

# Habib Insurance Company Limited

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# Habib Insurance Company Limited

## Company Information

### Board of Directors

- Chairman** : Rafiq M. Habib
- Directors** : Abbas D. Habib  
Mansoor G. Habib  
Mohamedali R. Habib  
Sajjad Hussain Habib  
Aun Mohammad A. Habib \*  
Ali Fadoo
- \* SECP's approval for his appointment as Director is awaited

- Managing Director & Chief Executive** : Ali Raza D. Habib

- Company Secretary** : Shabbir Gulamali

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

- Share Registrar** : M/s. Noble Computer Services (Pvt.) Ltd.  
Mezzanine Floor, House of Habib Building,  
Siddiqsons Tower, 3 Jinnah Cooperative  
Housing Society, Main Shahrah-e-Faisal,  
Karachi-75350

- 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](http://www.habibinsurance.net)

# Habib Insurance Company Limited

## DIRECTORS' REVIEW

The Shareholders,

The Directors have pleasure to present the unaudited accounts for the period ended 30th June 2014.

By the Grace of Allah, the net profit after tax of the Company for the first half of the year has risen to Rs. 179.0 million as compared to Rs. 153.4 million of last year, registering an earnings of Rs. 1.45 per share.

The underwriting results, as compared to the previous year have been consistent, even though an amount of Rs. 31.5 million has been placed in reserves, because of substantial business written in the latter part of last quarter, the benefit of which will hopefully transfer to the two remaining quarters of this year.

The investment income for the period has increased to Rs. 187.1 million from Rs. 154.6 million primarily due to rise in capital gains and dividend income. However, it may be necessary to indicate here that the dividend income has had the advantage of surplus income on the Company investments in Mutual Funds, which payout was normally received in the third quarter. This took place because of the change in tax laws.

We pray to Allah for Peace, Progress and Prosperity of the Nation and that the existing crises be amicably resolved.

We also pray for the continued success of the Company, with a successful closing Inshallah for 2014.

On behalf of the Board of Directors

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

Karachi: August 29, 2014

# Habib Insurance Company Limited

## AUDITORS' REPORT TO MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### **Introduction**

We have reviewed the accompanying

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

and notes to the financial statements of **Habib Insurance Company Limited** for the six-month period ended **30 June 2014** (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information 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 information 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 information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### **Other matter**

The financial statements of the Company for the six-month period ended 30 June 2013 and for the year ended 31 December 2013 were reviewed and audited respectively by another firm of Chartered Accountants who had expressed an unqualified conclusion and unqualified opinion vide their review report dated 28 August 2013 and audit report dated 20 March 2014 respectively.

Karachi: August 29, 2014

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

# Habib Insurance Company Limited

## Condensed Interim Balance Sheet as at June 30, 2014 (Unaudited)

		Unaudited June 30, 2014 (Rupees in '000)	Audited December 31, 2013			Unaudited June 30, 2014 (Rupees in '000)	Audited December 31, 2013 (Rupees in '000)
<b>Share Capital and Reserves</b>				<b>Cash and Bank Deposits</b>			
Authorised share capital 130,000,000 (December 31, 2013: 100,000,000) ordinary shares Rs. 5 each		650,000	500,000	Cash and other equivalents		924	1,085
		<u>650,000</u>	<u>500,000</u>	Current and other accounts		126,392	59,533
Paid-up share capital		619,374	495,499			<u>127,316</u>	<u>60,618</u>
Retained earnings		206,664	275,414	<b>Loans to employees</b>			
Reserves		254,122	254,122	Secured and considered good		27,182	29,151
<b>Total Equity</b>		1,080,160	1,025,035	<b>Investments</b>	9	1,048,998	1,117,367
<b>Underwriting Provisions</b>				<b>Deferred Taxation</b>		21,508	27,450
Provision for outstanding claims (including IBNR)		1,117,200	336,514	<b>Current Assets - others</b>			
Provision for premium deficiency		1,516	1,516	Premiums due but unpaid - unsecured		369,265	290,674
Provision for unearned premium		408,691	400,133	Amounts due from other insurers/ reinsurers		170,230	155,439
Commission income unearned		49,582	46,324	Accrued investment income		25,208	4,594
Total underwriting provisions		1,576,989	784,487	Reinsurance recoveries against outstanding claims		1,049,337	251,689
<b>Deferred Liability</b>				Salvage recoveries outstanding		14,013	21,991
Staff retirement benefits		41,824	38,709	Deferred commission expense		43,438	37,343
<b>Creditors and Accruals</b>				Advance, deposits and prepayments		207,125	223,509
Amounts due to other insurers/ reinsurers	6	184,854	176,983	Sundry receivables	10	9,956	6,828
Accrued expenses		8,951	8,747			<u>1,888,572</u>	<u>992,067</u>
Taxation – provision less payments		41,316	39,295	<b>Fixed Assets</b>	11		
Other creditors and accruals	7	153,122	128,696	<b>Tangible and intangible</b>			
		<u>388,243</u>	<u>353,721</u>	Furniture, fixtures and office equipment		4,883	4,790
<b>Other Liabilities</b>				Computer and related equipment		1,602	1,473
Unclaimed dividends		38,970	35,718	Motor vehicles		2,629	682
<b>TOTAL LIABILITIES</b>		2,046,026	1,212,635	Computer software		3,496	4,072
		<u>2,046,026</u>	<u>1,212,635</u>			<u>12,610</u>	<u>11,017</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		3,126,186	2,237,670	<b>TOTAL ASSETS</b>		3,126,186	2,237,670
<b>CONTINGENCIES AND COMMITMENTS</b>	8					<u>3,126,186</u>	<u>2,237,670</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB  
Chairman

MANSOOR G. HABIB  
Director

ALI FADOO  
Director

ALI RAZA D. HABIB  
Managing Director  
& Chief Executive

# Habib Insurance Company Limited

## Condensed Interim Profit and Loss Account for the half year ended June 30, 2014 (Unaudited)

(Rupees in '000)

Note	Quarter ended June 30,					
	Fire and Property	Marine and Transport	Motor	Other Classes	2014 Aggregate	2013 Aggregate
<b>Revenue Account</b>						
Net premium revenue	20,402	35,103	33,025	24,292	112,822	112,104
Net claims	(3,528)	(11,003)	(26,157)	(23,583)	(64,271)	(57,251)
Expenses	(19,146)	(8,968)	(5,743)	(10,236)	(44,093)	(38,129)
Net commission	7,027	1,024	(3,051)	8	5,008	(1,307)
Underwriting result	4,755	16,156	(1,926)	(9,519)	9,466	15,417
Net investment income					129,358	101,170
Other income					2,405	3,669
General and administration expenses					(17,433)	(16,416)
					114,330	88,423
<b>Profit before tax</b>					123,796	103,840
Provision for taxation - Current					(1,586)	(3,490)
- Deferred					230	63
					(1,356)	(3,427)
<b>Profit after tax</b>					122,440	100,413
Other comprehensive income - net of tax					-	(124)
<b>Total comprehensive income</b>					122,440	100,289
Earnings per share of Rs. 5/- each	13			Rupees	0.99	0.81
						Restated

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB  
Chairman

MANSOOR G. HABIB  
Director

ALI FADOO  
Director

ALI RAZA D. HABIB  
Managing Director  
& Chief Executive

# Habib Insurance Company Limited

## Condensed Interim Profit and Loss Account for the half year ended June 30, 2014 (Unaudited)

(Rupees in '000)

Note	Half year ended June 30,					
	Fire and Property	Marine and Transport	Motor	Other Classes	2014 Aggregate	2013 Aggregate
<b>Revenue Account</b>						
Net premium revenue	40,387	70,085	65,948	46,186	222,606	223,597
Net claims	(5,193)	(14,236)	(48,332)	(43,438)	(111,199)	(109,563)
Expenses	(39,568)	(21,021)	(10,402)	(14,961)	(85,952)	(72,754)
Net commission	13,246	1,849	(6,040)	41	9,096	(6,399)
Underwriting result	8,872	36,677	1,174	(12,172)	34,551	34,881
Investment income					187,075	154,589
Other income					4,451	5,674
General and administration expenses					(30,135)	(29,233)
					161,391	131,030
Profit before tax					195,942	165,911
Provision for taxation - Current					(11,000)	(12,885)
- Deferred					(5,942)	442
					(16,942)	(12,443)
Profit after tax					179,000	153,468
Other comprehensive income - net of tax					-	(124)
<b>Total comprehensive income</b>					179,000	153,344
<b>Profit and loss appropriation account</b>						
Balance at commencement of the year					275,414	206,644
Issue of bonus shares @ 25% (2012: Nil%)					(123,875)	-
Final dividend for the year ended December 31, 2013 at Rs. 1.25 per share (2012: Rs. 1.75 per share)					(123,875)	(173,425)
					(247,750)	(173,425)
Profit after tax for the period					179,000	153,468
Other Comprehensive income - net of tax					-	(124)
Balance unappropriated profit at end of the six months					206,664	186,563
Earnings per share of Rs. 5/- each	13				Rupees 1.45	1.24

The annexed notes 1 to 16 form an integral part of these condensed interim financial information.

RAFIQ M. HABIB  
*Chairman*

MANSOOR G. HABIB  
*Director*

ALI FADOO  
*Director*

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

**Habib Insurance Company Limited**  
**Condensed Interim Statement of Comprehensive Income**  
**for the half year ended June 30, 2014 (Unaudited)**

	Quarter ended June 30,		Half year ended June 30,	
	2014	2013	2014	2013
	(Rupees in '000)			
<b>Net profit for the period</b>	122,440	100,413	179,000	153,468
<b>Other comprehensive income</b>				
Actuarial loss on employee benefit obligation	-	(124)	-	(124)
<b>Total comprehensive income for the period</b>	122,440	100,289	179,000	153,344

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB  
*Chairman*

MANSOOR G. HABIB  
*Director*

ALI FADOO  
*Director*

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



# Habib Insurance Company Limited

## Condensed Interim Statement of Changes in Equity for the half year ended June 30, 2014 (Unaudited)

	Share Capital Issued, subscribed and paid-up	Capital Reserves Reserve for exceptional losses	Revenue Reserves		Total
			General reserve	Retained earnings	
Balance as at January 1, 2013	495,499	9,122	245,000	206,644	956,265
<b>Total comprehensive income for the period</b>					
Profit for the six month period ended June 30, 2013	-	-	-	153,468	153,468
Other comprehensive income - net of tax	-	-	-	(124)	(124)
	-	-	-	153,344	153,344
Final dividend for the year ended December 31, 2012 of Rs. 1.75 per share	-	-	-	(173,425)	(173,425)
Balance as at June 30, 2013	495,499	9,122	245,000	186,563	936,184
Balance as at January 1, 2014	495,499	9,122	245,000	275,414	1,025,035
Profit for the six month period ended June 30, 2014	-	-	-	179,000	179,000
Other comprehensive income - net of tax	-	-	-	-	-
	-	-	-	179,000	179,000
Issue to bonus shares at 25% for the year ended December 31, 2013	123,875	-	-	(123,875)	-
Final dividend for the year ended December 31, 2013 of Rs. 1.25 per share	-	-	-	(123,875)	(123,875)
	123,875	-	-	(247,750)	(123,875)
Balance as at June 30, 2014	619,374	9,122	245,000	206,664	1,080,160

The annexed notes 1 to 16 form an integral part of these condensed interim financial information.

RAFIQ M. HABIB  
*Chairman*

MANSOOR G. HABIB  
*Director*

ALI FADOO  
*Director*

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

# Habib Insurance Company Limited

## Condensed Interim Statement of Cash Flows for the half year ended June 30, 2014 (Unaudited)

	June 30, 2014	June 30, 2013		June 30, 2014	June 30, 2013
	(Rupees in '000)			(Rupees in '000)	
<b>Operating activities</b>			<b>Reconciliation to Profit and Loss Account</b>		
<b>a) Underwriting activities</b>			Operating cash flows	(47,780)	(23,448)
Premiums received	388,573	359,970	Depreciation expense	(1,886)	(1,686)
Reinsurance premiums paid	(224,903)	(219,904)	Profit on disposal of fixed assets	10	14
Claims paid	(214,200)	(216,672)	Increase in assets other than cash	896,358	91,221
Reinsurance and other recoveries	94,017	112,729	Increase in liabilities	(826,826)	(75,038)
Commissions paid	(54,473)	(73,414)		19,876	(8,937)
Commissions received	61,204	69,697	<b>Other adjustments</b>		
Other underwriting receipts	–	1,390	Income tax paid	8,980	17,345
Net cash inflow from underwriting activities	50,218	33,796	Provision for gratuity	(3,980)	(2,502)
<b>b) Other operating activities</b>			Reversal of impairment	–	27,735
Income tax paid	(8,980)	(17,345)	Gratuity paid	865	543
General management expenses paid	(111,963)	(99,908)	Profit/ Return received	6,168	6,394
Other operating receipts	20,906	60,824	Dividends received	51,166	48,376
Loans advanced	(3,202)	(6,966)	Capital gain	112,867	76,957
Loans repayments received	5,241	6,151	Provision for taxation	(16,942)	(12,443)
Net cash outflow from other operating activities	(97,998)	(57,244)		159,124	162,405
Total cash outflow from all operating activities	(47,780)	(23,448)	Profit after taxation	179,000	153,468
<b>Investment activities</b>			<b>Definition of cash</b>		
Profit / return received	6,168	6,394	Cash comprises of cash in hand, policy stamps, bank balances which are readily convertible to cash in hand and are used in the cash management function on a day-to-day basis.		
Dividends received	51,166	48,376	<b>Cash for the purpose of the Statement of Cash Flows consists of:</b>		
Payments for investments	(415,040)	(596,762)	<b>Cash and other equivalents</b>		
Proceeds from disposal of investments	596,275	767,426	Cash in hand	919	410
Fixed capital expenditure	(3,505)	(2,117)	Stamps in hand	5	159
Proceeds from disposal of fixed assets	36	35		924	569
Total cash inflow from investing activities	235,100	223,352	<b>Current and other accounts</b>		
<b>Financing activities</b>			Current accounts	9,812	8,950
Dividends paid	(120,622)	(166,417)	PLS accounts	116,580	102,566
Total cash outflow from financing activities	(120,622)	(166,417)		126,392	111,516
Net cash inflow from all activities	66,698	33,487		127,316	112,085
Cash and cash equivalent at beginning of the year	60,618	78,598			
Cash and cash equivalent at end of the period	127,316	112,085			

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB  
Chairman

MANSOOR G. HABIB  
Director

ALI FADOO  
Director

ALI RAZA D. HABIB  
Managing Director  
& Chief Executive

# Habib Insurance Company Limited

## Condensed Interim Statement of Premiums for the half year ended June 30, 2014 (Unaudited)

(Rupees in '000)

Business underwritten inside Pakistan

Quarter ended June 30,

Class	Premiums written	Unearned premium reserve		Premiums earned	Reinsurance ceded	Prepaid reinsurance premium		Reinsurance expense	2014 Net premium revenue	2013 Net premium revenue
		Opening	Closing			Opening	Closing			
Direct and facultative										
1. Fire and Property	128,142	203,963	223,047	109,058	96,930	158,853	167,127	88,656	20,402	21,732
2. Marine and Transport	62,573	24,866	32,186	55,253	22,366	8,177	10,393	20,150	35,103	39,329
3. Motor	36,932	66,395	67,694	35,633	3,456	2,219	3,067	2,608	33,025	30,778
4. Other Classes	62,150	60,925	85,764	37,311	7,750	22,498	17,229	13,019	24,292	20,265
Total	289,797	356,149	408,691	237,255	130,502	191,747	197,816	124,433	112,822	112,104

Half year ended June 30,

Direct and facultative										
1. Fire and Property	221,489	220,008	223,047	218,450	165,931	179,259	167,127	178,063	40,387	45,254
2. Marine and Transport	117,667	26,055	32,186	111,536	43,000	8,844	10,393	41,451	70,085	75,811
3. Motor	58,226	80,253	67,694	70,785	6,601	1,303	3,067	4,837	65,948	61,676
4. Other Classes	83,747	73,817	85,764	71,800	17,243	25,600	17,229	25,614	46,186	40,856
Total	481,129	400,133	408,691	472,571	232,775	215,006	197,816	249,965	222,606	223,597

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB  
*Chairman*

MANSOOR G. HABIB  
*Director*

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*Director*

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*Managing Director  
& Chief Executive*

# Habib Insurance Company Limited

## Condensed Interim Statement of Claims for the half year ended June 30, 2014 (Unaudited)

(Rupees in '000)

Business underwritten inside Pakistan	Quarter ended June 30,									
Class	Claims paid	Outstanding claims		Claims expense	Reinsurance and other recoveries received	Reinsurance and other recoveries in respect of outstanding claims		Reinsurance and other recoveries revenue	2014 Net claims expense	2013 Net claims expense
		Opening	Closing			Opening	Closing			
Direct and facultative										
1. Fire and Property	39,516	253,383	999,759	785,892	36,462	245,172	991,074	782,364	3,528	537
2. Marine and Transport	18,900	28,946	28,429	18,383	10,817	27,319	23,882	7,380	11,003	14,165
3. Motor	37,324	44,343	25,171	18,152	7,489	18,698	3,204	(8,005)	26,157	25,197
4. Other Classes	31,454	44,532	63,841	50,763	12,268	30,278	45,190	27,180	23,583	17,352
Total	<u>127,194</u>	<u>371,204</u>	<u>1,117,200</u>	<u>873,190</u>	<u>67,036</u>	<u>321,467</u>	<u>1,063,350</u>	<u>808,919</u>	<u>64,271</u>	<u>57,251</u>
Half year ended June 30,										
Direct and facultative										
1. Fire and Property	44,404	222,315	999,759	821,848	39,428	213,847	991,074	816,655	5,193	5,471
2. Marine and Transport	42,955	31,807	28,429	39,577	21,429	19,970	23,882	25,341	14,236	27,140
3. Motor	65,144	34,420	25,171	55,895	11,256	6,897	3,204	7,563	48,332	44,721
4. Other Classes	61,697	47,972	63,841	77,566	21,904	32,966	45,190	34,128	43,438	32,231
Total	<u>214,200</u>	<u>336,514</u>	<u>1,117,200</u>	<u>994,886</u>	<u>94,017</u>	<u>273,680</u>	<u>1,063,350</u>	<u>883,687</u>	<u>111,199</u>	<u>109,563</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB  
*Chairman*

MANSOOR G. HABIB  
*Director*

ALI FADOO  
*Director*

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

# Habib Insurance Company Limited

## Condensed Interim Statement of Expenses for the half year ended June 30, 2014 (Unaudited)

(Rupees in '000)

Business underwritten inside Pakistan		Quarter ended June 30,							
Class	Commissions paid or payable	Opening deferred commission	Closing deferred commission	Net commission expense	Other management expenses	Underwriting expense	*Commissions from reinsurers	2014 Net underwriting expense	2013 Net underwriting expense
Direct and facultative									
1. Fire and Property	13,502	26,668	27,468	12,702	19,146	31,848	19,729	12,119	15,435
2. Marine and Transport	6,629	2,732	3,504	5,857	8,968	14,825	6,881	7,944	10,486
3. Motor	2,965	6,823	6,585	3,203	5,743	8,946	152	8,794	8,752
4. Other Classes	4,079	3,847	5,881	2,045	10,236	12,282	2,053	10,228	4,763
Grand Total	<u>27,175</u>	<u>40,070</u>	<u>43,438</u>	<u>23,807</u>	<u>44,093</u>	<u>67,901</u>	<u>28,815</u>	<u>39,085</u>	<u>39,436</u>
Half year ended June 30,									
Direct and facultative									
1. Fire and Property	27,992	25,916	27,468	26,440	39,568	66,008	39,686	26,322	27,418
2. Marine and Transport	12,459	3,152	3,504	12,107	21,021	33,128	13,956	19,172	26,715
3. Motor	8,539	4,348	6,585	6,302	10,402	16,704	262	16,442	16,089
4. Other Classes	5,957	3,927	5,881	4,003	14,961	18,964	4,044	14,920	8,931
Grand Total	<u>54,947</u>	<u>37,343</u>	<u>43,438</u>	<u>48,852</u>	<u>85,952</u>	<u>134,804</u>	<u>57,948</u>	<u>76,856</u>	<u>79,153</u>

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

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB  
Chairman

MANSOOR G. HABIB  
Director

ALI FADOO  
Director

ALI RAZA D. HABIB  
Managing Director  
& Chief Executive

# Habib Insurance Company Limited

## Condensed Interim Statement of Investment Income for the half year ended June 30, 2014 (Unaudited)

	Quarter ended June 30,		Half year ended June 30,	
	2014	2013	2014	2013
(Rupees in '000)				
<b>Income from Non-Trading Investments</b>				
<b>Held-to-maturity</b>				
Return on Government Securities	2,263	1,691	3,346	3,594
<b>Available-for-sale</b>				
Dividend income				
– Related parties	25,487	4,240	63,005	35,873
– Others	8,063	3,579	8,063	10,629
	<u>33,550</u>	<u>7,819</u>	<u>71,068</u>	<u>46,502</u>
Return on fixed income securities	149	124	312	310
Gain on sale of available-for-sale investments	93,844	64,042	112,867	76,957
Reversal of impairment in the value of available-for-sale investments - net	–	27,735	–	27,735
Investment related expenses	(448)	(241)	(518)	(509)
Net investment income	<u>129,358</u>	<u>101,170</u>	<u>187,075</u>	<u>154,589</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB  
*Chairman*

MANSOOR G. HABIB  
*Director*

ALI FADOO  
*Director*

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

# Habib Insurance Company Limited

## Notes to the Condensed Interim Financial Statements for the half year ended June 30, 2014 (Unaudited)

### 1. STATUS AND NATURE OF BUSINESS

Habib Insurance Company Limited (the Company) was incorporated as a Public Limited Company in the year 1942 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The registered office of the Company is situated at Habib Square, M.A. Jinnah Road, Karachi and the shares of the Company are quoted on the Karachi and Lahore Stock Exchanges. The Company is engaged in general insurance business.

### 2. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Company for the six months period ended June 30, 2014 are unaudited and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, Insurance Ordinance, 2000, and SEC (Insurance) Rules, 2002. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984, Insurance Ordinance, 2000, and SEC (Insurance) Rules, 2002, have been followed.

The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the Securities and Exchange Commission of Pakistan (SECP) vide Circular No. 7 of 2003 and IAS 34 - Interim Financial Reporting and do not include all the information required for annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2013.

### 3. BASIS OF MEASUREMENT

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

### 4. ESTIMATES AND JUDGMENTS

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

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended December 31, 2013.

### 5. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

The accounting policies and methods of computation adopted in the preparation of the 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, 2013. The Company's financial and insurance risk management objectives and policies are consistent with those that were disclosed in the annual financial statements of the Company as at and for the year ended December 31, 2013 except as follows:

# Habib Insurance Company Limited

## 5.1 New, amended and revised International Financial Reporting Standards (IFRSs) and interpretations

The Company has adopted the following revised standards, amendments and interpretations of IFRSs which became effective during the current period:

IAS 32 – Financial Instruments: Presentation – (Amendment)  
– Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)  
– Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)  
– Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

The adoption of the above revision and amendments of the standards did not have any effect on the condensed interim financial statements.

## 5.2 Change in accounting policy

With effect from the current period, the Company has elected to present a separate Statement of Comprehensive Income, as required by IAS-1 (Revised). Previously, the Company presented a single statement of profit and loss account and other comprehensive income.

The change has no impact on these financial statements.

	Unaudited June 30, 2014	Audited December 31, 2013
	(Rupees in '000)	
<b>6. AMOUNT DUE TO OTHER INSURERS/ REINSURERS</b>		
Foreign reinsurers	78,006	32,943
Local reinsurers	86,888	83,965
Co-insurers	19,960	60,075
	184,854	176,983
<b>7. OTHER CREDITORS AND ACCRUALS</b>		
Federal excise duty	24,961	11,461
Federal insurance fee	1,898	776
Withholding tax payable	4,114	3,817
Agents commission payable	78,998	78,527
Workers welfare fund payable	25,320	21,105
Sundry creditors	17,831	13,010
	153,122	128,696
<b>8. CONTINGENCIES AND COMMITMENTS</b>		

There are no contingencies and commitments as at June 30, 2014.



# Habib Insurance Company Limited

	Note	Unaudited June 30, 2014	Audited December 31, 2013
(Rupees in '000)			
<b>9. INVESTMENTS</b>			
<b>Held-to-maturity</b>			
Government securities (deposited with SBP)			
Pakistan Investment Bonds	9.1	68,706	53,794
<b>Available-for-sale</b>			
	9.2		
Units of open end mutual funds - quoted		349	5,349
Term Finance Certificates - quoted		4,876	4,867
Modaraba Certificates - quoted		14,840	14,840
Ordinary shares of quoted/ unquoted companies		225,224	217,352
Ordinary shares of quoted companies/ units of open end mutual funds (related parties)		735,003	821,165
		980,292	1,063,573
		1,048,998	1,117,367

**9.1** This represents Pakistan Investment Bonds having face value of Rs.68.50 million (market value of Rs.66.65 million) [December 31, 2013: face value Rs.53.5 million (market value of Rs.52.189 million)]. These carry mark-up ranging from 11.25% to 12.00% (December 31, 2013: 11.75% to 12%) per annum and will mature between August 30, 2015 to July 19, 2022. These have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of circular No. 15 of 2008 dated July 07, 2008 issued by the Securities and Exchange Commission of Pakistan.

**9.2** The aggregate market value of the above investments is Rs.1,532.049 million (December 31, 2013: Rs.1,416.662 million). Had these investments been measured at fair value as required by International Accounting Standard (IAS) - 39, the carrying value of investments and equity of the Company as at June 30, 2014 would have been higher by Rs. 560.99 million (December 31, 2013: higher by Rs. 353.089 million).

## 10. SUNDRY RECEIVABLES

Receivable against sale of investments	2,050	-
Sales tax recoverable	1,429	2,945
Advance to employees	56	50
Advance for subscription of PPL shares	2,500	-
Other receivables	3,921	3,833
	9,956	6,828
	9,956	6,828

# Habib Insurance Company Limited

	Unaudited June 30, 2014	Audited December 31, 2013
(Rupees in '000)		
<b>11. FIXED ASSETS</b>		
Opening written down value	11,017	11,829
Add: Additions during the period/ year - at cost		
– Furniture, fixtures and office equipment	665	637
– Computer and related equipment	604	1,190
– Motor vehicles	2,237	86
– Computer software	–	1,216
	3,506	3,129
Less: Written down value of deletions during the period/ year		
Depreciation/ amortisation for the period/ year	(27)	(550)
	(1,886)	(3,391)
	(1,913)	(3,941)
Closing written down value	12,610	11,017

## 12. TRANSACTIONS WITH RELATED PARTIES

12.1 Related parties of the Company comprise of associated companies, companies with common directors, major shareholders, staff retirement funds, directors and key management personnel. Transaction with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms.

Details of balances and transactions with related parties during the half year ended June 30, 2014 are as follows:

	Quarter ended June 30,		Half year ended June 30,	
	2014	2013	2014	2013
(Rupees in '000)				
<b>Transactions with related parties</b>				
Premium written	80,460	122,665	141,219	182,439
Claims paid	41,389	48,116	82,509	58,061
Dividends received	29,779	4,240	63,005	37,747
Dividend paid	16,098	15,681	16,098	15,681
Investments made	140,000	205,000	257,320	484,058
Investments sold	229,153	280,000	389,153	535,841
Interest received on bank accounts	1,902	1,983	3,221	3,044
Bank charges	77	113	119	122
Share registrar fees paid	165	67	273	158
Brokerage expenses paid	448	425	518	887
Contribution to the provident fund	912	882	1,898	1,651
Remuneration of key management personnel	12,949	5,132	20,904	11,197

# Habib Insurance Company Limited

	Unaudited June 30, 2014	Audited December 31, 2013
	(Rupees in '000)	
<b>Balances with related parties</b>		
Bank balances	1124,855	57,365
Profit receivable on bank accounts	1	4
Investment held	735,003	821,165
Premiums due but unpaid	126,711	57
Outstanding claims	50,066	36,186
Due to the provident fund	23	252

**12.1.1** Remuneration to the key management personnel are in accordance with the terms of their employment. Contribution to the provident fund is in accordance with the Company's staff services rules.

## 13. BASIC AND DILUTED EARNINGS PER SHARE

	Quarter ended		Half year ended	
	June 30,		June 30,	
	2014	2013	2014	2013
Profit after tax for the period (Rupees in '000)	<u>122,440</u>	<u>100,413</u>	<u>179,000</u>	<u>153,468</u>
Weighted average number of ordinary shares in issue during the period (in '000)	<u>123,875</u>	<u>123,875</u>	<u>123,875</u>	<u>123,875</u>
Earnings per share (Rupees)	<u>0.99</u>	<u>0.81</u>	<u>1.45</u>	<u>1.24</u>

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

Earnings per share for the year 2013 has been restated for the effect of bonus shared issued during the period.

# Habib Insurance Company Limited

## 14. OPERATING SEGMENT

Class of business wise revenue and results have been disclosed in the condensed interim profit and loss account prepared in accordance with the requirements of Insurance Ordinance, 2000 and the SEC (Insurance) Rules, 2002. The following table presents information regarding segment assets and liabilities as at June 30, 2014 and December 31, 2013.

	Fire and Property		Marine and Transport		Motor		Other Classes		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	Unaudited June 30, 2014	Audited December 31, 2013
	(Rupees in '000)									
Segment assets	858,279	432,792	438,222	253,695	278,110	139,246	282,101	157,425	1,856,712	983,158
Unallocated corporate assets									1,269,474	1,254,512
Consolidated corporate assets									<u>3,126,186</u>	<u>2,237,670</u>
Segment liabilities	850,942	457,813	434,476	268,362	275,732	147,296	279,689	166,526	1,840,839	1,039,997
Unallocated corporate liabilities									205,187	172,638
Consolidated corporate liabilities									<u>2,046,026</u>	<u>1,212,635</u>

# Habib Insurance Company Limited

**15. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial statements were authorised for issue on August 29, 2014 by the Board of Directors of the Company.

**16. GENERAL**

**16.1** Figures of the condensed interim profit and loss account, statement of comprehensive income, statement of premium, statement of claims, statement of expenses and statement of investment income for the quarter ended June 30, 2014 and June 30, 2013 have not been subjected to limited scope review by the auditors as they are only required to review half yearly figures.

**16.2** Figures have been rounded off to the nearest thousand rupee.

RAFIQ M. HABIB  
*Chairman*

MANSOOR G. HABIB  
*Director*

ALI FADOO  
*Director*

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