

Contents

Company Information	1
Directors' Review	2
Auditors' Review Report to the Members	4
Balance Sheet	5
Profit and Loss Account	6
Statement of Comprehensive Income	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Statement of Premiums	11
Statement of Claims	12
Statement of Expenses	13
Statement of Investment Income	14
Notes to the Financial Statements	15

Company Information

Board of Directors

- Chairman** : Rafiq M. Habib
- Directors *** : Ali Raza D. Habib *Executive Vice Chairman*
Abbas D. Habib
Mansoor G. Habib
Mohamedali R. Habib

*Two Directors resigned from the Board on July 04, 2017

Chief Executive Officer : Shabbir Gulamali

**Chief Financial Officer
& Company Secretary** : Murtaza Hussain

Auditors : EY Ford Rhodes
Chartered Accountants

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

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



DIRECTORS' REVIEW

The Shareholders,

The Directors have pleasure to present the unaudited accounts for the period ended 30th June 2017.

Reviewing the underwriting results for the 1st half of the year, because of an unexpectedly high claim occurrence primarily on the health class of business, the profit reduced to Rs. 16.6 million from Rs. 63.1 million for the corresponding period of last year. We may add here that necessary measures are underway towards careful selection and underwriting on this class of business. However, the investment income for the period increased from Rs. 108.8 million to Rs. 118.7 million.

Consequently, the overall profit after tax for the period under review was Rs. 67.8 million as against Rs. 93.2 million of the previous year. The earnings per share thus was Rs. 0.55.

The Stock Exchange Index has been substantially volatile and is currently at a low of around 42000 level as against 47800 at the start of the year.

Despite the political uncertainties prevailing in the country, the Economy by and large has improved.

We pray to Allah for Peace and Prosperity within the Country and also for a successful year closing of the Company with improvement in underwriting results and with rising investment income.

On behalf of the Board of Directors

Karachi: August 25, 2017

ALI RAZA D. HABIB
Executive Vice Chairman

حبیب انشورنس کمپنی لمیٹڈ

ڈائریکٹرز کا جائزہ

بنام شیئر ہولڈرز،

ڈائریکٹرز ۳۰ جون ۲۰۱۷ء کو ختم ہونے والی مدت کیلئے غیر آڈٹ شدہ حسابات پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔ سال کی پہلی ششماہی کیلئے انڈر رائٹنگ نتائج کا جائزہ لیتے ہوئے آگاہ کیا جاتا ہے کہ بزنس کی ہیلتھ کلاس پر ابتدائی طور پر غیر متوقع بھاری کلیم وقوع پذیر ہونے کے باعث منافع کم ہو کر ۶.۶۱ ملین روپے ہو گیا جو گزشتہ سال کی اس مدت کے دوران ۶۳.۱ ملین روپے تھا۔ ہم یہاں یہ اضافہ کرنا چاہیں گے کہ بزنس کے اس شعبے میں محتاط انتخاب اور انڈر رائٹنگ کے ضمن میں ضروری اقدامات کئے جا رہے ہیں۔ البتہ اس مدت کیلئے سرمایہ کاری کی آمدنی ۱۰۸.۸ ملین روپے سے بڑھ کر ۱۱۸ ملین روپے ہو گئی۔

نتیجتاً زیر جائزہ مدت کے دوران مجموعی منافع بعد از ٹیکس ۶۷.۸ ملین روپے رہا جبکہ گزشتہ سال کی اس مدت میں یہ رقم ۹۳.۲ ملین روپے تھی۔ لہذا آمدنی فی شیئر ۵۵.۵ روپے تھی۔

اسٹاک ایکسچینج انڈیکس قدرے اتار چڑھاؤ کا شکار رہا اور کم ہو کر ۴۲۰۰۰ کی سطح پر رہا جو سال کے آغاز پر ۸۰۰ کی سطح پر تھا۔

ملک میں موجودہ سیاسی بے یقینی کے باوجود معیشت وسیع طور پر مستحکم ہو رہی ہے۔

ہم اللہ سے ملک کے اندر امن و استحکام کیلئے دعا کرتے ہیں اور اللہ سے دعا گو ہیں کہ یہ سال کمپنی کیلئے کامیابی سے ہمکنار ہونے کے ساتھ انڈر رائٹنگ کے نتائج میں بہتری اور سرمایہ کاری کی آمدنی میں اضافہ ہو۔

مخائب بورڈ آف ڈائریکٹرز

علی رضا ڈی۔ حبیب

ایگزیکٹو وائس چیئرمین

کراچی: ۲۵ اگست ۲۰۱۷ء

**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 comprehensive income;
- iv. condensed interim statement of changes in equity;
- v. condensed interim statement of cash flows;
- vi. condensed interim statement of premiums;
- vii. condensed interim statement of claims;
- viii. condensed interim statement of expenses; and
- ix. 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 2017** (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 the 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.

Karachi: August 25, 2017

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

Condensed Interim Balance Sheet as at June 30, 2017 (Unaudited)

	Note	Unaudited June 30, 2017 (Rupees in '000)	Audited December 31, 2016		Note	Unaudited June 30, 2017 (Rupees in '000)	Audited December 31, 2016
Share Capital and Reserves				Cash and Bank Deposits			
Authorised share capital 130,000,000 (December 31, 2016: 130,000,000) ordinary shares Rs. 5 each		650,000	650,000	Cash and other equivalents		1,370	468
				Current and other accounts		54,691	147,548
Paid-up share capital		619,374	619,374			56,061	148,016
Retained earnings		67,183	216,152	Loans to employees			
Reserves		264,122	264,122	Secured and considered good		54,325	48,344
Total Equity		950,679	1,099,648	Investments	9	765,034	801,506
Underwriting Provisions				Deferred Taxation		19,673	19,824
Provision for outstanding claims (including IBNR)		656,392	599,060	Current Assets - others			
Provision for premium deficiency		20,344	20,344	Premiums due but unpaid - unsecured		419,232	425,588
Provision for unearned premium		479,844	601,796	Amounts due from other insurers/ reinsurers		300,842	297,928
Commission income unearned		69,025	86,034	Accrued investment income		6,642	2,970
Total underwriting provisions		1,225,605	1,307,234	Reinsurance recoveries against outstanding claims		561,841	511,525
Deferred Liability				Salvage recoveries outstanding		2,954	19,251
Staff retirement benefits		89,092	83,083	Deferred commission expense		38,275	51,234
Creditors and Accruals				Advance, deposits and prepayments	10	284,271	381,322
Amounts due to other insurers/ reinsurers	6	119,940	66,370	Sundry receivables	10	32,942	26,735
Accrued expenses		14,865	16,804			1,646,999	1,716,553
Taxation – provision less payments		52,313	50,915	Fixed Assets	11		
Other creditors and accruals	7	59,759	86,684	Tangible and intangible			
		246,877	220,773	Furniture, fixtures and office equipment		11,565	12,602
Other Liabilities				Computer and related equipment		1,483	1,976
Unclaimed dividends		55,357	49,140	Motor vehicles		6,131	6,831
TOTAL LIABILITIES		1,616,931	1,660,230	Computer software		6,339	4,226
						25,518	25,635
TOTAL EQUITY AND LIABILITIES		2,567,610	2,759,878	TOTAL ASSETS		2,567,610	2,759,878
CONTINGENCIES AND COMMITMENTS	8						

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

RAFIQ M. HABIB
Chairman

ALI RAZA D. HABIB
Executive Vice Chairman

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive Officer

Condensed Interim Profit and Loss Account for the half year ended June 30, 2017 (Unaudited)

(Rupees in '000)

	Note	Quarter ended June 30,					2017 Aggregate	2016 Aggregate
		Fire and Property	Marine and Transport	Motor	Group Hospitalisation	Other Classes		
Revenue Account								
Net premium revenue		15,521	32,966	54,759	31,666	18,362	153,274	143,394
Net claims		(4,313)	(8,011)	(25,482)	(48,385)	(6,696)	(92,887)	(55,291)
Expenses		(21,420)	(18,088)	(18,922)	(4,512)	(3,790)	(66,732)	(59,589)
Net commission		11,221	2,847	3,575	1,638	(1,242)	18,039	12,768
Underwriting result		1,009	9,714	13,930	(19,593)	6,634	11,694	41,282
Net investment income							61,349	57,158
Other income							2,032	2,416
General and administration expenses							(22,277)	(21,295)
							41,104	38,279
Profit before tax							52,798	79,561
Provision for taxation - Current							(15,469)	(35,658)
- Deferred							(392)	(187)
Profit after tax								
Other comprehensive income - net of tax							(15,861)	(35,845)
Total comprehensive income							36,937	43,716
Earnings per share of Rs. 5/- each	13						Rupees 0.30	0.35

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

RAFIQ M. HABIB
Chairman

ALI RAZA D. HABIB
Executive Vice Chairman

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive Officer

Condensed Interim Profit and Loss Account for the half year ended June 30, 2017 (Unaudited)

(Rupees in '000)

Half year ended June 30,							
Note	Fire and Property	Marine and Transport	Motor	Group Hospitalisation	Other Classes	2017 Aggregate	2016 Aggregate
Revenue Account							
Net premium revenue	32,544	68,623	107,593	61,189	34,377	304,326	269,916
Net claims	(11,808)	(21,009)	(60,644)	(80,687)	(21,978)	(196,126)	(117,376)
Expenses	(42,615)	(29,526)	(32,105)	(19,509)	(6,087)	(129,842)	(114,875)
Net commission	23,735	5,836	5,642	4,935	(1,960)	38,188	25,416
Underwriting result	1,856	23,924	20,486	(34,072)	4,352	16,546	63,081
Investment income						118,699	108,763
Other income						3,879	3,622
General and administration expenses						(41,580)	(39,188)
						80,998	73,197
Profit before tax						97,544	136,278
Provision for taxation - Current						(29,581)	(42,985)
- Deferred						(151)	(94)
						(29,732)	(43,079)
Profit after tax						67,812	93,199
Profit and loss appropriation account							
Balance at commencement of the year						216,152	250,712
Profit after tax for the period						67,812	93,199
Final cash dividend of Rs. 1.75 (35%) for the year ended December 31, 2016 (2015: Rs. 1.75 per share)						(216,781)	(216,781)
Balance unappropriated profit at end of the six months						67,183	127,130
Earnings per share of Rs. 5/- each	13				Rupees	0.55	0.75

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

RAFIQ M. HABIB
Chairman

ALI RAZA D. HABIB
Executive Vice Chairman

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive Officer

**Condensed Interim Statement of Comprehensive Income
for the half year ended June 30, 2017 (Unaudited)**

	Quarter ended June 30,		Half year ended June 30,	
	2017	2016	2017	2016
	(Rupees in '000)			
Net profit for the period	36,937	43,716	67,812	93,199
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>36,937</u>	<u>43,716</u>	<u>67,812</u>	<u>93,199</u>

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

RAFIQ M. HABIB
Chairman

ALI RAZA D. HABIB
Executive Vice Chairman

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive Officer

**Condensed Interim Statement of Changes in Equity for
the half year ended June 30, 2017 (Unaudited)**

	Share Capital Issued, subscribed and paid-up	Capital Reserves Reserve for exceptional losses	Revenue Reserves		Total
			General reserve	Retained earnings	
	(Rupees in '000)				
Balance as at January 1, 2016	619,374	9,122	255,000	250,712	1,134,208
Changes in equity for the six months period ended June 30, 2016					
Profit for the six months period ended June 30, 2016	-	-	-	93,199	93,199
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the six months period ended June 30, 2016	-	-	-	93,199	93,199
Final dividend of Rs. 1.75 per share for the year ended December 31, 2015	-	-	-	(216,781)	(216,781)
	-	-	-	(216,781)	(216,781)
Balance as at June 30, 2016	<u>619,374</u>	<u>9,122</u>	<u>255,000</u>	<u>127,130</u>	<u>1,010,626</u>
Balance as at January 1, 2017	619,374	9,122	255,000	216,152	1,099,648
Changes in equity for the six months period ended June 30, 2017					
Profit for the six months ended June 30, 2017	-	-	-	67,812	67,812
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the six months period ended June 30, 2017	-	-	-	67,812	67,812
Final dividend of Rs. 1.75 per share for the year ended December 31, 2016	-	-	-	(216,781)	(216,781)
	-	-	-	(216,781)	(216,781)
Balance as at June 30, 2017	<u>619,374</u>	<u>9,122</u>	<u>255,000</u>	<u>67,183</u>	<u>950,679</u>

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

RAFIQ M. HABIB
Chairman

ALI RAZA D. HABIB
Executive Vice Chairman

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive Officer

Condensed Interim Statement of Cash Flows for the half year ended June 30, 2017 (Unaudited)

	June 30, 2017	June 30, 2016		June 30, 2017	June 30, 2016
	(Rupees in '000)			(Rupees in '000)	
Operating activities			Reconciliation to Profit and Loss Account		
a) Underwriting activities			Operating cash flows	(34,879)	110,842
Premiums received	581,595	600,894	Depreciation expense	(3,956)	(3,277)
Reinsurance premiums paid	(242,381)	(294,362)	Loss on disposal of fixed assets	(207)	(18)
Claims paid	(368,036)	(262,754)	(Decrease)/ Increase in assets other than cash	(57,352)	328,062
Reinsurance and other recoveries	195,223	160,461	Increase / (Decrease) in liabilities	50,703	(430,324)
Commissions paid	(59,968)	(64,214)			
Commissions received	82,319	119,813			
Net cash inflow from underwriting activities	188,752	259,838		(45,691)	5,285
b) Other operating activities			Other adjustments		
Income tax paid	(28,183)	(23,281)	Income tax paid	28,183	23,281
General management expenses paid	(168,285)	(147,263)	Provision for impairment	(1,543)	(759)
Other operating (payments) / receipts	(26,160)	26,841	Provision for gratuity	(6,207)	(4,595)
Loans advanced	(14,826)	(13,415)	Gratuity paid	198	29
Loans repayments received	13,823	8,122	Profit/ Return received	6,081	6,115
Net cash outflow from other operating activities	(223,631)	(148,996)	Dividends received	52,513	62,808
Total cash (outflow) / inflow from all operating activities	(34,879)	110,842	Capital gain	64,010	44,114
			Provision for taxation	(29,732)	(43,079)
Investment activities				113,503	87,914
Profit/ return received	6,081	6,115	Profit after taxation	67,812	93,199
Dividends received	52,513	62,808	Definition of cash		
Payments for investments	(242,504)	(594,399)	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.		
Proceeds from disposal of investments	341,443	662,760	Cash for the purpose of the Statement of Cash Flows consists of:		
Fixed capital expenditure	(4,186)	(2,036)	Cash and other equivalents		
Proceeds from disposal of fixed assets	140	48	Cash in hand	116	485
Total cash inflow from investing activities	153,487	135,296	Stamps in hand	1,254	34
Financing activities				1,370	519
Dividends paid	(210,563)	(210,449)	Current and other accounts		
Total cash outflow from financing activities	(210,563)	(210,449)	Current accounts	3,735	9,544
Net cash (outflow) / inflow from all activities	(91,955)	35,689	PLS accounts	50,956	161,990
Cash and cash equivalent at beginning of the year	148,016	136,364		54,691	171,534
Cash and cash equivalent at end of the period	56,061	172,053		56,061	172,053

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

RAFIQ M. HABIB
Chairman

ALI RAZA D. HABIB
Executive Vice Chairman

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive Officer

Condensed Interim Statement of Premiums for the half year ended June 30, 2017 (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	2017	2016
		Opening	Closing			Opening	Closing		Net premium revenue	Net premium revenue
Direct and facultative										
1. Fire and Property	74,794	240,387	191,921	123,260	67,250	208,475	167,986	107,739	15,521	32,943
2. Marine and Transport	69,431	27,477	32,524	64,384	36,628	11,623	16,833	31,418	32,966	34,482
3. Motor	71,447	160,041	152,950	78,538	28,972	49,483	54,676	23,779	54,759	45,822
4. Group hospitalisation	5,527	103,289	65,740	43,076	-	17,265	5,855	11,410	31,666	16,913
5. Other Classes	14,647	53,110	36,709	31,048	(1,862)	28,446	13,898	12,686	18,362	13,234
Total	235,846	584,304	479,844	340,306	130,988	315,292	259,248	187,032	153,274	143,394
Half year ended June 30,										
Direct and facultative										
1. Fire and Property	189,755	259,722	191,921	257,556	165,108	227,890	167,986	225,012	32,544	60,172
2. Marine and Transport	131,469	36,048	32,524	134,993	65,859	17,344	16,833	66,370	68,623	67,325
3. Motor	142,953	161,142	152,950	151,145	60,083	38,145	54,676	43,552	107,593	85,008
4. Group hospitalisation	86,870	72,079	65,740	93,209	679	37,196	5,855	32,020	61,189	28,458
5. Other Classes	27,104	72,805	36,709	63,200	4,224	38,497	13,898	28,823	34,377	28,953
Total	578,151	601,796	479,844	700,103	295,953	359,072	259,248	395,777	304,326	269,916

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

RAFIQ M. HABIB
Chairman

ALI RAZA D. HABIB
Executive Vice Chairman

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive Officer

Condensed Interim Statement of Claims for the half year ended June 30, 2017 (Unaudited)

(Rupees in '000)

Class	Business underwritten inside Pakistan									
	Quarter ended June 30,									
	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	2017 Net claims expense	2016 Net claims expense
	Opening	Closing			Opening	Closing				
Direct and facultative										
1. Fire and Property	22,758	371,263	466,766	118,261	18,687	358,153	453,414	113,948	4,313	3,346
2. Marine and Transport	25,189	24,175	22,997	24,011	20,163	13,589	9,426	16,000	8,011	4,711
3. Motor	41,172	42,621	35,212	33,763	8,009	10,590	10,862	8,281	25,482	20,952
4. Group hospitalisation	51,563	8,954	21,138	63,747	15,163	1,752	1,951	15,362	48,385	20,070
5. Other Classes	17,518	107,500	110,279	20,297	8,153	83,694	89,142	13,601	6,696	6,212
Total	158,200	554,513	656,392	260,079	70,175	467,778	564,795	167,192	92,887	55,291
Half year ended June 30,										
Direct and facultative										
1. Fire and Property	73,363	385,514	466,766	154,615	63,717	374,324	453,414	142,807	11,808	7,336
2. Marine and Transport	51,437	25,436	22,997	48,998	41,782	23,219	9,426	27,989	21,009	24,737
3. Motor	88,658	47,218	35,212	76,652	22,615	17,469	10,862	16,008	60,644	46,370
4. Group hospitalisation	113,084	32,925	21,138	101,297	43,210	24,551	1,951	20,610	80,687	26,789
5. Other Classes	41,494	107,967	110,279	43,806	23,899	91,213	89,142	21,828	21,978	12,144
Total	368,036	599,060	656,392	425,368	195,223	530,776	564,795	229,242	196,126	117,376

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

RAFIQ M. HABIB
Chairman

ALI RAZA D. HABIB
Executive Vice Chairman

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive Officer

Condensed Interim Statement of Expenses for the half year ended June 30, 2017 (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	2017 Net underwriting expense	2016 Net underwriting expense
Direct and facultative									
1. Fire and Property	8,049	30,373	22,784	15,638	21,420	37,058	26,859	10,199	14,869
2. Marine and Transport	8,447	3,419	4,411	7,455	18,088	25,543	10,302	15,241	5,863
3. Motor	2,391	5,200	4,889	2,702	18,922	21,624	6,277	15,347	13,021
4. Group hospitalisation	124	1,202	682	644	4,512	5,156	2,282	2,874	3,898
5. Other Classes	4,539	4,072	5,509	3,102	3,790	6,892	1,860	5,032	9,170
Grand Total	<u>23,550</u>	<u>44,266</u>	<u>38,275</u>	<u>29,541</u>	<u>66,732</u>	<u>96,273</u>	<u>47,580</u>	<u>48,693</u>	<u>46,821</u>
		Half year ended June 30,							
Direct and facultative									
1. Fire and Property	22,031	32,984	22,784	32,231	42,615	74,846	55,966	18,880	30,889
2. Marine and Transport	15,907	4,448	4,411	15,944	29,526	45,470	21,780	23,690	12,884
3. Motor	4,481	5,875	4,889	5,467	32,105	37,572	11,109	26,463	23,003
4. Group hospitalisation	283	1,868	682	1,469	19,509	20,978	6,404	14,574	11,803
5. Other Classes	5,478	6,059	5,509	6,028	6,087	12,115	4,068	8,047	10,880
Grand Total	<u>48,180</u>	<u>51,234</u>	<u>38,275</u>	<u>61,139</u>	<u>129,842</u>	<u>190,981</u>	<u>99,327</u>	<u>91,654</u>	<u>89,459</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

ALI RAZA D. HABIB
Executive Vice Chairman

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive Officer

**Condensed Interim Statement of Investment Income
for the half year ended June 30, 2017 (Unaudited)**

	Quarter ended June 30,		Half year ended June 30,	
	2017	2016	2017	2016
	(Rupees in '000)			
Income from Non-Trading Investments				
Held-to-maturity				
Return on Government Securities	1,686	1,670	3,241	3,793
Available-for-sale				
Dividend income				
– Related parties	3,496	8,641	44,687	44,963
– Others	11,519	12,258	11,519	18,908
	15,015	20,899	56,206	63,871
Gain on sale of available-for-sale investments	47,915	35,903	64,010	44,114
Provision for impairment in value of available-for-sale securities - net	(1,543)	(759)	(1,543)	(759)
Investment related expenses	(1,724)	(555)	(3,215)	(2,256)
Net investment income	61,349	57,158	118,699	108,763

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

RAFIQ M. HABIB
Chairman

ALI RAZA D. HABIB
Executive Vice Chairman

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive Officer

Notes to the Condensed Interim Financial Statements for the half year ended June 30, 2017 (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 Pakistan Stock Exchange Limited. The Company is engaged in general insurance business.

2. STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements of the Company for the six months period ended June 30, 2017 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.

2.2 The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. However, as allowed by the Securities Exchange Commission of Pakistan (SECP) vide its press release dated July 20, 2017, these condensed interim financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.3 During the period, the SECP has issued the Insurance Rules, 2017 including the new Insurance Accounting Regulations, 2017 and format for the preparation of the financial statements. The new Insurance Rules are effective for the current period financial statements. However, SECP vide letter no. ID/OSM/Habib/10690 dated August 16, 2017, granted exemption to the Company from application of the above mentioned rules and regulations and accordingly, these condensed interim financial statements have been prepared under the framework mentioned in note 2.1 above.

2.4 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 International Accounting Standard 34 - Interim Financial Reporting. They do not include all the information required for annual financial statements and these condensed interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended December 31, 2016.

2.5 These condensed interim financial statements have been presented in Pakistani rupees, which is the functional currency of the Company.

3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under historical cost convention.

4. ACCOUNTING 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, 2016.

5. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

5.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements for the year ended December 31, 2016 except as follows:

New / Revised Standards, Interpretations and Amendments

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

IAS 7: Statement of Cash Flows – Disclosure Initiative - (Amendment)

IAS 12: Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

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

5.2 The Company's financial and insurance risk management objectives and policies are consistent with those that were disclosed in the annual financial statements of the Company as at and for the year ended December 31, 2016.

	Unaudited June 30, 2017	Audited December 31, 2016
	(Rupees in '000)	
6. AMOUNT DUE TO OTHER INSURERS/ REINSURERS		
Foreign reinsurers	71,804	28,902
Local reinsurers	24,984	30,974
Co-insurers	23,152	6,494
	119,940	66,370
7. OTHER CREDITORS AND ACCRUALS		
Federal excise duty	11,359	19,943
Federal insurance fee	885	1,466
Withholding tax payable	1,692	1,561
Agents commission payable	24,542	36,331
Sundry creditors	21,281	27,383
	59,759	86,684

8. CONTINGENCIES AND COMMITMENTS

8.1 Contingencies

There is no change in the status of contingencies as disclosed in note 9 to the annual financial statements of the Company for the year ended December 31, 2016.

8.2 Commitments

There are no commitments as at June 30, 2017.

	Note	Unaudited June 30, 2017	Audited December 31, 2016
(Rupees in '000)			
9. INVESTMENTS			
Held-to-maturity			
Government securities (deposited with SBP)			
	9.1	69,407	54,263
Available-for-sale			
Ordinary shares of quoted/ unquoted companies		279,363	253,890
Modaraba Certificates - quoted		14,840	14,840
Ordinary shares of quoted companies/ units of open end mutual funds (related parties)		401,075	478,164
Units of open end mutual funds - quoted		349	349
		695,627	747,243
		765,034	801,506

9.1 This represents Pakistan Investment Bonds having face value of Rs.68.50 million (market value of Rs 77.22 million) [December 31, 2016: face value Rs.53.50 million (market value of Rs.61.79 million)]. These carry mark-up ranging from 7% to 12.00% (December 31, 2016: 8.75% to 12%) per annum and will mature between March 26, 2018 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.1,575.86 million (December 31, 2016: Rs.1,671.521 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, 2017 would have been higher by Rs.878.92 million (December 31, 2016: higher by Rs.924.298 million).

10. SUNDRY RECEIVABLES

Sales tax recoverable	9,666	8,286
Other receivables	2,931	2,607
Receivable against sale of investments	11,586	2,102
Current portion of loans to employees	8,759	13,740
	32,942	26,735
	32,942	26,735

	Unaudited June 30, 2017	Audited December 31, 2016
	(Rupees in '000)	
11. FIXED ASSETS		
Opening written down value	25,635	24,429
Add: Additions during the period/ year - at cost		
– Furniture, fixtures and office equipment	606	2,152
– Computer and related equipment	207	1,036
– Motor vehicles	48	2,255
– Computer software	3,325	2,880
	4,186	8,323
Less: Written down value of deletions during the period/ year		
Depreciation/ amortisation for the period/ year	(347)	(113)
	(3,956)	(7,004)
	(4,303)	(7,117)
Closing written down value	25,518	25,635

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, 2017 are as follows:

	Quarter ended June 30,		Half year ended June 30,	
	2017	2016	2017	2016
	(Rupees in '000)			
Transactions with related parties				
Premium written	57,794	116,002	206,450	281,115
Claims paid	63,134	33,107	126,897	62,444
Dividends received	5,548	8,641	44,687	44,963
Dividend paid	30,063	30,639	30,063	30,639
Investments made	87,000	225,001	142,000	533,683
Investments sold	190,220	244,731	261,487	572,553
Interest received on bank accounts	1,410	1,529	2,819	2,319
Bank charges	76	69	109	161
Share registrar fees paid	–	–	–	76
Brokerage expenses paid	1,724	555	3,215	2,256
Contribution to the provident fund	1,633	1,547	3,357	2,835
Remuneration of key management personnel	15,269	23,089	38,437	41,234

	Unaudited June 30, 2017	Audited December 31, 2016
	(Rupees in '000)	
Balances with related parties		
Bank balances	53,844	146,576
Investment held	401,075	478,043
Premiums due but unpaid	110,814	137,650
Outstanding claims	70,315	47,027
Investment related expenses	520	-
Due to the provident fund	-	432

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 June 30,		Half year ended June 30,	
	2017	2016	2017	2016
Profit after tax for the period (Rupees in '000)	<u>36,937</u>	<u>43,716</u>	<u>67,812</u>	<u>93,199</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>0.30</u>	<u>0.35</u>	<u>0.55</u>	<u>0.75</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.

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, 2017 and December 31, 2016.

	Fire and Property		Marine and Transport		Motor		Group Hospitalisation		Other Classes		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	Unaudited June 30, 2017	Audited December 31, 2016
	(Rupees in '000)											
Segment assets	591,522	705,435	310,035	345,155	345,588	286,206	214,069	202,071	145,150	151,370	1,606,364	1,690,237
Unallocated corporate assets											961,246	1,069,641
Consolidated corporate assets											<u>2,567,610</u>	<u>2,759,878</u>
Segment liabilities	504,032	588,451	264,179	287,917	295,788	238,744	182,407	168,561	123,681	126,264	1,370,087	1,409,937
Unallocated corporate liabilities											246,844	250,293
Consolidated corporate liabilities											<u>1,616,931</u>	<u>1,660,230</u>
Capital Expenditure												
Capital expenditure	<u>1,540</u>	<u>3,474</u>	<u>807</u>	<u>1,700</u>	<u>904</u>	<u>1,409</u>	<u>557</u>	<u>995</u>	<u>378</u>	<u>745</u>	<u>4,186</u>	<u>8,323</u>
Depreciation / amortisation	<u>1,455</u>	<u>2,924</u>	<u>763</u>	<u>1,430</u>	<u>854</u>	<u>1,186</u>	<u>527</u>	<u>837</u>	<u>357</u>	<u>627</u>	<u>3,956</u>	<u>7,004</u>

15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial statements were authorised for issue on August 25, 2017 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, 2017 and June 30, 2016 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 rupees.

RAFIQ M. HABIB
Chairman

ALI RAZA D. HABIB
Executive Vice Chairman

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive Officer