

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 Muhammad Hyder Habib Qumail R. Habib Aun Mohammad A. Habib Shahid Ghaffar Ali Fadoo Maleeha Humayun Bangash
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 are pleased to present the unaudited accounts of the Company for the period ended June 30, 2021.

By the Grace of Allah, the written gross premium for the first half year grew from Rs. 787.8 million to Rs. 960.8 million, an increase of 22% over last year. The underwriting profit for the period also grew to Rs. 89.2 million against Rs. 78.9 million for the corresponding period last year, an increase of 13%. The net insurance claims have improved from Rs. 187.6 million to Rs. 160.4 million, a decrease of 15%.

Investment Income for the period under review was Rs. 90.8 million as compared to Rs. 27.2 million of last year, an increase of 234%. This was due to an increase in dividend income as well as capital gains. As a result, the profit after tax was Rs. 72.1 million with an earning of Rs. 0.58 per share.

We pray to Allah for the peace and prosperity in the Nation and look forward to continued progress of the Company and for, Inshallah, a successful closing of 2021.

On behalf of the Board of Directors

Karachi: August 26, 2021

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive

Habib Insurance Company Limited

حبیب انشورنس کمپنی لمیٹڈ ڈائریکٹرز کا جائزہ

معزز شیئر ہولڈرز،

ڈائریکٹرز ۳۰ جون ۲۰۲۱ کو ختم ہونے والی مدت کے لئے کمپنی کے غیر آڈٹ شدہ حسابات پیش کرتے ہوئے خوش محسوس کرتے ہیں۔

اللہ تعالیٰ کے فضل و کرم سے پہلی ششماہی کے لئے زیر تحریر مجموعی پرمیٹم 787.8 ملین روپے سے بڑھ کر 960.8 ملین روپے ہو گیا جو گزشتہ سال کے مقابلے میں 22 فیصد زائد ہے۔ اس مدت کیلئے زیر تحریر منافع بھی بڑھ کر 89.2 ملین روپے رہا جو گزشتہ سال کی اس مدت کے لئے مقابلاً 78.9 ملین روپے تھا، 13 فیصد کا اضافہ ہوا۔ خاص انشورنس کلیمز بہتر ہو کر 187.6 ملین روپے سے 160.4 ملین روپے ہو گئے، 15 فیصد کی کمی ہوئی۔

زیر جائزہ مدت کیلئے سرمایہ کاری کی آمدنی 90.8 ملین روپے رہی جو اس کے مقابلے میں گزشتہ سال 27.2 ملین روپے تھی، 234 فیصد کا اضافہ ہوا۔ یہ منافع منقسمہ کی آمدنی میں اضافے نیز کیپٹل منافع جات بڑھنے کے باعث ممکن ہوا۔ اسکے نتیجے میں منافع بعد از ٹیکس 72.1 ملین روپے 0.58 روپے فی شیئر کی آمدنی کے ساتھ حاصل ہوا۔

ہم اللہ تعالیٰ سے ملک و قوم میں امن و استحکام کے لئے دعا گو ہیں اور کمپنی کی مستقل ترقی کے روشن امکانات کے لئے پُر امید ہیں اور انشاء اللہ 2021 کا کامیاب اختتام یقینی ہوگا۔

بورڈ آف ڈائریکٹرز کی جانب سے

شبیر غلام علی
چیف ایگزیکٹو

منصور جی۔ حبیب
ڈائریکٹر

کراچی:
۲۶ اگست ۲۰۲۱ء

Habib Insurance Company Limited

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Habib Insurance Company Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Habib Insurance Company Limited ("the Company") as at 30 June 2021 and the related condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarters ended 30 June 2021 and 30 June 2020 in the condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent review report is Aryn Pirani.

Date : 30 August 2021

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Habib Insurance Company Limited

Condensed Interim Statement of Financial Position (Unaudited) as at June 30, 2021

	Note	(Unaudited) June 30, 2021 (Rupees in '000)	(Audited) December 31, 2020
Assets			
Property and equipment	8	176,662	185,179
Intangible assets		1,049	2,191
Investments			
Equity securities	9	1,315,918	985,611
Debt securities	10	92,285	329,937
Loans, security deposits and other receivables	11	109,560	132,031
Insurance/ reinsurance receivables	12	1,011,247	983,879
Reinsurance recoveries against outstanding claims	21	580,884	595,673
Salvage recoveries accrued		22,092	9,205
Deferred commission expense	22	97,136	98,200
Prepayments	13	417,281	445,798
Cash and bank	14	20,110	179,541
Total assets of conventional		3,844,224	3,947,245
Total Assets of Window Takaful Operations - Operator's Fund		64,780	70,631
Total assets		3,909,004	4,017,876
EQUITIES AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital		619,374	619,374
Reserve	16	555,048	588,984
Unappropriated profit		102,059	91,890
Total Equity		1,276,481	1,300,248
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	21	759,871	819,119
Unearned premium reserves	20	790,780	818,033
Premium deficiency reserves		-	6,151
Unearned reinsurance commission	22	125,835	127,746
Retirement benefit obligations		129,433	119,302
Deferred taxation - net		110,860	124,128
Financial Lease Liability (including right of use liability)		113,726	137,642
Borrowings	14.1	18,573	-
Premium received in advance		34,008	13,852
Insurance/ reinsurance payables	17	268,609	317,459
Other creditors and accruals	18	240,358	208,040
Taxation - provision less payment		13,899	2,246
Total liabilities of conventional		2,605,952	2,693,718
Total liabilities of Window Takaful Operations - Operator's Fund		26,571	23,910
Total liabilities		2,632,523	2,717,628
Total Equity and Liabilities		3,909,004	4,017,876
Contingencies and commitments	19		

The annexed notes from 1 to 34 form an integral part of these condensed interim financial statements.

ABBAS D. HABIB
Director

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Comprehensive Income (Unaudited) for the six months period ended June 30, 2021

	Note	(Unaudited) Three months period ended June 30,		(Unaudited) Six months period ended June 30,	
		2021 (Rupees in '000)	2020 (Rupees in '000)	2021 (Rupees in '000)	2020 (Rupees in '000)
Net insurance premium	20	196,139	184,944	376,807	384,069
Net insurance claims	21	(84,992)	(73,687)	(160,377)	(187,567)
Premium deficiency		6,151	-	6,151	-
Net commission revenue	22	22,071	21,641	46,840	35,125
Insurance claims and acquisition expenses		(56,770)	(52,046)	(107,386)	(152,442)
Management expenses		(91,497)	(73,700)	(180,188)	(152,678)
Underwriting results		47,872	59,198	89,233	78,949
Investment income - net	23	22,005	12,297	90,771	27,204
Other income	25	1,699	616	8,352	2,984
Other expenses		(39,329)	(19,603)	(71,002)	(53,658)
Results of operating activities		32,247	52,508	117,354	55,479
Finance costs		(2,178)	(7,453)	(5,918)	(10,071)
(Loss)/ profit before tax from Window Takaful Operations - Operator's Fund		(3,049)	(2,255)	(8,472)	5,467
Profit before tax		27,020	42,800	102,964	50,875
Income tax expense	24	(7,597)	(10,376)	(30,858)	(13,269)
Profit after tax		19,423	32,424	72,106	37,606
Other comprehensive income:					
<i>Total items that may be reclassified subsequently to profit and loss account</i>					
Unrealised gain / (losses) on available-for-sale investments		143,106	82,124	(18,725)	(128,707)
Less: Net gain transferred to profit and loss on disposal / redemption / impairment of investments		(2,992)	-	(29,016)	(24,559)
Fair value gain/ (loss) on available-for-sale during the period		140,114	82,124	(47,741)	(153,266)
Related tax impact		(23,804)	(23,816)	13,845	44,447
		116,310	58,308	(33,896)	(108,819)
Other comprehensive loss from Window Takaful Operations - Operator's Fund - net of tax		(251)	(245)	(40)	(11)
Other comprehensive income / (loss) for the period		116,059	58,063	(33,936)	(108,830)
Total comprehensive income / (loss) for the period		135,482	90,487	38,170	(71,224)
Earning (after tax) per share - Rupees	26	0.16	0.26	0.58	0.30

The annexed notes from 1 to 34 form an integral part of these condensed interim financial statements.

ABBAS D. HABIB
Director

MANSOOR G. HABIB
Director

QUMAIL R. 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 six months period ended June 30, 2021

	Attributable to equity holders of the Company					Total Equity
	Share capital	Capital Reserves	Revenue Reserves		Unappropriated profit	
		Reserve for exceptional losses	General reserve	Available for sale reserve		
	(Rupees in '000)					
Balance as at January 01, 2020	619,374	9,122	255,000	274,278	91,407	1,249,181
Profit after tax for the six months period ended June 30, 2020	-	-	-	-	37,606	37,606
Other comprehensive income for the six months period ended June 30, 2020	-	-	-	(108,830)	-	(108,830)
Total comprehensive income for the period	-	-	-	(108,830)	37,606	(71,224)
Final dividend of Rs. 0.5 per share for the year ended December 31, 2019	-	-	-	-	(61,937)	(61,937)
Balance as at June 30, 2020	<u>619,374</u>	<u>9,122</u>	<u>255,000</u>	<u>165,448</u>	<u>67,076</u>	<u>1,116,020</u>
Balance as at January 01, 2021	619,374	9,122	255,000	324,862	91,890	1,300,248
Profit after tax for the six months period ended June 30, 2021	-	-	-	-	72,106	72,106
Other comprehensive income for the six months period ended June 30, 2021-net	-	-	-	(33,936)	-	(33,936)
Total comprehensive income for the six months period ended June 30, 2021	-	-	-	(33,936)	72,106	38,170
Final dividend of Rs. 0.5 per share for the year ended December 31, 2020	-	-	-	-	(61,937)	(61,937)
Balance as at June 30, 2021	<u>619,374</u>	<u>9,122</u>	<u>255,000</u>	<u>290,926</u>	<u>102,059</u>	<u>1,276,481</u>

The annexed notes from 1 to 34 form an integral part of these condensed interim financial statements.

ABBAS D. HABIB
Director

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Cash Flow (Unaudited) for the six months period ended June 30, 2021

	(Unaudited) June 30, 2021	(Unaudited) June 30, 2020
	(Rupees in '000)	
Operating cash flows		
(a) Underwriting activities		
Insurance premium received	850,934	653,533
Reinsurance premium paid	(478,193)	(395,297)
Claims paid	(474,705)	(413,962)
Reinsurance and other recoveries received	256,982	226,236
Commission paid	(75,203)	(70,662)
Commission received	145,705	128,919
Net cash flows from underwriting activities	225,520	128,767
(b) Other operating activities		
Income tax paid	(17,362)	(13,079)
Other operating payments	(249,675)	(193,686)
Other operating receipts	3,009	31,066
Loans advanced	(3,582)	(4,546)
Loan repayment received	6,055	6,488
Net cash flow from other operating activities	(261,555)	(173,757)
Total cash flow from all operating activities	(36,035)	(44,990)
Investment activities		
Profit / return received	20,908	17,380
Dividend received	51,673	34,397
Payment for investments	(647,646)	(311,222)
Proceeds from investments	539,632	245,631
Fixed capital expenditure	(16,941)	(2,887)
Proceeds from sale of property, plant and equipment	7,427	28
Total cash flow from investing activities	(44,947)	(16,673)
Financing activities		
Rentals paid	(18,790)	(10,856)
Loan paid	(17,988)	(80,941)
Dividends paid	(60,244)	(59,769)
Total cash flows from financing activities	(97,022)	(151,566)
Net cash flows from all activities	(178,004)	(213,229)
Cash and cash equivalents at beginning of year	179,541	121,116
Cash and cash equivalents at end of period	1,537	(92,113)
Reconciliation to profit and loss account		
Operating cash flows	(36,035)	(44,990)
Depreciation and amortisation expense	(20,803)	(16,261)
Income tax paid	17,362	13,079
Provision for gratuity	(11,101)	(9,978)
Provision for impairment	-	1,034
Provision for impairment - receivables	(5,926)	-
Gratuity paid	971	1,908
Profit/ return received	20,908	17,380
Dividends received	51,673	34,397
Gain / (Loss) on sale of investments	29,016	(24,559)
Financial charges expense	(5,918)	(10,071)
Profit / (loss) on disposal of property, plant and equipment	3,680	(62)
Provision of taxation	(30,858)	(13,269)
(Loss) / profit from window Takaful Operations - Operator's Fund	(8,472)	5,467
Increase / (decrease) in assets other than cash	(20,043)	324,717
(Increase) / decrease in liabilities other than borrowings	87,652	(241,186)
Profit after taxation	72,106	37,606

The annexed notes from 1 to 34 form an integral part of these condensed interim financial statements.

ABBAS D. HABIB
Director

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Notes to the Condensed Interim Financial Statements for the six months period ended June 30, 2021 (Unaudited)

1. LEGAL STATUS AND NATURE OF BUSINESS

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

1.2 The Company operates through the following locations in Pakistan;

Locations	Address
Head Office Karachi Branch	State Life Building No. 6, Habib Square, M.A. Jinnah Road, Karachi. Head Office: State Life Building No. 6A Habib Square, M.A. Jinnah Road, Karachi.
Rawalpindi Branch	1st Floor, Majeed Plaza, Bank Road, Rawalpindi Cantt.
Dera Ghazi Khan Branch	Block No. 17, Jampur Road, Dera Ghazi Khan.
Faisalabad Branch	Fatima Tower, 2nd Floor, Kohinoor Plaza, Faisalabad. P-6161, West Canal Road,
Multan Branch	Fiesta Gardens, OPP Income, Tax Office, L.M.Q. Road, Multan.
Lahore Branch	320-G3, Main Boulevard, Johar Town, Lahore.

1.3 On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Many governments are still taking stringent steps to help contain the spread of the virus, including vaccination campaigns, requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. Subsequent to the reporting date, the provincial government imposed complete lockdown in Karachi / Hyderabad amid increasing COVID-19 cases in the province. This may effect the business activities due to uncertainties created by the fourth wave of COVID-19 which could affect the overall operations and the business in future. The management of the Company is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders. The management of the Company expects that going forward these uncertainties would reduce as the impact of COVID-19 on overall economy subsides and have concluded that would be no significant impact that affect on the operations and financial position of the Company.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standard 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 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations 2017, Takaful Rules 2012 and General Takaful Accounting Regulations 2019.

Where the provisions and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations 2017, Takaful Rules 2012, General Takaful Accounting regulations 2019 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations 2017, Takaful Rules 2012 and General Takaful Accounting Regulations 2019 have been followed.

Habib Insurance Company Limited

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2020.

2.3 As required under regulations 6(3) of the General Takaful Accounting Regulations, 2019, total assets, liabilities and profit of the Window Takaful Operations - Operator's fund are disclosed as a single line item in condensed interim statement of financial position and condensed interim profit and loss account respectively. Supporting notes where considered necessary for the understanding of the users of these condensed interim financial statements are enclosed as part of notes to these financial statements.

A separate set of financial statements of the Window Takaful operations has been annexed to these condensed interim financial statements as per the requirements of the SECP General Takaful Accounting Regulation 2019.

2.4 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for the investments which are stated at their fair values.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These condensed interim financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupees has been rounded to the nearest thousand.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements are in conformity with approved accounting standards which requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, 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 financial statements as at and for the year ended December 31, 2020.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the annual financial statements of the Company for the year ended December 31, 2020.

6. NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2021 but are considered not to be relevant or do not have any significant effect on the Company and therefore not stated in these condensed interim financial statements.

6.1 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective at period end.

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2021. These amendments are not likely to affect the condensed interim financial statements of the Company:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 01, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will

Habib Insurance Company Limited

apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.
- The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.
- Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration For the lease that is substantially the same as, or less than, the consideration For the lease immediately preceding the change
 - any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
 - there is no substantive change to the other terms and conditions of the lease.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosure:
 - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
 - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
 - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 01, 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

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- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

6.2 Application of IFRS 9 and IFRS 17

IFRS 9 'Financial Instruments' is effective for reporting year ended December 31, 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 of financial assets, a new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

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

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

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

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

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

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b) all other financial assets.

June 30, 2021 (Unaudited)					
Financial assets	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain / (loss) during the period	Carrying value	Cost less Impairment	Change in unrealized gain / (loss) during the period
(Rupees in '000)					
Cash and bank*	20,110	-	-	-	-
Investment in equity securities - available for sale	1,315,918	-	-	-	-
Investments in debt securities - held to maturity	-	-	92,285	92,285	3,405
Loans and other receivables*	-	-	109,560	109,560	-
Insurance / reinsurance receivables*	-	-	1,011,247	-	-
Reinsurance recoveries against outstanding claims*	-	-	580,884	-	-
Window takaful operations - Operator's fund*	-	-	49,410	-	-
	<u>1,336,028</u>	<u>-</u>	<u>1,843,386</u>	<u>201,845</u>	<u>3,405</u>

December 31, 2020 (Audited)					
Financial assets	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain / (loss) during the year	Carrying value	Cost less Impairment	Change in unrealized gain / (loss) during the year
(Rupees in '000)					
Cash and bank*	179,541	-	-	-	-
Investment in equity securities - available for sale	985,611	-	-	-	-
Investments in debt securities - held to maturity	-	-	329,937	329,937	30,811
Loans and other receivables*	-	-	132,031	57,240	-
Insurance / reinsurance receivables*	-	-	983,879	-	-
Reinsurance recoveries against outstanding claims*	-	-	595,673	-	-
Window takaful operations - Operator's fund*	-	-	61,391	-	-
	<u>1,165,152</u>	<u>-</u>	<u>2,102,911</u>	<u>387,177</u>	<u>30,811</u>

June 30, 2021 (Unaudited)					
Gross carrying amounts of debt instruments that pass the SPPI test					
	AAA	AA+	AA	A	Unrated
(Rupees in '000)					
Cash and bank*	-	-	-	-	20,110
Investments in debt securities - held to maturity	-	-	-	-	92,285
Loans and other receivables*	-	-	109,560	109,560	-
Insurance / reinsurance receivables*	-	-	1,011,247	-	-
Reinsurance recoveries against outstanding claims*	-	-	580,884	-	-
Window takaful operations - Operator's fund*	-	-	49,410	-	-
	<u>-</u>	<u>-</u>	<u>1,751,101</u>	<u>109,560</u>	<u>112,395</u>

December 31, 2020 (Audited)					
Gross carrying amounts of debt instruments that pass the SPPI test					
	AAA	AA+	AA	A	Unrated
(Rupees in '000)					
Cash and bank*	-	-	-	-	179,541
Investments in debt securities - held to maturity	-	-	-	-	985,611
Loans and other receivables*	-	-	329,937	329,937	30,811
Insurance / reinsurance receivables*	-	-	983,879	57,240	-
Reinsurance recoveries against outstanding claims*	-	-	595,673	-	-
Window takaful operations - Operator's fund*	-	-	61,391	-	-
	<u>-</u>	<u>-</u>	<u>1,970,880</u>	<u>387,177</u>	<u>1,195,963</u>

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

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7. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

Insurance and financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2020.

	Note	(Unaudited) June 30, 2021	(Audited) December 31, 2020
(Rupees in '000)			
8. Property and equipment			
Tangible operating assets	8.1	44,806	33,323
Right-of-use assets	8.2	131,856	151,856
		<u>176,662</u>	<u>185,179</u>
8.1 Tangible operating Assets			
Opening written down value		33,323	31,426
Additions during the period / year	8.1.1	16,941	13,541
Disposals during the period / year	8.1.2	(271)	(3,364)
Depreciation for the period / year		(5,187)	(8,280)
Closing written down value		<u>44,806</u>	<u>33,323</u>
8.1.1 The following additions were made to tangible-property and equipment during the period / year:			
Furniture and fixtures		8,629	349
Computer equipment		1,393	2,980
Office equipment		3,038	1,622
Motor Vehicles - owned		3,881	8,590
		<u>16,941</u>	<u>13,541</u>
8.1.2 The following disposals of tangible - operating assets were made during the period / year:			
Furniture and fixtures		18	-
Computer equipment		10	56
Office equipment		175	128
Motor Vehicles - owned		68	3,180
		<u>271</u>	<u>3,364</u>
8.2 Right-of-use assets			
Balance at January 01, 2021		151,856	133,399
Additions during the period / year		14,626	64,940
Deletion during the period / year		(19,625)	(21,130)
Depreciation charge for the period / year		(15,001)	(25,353)
Balance at June 30, 2021		<u>131,856</u>	<u>151,856</u>

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9. INVESTMENT IN EQUITY SECURITIES

	June 30, 2021 (Unaudited)				December 31, 2020 (Audited)			
	Cost	Impairment / provision	Revaluation surplus	Carrying value	Cost	Impairment / provision	Revaluation surplus	Carrying value
	(Rupees in '000)				(Rupees in '000)			
Related Parties								
Listed shares	308,177	-	184,961	493,138	279,282	-	193,775	473,057
Others								
Listed shares	587,898	(556)	211,290	798,632	264,236	(556)	222,736	486,416
Mutual funds	478	-	2,020	2,498	2,393	-	1,887	4,280
Modaraba certificate								
Others	1,319	-	584	1,903	1,319	-	590	1,909
Related Party	13,695	-	6,052	19,747	13,695	-	6,254	19,949
	603,390	(556)	219,946	822,780	281,643	(556)	231,467	512,554
	911,567	(556)	404,907	1,315,918	560,925	(556)	425,242	985,611

10. INVESTMENT IN GOVERNMENT SECURITIES

	Note	(Unaudited) June 30, 2021	(Audited) December 31, 2020
		(Rupees in '000)	
Available for sale			
Pakistan Investment Bonds (PIBs)	10.1	92,285	329,937

10.1 This represents PIBs having face value of Rs.90.0 million (market value of Rs.92.285 million) [December 31, 2020: Rs. 340.0 million (market value of Rs.329.937 million)]. These carry mark-up ranging from 9.5% to 12% (December 31, 2020: 8.75% to 12%) per annum and will mature on July 19, 2022 and September 19, 2024. PIBs having face value of Rs. 90.0 million have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of Section 29 of the Insurance Ordinance, 2000 and circular No. 15 of 2008 dated July 07, 2008 issued by the SECP.

	Note	(Unaudited) June 30, 2021	(Audited) December 31, 2020
		(Rupees in '000)	

11. LOANS SECURITY DEPOSITS AND OTHER RECEIVABLES - Considered good

Accrued investment income		4,941	13,884
Security Deposits		31,830	35,875
Advances to employees		4,632	7,822
Agents Commission receivable (advance)		3,823	5,817
Loan to employees		56,506	57,240
Receivable against sale of investments		803	1,132
Receivable from Window Takaful Operations		1,433	3,009
Sales tax withheld	11.1	5,414	8,159
Other receivables		178	1,139
		109,560	134,077

11.1 This represent unclaimed input tax as at June 30, 2021. This balance was subsequently claimed in July 2021.

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	(Unaudited) June 30, 2021	(Audited) December 31, 2020
Note	(Rupees in '000)	
12. INSURANCE / REINSURANCE RECEIVABLES		
- Unsecured and considered good		
Due from insurance contract holders		
	597,234	511,132
	22,944	17,018
	(22,944)	(17,018)
12.1	597,234	511,132
Due from other insurers / reinsurers		
	414,013	472,747
	6,500	6,500
	(6,500)	(6,500)
	414,013	472,747
	<u>1,011,247</u>	<u>983,879</u>

12.1 During the period, the company recorded an expense of Rs. 5.93 million (June 30, 2020: Nil)

12.2 This includes Rs.95.850 million (2020: Rs. 114.831 million) receivable from the related parties.

13. PREPAYMENTS

Prepaid reinsurance premium ceded	408,978	434,673
Prepaid rent	1,551	-
Prepaid group insurance	5,406	6,855
Others	1,346	2,224
	<u>417,281</u>	<u>443,752</u>

14. CASH AND BANK BALANCES

Cash and cash equivalents		
Cash in hand	340	249
Policy stamps, revenue stamps and bond paper	3,515	309
	3,855	558
Cash at bank		
Current accounts	11,884	7,307
Savings accounts	4,371	171,676
	16,255	178,983
	<u>20,110</u>	<u>179,541</u>

14.1 Cash and short term borrowing include the following for the purposes of the cash flow statement:

	(Unaudited) June 30, 2021	(Audited) December 31, 2020
Note	(Rupees in '000)	
Cash and cash equivalents	20,110	179,541
Short term borrowings of upto three months (running finance)	(18,573)	-
	<u>1,537</u>	<u>179,541</u>

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14.1.1 This represents overdrawn bank balance for the period. The Company has a running finance facility from a Bank of Rs 200 million valid for 1 year from January 28, 2021 at interest rate of 6 months KIBOR plus 1.5%. The facility is secured against Lien / Pledge of shares or Pakistan Investment Bonds favor of the Bank with margin held in IPS account of the Company. The borrowing can be made to the extent of Rs. 200 million only when the security to the extent incastioned above has been pledge. The sensibility arose at the year and only.

15. SHARE CAPITAL

Authorized Capital

(Unaudited) June 30, 2021 (Number)	(Audited) December 31, 2020	Note	(Unaudited) June 30, 2021 (Rupees in '000)	(Audited) December 31, 2020
<u>130,000,000</u>	<u>130,000,000</u>	Ordinary shares of Rs. 5 each	<u>650,000</u>	<u>650,000</u>

16. RESERVES

Capital Reserves

Reserve for exceptional losses	9,122	9,122
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Revenue Reserves

General reserves	255,000	255,000
Available-for-sale reserve	290,926	324,862
	<u>545,926</u>	<u>579,862</u>
	<u>555,048</u>	<u>588,984</u>

17. INSURANCE / REINSURANCE PAYABLES

Due to other insurers / reinsurers		
Foreign reinsurers	96,320	195,669
Local reinsurers	50,279	37,820
Co-insurers payable	122,010	83,970
	<u>268,609</u>	<u>317,459</u>

18. OTHER CREDITORS AND ACCRUALS

Agents commission payable	75,785	53,270
Federal excise duty	40,833	34,374
Federal insurance fee	3,242	2,484
Accrued expenses	19,360	23,129
Withholding tax payable	2,274	1,673
Unclaimed dividend	63,267	61,574
Unclaimed insurance benefits	18.1 32,967	30,180
Others	2,630	1,356
	<u>240,358</u>	<u>208,040</u>

18.1 This represents the unrepresented (satle) cheques issued by the Company. Following is the ageing of balances:

	2021	2020	2019	2018 and older	Total
	(Rupees in '000)				
Claims not encashed	<u>1,816</u>	<u>7,399</u>	<u>2,427</u>	<u>21,325</u>	<u>32,967</u>

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19. CONTINGENCIES & COMMITMENTS

19.1 Contingencies

Tax related contingencies are reported in note 24.

19.2 Commitments

There is no commitment as at June 30, 2021 (December 31, 2020: Nil).

	(Unaudited) Three months period ended June 30,		(Unaudited) Six months period ended June 30,	
	2021	2020	2021	2020
	(Rupees in '000)		(Rupees in '000)	
20. NET INSURANCE PREMIUM				
Written gross premium	510,755	448,440	853,442	732,355
Add: Unearned premium reserve - opening	726,760	663,391	818,033	778,636
Less: Unearned premium reserve - closing	(790,780)	(723,418)	(790,780)	(723,418)
Premium earned	446,735	388,413	880,695	787,573
Less: Reinsurance premium ceded	263,946	283,828	478,193	438,234
Add: Prepaid reinsurance premium - opening	395,628	320,947	434,673	366,576
Less: Prepaid reinsurance premium - closing	(408,978)	(401,306)	(408,978)	(401,306)
Reinsurance expense	250,596	203,469	503,888	403,504
Net insurance premium	196,139	184,944	376,807	384,069
21. NET INSURANCE CLAIMS EXPENSE				
Claims paid	247,289	125,997	474,705	413,962
Add: Outstanding claims including IBNR - closing	759,871	809,548	759,871	809,548
Less: Outstanding claims including IBNR - opening	(768,217)	(668,721)	(819,119)	(594,636)
Claims expense	238,943	266,824	415,457	628,874
Reinsurance and other recoveries received	145,485	82,080	256,982	226,236
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	602,976	579,276	602,976	579,276
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(594,510)	(468,219)	(604,878)	(364,205)
Reinsurance and other recoveries revenue	153,951	193,137	255,080	441,307
Net insurance claims expense	84,992	73,687	160,377	187,567
22. NET COMMISSION INCOME				
Commissions paid or payable	61,109	44,300	97,718	76,605
Add: Deferred commission - opening	86,256	65,488	98,200	74,039
Less: Deferred commission - closing	(97,136)	(70,894)	(97,136)	(70,894)
Commission expense	50,229	38,894	98,782	79,750
Less: Commission from reinsurers				
Commission received or receivable	82,389	92,884	143,711	128,919
Add: Unearned reinsurance commission - opening	115,746	87,674	127,746	105,979
Less: Unearned reinsurance commission - closing	(125,835)	(120,023)	(125,835)	(120,023)
Commission from reinsurers	72,300	60,535	145,622	114,875
Net commission income	22,071	21,641	46,840	35,125

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	Three months period ended June 30,		Six months period ended June 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
	(Rupees in '000)		(Rupees in '000)	
23. INVESTMENT INCOME				
Income from equity securities and mutual fund units - available-for-sale				
- Dividend income	16,697	4,797	53,143	34,397
Income from debt securities - available-for-sale				
- Return on debt securities	2,402	6,472	8,731	16,578
Net realised gain / (losses) on investments				
- Equity securities	2,992	(201)	7,829	(24,760)
- Mutual funds units	-	201	-	201
- Government securities	-	-	21,187	-
	2,992	-	29,016	(24,559)
Total investment income	22,091	11,269	90,890	26,416
Add/ (Less): Reversal / (Impairment) in value of available-for-sale investments equity securities	-	1,034	-	1,034
Less: Investment related expenses	(86)	(6)	(119)	(246)
	22,005	12,297	90,771	27,204
24. TAXATION				
For the period				
Current	5,926	11,641	29,015	15,448
Prior	1,266	-	1,266	-
Deferred	405	(1,265)	577	(2,179)
	7,597	10,376	30,858	13,269

There are no changes in the tax contingencies from those reported as at the end of latest audited financial statements i.e. December 31, 2020 except for the following:

- The Company has filed return of total income for the tax year 2019 (financial year ended December 31, 2018). Tax authorities passed an order under section 122(5A) of the Income Tax Ordinance 2001 where in a demand of Rs. 35.28 million was created which mainly relate to non withholding of tax on commission paid, addition on amount of cash withdrawal and admissibility of various provision / expenses / credits etc. The Company filed appeal before the Commissioner Inland Revenue Appeals which is pending for hearing. The company and its tax advisor believe that the ultimate decision will be in favour of the company, therefore no provision has been made in these financial statements.
- The income tax department issued an assessment order for tax year 2017 on 28 April 2018 by charging taxes on administrative expenses, commission expenses, claim expense, fixed capital expenditure, rent expenses and dividend payment. The Company had filed appeal before the Commissioner (Appeals-I) who decided against the Company. The Company filed second appeal before the Appellate Tribunal Inland Revenue, Karachi against the Order of Commissioner (Appeals-I), Karachi who maintained the demand of Rs. 221 million. The Appellate Tribunal decided the appeal in favour of the company by vacating the order of CIR (Appeals). The tax authorities issued appeal effect order dated 31 May 2021 and reduced the demand to Rs. 1.2 million which has been paid by the company in May 2021.

	Three months period ended June 30,		Six months period ended June 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
	(Rupees in '000)		(Rupees in '000)	
25. OTHER INCOME				
Return on bank balance	484	67	1,830	1,240
Gain / (loss) on sale of fixed assets	757	(22)	3,680	(62)
Return on loan to employees	660	571	1,339	1,785
Miscellaneous	(202)	-	1,503	21
	1,699	616	8,352	2,984

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	Three months period ended June 30,		Six months period ended June 30,	
	2021 (Unaudited)	2020	2021 (Unaudited)	2020
	(Rupees in '000)			
26. EARNINGS PER SHARE - BASIC AND DILUTED				
Profit after tax for the period	19,423	32,424	72,106	37,606
	(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	0.16	0.26	0.58	0.30
26.1	No figure for diluted earnings per share has been presented as the Company has not issued any instrument which would have an impact on earnings per share when exercised.			

27. 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. Compensation to key management personnel are at employment terms. Dividend income is recorded at the amount declared by the investee company. Contribution to the provident fund is in accordance with the Provident Fund Rules. Other transactions are at agreed rates.

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

	(Unaudited) Three months period ended June 30,		(Unaudited) Six months period ended June 30,	
	2021	2020	2021	2020
	(Rupees in '000)			
Transactions and balances with associated companies (under the Companies Act, 2017).				
Transactions during the year with associated companies				
Premium written	100,431	72,213	166,038	121,763
Claims paid	94,643	(8,564)	164,769	92,108
Dividend received	721	949	21,791	16,058
Dividend paid	2,868	2,868	2,868	2,868
Investment made	1,720	-	28,897	18,308
Interest received on bank accounts	484	67	1,830	1,240
Bank charges	155	172	282	350
Fees paid	400	420	400	420
Lease rentals paid	5,093	6,216	12,076	10,856
Security deposit paid	(2,870)	1,832	-	2,463
Interest expense	1,546	4,028	3,482	5,799
Brokerage expenses paid	86	-	119	240

Habib Insurance Company Limited

	(Unaudited) June 30, 2021	(Audited) December 31, 2020
	(Rupees in '000)	
Balances with associated companies		
Premium due but unpaid	<u>95,850</u>	<u>114,831</u>
Claims outstanding	<u>129,284</u>	<u>126,698</u>
Bank balances	<u>12,396</u>	<u>178,058</u>
Investment held	<u>493,138</u>	<u>473,058</u>
Security deposit	<u>15,461</u>	<u>25,031</u>
Finance lease liability	<u>73,090</u>	<u>76,440</u>

	Three months period ended June 30,		Six months period ended June 30,	
	2021	2020	2021	2020
	(Rupees in '000)			
Transactions during the period with other related parties including key management personnel				
Remuneration of key management personnel	<u>29,556</u>	<u>29,125</u>	<u>68,633</u>	<u>56,140</u>
Repayment of loans to employees (secured)	<u>763</u>	<u>653</u>	<u>1,527</u>	<u>2,508</u>
Dividend paid	<u>1,691</u>	<u>1,691</u>	<u>1,691</u>	<u>1,691</u>
Contribution to the provident fund	<u>2,551</u>	<u>2,348</u>	<u>5,087</u>	<u>4,530</u>

	(Unaudited) June 30, 2021	(Audited) December 31, 2020
	(Rupees in '000)	
Balances with other related parties including key management personnel		
Loans to key management personnel	<u>20,802</u>	<u>21,792</u>

Habib Insurance Company Limited

23. SEGMENT REPORTING

	June 30, 2021 (Unaudited)					
	Fire and property	Marine and transport	Motor	Group hospitalisation	Other Classes	Aggregate
	(Rupees in '000)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative surcharge)	324,970	171,103	387,401	3,777	94,208	981,459
Less: Federal Excise Duty	39,456	18,915	47,914	435	12,777	119,497
Federal Insurance Fee	2,710	1,505	3,355	33	917	8,520
Gross Written Premium (inclusive of administrative Surcharge)	282,804	150,683	336,132	3,309	80,514	853,442
Gross direct premium	268,135	145,132	322,023	3,303	78,507	817,100
Facultative inward premium	11,841	93	828	—	83	12,845
Administrative surcharge	2,828	5,458	13,281	6	1,924	23,497
	282,804	150,683	336,132	3,309	80,514	853,442
Insurance premium earned	332,640	160,879	300,883	6,924	79,369	880,695
Insurance premium ceded to reinsurers	(277,410)	(88,686)	(97,717)	—	(40,075)	(503,888)
Net insurance premium	55,230	72,193	203,166	6,924	39,294	376,807
Premium deficiency reserve	—	—	—	6,151	—	6,151
Commission income	70,880	33,528	34,977	—	6,237	145,622
Net underwriting income	126,110	105,721	238,143	13,075	45,531	528,580
Insurance claims	163,384	53,221	123,972	4,102	70,778	415,457
Insurance claims recovered from reinsurers	(149,740)	(30,248)	(30,665)	—	(44,427)	(255,080)
Net Claims	13,644	22,973	93,307	4,102	26,351	160,377
Commission expense	(53,633)	(17,691)	(15,868)	(9)	(11,581)	(98,782)
Management expenses	(59,708)	(31,814)	(70,968)	(699)	(16,999)	(180,188)
Net insurance claims and expenses	(113,341)	(49,505)	(86,836)	(708)	(28,580)	(278,970)
Underwriting result	(875)	33,243	58,000	8,265	(9,400)	89,233
Net Investment income						90,771
Other income						8,352
Other expenses						(71,002)
Results of operating activities						117,354
Finance cost						(5,918)
Loss from Window Takaful Operations - Operator's Fund						(8,472)
Profit before tax						102,964
Segment assets	867,976	419,790	785,112	18,068	207,102	2,298,048
Unallocated assets						1,546,176
Unallocated assets of General Takaful Operations - Operator's Fund						64,780
						3,909,004
Segment liabilities	747,511	361,528	676,146	15,560	178,358	1,979,103
Unallocated liabilities						626,849
Unallocated liabilities of General Takaful Operations - Operator's Fund						26,571
						2,632,523

Habib Insurance Company Limited

	June 30, 2020 (Unaudited)					
	Fire and property	Marine and transport	Motor	Group hospitalisation	Other Classes	Aggregate
	(Rupees in '000)					
Premium receivable (inclusive of Federal Excise Duty, Federal Insurance Fee and Administrative surcharge)	346,858	121,295	286,472	3,889	82,091	840,605
Less: Federal Excise Duty	42,367	13,440	34,600	434	10,153	100,994
Federal Insurance Fee	2,949	1,050	2,489	34	734	7,256
Gross Written Premium (inclusive of Administrative Surcharge)	301,542	106,805	249,383	3,421	71,204	732,355
Gross direct premium	292,204	102,415	239,035	3,411	70,422	707,487
Facultative inward premium	6,725	634	757	-	-	8,116
Administrative surcharge	2,613	3,756	9,591	10	782	16,752
	301,542	106,805	249,383	3,421	71,204	732,355
Insurance premium earned	310,741	110,886	279,719	4,767	81,460	787,573
Insurance premium ceded to reinsurers	(247,025)	(47,421)	(65,551)	-	(43,507)	(403,504)
Net insurance premium	63,716	63,465	214,168	4,767	37,953	384,069
Commission income	66,087	16,220	21,665	-	10,903	114,875
Net underwriting income	129,803	79,685	235,833	4,767	48,856	498,944
Insurance claims	366,241	76,426	146,986	4,220	35,001	628,874
Insurance claims recovered from reinsurers	(330,171)	(51,997)	(42,978)	(107)	(16,054)	(441,307)
Net Claims	36,070	24,429	104,008	4,113	18,947	187,567
Commission expense	(42,040)	(14,515)	(11,540)	20	(11,675)	(79,750)
Management expenses	(62,865)	(22,266)	(51,990)	(713)	(14,844)	(152,678)
Net insurance claims and expenses	(104,905)	(36,781)	(63,530)	(693)	(26,519)	(232,428)
Underwriting result	(11,172)	18,475	68,295	(39)	3,390	78,949
Investment income						27,204
Other income						2,984
Other expenses						(53,658)
Results of operating activities						55,479
Finance cost						(10,071)
Profit from Window Takaful Operations - Operator's Fund						5,467
Profit before tax						50,875
Segment assets	920,999	328,652	829,054	14,129	241,438	2,334,272
Unallocated assets						1,342,322
Total assets of General Takaful Operations - Operator's Fund						77,718
						3,754,312
Segment liabilities	781,458	278,859	703,444	11,988	204,857	1,980,606
Unallocated liabilities						634,030
Total liabilities of General Takaful Operations - Operator's Fund						23,656
						2,638,292

Habib Insurance Company Limited

29. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

Insurance and financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2020.

30. Fair value of financial instruments

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

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

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

	June 30, 2021 (Unaudited)					Fair value measurement using		
	Available-for-sale	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								
Equity securities - quoted	1,291,770	-	-	-	1,291,770	1,291,770	-	-
Mutual Funds Units	2,498	-	-	-	2,498	-	2,498	-
Modaraba certificates	19,747	-	-	-	19,747	19,747	-	-
Debt securities	-	92,285	-	-	92,285	-	92,285	-
Financial assets not measured at fair value								
Investments								
Loans and other receivable	-	109,560	-	-	109,560	-	-	-
Insurance / reinsurance receivables	-	1,011,247	-	-	1,011,247	-	-	-
Reinsurance recoveries against outstanding claims	-	580,884	-	-	580,884	-	-	-
Cash and bank balances	-	-	20,110	-	20,110	-	-	-
Total assets of Window Takaful Operations - Operator's Fund	35,052	25,579	4,149	-	64,780	-	-	-
	<u>1,349,067</u>	<u>1,819,555</u>	<u>24,259</u>	<u>-</u>	<u>3,192,881</u>	<u>1,311,517</u>	<u>94,783</u>	<u>-</u>
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	-	-	-	(759,871)	(759,871)	-	-	-
Premium received in advance	-	-	-	(34,008)	(34,008)	-	-	-
Insurance / reinsurance payables	-	-	-	(268,609)	(268,609)	-	-	-
Other creditors and accruals	-	-	-	(240,358)	(240,358)	-	-	-
Total liabilities of Window Takaful Operations - Operator's Fund	-	-	-	(26,571)	(26,571)	-	-	-
	<u>1,349,067</u>	<u>1,819,555</u>	<u>24,259</u>	<u>(1,329,417)</u>	<u>1,863,464</u>	<u>1,311,517</u>	<u>94,783</u>	<u>-</u>

Habib Insurance Company Limited

	Decmeber 31, 2020 (Audited)							
	Available- for-sale	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								
Listed equity securities	959,473	-	-	-	959,473	959,473	-	-
Mutual fund units	-	4,280	-	-	4,280	-	4,280	-
Modaraba certificates	21,858	-	-	-	21,858	21,858	-	-
Debt securities	-	329,937	-	-	329,937	-	329,937	-
Financial assets not measured at fair value								
Loans and other receivable	-	132,031	-	-	132,031	-	-	-
Insurance / reinsurance receivables	-	983,879	-	-	983,879	-	-	-
Reinsurance recoveries against outstanding claims	-	595,673	-	-	595,673	-	-	-
Cash and bank balances	-	-	179,541	-	179,541	-	-	-
Total Assets of Window Takaful Operations - Operator's Fund	36,448	19,449	14,734	-	70,631	-	-	-
	<u>1,017,779</u>	<u>2,065,249</u>	<u>194,275</u>	<u>-</u>	<u>3,277,303</u>	<u>981,331</u>	<u>334,217</u>	<u>-</u>
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	-	-	-	(819,119)	(819,119)	-	-	-
Premium received in advance	-	-	-	(13,852)	(13,852)	-	-	-
Insurance / reinsurance payables	-	-	-	(317,459)	(317,459)	-	-	-
Other creditors and accruals	-	-	-	(208,040)	(208,040)	-	-	-
Total Liabilities of Window Takaful Operations - Operator's Fund	-	-	-	(20,131)	(20,131)	-	-	-
	<u>1,017,779</u>	<u>2,065,249</u>	<u>194,275</u>	<u>(1,378,601)</u>	<u>1,898,702</u>	<u>981,331</u>	<u>334,217</u>	<u>-</u>

* The Company has not disclosed the fair value of these items as these are either short term in nature or repriced frequently and as such their carrying amounts are a reasonable approximation of their fair values.

Habib Insurance Company Limited

	Held to Maturity	Available- for-sale (Rupees in '000)	Total
31. MOVEMENT IN INVESTMENTS			
As at January 01, 2020	277,867	987,699	1,265,566
Additions	–	363,943	363,943
Transfer due to reclassification	(277,867)	277,867	–
Disposals (sale and redemption)	–	(387,110)	(387,110)
Fair value net gains (excluding net realised gains)	–	71,337	71,337
Impairment of investments	–	(556)	(556)
Amortisation of premium / discount	–	2,368	2,368
As at December 31, 2020	–	1,315,548	1,315,548
Additions	–	647,646	647,646
Disposals (sale and redemption)	–	(507,822)	(507,822)
Fair value net gains (excluding net realised gains)	–	(47,741)	(47,741)
Amortisation of premium / discount	–	572	572
As at June 30, 2021	–	1,408,203	1,408,203

32. CORRESPONDING FIGURES

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

33. GENERAL

Figures have been rounded off to the nearest Thousand Rupee.

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on August 26, 2021 by the Board of Directors of the Company.

ABBAS D. HABIB
Director

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Financial Statements

Window Takaful Operations

Habib Insurance Company Limited

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Habib Insurance Company Limited – Window Takaful Operations

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Habib Insurance Company Limited – Window Takaful Operations (“the Fund”) as at 30 June 2021 and the related condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in fund, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the “interim financial statements”). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matter

The figures for the quarters ended 30 June 2021 and 30 June 2020 in the condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent review's report is Aryn Pirani.

Date : 30 August 2021

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Habib Insurance Company Limited

Condensed Interim Statement of Financial Position As at June 30, 2021

	Note	Operator's Fund		Participant's Fund	
		June 30, 2021 (Unaudited)	December 31, 2020 (Audited)	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
(Rupees in '000)					
Assets					
Investments					
– Equity	7	35,052	36,448	–	–
Loans and other receivables	8	10,209	10,209	827	448
Takaful / retakaful receivables	9	–	–	107,498	75,486
Retakaful recoveries against outstanding claims	15	–	–	25,846	39,731
Deferred Wakala expense	17	–	–	9,611	3,754
Taxation - payments less provision		660	462	331	–
Deferred commission expense	16	10,848	8,028	–	–
Receivable from PTF	18	3,562	–	–	5,011
Prepayments		300	750	27,829	32,671
Cash and bank	10	4,149	14,734	99,861	65,465
Total assets		64,780	70,631	271,803	222,566
Equities and liabilities					
Capital and reserves attributable to company's shareholders					
Share capital		50,000	50,000	–	–
Reserves		501	541	–	–
Retained earnings		(12,292)	(3,820)	–	–
Total shareholders equity		38,209	46,721	–	–
Participants' Takaful Fund (PTF)					
Ceded money		–	–	500	500
Reserves		–	–	–	(342)
Accumulated surplus		–	–	36,933	16,875
Balance of Participants' Takaful Fund		–	–	37,433	17,033
Qard-e-Hasna - payable		–	–	10,209	10,209
Liabilities					
PTF Underwriting Provisions					
Outstanding claims including IBNR	15	–	–	45,533	59,783
Unearned contribution reserve	13	–	–	96,107	75,074
Reserve for unearned retakaful rebate	14	–	–	5,171	6,240
		–	–	146,811	141,097
Unearned wakala fee	17	9,611	3,754	–	–
Contribution received in advance		–	–	6,632	5,787
Takaful / retakaful payables	12	–	–	61,185	44,684
Other creditors and accrual	11	16,951	15,120	5,971	3,733
Payable to OPF	18	–	5,011	3,562	–
Taxation - provision less payments		–	–	–	23
Deferred taxation		9	25	–	–
Total liabilities		26,571	23,910	77,350	54,227
Total equity and liabilities		64,780	70,631	271,803	222,566
Contingency and commitment	20				

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.

ABBAS D. HABIB
Director

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Comprehensive Income (Unaudited) for the six months period ended June 30, 2021

	Note	(Unaudited) Three months period ended June 30,		(Unaudited) Six months period ended June 30,	
		2021 (Rupees in '000)	2020 (Rupees in '000)	2021 (Rupees in '000)	2020 (Rupees in '000)
Participant's Fund					
Contributions earned	13	40,474	23,219	81,590	38,913
Less: Contributions ceded to retakaful		(28,692)	(13,188)	(48,480)	(27,655)
Net contributions revenue		11,782	10,031	33,110	11,258
Retakaful rebate earned	14	3,684	2,093	7,570	4,517
Net underwriting income		15,466	12,124	40,680	15,775
Net claims - reported / settled - IBNR	15	(10,103) (1,682)	2,511 (3,085)	(14,414) (4,103)	(9,761) (3,085)
		(11,785)	(574)	(18,517)	(12,846)
Surplus / (deficit) before investment income		3,681	11,550	22,163	2,929
Investment income		780	259	1,826	2,008
Provision for impairment		(3,931)	-	(3,931)	-
Surplus transferred to accumulated surplus		530	11,809	20,058	4,937
Other comprehensive income:					
- Unrealised loss on available-for-sale investments during the period		-	(2,304)	-	(1,680)
- Net gain transferred to profit and loss on disposal / redemption / impairment of investments		-	1,404	-	1,404
Related tax impact		-	(900)	-	(276)
		-	261	-	80
Others comprehensive loss for the period		-	(639)	-	(196)
Total comprehensive income for the period		530	11,170	20,058	4,741
Operator's Fund					
Wakala fee		4,385	1,209	4,718	10,876
Commission expense		(4,813)	(2,543)	(9,353)	(5,213)
General administrative and management expense		(1,156)	(1,198)	(2,203)	(2,212)
		(1,584)	(2,532)	(6,838)	3,451
Investment income		629	938	1,461	3,163
Direct expenses		(2,094)	(661)	(3,095)	(1,147)
(Loss) / Profit before taxation		(3,049)	(2,255)	(8,472)	5,467
Taxation		-	654	-	(1,585)
(Loss) / profit after taxation attributable to shareholders		(3,049)	(1,601)	(8,472)	3,882
Other comprehensive income:					
- Unrealised loss on available-for-sale investments during the period		(221)	(1,427)	76	(1,098)
- Net gain transferred to profit and loss on disposal / redemption / impairment of investments		(132)	1,083	(132)	1,083
Related tax impact		(353)	(344)	(56)	(15)
		102	99	16	4
Others comprehensive loss for the period		(251)	(245)	(40)	(11)
Total comprehensive income for the period		(3,300)	(1,846)	(8,512)	3,871

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.

ABBAS D. HABIB
Director

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Changes in Funds (Unaudited) For the six months period ended June 30, 2021

	Operator's Fund			
	Share Capital	Available for sale reserve	Un-appropriated profit	Total
	(Rupees in '000)			
Balance as at January 01, 2020	50,000	607	(416)	50,191
Profit for the period	-	-	3,882	3,882
Other comprehensive income				
Less: Net loss transferred to profit and loss on disposal of investments	-	(11)	-	(11)
Balance as at June 30, 2020	<u>50,000</u>	<u>596</u>	<u>3,466</u>	<u>54,062</u>
Balance as at January 01, 2021	50,000	541	(3,820)	46,721
Profit for the period	-	-	(8,472)	(8,472)
Other comprehensive loss				
Less: Net loss transferred to profit and loss on disposal of investments	-	(56)	-	(56)
Related tax impact	-	16	-	16
	-	(40)	-	(40)
Balance as at June 30, 2021	<u>50,000</u>	<u>501</u>	<u>(12,292)</u>	<u>38,209</u>
	Attributable to participants of the PTF			
	Ceded money	Available for sale reserve	Accumulated surplus/(deficit)	Total
	(Rupees in '000)			
Balance as at January 01, 2020	500	-	(4,510)	(4,010)
Surplus for the period	-	-	4,937	4,937
Less: Net loss transferred to profit and loss on disposal of investments	-	(196)	-	(196)
Balance as at June 30, 2020	<u>500</u>	<u>(196)</u>	<u>427</u>	<u>731</u>
Balance as at January 01, 2021	500	(342)	16,875	17,033
Surplus for the period	-	-	20,058	20,058
Other comprehensive income				
Less: Net gain transferred to profit and loss on disposal of investments	-	342	-	342
Balance as at June 30, 2021	<u>500</u>	<u>-</u>	<u>36,933</u>	<u>37,433</u>

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.

ABBAS D. HABIB
Director

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Cash Flow Statement (Unaudited) For the six months period ended June 30, 2021

	(Unaudited) Operator's Fund		(Unaudited) Participant's Fund	
	June 30,		June 30,	
	2021	2020	2021	2020
	(Rupees in '000)			
Operating Cash flows				
(a) Takaful activities				
Contribution received	-	-	76,305	66,062
Retakaful contribution paid	-	-	(27,137)	(30,179)
Claims paid	-	-	(36,741)	(18,139)
Retakaful and other recoveries received	-	-	17,859	10,618
Commission paid	(8,015)	(3,186)	-	-
Commission received	-	4,661	6,501	-
Wakala fees received	2,002	21,250	-	-
Wakala fee paid	-	-	(2,002)	(21,250)
Net cash flow from takaful activities	(6,013)	22,725	34,785	7,112
(b) Other Operating activities				
Other operating receipts	-	-	-	-
Other operating payments	(7,590)	(4,957)	(2,215)	(17,642)
Net cash flow from other operating activities	(7,590)	(4,957)	(2,215)	(17,642)
Total cash flow from all operating activities	(13,603)	17,768	32,570	(10,530)
Investment activities				
Profit / return received	401	9	1,826	729
Dividend received	1,060	1,985	-	-
Proceeds from investments	42,117	58,937	-	21,404
Payments for investments	(40,560)	(76,670)	-	(20,016)
Total cash flow from investing activities	3,018	(15,739)	1,826	2,117
Net cash flow from all activities	(10,585)	2,029	34,396	(8,413)
Cash and cash equivalents at beginning of year	14,734	193	65,465	21,133
Cash and cash equivalents at end of period	4,149	2,222	99,861	12,720
Reconciliation to profit and loss account				
Operating cash flows	(13,603)	17,768	32,570	(10,530)
Profit / return received	401	9	1,826	729
Dividends received	1,060	1,985	-	-
Capital gain	132	1,083	-	1,404
Provision for impairment	-	-	(3,931)	-
Increase in unearned contribution	-	-	21,716	5,685
Increase in assets other than cash	(4,150)	(23,856)	(6,848)	22,001
Increase in liabilities	7,688	6,893	(25,275)	(14,352)
(Loss) / profit before taxation	(8,472)	3,882	20,058	4,937
Attributed to:				
Operator's Fund	(8,472)	3,882	-	-
Participants' Takaful Fund	-	-	20,058	4,937
	(8,472)	3,882	20,058	4,937

The annexed notes from 1 to 27 form an integral part of these condensed interim financial statements.

ABBAS D. HABIB
Director

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Notes to the Condensed Interim Financial Statements for the six months period ended June 30, 2021 (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.
- 1.3 On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Many governments are still taking stringent steps to help contain the spread of the virus, including vaccination campaigns, requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. Subsequent to the reporting date, the provincial government imposed complete lockdown in Karachi / Hyderabad amid increasing COVID-19 cases in the province. This may effect the business activities due to uncertainties created by the fourth wave of COVID-19 which could affect the overall operations and the business in future. The Operator is closely monitoring the situation, and in response to the developments, the Operator has taken action to ensure the safety of its employees and other stakeholders. The Operator expects that going forward these uncertainties would reduce as the impact of COVID-19 on overall economy subsides and consider that it would not have any significant impact that affect on the operations and financial position of the Company.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standard 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 and Insurance Ordinance, 2000, Insurance Rules, 2017, General Takaful Accounting Regulations 2019 and Takaful Rules 2012.

Where the provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules, 2017 and General Takaful Accounting Regulations 2019, Takaful Rules 2012 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance 2000, Insurance Rules, 2017, General Takaful Accounting Regulations 2019 and Takaful Rules 2012 have been followed.

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

2.3 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Operator's annual financial statements for the year ended December 31, 2020.

2.4 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention, except for investments that has been measured at fair values.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These condensed interim financial statements are presented in Pakistani Rupees, which is the Operator's functional and presentation currency. All financial information presented in Pakistani Rupees has been rounded to the nearest thousand.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements are in conformity with accounting and reporting standards as applicable in Pakistan which requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Operator's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2020.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the 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 31 December 2020.

6. NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

There are certain new and amended standards, interpretations and amendments that are mandatory for the Operator's and Takaful Operations accounting periods beginning on or after 01 January 2021 but are considered not to be relevant or do not have any significant effect on the operations of Operator (including the Takaful Operations) and therefore not stated in these condensed interim financial statements.

6.1 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective at period end.

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2021, these amendments are not likely to affect the condensed interim financial statements of the Operator:

Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met.

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COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to the other terms and conditions of the lease.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarify what comprises the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2.

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The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.

Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring comprising to disclose their material accounting policies rather than their significant accounting policies.
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted.

Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 01, 2023 with earlier application permitted.

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Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

6.2 Application of IFRS 9 and IFRS 17

IFRS 9 'Financial Instruments' is effective for reporting year ended 31 December 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 of financial assets, a new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Amendment to IFRS 4 'Insurance Contracts' – Applying IFRS 9 'Financial Instruments with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 1 July 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.

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to January 01, 2023, aligned with the effective date of 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

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b) all other financial assets.

		June 30, 2021 (Unaudited)			
		Fail the SPPI test	Pass the SPPI test		
Operator's Fund					
Financial assets	Fair value	Change in unrealized gain or loss during the period	Carrying value	Cost less Impairment	Change in unrealized gain or loss during the period
(Rupees in '000)					
Cash and bank balances*	-	-	4,149	-	-
Investment in equity securities	35,052	-	-	-	-
Loans and other receivables*	-	-	10,209	-	-
Total	35,052	-	14,358	-	-

		June 30, 2020 (Unaudited)			
		Fail the SPPI test	Pass the SPPI test		
Financial assets	Fair value	Change in unrealized gain or loss during the period	Carrying value	Cost less Impairment	Change in unrealized gain or loss during the period
(Rupees in '000)					
Cash and bank*	-	-	14,734	-	-
Investment in equity securities	36,448	-	-	-	-
Loans and other receivables*	-	-	10,209	-	-
Total	36,448	-	24,943	-	-

		June 30, 2021 (Unaudited)			
		Gross carrying amounts of financial instruments that pass the SPPI test			
		AAA	AA+	A+	Unrated
		(Rupees in '000)			
Cash and bank*		4,149	-	-	-
Loans and other receivables*		-	-	-	10,209
Total		4,149	-	-	10,209

		June 30, 2020 (Unaudited)			
		Gross carrying amounts of financial instruments that pass the SPPI test			
		AAA	AA+	A+	Unrated
		(Rupees in '000)			
Cash and bank*		14,734	-	-	-
Loans and other receivables*		-	-	-	10,209
Total		14,734	-	-	10,209

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

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		June 30, 2021 (Unaudited)			
Participant's Fund	Fail the SPPI test		Pass the SPPI test		
Financial assets	Fair value	Change in unrealized gain or loss during the period	Carrying value	Cost less Impairment	Change in unrealized gain or loss during the period
(Rupees in '000)					
Cash and bank balances*	-	-	99,861	-	-
Loans and other receivables*	-	-	827	-	-
Takaful / retakaful receivables	-	-	107,498	-	-
Retakaful recoveries against outstanding claims	-	-	25,846	-	-
Total	<u>-</u>	<u>-</u>	<u>234,032</u>	<u>-</u>	<u>-</u>

		June 30, 2020 (Unaudited)			
Financial assets	Fail the SPPI test		Pass the SPPI test		
Financial assets	Fair value	Change in unrealized gain or loss during the period	Carrying value	Cost less Impairment	Change in unrealized gain or loss during the period
(Rupees in '000)					
Cash and bank balances*	-	-	65,465	-	-
Loans and other receivables*	-	-	448	-	-
Takaful / retakaful receivables	-	-	75,486	-	-
Retakaful recoveries against outstanding claims	-	-	39,731	-	-
Total	<u>-</u>	<u>-</u>	<u>181,130</u>	<u>-</u>	<u>-</u>

		June 30, 2021 (Unaudited)			
Gross carrying amounts of financial instruments that pass the SPPI test					
		AAA	AA+	A+	Unrated
(Rupees in '000)					
Cash and bank*	99,861	-	-	-	-
Loans and other receivables*	-	-	-	-	827
Takaful / retakaful receivables	107,498	-	-	-	-
Retakaful recoveries against outstanding claims	25,846	-	-	-	-
Total	<u>233,205</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>827</u>

		June 30, 2020 (Unaudited)			
Gross carrying amounts of financial instruments that pass the SPPI test					
		AAA	AA+	A+	Unrated
(Rupees in '000)					
Cash and bank*	65,465	-	-	-	-
Loans and other receivables*	-	-	-	-	448
Takaful / retakaful receivables	75,486	-	-	-	-
Retakaful recoveries against outstanding claims	39,731	-	-	-	-
Total	<u>180,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>448</u>

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

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7. INVESTMENT IN EQUITY SECURITIES AVAILABLE-FOR-SALE

	June 30, 2021 (Unaudited)			December 31, 2020 (Audited)				
	Cost	Impairment / Provision	Revaluation surplus	Carrying Value (Rupees in '000)	Cost	Impairment / Provision	Revaluation surplus	Carrying Value
OPF								
Meezan Sovereign Fund	35,023	-	29	35,052	-	-	-	-
First Habib Islamic Income Fund (related party)	-	-	-	-	36,363	-	85	36,448
	<u>35,023</u>	<u>-</u>	<u>29</u>	<u>35,052</u>	<u>36,363</u>	<u>-</u>	<u>85</u>	<u>36,448</u>

8. LOANS AND OTHER RECEIVABLES

	Note	June 30, 2021 (Unaudited)			December 31, 2020 (Audited)		
		OPF	PTF	Total	OPF	PTF	Total
(Rupees in '000)							
Qard-e-Hasna	8.1	10,209	-	10,209	10,209	-	10,209
Other receivables		-	827	827	-	448	448
		<u>10,209</u>	<u>827</u>	<u>11,036</u>	<u>10,209</u>	<u>448</u>	<u>10,657</u>

8.1 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.

9. TAKAFUL/ RETAKAFUL RECEIVABLE

	Note	(Unaudited) June 30, 2021 (Rupees in '000)	(Audited) December 31, 2020 (Rupees in '000)
Due from Takaful contract holders Considered good		59,770	33,184
Considered doubtful		5,495	1,564
Less: Provision for impairment of receivables from takaful contract holders	9.1	(5,495)	(1,564)
	9.2	59,770	33,184
Due from other takaful/ retakaful operators - Considered good		47,728	42,302
		<u>107,498</u>	<u>75,486</u>

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9.1 During the period, the Company recorded an expense of Rs. 3.93 million (30 June 2020: Nil).

9.2 This includes Rs.5.25 million (2020: Rs. 7.01 million) receivable from the related parties.

10. CASH AND BANK

	June 30, 2021 (Unaudited)			December 31, 2020 (Audited)		
	OPF	PTF	Total	OPF	PTF	Total
	(Rupees in '000)			(Rupees in '000)		
Cash and cash equivalent						
- Policy stamps	-	15	15	-	2	2
Cash at bank						
Profit and loss sharing (PLS) accounts	4,149	99,846	103,995	14,734	65,463	80,197
	<u>4,149</u>	<u>99,861</u>	<u>104,010</u>	<u>14,734</u>	<u>65,465</u>	<u>80,199</u>

11. OTHER CREDITORS AND ACCRUALS

Federal insurance fee	-	289	289	-	167	167
Federal Excise Duty	-	4,657	4,657	-	2,719	2,719
Commission payable	14,838	-	14,838	10,680	-	10,680
Provision for leave encashment	380	-	380	380	-	380
Taxes and duties payable	-	16	16	-	847	847
Sales tax payable	-	1,009	1,009	380	-	380
Payable to Habib Insurance Company Limited (related party)	1,433	-	1,433	3,009	-	3,009
Auditor's remuneration	300	-	300	1,051	-	1,051
	<u>16,951</u>	<u>5,971</u>	<u>22,922</u>	<u>15,120</u>	<u>3,733</u>	<u>18,853</u>
				(Unaudited) June 30, 2021 (Rupees in '000)	(Audited) December 31, 2020 (Rupees in '000)	
				Note		

12. TAKAFUL/ RETAKAFUL PAYABLE

Due to other takaful/ retakaful			61,185	44,684
Due to other takaful/ retakaful operator				
Foreign retakaful operator			30,596	21,235
Local retakaful operator			14,721	17,124
Co-takaful operator			15,868	6,325
			<u>61,185</u>	<u>44,684</u>

Three months period ended June 30,		Six months period ended June 30,	
2021	2020	2021	2020
(Unaudited)		(Unaudited)	
(Rupees in '000)		(Rupees in '000)	

13. NET CONTRIBUTION

Written gross contribution	64,568	20,968	107,341	55,474
Less: Wakala Fee	(4,385)	(1,209)	(4,718)	(10,876)
Contribution Net of Wakala Fee	<u>60,183</u>	<u>19,759</u>	<u>102,623</u>	<u>44,598</u>
Add: Unearned contribution reserve opening	76,398	51,214	75,074	42,069
Less: Unearned contribution reserve closing	(96,107)	(47,754)	(96,107)	(47,754)
Contribution Earned	<u>40,474</u>	<u>23,219</u>	<u>81,590</u>	<u>38,913</u>
Retakaful contribution ceded	<u>29,051</u>	<u>12,113</u>	<u>43,638</u>	<u>27,128</u>
Add: Prepaid retakaful contribution opening	27,470	21,358	32,671	20,810
Less: Prepaid retakaful contribution closing	(27,829)	(20,283)	(27,829)	(20,283)
Retakaful expense	<u>28,692</u>	<u>13,188</u>	<u>48,480</u>	<u>27,655</u>
Net Contribution	<u>11,782</u>	<u>10,031</u>	<u>33,110</u>	<u>11,258</u>

Habib Insurance Company Limited

	Three months period ended June 30,		Six months period ended June 30,	
	2021	2020	2021	2020
	(Unaudited)		(Unaudited)	
	(Rupees in '000)		(Rupees in '000)	
14. RETAKAFUL REBATE EARNED				
Retakaful rebate received	3,592	1,977	6,501	4,661
Add: Unearned retakaful rebate opening	5,263	3,795	6,240	3,535
Less: Unearned retakaful rebate closing	(5,171)	(3,679)	(5,171)	(3,679)
Retakaful rebate	3,684	2,093	7,570	4,517
15. TAKAFUL CLAIMS EXPENSE				
Claims Paid	25,209	12,347	36,741	18,139
Add: Outstanding claims including IBNR closing	45,533	32,108	45,533	32,108
Less: Outstanding claims including IBNR opening	(59,561)	(23,760)	(59,783)	(17,825)
Claims Expense	11,181	20,695	22,491	32,422
Retakaful and other recoveries received	15,919	7,934	17,859	10,618
Add: Retakaful and other recoveries in respect of outstanding claims - Closing	25,846	19,479	25,846	19,479
Less: Retakaful and other recoveries in respect of outstanding claims - Opening	(42,369)	(7,292)	(39,731)	(10,521)
Retakaful and other recoveries revenue	(604)	20,121	3,974	19,576
Net Claim Expense	11,785	574	18,517	12,846
16. COMMISSION EXPENSE				
Commission paid or payable	7,781	2,265	12,173	6,099
Add: Deferred commission expense opening	7,880	5,286	8,028	4,122
Less: Deferred commission expense closing	(10,848)	(5,008)	(10,848)	(5,008)
Commission expense	4,813	2,543	9,353	5,213
17. WAKALA FEE				
Gross Wakala Fee	6,356	1,036	10,575	2,746
Add: Deferred wakala fee - opening	7,640	2,561	3,754	10,518
Less: Deferred wakala fee - closing	(9,611)	(2,388)	(9,611)	(2,388)
Net wakala fee	4,385	1,209	4,718	10,876
			(Unaudited)	(Audited)
			June 30,	December 31,
	Note	2021	2020	2020
			(Rupees in '000)	
18. RECEIVABLE FROM PTF/ (PAYABLE TO PTF)				
Opening balance		(5,011)	21,250	
Wakala income		10,575	7,239	
Wakala fees received		(2,002)	(33,500)	
		3,562	(5,011)	

Habib Insurance Company Limited

19. INVESTMENT INCOME

	OPF		PTF	
	(Unaudited) June 30, 2021	(Unaudited) June 30, 2020	(Unaudited) June 30, 2021	(Unaudited) June 30, 2020
				(Rupees in '000)
Income from equity securities				
- Dividend income	1,060	1,966	-	19
Return on bank balances	269	114	1,826	585
Net realised gain on investments				
Available for sale financial assets				
Realised gains on:				
- Equity securities	132	1,083	-	1,404
Less: Investment related expenses	-	-	-	-
	<u>1,461</u>	<u>3,163</u>	<u>1,826</u>	<u>2,008</u>

20. CONTINGENCY & COMMITMENT

There is no contingency and commitment as at June 30, 2021 (December 31, 2020: Nil).

21. 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 and balances with related parties are as follows:

	(Unaudited) June 30, 2021	(Unaudited) June 30, 2020
	(Rupees in '000)	
21.1 Operator's Fund		
Transactions		
Wakala fee charged during the period	<u>4,718</u>	<u>10,876</u>
Balance		
Associated companies		
- Bank balance	<u>4,149</u>	<u>14,734</u>
21.2 Participants' Takaful Fund		
Transactions		
Associated companies		
- Contribution written	<u>5,547</u>	<u>7,075</u>
- Claim paid	<u>6,320</u>	<u>1,286</u>
- Profit on bank accounts	<u>1,826</u>	<u>585</u>
	(Unaudited) June 30, 2021	(Audited) December 31, 2020
	(Rupees in '000)	
Balances		
Associated companies		
- Contribution due but unpaid	<u>5,255</u>	<u>7,011</u>
- Claim outstanding	<u>2,553</u>	<u>5,024</u>
- Bank balance	<u>99,846</u>	<u>64,086</u>

Habib Insurance Company Limited

22. SEGMENT INFORMATION

2.1 Participants' Takaful Fund

	Six months period ended June 30, 2021 (Unaudited)				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Contribution receivable (inclusive of federal excise duty and administrative surcharge)	36,901	16,127	68,104	2,577	123,709
Less: Federal Excise Duty	(4,691)	(1,933)	(8,357)	(320)	(15,301)
Federal Insurance Fee	(319)	(139)	(587)	(22)	(1,067)
Gross written contribution (inclusive of administrative surcharge)	<u>31,891</u>	<u>14,055</u>	<u>59,160</u>	<u>2,235</u>	<u>107,341</u>
Wakala fees	(1,315)	(1,231)	(2,040)	(132)	(4,718)
Takaful contribution earned	27,738	14,731	40,629	3,210	86,308
Takaful contribution ceded to retakaful operators	(23,726)	(12,179)	(10,089)	(2,486)	(48,480)
Net takaful contribution	2,697	1,321	28,500	592	33,110
Retakaful rebate	4,437	2,615	32	486	7,570
Net underwriting income	<u>7,134</u>	<u>3,936</u>	<u>28,532</u>	<u>1,078</u>	<u>40,680</u>
Takaful claims	(14,889)	4,301	(10,817)	(1,086)	(22,491)
Takaful claims recoverd from retakaful	10,531	(3,536)	(3,510)	489	3,974
Net claims	<u>(4,358)</u>	<u>765</u>	<u>(14,327)</u>	<u>(597)</u>	<u>(18,517)</u>
Surplus before investment income	2,776	4,701	14,205	481	22,163
Net investment income	229	387	1,170	40	1,826
Provision for impairment	-	-	-	-	(3,931)
Surplus transferred to balance of PTF	<u>3,005</u>	<u>5,088</u>	<u>15,375</u>	<u>521</u>	<u>20,058</u>
Segment assets	49,689	26,389	72,784	5,750	154,612
Unallocated assets					117,191
Total assets					<u>271,803</u>
Segment liabilities	22,939	12,183	33,602	2,655	71,379
Unallocated liabilities					5,971
Total liabilities					<u>77,350</u>
22.2 Operator's Fund					
Wakala fee	1,517	805	2,221	175	4,718
Commission expense	(4,140)	(2,001)	(2,886)	(326)	(9,353)
Management expenses	(654)	(288)	(1,215)	(46)	(2,203)
Underwriting result	<u>(3,277)</u>	<u>(1,484)</u>	<u>(1,880)</u>	<u>(197)</u>	<u>(6,838)</u>
Investment income					1,461
Direct expenses					(3,095)
Profit before taxation					<u>(8,472)</u>
Income tax expense					-
Profit after tax for the period					<u>(8,472)</u>
Segment assets	4,630	2,460	6,784	536	14,410
Unallocated assets					50,370
Total assets					<u>64,780</u>
Segment liabilities	3,090	1,640	4,524	357	9,611
Unallocated liabilities					16,960
Total liabilities					<u>26,571</u>

Habib Insurance Company Limited

22. SEGMENT INFORMATION

22.1 Participants' Takaful Fund

	Six months period ended June 30, 2020 (Unaudited)				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Contribution receivable (inclusive of federal excise duty and administrative surcharge)	18,953	8,968	30,842	4,445	63,208
Less: Federal Excise Duty	(2,292)	(1,064)	(3,517)	(338)	(7,211)
Federal Insurance Fee	(159)	(78)	(260)	(26)	(523)
Gross Written Contribution (inclusive of Administrative Surcharge)	16,502	7,826	27,065	4,081	55,474
Wakala fees	(1,685)	(753)	(8,308)	(130)	(10,876)
Takaful contribution earned	19,180	8,596	20,602	1,411	49,789
Takaful contribution ceded to retakaful operators	(15,750)	(7,063)	(3,695)	(1,147)	(27,655)
Net takaful contribution	1,745	780	8,599	134	11,258
Retakaful rebate	2,664	1,547	57	249	4,517
Net underwriting income	4,409	2,327	8,656	383	15,775
Takaful claims	(12,345)	(4,488)	(14,625)	(964)	(32,422)
Takaful claims recovered from retakaful	11,233	3,759	3,867	717	19,576
Net claims	(1,112)	(729)	(10,758)	(247)	(12,846)
Surplus before investment income	3,297	1,598	(2,102)	136	2,929
Net investment income	2,260	1,096	(1,441)	93	2,008
Surplus transferred to balance of PTF	5,557	2,694	(3,543)	229	4,937
Segment assets	33,664	15,087	36,158	2,476	87,385
Unallocated assets					53,459
Total assets					140,844
Segment liabilities	15,436	6,918	16,579	1,135	40,068
Unallocated liabilities					12,852
Total liabilities					52,920
22.2 Operator's Fund					
Wakala fee	4,190	1,878	4,500	308	10,876
Commission expense	(2,919)	(1,274)	(994)	(26)	(5,213)
Management expenses	(657)	(312)	(1,080)	(163)	(2,212)
Underwriting result	614	292	2,426	119	3,451
Investment income					3,163
Direct expenses					(1,147)
Profit before taxation					5,467
Income tax expense					(1,585)
Profit after tax for the period					3,882
Segment assets	1,929	865	2,072	142	5,008
Unallocated assets					72,710
Total assets					77,718
Segment liabilities	920	412	988	68	2,388
Unallocated liabilities					21,268
Total liabilities					23,656

Habib Insurance Company Limited

23. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

Insurance and financial risk management objectives and policies are consistent with those disclosed unconsolidated financial statements for the year ended December 31, 2020.

	OPF	PTF
	(Rupees in '000)	
24. MOVEMENT IN INVESTMENTS		
As at January 01, 2020	36,809	20,481
Additions	77,927	20,370
Disposals (sale and redemption)	(78,937)	(41,844)
Fair value net gains (excluding net realised gains)	649	993
Impairment of investments	-	-
Amortisation of premium / discount	-	-
As at December 31, 2020	-	-
	<u>36,448</u>	<u>-</u>
Additions	40,560	-
Disposals (sale and redemption)	(42,117)	-
Fair value net gains (excluding net realised gains)	161	-
As at June 30, 2021	<u>35,052</u>	<u>-</u>

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

Habib Insurance Company Limited

June 30, 2021 (Unaudited)

	Available for sale	Loans & receivable	Financial liabilities	Total	Fair value measurement using		
					Level 1	Level 2	Level 3
(Rupees in '000)							
Operator's Fund							
Financial assets not measured at fair value*							
Loans and other receivables	-	827	-	827	-	-	-
Takaful / retakaful receivables	-	107,498	-	107,498	-	-	-
Retakaful recoveries against outstanding claims	-	25,846	-	25,846	-	-	-
Cash and bank balances	-	99,861	-	99,861	-	-	-
	-	234,032	-	234,032	-	-	-
Financial liabilities not measured at fair value*							
Outstanding claims including IBNR	-	-	(45,533)	(45,533)	-	-	-
Takaful / retakaful payables	-	-	(61,185)	(61,185)	-	-	-
Payable to OPF	-	-	(3,562)	(3,562)	-	-	-
	-	234,032	(110,280)	123,752	-	-	-

December 31, 2020 (Unaudited)

	Available for sale	Loans & receivable	Financial liabilities	Total	Fair value measurement using		
					Level 1	Level 2	Level 3
(Rupees in '000)							
Operator's Fund							
Financial assets not measured at fair value*							
Loans and other receivables	-	448	-	448	-	-	-
Takaful / retakaful receivables	-	75,486	-	75,486	-	-	-
Retakaful recoveries against outstanding claims	-	39,731	-	39,731	-	-	-
Receivable from OPF	-	5,011	-	5,011	-	-	-
Cash and bank balances	-	65,465	-	65,465	-	-	-
	-	186,141	-	186,141	-	-	-
Financial liabilities not measured at fair value*							
Outstanding claims including IBNR	-	-	(59,783)	(59,783)	-	-	-
Takaful / retakaful payables	-	-	(44,684)	(44,684)	-	-	-
	-	186,141	(104,467)	81,674	-	-	-

Habib Insurance Company Limited

* The Operator has not disclosed the fair value of these items as these are either short term in nature or repriced frequently and as such their carrying amounts are a reasonable approximation of their fair values.

26. GENERAL

Figures have been rounded off to the nearest Thousand Rupee.

27. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on August 26, 2021 by the Board of Directors of the Company.

ABBAS D. HABIB
Director

MANSOOR G. HABIB
Director

QUMAIL R. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer