | – | – | 65,431 | – | 33,477 | 98,908 | 98,908 |
| Final dividend of Rs. 0.75 per share for the year ended December 31, 2017 | – | – | (92,906) | – | – | (92,906) | (92,906) |
| | – | – | (92,906) | – | – | (92,906) | (92,906) |
| Balance as at June 30, 2018 | <u>619,374</u> | <u>9,122</u> | <u>74,109</u> | <u>255,000</u> | <u>484,024</u> | <u>813,133</u> | <u>1,441,629</u> |

The annexed notes from 1 to 22 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 for the half year ended June 30, 2018

| | June 30 2018 | June 30 2017 |
|---|------------------|------------------|
| | (Rupees in '000) | |
| Operating cash flow | | |
| (a) Underwriting activities | | |
| Insurance premium received | 539,131 | 581,595 |
| Reinsurance premium paid | (300,664) | (242,381) |
| Claims paid | (344,050) | (368,036) |
| Reinsurance and other recoveries received | 199,532 | 195,223 |
| Commission paid | (51,825) | (59,968) |
| Commission received | 89,037 | 82,319 |
| Net cash flows from underwriting activities | 131,161 | 188,752 |
| (b) Other operating activities | | |
| Income tax paid | (40,993) | (28,183) |
| Other operating payments | (174,485) | (194,445) |
| Other operating receipts | 19,853 | |
| Loans advanced | (7,895) | (14,826) |
| Loan repayment received | 11,924 | 13,823 |
| Net cash flows from other operating activities | (191,596) | (223,631) |
| Total cash flows from all operating activities | (60,435) | (34,879) |
| Investment activities | | |
| Profit/ return received | 5,524 | 6,081 |
| Dividend received | 47,838 | 52,513 |
| Payment for investments | (359,613) | (242,504) |
| Proceeds from investments | 374,954 | 341,443 |
| Fixed capital expenditure | (7,389) | (4,186) |
| Proceeds from sale of property, plant and equipment | 71 | 140 |
| Total cash flows from investing activities | 61,385 | 153,487 |
| Financing activities | | |
| Dividends paid | (86,435) | (210,563) |
| Lease rentals paid | (3,317) | - |
| Total cash flows used in financing activities | (89,752) | (210,563) |
| Net cash flows used in all activities | (88,802) | (91,955) |
| Cash and cash equivalents at beginning of period | 166,460 | 148,016 |
| Cash and cash equivalents at end of the period | 77,658 | 56,061 |
| Reconciliation to profit and loss account | | |
| Operating cash flows | (60,435) | (34,879) |
| Depreciation expense | (4,543) | (3,956) |
| Income tax paid | 40,993 | 28,183 |
| Finance charges | (1,135) | - |
| Provision for impairment | - | (1,543) |
| Provision for gratuity | (6,473) | (6,207) |
| Gratuity paid | 6,770 | 198 |
| Profit/ return received | 5,524 | 6,081 |
| Dividends received | 47,838 | 52,513 |
| Capital gain | 68,889 | 64,010 |
| Profit/ (loss) on disposal of property, plant and equipment | 25 | (207) |
| Provision for taxation | (27,399) | (29,732) |
| Increase/ (decrease) in assets other than cash | 103,160 | (57,352) |
| (Increase)/ decrease in liabilities other than borrowings | (107,783) | 50,703 |
| Profit after taxation | 65,431 | 67,812 |

The annexed notes from 1 to 22 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> |
|-----------------------------------|-------------------------------------|--|--|---|

Habib Insurance Company Limited

Notes to the Condensed Interim Financial Statements for the half year ended June 30, 2018

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. STATEMENT OF COMPLIANCE

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

2.2 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 required in the annual financial statements. Accordingly, this condensed interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2017.

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

2.4 This condensed interim financial information has been prepared on the historical cost basis except for certain investment which are carried at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2017 except as follows:

3.1.1 New / Revised Standards, Interpretations and Amendments

The Company has adopted the following standards and amendment to IFRSs which became effective for the current period:

Standard or Interpretation

IFRS 2 - Share-based Payments - Classification and Measurement of Share-based Payments Transactions (Amendments)

Habib Insurance Company Limited

IFRS 4 - Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)

IAS 28 - Investments in Associates and Joint Ventures: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice (Amendment)

IAS 40 - Investment Property: Transfers of Investment Property (Amendments)

IFRIC 22 - Foreign Currency Transactions and Advance Consideration

The adoption of the above amendment to accounting standards did not have any effect on the condensed interim financial information.

3.1.2 Changes in accounting policies - Adoption of new Insurance Rules, 2017 and Insurance Accounting Regulations, 2017

As disclosed in note 3.1 to the financial statements for the year ended December 31, 2017, the Company changed its accounting policy in relation to the available-for-sale investments to comply with the requirements of IAS 39 "Financial Instruments - Recognition and Measurement". The changes were made in the financial statements for the above year and these investments are now being carried at fair value and comparative information were restated in accordance with the requirement of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the comparative figures in other comprehensive income and statement of changes in equity have also been restated. Had there been no change other comprehensive income (net of deferred tax) would have been higher by Rs.20.770 million.

3.2 The Company's financial and insurance risk management objectives and policies are consistent with those that were disclosed in the annual financial statements of the Company as at and for the year ended December 31, 2017.

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, 2017.

Habib Insurance Company Limited

| | Note | June 30, 2018 (Rupees in '000) | December 31, 2017 |
|---|------|--------------------------------------|----------------------|
| 5. Property and Equipment | | | |
| Opening written down value | | 19,998 | 21,409 |
| Additions during the period/ year | 5.1 | 19,521 | 4,409 |
| Disposals for the period/ year | 5.2 | (45) | (560) |
| Depreciation for the period/ year | | (3,670) | (5,260) |
| | | 35,804 | 19,998 |
| Capital work-in-progress - advance against purchase of vehicles | | 55,452 | - |
| | 5.3 | 91,256 | 19,998 |
| 5.1 The following additions were made to tangible-property and equipment during the period/ year | | | |
| Furniture and fixtures | | 907 | 1,192 |
| Computer equipment | | 709 | 649 |
| Office equipment | | 1,812 | 416 |
| Vehicles - owned | | 3,139 | 2,152 |
| Vehicles - leased | | 12,954 | - |
| | | 19,521 | 4,409 |
| 5.2 The following disposals of tangible - property and equipment were made during the period / year | | | |
| Furniture and fixtures | | 15 | 392 |
| Computer equipment | | - | 7 |
| Office equipment | | 12 | 79 |
| Vehicles | | 18 | 82 |
| | | 45 | 560 |
| 5.3 Vehicles with a net book value at Rs.12.954 million (2017:Nil) are held under finance lease. The leased vehicles are pledged as security for related finance lease obligation. | | | |
| 6. INVESTMENTS | | | |
| | Note | June 30, 2018 (Rupees in '000) | December 31, 2017 |
| Held-to-maturity | | | |
| Government securities - Pakistan Investment Bonds | 6.1 | 71,131 | 69,395 |
| Available-for-sale | | | |
| Units of open end mutual funds - quoted | | 349 | 349 |
| Modaraba certificates - quoted | | 14,840 | 14,840 |
| Ordinary shares of quoted / unquoted companies | | 146,999 | 144,509 |
| Ordinary shares of quoted companies (related parties) | | 354,962 | 326,505 |
| Units of open end mutual funds (related parties) | | 88,901 | 78,036 |
| | | 606,051 | 564,239 |
| Advance against purchase of units of open end mutual fund (a related party) - quoted | | 10,000 | - |
| Add: Unrealised gain on revaluation of available-for-sale investment | | 681,725 | 643,639 |
| | | 1,368,907 | 1,277,273 |

Habib Insurance Company Limited

6.1 This represents Pakistan Investment Bonds having face value of Rs.70.00 million (market value of Rs.74.21 million) [December 31, 2017: face value Rs.68.50 (market value of Rs.75.05) million]. These carry mark-up ranging from 7% to 12% (December 31, 2017: 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 Circular no. 15 of 2008 dated July 07, 2008 issued by the SECP.

7. LOANS AND OTHER RECEIVABLES

This includes Rs.60.80 (2017: Rs.64.83) million given as loan to employees of the Company and Rs.16.47 million (2017:Nil) given as security deposit to a related party against lease of vehicles.

8. PREPAYMENTS

This includes Rs.301.41 million (2017: Rs.273.18) in respect of prepaid reinsurance premium ceded.

9. CASH AND BANK BALANCES

| | Note | June 30, 2018 | December 31, 2017 |
|-----------------------------------|------|------------------|----------------------|
| (Rupees in '000) | | | |
| Cash and other equivalents | | | |
| Cash in hand | | 817 | 98 |
| Policy Stamps | | 118 | 1,247 |
| | | 935 | 1,345 |
| Current and other accounts | | | |
| Current accounts | 9.1 | 3,401 | 11,306 |
| Savings accounts | 9.2 | 73,322 | 153,809 |
| | | 76,723 | 165,115 |
| | | 77,658 | 166,460 |

9.1 This includes balance with related parties amounting to Rs.2.57 (2017: Rs.10.35) million.

9.2 This balance is held with related parties and carries mark-up rates ranging between 5.0% to 5.5% (2017: 5.0% to 6.0%) per annum.

10. FINANCE LEASE LIABILITY

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

| | 2018 | | |
|---|---------------------------|---|---|
| | Minimum lease payments | Financial charges Rupees in '000) | Present value of minimum lease payments |
| Not later than one year | 13,591 | 3,682 | 9,909 |
| Later than one year but not later than five years | 64,769 | 8,576 | 56,193 |
| | 78,360 | 12,258 | 66,102 |

10.1 Assets subject to finance lease are stated at amounts equal to the fair value at the inception of lease or, if lower, the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance charge and the outstanding liability. Assets acquired under finance leases are depreciated in accordance with the Company's depreciation policy for property, plant and equipment. The finance cost is charged to profit and loss account.

10.2 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% (2017: 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.

Habib Insurance Company Limited

11. CONTINGENCIES & COMMITMENTS

11.1 Contingencies

There are no contingencies outstanding as at June 30, 2018 except as disclosed in note 16.

11.2 Commitments

There were no commitments as at June 30, 2018.

| | Three months period ended June 30, | | Six months period ended June 30, | |
|---|---------------------------------------|----------------|-------------------------------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | (Rupees in '000) | | (Rupees in '000) | |
| 12. NET INSURANCE PREMIUM | | | | |
| Written gross premium | 370,262 | 235,846 | 614,064 | 578,151 |
| Add: Unearned premium reserve opening | 452,387 | 584,304 | 481,048 | 601,796 |
| Less: Unearned premium reserve closing | (541,919) | (479,844) | (541,919) | (479,844) |
| Premium earned | <u>280,730</u> | <u>340,306</u> | <u>553,193</u> | <u>700,103</u> |
| Less: Reinsurance premium ceded | 184,950 | 130,988 | 335,154 | 295,953 |
| Add: Prepaid reinsurance premium opening | 265,704 | 315,292 | 273,184 | 359,072 |
| Less: Prepaid reinsurance premium closing | (301,409) | (259,248) | (301,409) | (259,248) |
| Reinsurance expense | <u>149,245</u> | <u>187,032</u> | <u>306,929</u> | <u>395,777</u> |
| Net insurance premium | <u>131,485</u> | <u>153,274</u> | <u>246,264</u> | <u>304,326</u> |
| 13. NET INSURANCE CLAIMS | | | | |
| Claims paid | 130,366 | 158,200 | 344,050 | 368,036 |
| Add: Outstanding claims including IBNR closing | 586,701 | 656,392 | 586,701 | 656,392 |
| Less: Outstanding claims including IBNR opening | (557,435) | (554,513) | (666,850) | (599,060) |
| Claims expense | <u>159,632</u> | <u>260,079</u> | <u>263,901</u> | <u>425,368</u> |
| Less: Reinsurance and other recoveries received | 77,057 | 70,175 | 199,532 | 195,223 |
| Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing | 465,894 | 564,795 | 465,894 | 564,795 |
| Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening | (425,995) | (467,778) | (545,235) | (530,776) |
| Reinsurance and other recoveries revenue | <u>116,956</u> | <u>167,192</u> | <u>120,191</u> | <u>229,242</u> |
| Net insurance claims | <u>42,676</u> | <u>92,887</u> | <u>143,710</u> | <u>196,126</u> |
| 14. NET COMMISSION INCOME | | | | |
| Commissions paid or payable | 36,201 | 23,550 | 58,514 | 48,180 |
| Add: Deferred commission - opening | 36,825 | 44,266 | 37,294 | 51,234 |
| Less: Deferred commission - closing | (48,018) | (38,275) | (48,018) | (38,275) |
| Commission expense | <u>25,008</u> | <u>29,541</u> | <u>47,790</u> | <u>61,139</u> |
| Less: Commission from reinsurers | | | | |
| Commission received or receivable | 47,863 | 39,661 | 89,037 | 82,318 |
| Add: Unearned reinsurance commission - opening | 73,992 | 76,944 | 73,427 | 86,034 |
| Less: Unearned reinsurance commission - closing | (80,029) | (69,025) | (80,029) | (69,025) |
| Commission from reinsurers | <u>41,826</u> | <u>47,580</u> | <u>82,435</u> | <u>99,327</u> |
| Net commission income | <u>16,818</u> | <u>18,039</u> | <u>34,645</u> | <u>38,188</u> |

Habib Insurance Company Limited

| | | Three months period ended June 30, 2018 2017 (Rupees in '000) | | Six months period ended June 30, 2018 2017 (Rupees in '000) | |
|------------|---|---|---------------|---|----------------|
| 15. | INVESTMENT INCOME | | | | |
| | Income from equity securities and mutual fund units - 'available-for-sale' | | | | |
| | – Dividend income | 10,135 | 15,016 | 47,838 | 56,206 |
| | Income from debt securities - 'held-to-maturity' | | | | |
| | – Return on debt securities | 1,358 | 1,686 | 3,112 | 3,241 |
| | Net realised gain / (loss) on investments | | | | |
| | Available-for-sale | | | | |
| | – Equity securities | 32,193 | 47,549 | 67,263 | 62,824 |
| | – Mutual funds units | 614 | 366 | 1,626 | 1,186 |
| | Total Investment Income | <u>44,300</u> | <u>64,617</u> | <u>119,839</u> | <u>123,457</u> |
| | Less: Impairment in value of available-for-sale investments | – | (1,543) | – | (1,543) |
| | Less: Investment related expenses | (2,192) | (1,724) | (3,277) | (3,215) |
| | | <u>42,108</u> | <u>61,350</u> | <u>116,562</u> | <u>118,699</u> |

16. TAXATION

There were no changes in tax contingencies as disclosed in financial statements for the year ended 31 December 2017 except as follows:

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, 2018 2017 (Rupees in '000) | | Six months period ended June 30, 2018 2017 (Rupees in '000) | |
|------------|--|---|-------------|---|-------------|
| 17. | EARNINGS PER SHARE - BASIC AND DILUTED | | | | |
| | Profit after tax for the period | 45,754 | 36,938 | 65,431 | 67,812 |
| | | (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>0.37</u> | <u>0.30</u> | <u>0.53</u> | <u>0.55</u> |

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.

Habib Insurance Company Limited

18. 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.

Details of balances and transactions with related parties during the half year ended June 30, 2018 are as follows:

| | Three months period ended June 30, | | Six months period ended June 30, | |
|--|---------------------------------------|---------|-------------------------------------|---------|
| | 2018 | 2017 | 2018 | 2017 |
| | (Rupees in '000) | | (Rupees in '000) | |
| Transaction with related parties | | | | |
| Premium written | 101,921 | 57,794 | 162,764 | 206,450 |
| Claims paid | 25,357 | 63,134 | 75,611 | 126,897 |
| Dividend received | 2,590 | 5,548 | 33,910 | 44,687 |
| Dividend paid | 12,250 | 30,063 | 12,250 | 30,063 |
| Investment made | - | 87,000 | 98,388 | 142,000 |
| Investment sold | 109,017 | 203,262 | 137,194 | 261,487 |
| Gain on sale of investments | 32,193 | - | 67,263 | 13,042 |
| Interest received on bank accounts | 1,068 | 1,410 | 2,150 | 2,819 |
| Bank charges | 74 | 76 | 172 | 109 |
| Investment related expenses paid | - | 2,217 | 172 | 3,215 |
| Contribution to the provident fund | 1,702 | 1,633 | 3,399 | 3,357 |
| Fees paid | 140 | - | 380 | 90 |
| Remuneration of key management personnel | 25,257 | 15,269 | 51,593 | 38,437 |
| Lease rentals paid | 3,317 | - | 3,317 | - |
| Security deposit paid | - | - | 16,470 | - |
| | June 30, 2018 | | December 31, 2017 | |
| | (Rupees in '000) | | | |
| Balances with related parties | | | | |
| Premium due but unpaid | 144,827 | | 118,640 | |
| Claims outstanding | 92,939 | | 114,963 | |
| Bank balances | 75,890 | | 164,160 | |
| Investment held | 899,000 | | 752,448 | |
| Investment related expenses | 475 | | 475 | |
| Security deposit | 16,470 | | - | |
| Finance lease liability | 66,102 | | - | |
| Advance against purchase of investment | 10,000 | | - | |

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.

Habib Insurance Company Limited

19. SEGMENT REPORTING

June 30, 2018

| | Fire and property | Marine and transport | Motor (Rupees in '000) | Other Classes | Aggregate |
|--|----------------------|-------------------------|-------------------------------|------------------|-----------|
| 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 |
| Other charges | | | | | - |
| Profit before tax | | | | | 92,830 |

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

Habib Insurance Company Limited

June 30, 2017

| | Fire and property | Marine and transport | Motor (Rupees in '000) | Other Classes (Re-stated note 19.1) | Aggregate |
|--|----------------------|-------------------------|-------------------------------|---|-----------|
| Gross Written Premium (inclusive of administrative surcharge) | 189,755 | 131,469 | 142,953 | 113,974 | 578,151 |
| Insurance premium earned | 257,556 | 134,993 | 151,145 | 156,409 | 700,103 |
| Insurance premium ceded to reinsurers | (225,012) | (66,370) | (43,552) | (60,843) | (395,777) |
| Net insurance premium | 32,544 | 68,623 | 107,593 | 95,566 | 304,326 |
| Commission income | 55,966 | 21,780 | 11,109 | 10,472 | 99,327 |
| Net underwriting income | 88,510 | 90,403 | 118,702 | 106,038 | 403,653 |
| Insurance claims | 154,615 | 48,998 | 76,652 | 145,103 | 425,368 |
| Insurance claims recovered from reinsurers | (142,807) | (27,989) | (16,008) | (42,438) | (229,242) |
| Net Claims | 11,808 | 21,009 | 60,644 | 102,665 | 196,126 |
| Commission expense | (32,231) | (15,944) | (5,467) | (7,497) | (61,139) |
| Management expenses | (42,615) | (29,526) | (32,105) | (25,596) | (129,842) |
| Net insurance claims and expenses | (74,846) | (45,470) | (37,572) | (33,093) | (190,981) |
| Underwriting result | 1,856 | 23,924 | 20,486 | (29,720) | 16,546 |
| Investment income | | | | | 118,699 |
| Other income | | | | | 3,879 |
| Other expenses | | | | | (41,580) |
| Results of operating activities | | | | | 97,544 |
| Other charges | | | | | - |
| Profit before tax | | | | | 97,544 |

19

19.1 Comparative figures have been re-stated as Group hospitalisation has now been included in other classes due to the reduction in size of this segment.

Habib Insurance Company Limited

20. 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:

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:

| | June 30, 2018 | | |
|--|------------------------------|----------------|----------|
| | Fair value measurement using | | |
| | Level 1 | Level 2 | Level 3 |
| | (Rupees in '000) | | |
| Available-for-sale investments (measured at fair value) | | | |
| Equity securities / modaraba certificates | 1,196,450 | - | - |
| Mutual fund units | - | 91,326 | - |
| Held-to-maturity (fair value only disclosed) | - | 74,205 | - |
| | <u>1,196,450</u> | <u>165,531</u> | <u>-</u> |
| | December 31, 2017 | | |
| | Fair value measurement using | | |
| | Level 1 | Level 2 | Level 3 |
| | (Rupees in '000) | | |
| Available-for-sale investments (measured at fair value) | | | |
| Equity securities / modaraba certificates | 1,127,286 | - | - |
| Mutual fund units | - | 80,592 | - |
| Held-to-maturity (fair value only disclosed) | - | 75,047 | - |
| | <u>1,127,286</u> | <u>155,639</u> | <u>-</u> |

Habib Insurance Company Limited

20.1 Valuation techniques used in determination of fair values within level 2.

Fair values of investments in units of mutual funds are determined based on redemption prices disclosed at the mutual funds Association of Pakistan (MUFAP) as at the close of the business days.

21. GENERAL

21.1 Figures in these condensed interim financial statements for the quarters ended 30 June 2018 and 30 June 2017 have not been subjected to limited scope review of the auditors.

21.2 As a result of adoption of Insurance Rules, 2017 and Insurance Regulations, 2017, corresponding figures have been rearranged and reclassified wherever necessary, for purposes of comparison. There were no material reclassification to report except as follows:

| Nature | Transfer from | Transfer from | 30-Jun-18 |
|----------|-------------------------------------|---------------------|----------------|
| | | | Rupees in '000 |
| Expenses | Expenses | Management Expenses | 129,842 |
| Expenses | General and Administrative Expenses | Other expenses | 41,580 |

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

22. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements have been authorised for issue on August 30, 2018 by the Board of Directors of the Company.

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