

Habib Insurance Company Limited

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Habib Insurance Company Limited

Company Information

Board of Directors

Chairman	:	Rafiq M. Habib
Directors	:	Abbas D. Habib
		Mansoor G. Habib
		Mohamedali R. Habib
		Qumail R. Habib
		Aun Mohammad A. Habib
		Shahid Ghaffar
Chief Executive	:	Shabbir Gulamali
Chief Financial Officer	:	Murtaza Hussain
Company Secretary	:	Muhammad Maaz Akbar
Auditors	:	KPMG Taseer Hadi & Co. Chartered Accountants
Share Registrar	:	M/s. CDC Share Registrar Services Limited CDC House, 99-B, Block-B SMCHS, Main Shahrah-e-Faisal Karachi-74400
Registered Office	:	1st Floor, State Life Bldg. No. 6 Habib Square, M. A. Jinnah Road P.O. Box 5217, Karachi-74000 Pakistan Tel : (92-21) 32424030/38/39 Fax : (92-21) 32421600 UAN : (92-21) 111 03 03 03 Website : www.habibinsurance.net

Habib Insurance Company Limited

DIRECTORS' REVIEW

The Shareholders,

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

By the Grace of Allah, the underwriting results of the Company has been encouraging, rising to Rs. 62.1 million compared to Rs. 26.2 million of last year. The gross written premium for the period under review grew to Rs. 1,236.6 million as compared to Rs. 958.2 million for the corresponding period last year, an increase of 29.0%.

The investment income for the period was Rs. 87.2 million as compared to Rs. 167.2 million of last year primarily due to lesser capital gains recorded. Consequently, the overall profit after tax for the nine months was Rs. 53.1 million as against Rs. 86.7 million of the previous year, an earning of Rs. 0.43 per share.

We pray to Allah for stability and economic progress of the Nation and particularly for the safety and welfare of the people and for a successful closing for 2019.

On behalf of the Board of Directors

Karachi: October 31, 2019

MANSOOR G. HABIB
Director

SHABBIR GULAMALI
Chief Executive

Habib Insurance Company Limited

حبیب انشورنس کمپنی لمیٹڈ ڈائریکٹرز کا جائزہ

معزز شیئر ہولڈرز،

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

اللہ تعالیٰ کے فضل و کرم سے کمپنی کے انڈر رائٹنگ نتائج حوصلہ افزاء رہے اور گزشتہ سال کیلئے 26.2 ملین روپے کے مقابلے میں 62.1 ملین روپے بڑھ گئے۔ مجموعی زیر تحریر پرمیٹیم برائے زیر جائزہ مدت بڑھ کر 1,236.6 ملین روپے ہو گیا جو کے گزشتہ سال کی اسی مدت کیلئے 958.2 ملین روپے رہا تھا اور اس طرح 29 فیصد کا اضافہ ہوا۔

اس مدت کیلئے سرمایہ کاری کی آمدنی 87.2 ملین روپے رہی جو اس کے مقابلے میں گزشتہ سال 167.2 ملین روپے تھی جس کی بنیادی وجہ کیپٹل میں کم تر فوائد کا حصول تھا۔ نتیجتاً 9 ماہ کے لئے مجموعی منافع بعد از ٹیکس 53.1 ملین روپے تھا جو اس کے برخلاف گزشتہ سال 86.7 ملین روپے رہا، اس طرح 0.43 روپے فی شیئر کی آمدنی حاصل کی گئی۔

ہم اللہ تعالیٰ سے ملک و قوم کے استحکام اور معاشی ترقی کیلئے دعاگو ہیں بالخصوص عوام الناس کے تحفظ اور بہبود اور 2019 کے لئے کامیاب اختتام کی دعا کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

شبیر غلام علی
چیف ایگزیکٹو

منصور جی۔ حبیب
ڈائریکٹر

کراچی:
۳۱ اکتوبر ۲۰۱۹ء

Habib Insurance Company Limited

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

	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
Assets			
Property and equipment	6	169,747	109,076
Intangible assets		3,518	4,443
Investments			
Equity securities	7	818,809	1,129,856
Debt securities	8	276,171	70,763
Loans and other receivables	9	126,043	110,522
Insurance/ reinsurance receivables	10	925,824	932,311
Reinsurance recoveries against outstanding claims	18	394,579	406,143
Salvage recoveries accrued		28,043	9,616
Deferred commission expense	19	72,540	61,071
Prepayments	11	405,091	292,158
Cash and bank	12	10,906	102,396
		<u>3,231,271</u>	<u>3,228,355</u>
Total Assets of Window Takaful Operations - Operator's Fund		<u>65,622</u>	<u>54,048</u>
Total assets		<u><u>3,296,893</u></u>	<u><u>3,282,403</u></u>
EQUITIES AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital		619,374	619,374
Reserve	13	389,288	608,509
Unappropriated profit		70,889	110,676
Total Equity		<u>1,079,551</u>	<u>1,338,559</u>
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	18	607,752	543,938
Unearned premium reserves	17	726,034	631,754
Unearned reinsurance commission	19	111,865	77,002
Retirement benefit obligations		102,102	88,470
Deferred taxation - net		35,702	129,519
Financial lease liability		161,118	68,950
Premium received in advance		4,117	424
Insurance/ reinsurance payables	14	281,903	222,570
Other creditors and accruals	15	170,289	166,118
Taxation - provision less payment		4,503	9,147
		<u>2,205,384</u>	<u>1,937,892</u>
Total Liabilities of Window Takaful Operations - Operator's Fund		<u>11,957</u>	<u>5,952</u>
Total Liabilities		<u>2,217,341</u>	<u>1,943,844</u>
Total Equity and Liabilities		<u><u>3,296,893</u></u>	<u><u>3,282,403</u></u>
Contingencies and commitments	16		

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Comprehensive Income (Unaudited) for the nine months period ended September 30, 2019

		(Unaudited) Three months period ended September 30, 2019 2018 (Rupees in '000)		(Unaudited) Nine months period ended September 30, 2019 2018 (Rupees in '000)	
	Note				
Net insurance premium	17	204,726	136,444	561,934	382,708
Net insurance claims	18	(128,637)	(82,600)	(318,520)	(226,310)
Net commission and other acquisition cost	19	12,700	17,068	33,947	51,713
Insurance claims and acquisition expenses		(115,937)	(65,532)	(284,573)	(174,597)
Management expenses		(71,468)	(63,370)	(215,219)	(181,926)
Underwriting results		17,321	7,542	62,142	26,185
Investment income	20	19,009	44,806	69,101	161,368
Other income		6,689	1,755	18,140	5,864
Other expenses		(21,228)	(22,222)	(79,519)	(67,651)
Results of operating activities		21,791	31,881	69,864	125,766
Finance costs		(3,361)	(1,064)	(10,330)	(2,119)
Profit from Window Takaful Operations - Operator's Fund		2,952	—	6,612	—
Profit before tax for the period		21,382	30,817	66,146	123,647
Income tax expense	21	(9,543)	(9,574)	(13,027)	(36,973)
Profit after tax for the period		11,839	21,243	53,119	86,674
Other comprehensive income:					
Unrealised (loss) / gain on available-for-sale investments during the period		(166,424)	(33,021)	(327,842)	94,965
Less: Net gain / (loss) transferred to profit and loss on disposal of investments		11,818	(41,151)	25,813	(110,040)
		(154,606)	(74,172)	(302,029)	(15,075)
Related tax impact		44,835	19,113	82,808	20,350
Other comprehensive income for the period		(109,771)	(55,059)	(219,221)	5,275
Total comprehensive income for the period		(97,932)	(33,816)	(166,102)	91,949
Earning (after tax) per share - Rupees	22	0.10	0.17	0.43	0.70

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.

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Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Changes in Equity (Unaudited) for the nine months period ended September 30, 2019

	Share capital	Capital Reserves		Reserves		Unappropriated profit	Total Equity
		Reserve for exceptional losses	General reserve	Revenue Reserves	Total		
				Available for sale reserve (Rupees in '000)			
Balance as at January 01, 2018	619,374	9,122	255,000	450,547	714,669	101,584	1,435,627
Profit for the nine months ended September 30, 2018	–	–	–	–	–	86,674	86,674
Other comprehensive income	–	–	–	5,275	5,275	–	5,275
Total comprehensive income for the nine months period ended September 30, 2018	–	–	–	5,275	5,275	86,674	91,949
Final dividend of Rs. 0.75 per share for the year ended December 31, 2017	–	–	–	–	–	(92,906)	(92,906)
Balance as at September 30, 2018	<u>619,374</u>	<u>9,122</u>	<u>255,000</u>	<u>455,822</u>	<u>719,944</u>	<u>95,352</u>	<u>1,434,670</u>
Balance as at January 01, 2019	619,374	9,122	255,000	344,387	608,509	110,676	1,338,559
Profit for the nine months ended September 30, 2019	–	–	–	–	–	53,119	53,119
Other comprehensive income	–	–	–	(219,221)	(219,221)	–	(219,221)
Total comprehensive income for the nine months period ended September 30, 2019	–	–	–	(219,221)	(219,221)	53,119	(166,102)
Final dividend of Rs. 0.75 per share for the year ended December 31, 2018	–	–	–	–	–	(92,906)	(92,906)
Balance as at September 30, 2019	<u>619,374</u>	<u>9,122</u>	<u>255,000</u>	<u>125,166</u>	<u>389,288</u>	<u>70,889</u>	<u>1,079,551</u>

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Cash Flow (Unaudited) for the nine months period ended September 30, 2019

	(Unaudited) September 30, 2019	(Unaudited) September 30, 2018
	(Rupees in '000)	
Operating cash flows		
(a) Underwriting activities		
Insurance premium received	1,188,330	737,479
Reinsurance premium paid	(575,852)	(434,153)
Claims paid	(688,606)	(494,775)
Reinsurance and other recoveries received	427,037	265,038
Commission paid	(101,473)	(70,909)
Commission received	174,230	138,280
Net cash flow from underwriting activities	423,666	140,960
(b) Other operating activities		
Income tax paid	(55,871)	(69,723)
Other operating payments	(246,799)	(169,042)
Other operating receipts	5,008	—
Loans advanced	(10,903)	(8,766)
Loan repayment received	14,568	17,057
Net cash flow from other operating activities	(293,998)	(230,474)
Total cash flow (used in) operating activities	129,668	(89,514)
Investment activities		
Profit/ return received	9,068	9,926
Dividend received	37,017	51,623
Payment for investments	(722,479)	(455,794)
Proceeds from investments	568,976	531,132
Fixed capital expenditure	(10,897)	(57,717)
Proceeds from sale of property, plant and equipment	2,241	3,326
Total cash flow from investing activities	(116,074)	82,496
Financing activities		
Dividends paid	(90,358)	(89,924)
Lease rentals paid	(14,727)	(6,827)
Total cash flow (used in) financing activities	(105,085)	(96,751)
Net cash flows (used in) all activities	(91,490)	(103,769)
Cash and cash equivalents at beginning of period	102,396	166,460
Cash and cash equivalents at end of period	10,906	62,691
Reconciliation to profit and loss account		
Operating cash flows	129,669	(89,514)
Depreciation expense	(25,105)	(7,875)
Income tax paid	55,871	69,723
Finance charges	(10,330)	(2,179)
Provision for impairment	3,603	—
Provision for gratuity	(14,950)	(9,710)
Gratuity paid	1,318	7,039
Profit/ return received	9,068	9,926
Dividends received	37,017	51,623
Capital gain	25,813	110,040
Profit on disposal of property, plant and equipment	386	212
Provision for taxation	(13,027)	(36,973)
Increase / (decrease) in assets other than cash	140,299	168,624
(Increase) / decrease in liabilities other than borrowings	(286,513)	(184,262)
Profit after taxation	53,119	86,674

The annexed notes from 1 to 28 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Notes to the Condensed Interim Financial Statements for the nine months period ended September 30, 2019 (Unaudited)

1 LEGAL STATUS AND NATURE OF BUSINESS

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

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

In terms of the requirements of the Takaful Rules, 2012, read with SECP circular 25 of 2015 dated July 09, 2015, the assets, liabilities and profit and loss of the Operator's Fund of the Company have been presented as a single line item in the statement of financial position and profit and loss account of the Company respectively.

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

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

2.1 Basis Of Measurement

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

2.2 Functional And Presentation Currency

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

Habib Insurance Company Limited

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

IFRS 16, the accounting standard for leases, became effective for annual reporting periods commencing on or after January 01, 2019. The impact of the adoption of IFRS 16 is disclosed in note 3.1 of these condensed interim financial statements of the Company.

In addition, there are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable for accounting periods beginning on or after January 01, 2019. These are considered either to not be relevant or not to have any significant impact on the Company's condensed interim financial statements.

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

IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after June 30, 2019. It replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

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

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

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

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

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

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

Habib Insurance Company Limited

b) all other financial assets.

Financial assets	September 30, 2019 (Unaudited)				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain or loss during the period	Carrying value	Cost less Impairment	Change in unrealized gain or loss during the period
	(Rupees in '000)				
Cash and bank*	10,906	—	—	—	—
Investment in equity securities					
- available for sale	818,809	(302,029)	—	—	—
Investments in debt securities					
- held to maturity	—	—	276,171	276,171	—
Loans and other receivables*	—	—	126,043	126,043	—
Total	829,715	(302,029)	402,214	402,214	—

	September 30, 2019 (Un-audited)			
	Gross carrying amounts of debt instruments that pass the SPPI test			
	AAA	AA+	A+	Unrated
	(Rupees in '000)			
Investments in debt securities				
- held to maturity	—	—	—	276,171
Loans and other receivables*	—	—	—	126,043
Total	—	—	—	402,214

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Change in Accounting policies

The Company has initially adopted IFRS 16 Leases from January 01, 2019. A number of other new standards are effective from January 01, 2019 but they do not have a material effect on the Company's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 01, 2019. Accordingly the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Habib Insurance Company Limited

A. Definition of Lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 - Determining Whether an Arrangement contains a Lease. The Company now assess whether a contract is or contains a lease based on the new definition of a lease. Under identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 01, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-leases component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

B. As a lessee

The Company lease office premises and motor vehicles.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on balance sheet.

The Company presents right-of-use assets that do not meet the definition of investment property in property, plant and equipment, the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

	Office premises and motor vehicles (Rupees in '000)
Balance at January 01, 2019	130,876
Balance at September 30, 2019	141,007

i. Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, are subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Habib Insurance Company Limited

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Company classified property leases as operating leases under IAS 17 which include office premises and motor vehicles. The contract period of other offices are for short term typically run for 1 year with termination clause on both parties and option of renew for an additional period of one year.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 01, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application - the Company applied this approach to its largest property leases and motor vehicles: or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments
- the Company applied this approach to all other leases.

The Company uses the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term
- Excluded initial direct cost from measuring the right-of-use assets at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

C. Impact on financial statements

Summary of the effect of this change in accounting policy is as follows:

(Rupees in '000)

i. Impact on Statement of Financial Position

Increase in fixed assets - right of use assets	141,007
Increase in other liabilities - lease liability against right of use assets	161,118
Increase in net asset - before tax	(20,111)

ii. Impact on Profit and Loss Account

Increase in finance cost - lease liabilities	10,330
Increase / decrease in management expenses	
Increase in depreciation expense - right of use assets	15,806
Decrease in rent expense	18,032

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognised Rs. 141 million right-of-use assets and Rs. 161.12 million of lease liabilities as at September 30, 2019.

Also in relation to those leases under IFRS 16, the Company has recognised depreciation and interest cost, instead of operating lease expense. During the nine months ended September 30, 2019, the Company recognise Rs.15.8 million depreciation charges and Rs. 10.3 million interest cost from these leases.

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4. ESTIMATES AND JUDGEMENTS

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

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

5. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

	Note	(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
6. Property and equipment			
Operating assets	6.1	28,740	29,322
Right-of-use assets	6.2	141,007	79,754
		<u>169,747</u>	<u>109,076</u>
7. Operating Assets			
Opening written down value		29,322	19,998
Additions during the period / year	6.1.1	10,573	25,711
Disposals during period / year	6.1.2	(1,854)	(10,211)
Write off during the period / year		(2)	—
Depreciation for the period / year		<u>(9,299)</u>	<u>(6,176)</u>
		<u>28,740</u>	<u>29,322</u>
6.1.1	The following additions were made to tangible-property and equipment during the period/ year		
Furniture and fixtures		2,527	2,207
Computer equipment		2,321	1,609
Office equipment		969	2,347
Motor Vehicles - owned		<u>4,756</u>	<u>19,548</u>
		<u>10,573</u>	<u>25,711</u>
6.1.2	The following disposals of tangible - operating assets were made during the period / year		
Computer equipment		36	70
Office equipment		17	48
Motor Vehicles - owned		<u>1,801</u>	<u>10,093</u>
		<u>1,854</u>	<u>10,211</u>
6.2 Right-of-use assets			
Balance at January 01, 2019		130,876	—
Additions during the period / year		25,937	84,157
Depreciation charge for the period / year		<u>(15,806)</u>	<u>(4,403)</u>
Balance at September 30, 2019		<u>141,007</u>	<u>79,754</u>
6.2.1	This includes assets which were previously capitalised in Operating Assets under finance lease as per IAS 17 amounting to Rs. 79.8 million as at 31 December 2018, which are now recognised as Right-of-use assets under IFRS 16.		

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7. INVESTMENT IN EQUITY SECURITIES

	September 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
	(Rupees in '000)			(Rupees in '000)		
Related Party						
Listed share	280,430	—	280,430	309,093	—	309,093
Others						
Listed share	345,920	—	345,920	270,427	(757)	269,670
Mutual funds	1,480	—	1,480	58,085	—	58,085
Modaraba certificate	15,014	—	15,014	15,014	—	15,014
	362,414	—	362,414	343,526	(757)	342,769
Surplus on revaluation	—	—	175,965	—	—	477,994
	642,844	—	818,809	652,619	(757)	1,129,856

8. INVESTMENT IN DEBT SECURITIES

	Note	September 30, 2019 (Unaudited)			December 30, 2018 (Audited)		
		Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
		(Rupees in '000)			(Rupees in '000)		
Government securities	8.1	276,171	—	276,171	70,763	—	70,763
		276,171	—	276,171	70,763	—	70,763

8.1 This represents Pakistan Investment Bonds having face value of Rs. 70 million (market value of Rs. 65.43 million) [December 31, 2018: face value Rs.70 million (market value of Rs.69.3 million)]. These carry mark-up ranging from 7% to 12% (December 31, 2018: 7% to 12%) per annum and will mature between December 29, 2019 to July 19, 2022. These have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of Section 29 of the Insurance Ordinance, 2000 and circular no. 15 of 2008 dated July 07, 2008 issued by the SECP.

(Unaudited)
June 30,
2019
(Rupees in '000)

(Audited)
December 31,
2018

9. LOANS AND OTHER RECEIVABLES - Considered good

Accrued investment income	7,695	3,334
Security Deposits	33,832	26,799
Advances	14,700	9,994
Agents Commission receivable	341	2,522
Loan to employees	51,984	52,607
Other receivables	17,491	15,266
	126,043	110,522

10. INSURANCE / REINSURANCE RECEIVABLES

- Unsecured and considered good

Due from insurance contract holders	478,613	519,477
Less: Provision for impairment of receivables from insurance	(15,912)	(15,912)
	462,701	503,565
Due from other insurers / reinsurers	469,623	435,246
Less: Provision for impairment of due from other insurers / reinsurers	(6,500)	(6,500)
	463,123	428,746
	925,824	932,311

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	(Unaudited) September 30, 2019	(Audited) December 31, 2018
	(Rupees in '000)	
11. PREPAYMENTS		
Prepaid reinsurance premium ceded	390,924	281,792
Prepaid rent	—	3,171
Prepaid insurance on leased vehicles	4,684	2,554
Others	9,483	4,641
	<u>405,091</u>	<u>292,158</u>
12. CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash in hand	1,059	108
Policy Stamps	100	57
	1,159	165
Cash at bank		
Current accounts	1,282	13,584
Savings accounts	8,465	88,647
	9,747	102,231
	<u>10,906</u>	<u>102,396</u>
13. RESERVES		
General reserve	255,000	255,000
Reserve for exceptional losses	9,122	9,122
Revaluation reserve - available for sale investments	125,166	344,387
	<u>389,288</u>	<u>608,509</u>
14. INSURANCE / REINSURANCE PAYABLES		
Due to other insurers / reinsurers		
Foreign reinsurers	171,183	99,554
Local reinsurers	32,566	27,849
Co insurers payable	78,154	95,167
	<u>281,903</u>	<u>222,570</u>
15. OTHER CREDITORS AND ACCRUALS		
Agents commission payable	47,629	32,213
Federal excise duty	16,996	24,457
Federal insurance fee	1,282	1,704
Accrued expenses	14,108	22,894
Withholding tax payable	2,263	2,629
Unclaimed dividend	60,099	57,551
Sundry creditors	27,079	23,140
Others	833	1,530
	<u>170,289</u>	<u>166,118</u>

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16. CONTINGENCIES & COMMITMENTS

16.1 Contingencies

There are no contingencies outstanding as at September 30, 2019 except as disclosed in note 22.

16.2 Commitments

There were no commitments as at September 30, 2019.

	Three months period ended September 30,		Nine months period ended September 30,	
	2019	2018	2019	2018
	(Rupees in '000)		(Rupees in '000)	
17. NET INSURANCE PREMIUM				
Written gross premium	398,828	344,174	1,182,267	958,238
Add: Unearned premium reserve opening	713,571	541,919	631,754	481,048
Less: Unearned premium reserve closing	(726,034)	(580,103)	(726,034)	(580,103)
Premium earned	386,365	305,990	1,087,987	859,183
Less: Reinsurance premium ceded	232,981	191,890	635,185	527,044
Add: Prepaid reinsurance premium opening	339,582	301,409	281,792	273,184
Less: Prepaid reinsurance premium closing	(390,924)	(323,753)	(390,924)	(323,753)
Reinsurance expense	181,639	169,546	526,053	476,475
Net insurance premium	204,726	136,444	561,934	382,708
18. NET INSURANCE CLAIMS EXPENSE				
Claims paid	184,983	150,725	688,606	494,775
Add: Outstanding claims including IBNR closing	607,752	586,869	607,752	586,869
Less: Outstanding claims including IBNR opening	(482,507)	(586,701)	(543,938)	(666,850)
Claims expense	310,228	150,893	752,420	414,794
Less: Reinsurance and other recoveries received	97,352	65,506	427,037	265,038
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	422,622	468,681	422,622	468,681
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(338,383)	(465,894)	(415,759)	(545,235)
Reinsurance and other recoveries revenue	181,591	68,293	433,900	188,484
Net insurance claims	128,637	82,600	318,520	226,310
19. NET COMMISSION INCOME / ACQUISITION COST				
Commissions paid or payable	44,017	36,644	116,889	95,158
Add: Deferred commission - opening	66,924	48,018	61,071	37,294
Less: Deferred commission - closing	(72,540)	(57,761)	(72,540)	(57,761)
Commission expense	38,401	26,901	105,420	74,691
Less: Commission from reinsurers				
Commission received or receivable	63,821	49,243	174,230	138,280
Add: Unearned reinsurance commission - opening	99,145	80,029	77,002	73,427
Less: Unearned reinsurance commission - closing	(111,865)	(85,303)	(111,865)	(85,303)
Commission from reinsurers	51,101	43,969	139,367	126,404
Net commission income	12,700	17,068	33,947	51,713

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	Three months period ended September 30,		Nine months period ended September 30,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
	(Rupees in '000)		(Rupees in '000)	
20. INVESTMENT INCOME				
Income from equity securities and mutual fund units - 'available-for-sale'				
- Dividend income	1,125	3,187	37,743	51,025
Income from debt securities - 'held-to-maturity'				
- Return on debt securities	2,543	2,180	5,779	5,292
Net realised gain on investments				
Available-for-sale				
- Equity securities	11,559	40,650	23,409	107,913
- Mutual funds units	259	501	2,404	2,127
Total investment income	15,486	46,518	69,335	166,357
Less: Impairment in value of available-for-sale investments	3,603	-	-	-
Less: Investment related expenses	(80)	(1,712)	(234)	(4,989)
	<u>19,009</u>	<u>44,806</u>	<u>69,101</u>	<u>161,368</u>
21. TAXATION				
For the period				
- Current	(9,227)	(8,443)	(23,889)	(35,351)
- Deferred	(316)	(1,131)	10,862	(1,622)
	<u>(9,543)</u>	<u>(9,574)</u>	<u>(13,027)</u>	<u>(36,973)</u>

In respect of tax years 2004 to 2007, the tax authorities have served notices on the Company under section 122(9) for amendment under section 122(5A) in the returns filed by the Company in respect of the aforesaid years. The amendment mainly relates to taxability of capital gains and proration of expenses against dividend and capital gains. The proceedings in respect of tax years 2004 to 2007 are still pending due to the fact that the Company has filed writ petition before the Honourable High Court of Sindh against said notices. The Honourable High Court of Sindh has issued status quo order in respect of tax year 2005. Based on the opinion of legal advisor, the management believes that the case will be decided in favour of the Company.

In 2015, the Company received orders u/s. 122(5A) passed by the Additional Commissioner Inland Revenue (ACIR) for the tax year 2009 and 2012 wherein prior year assessments were revised by treating dividend income as single basket income and taxing it at 35% instead of fixed rate of 10% resulting in aggregate demand of Rs.16 million. The Company has filed appeals against the said orders with Commissioner Income Tax - Appeals (CIT Appeals), who had confirmed the orders passed by ACIR. The Company then filed appeal before Appellate Tribunal Inland Revenue (ATIR) against the order of CIT (Appeals) which is yet to be fixed for hearing. Besides filing appeals against the said orders of CIT (Appeals) the Company has also challenged the same before the Honourable High Court of Sindh (HCS). The HCS has stayed the recovery of demands raised by the tax departments through these orders till next hearing. The Company, based on its tax advisor's opinion, is confident that the ultimate outcome of the appeal will be in its favour. Therefore, no provision for the said demand has been made in these financial statements.

Further, the tax authorities have also issued orders for the tax year 2008 and 2009 wherein certain disallowances have been made mainly relating to the same matters mentioned above. During 2011, the Commissioner Income Tax has decided the matter in favour of the Company in respect of tax year 2008 and 2009. The department has filed appeal before the learned Appellate Tribunal Inland Revenue for the tax years 2008 and 2009. During the year 2012, the Appellate Tribunal Inland Revenue decided the matter in favour of the Company. However, the Department has filed reference application before the Honourable High Court of Sindh against the aforesaid order of the Appellate Tribunal Inland Revenue. However, no lawyer has been appointed in this regard by the Company to defend their case before Honourable High Court of Sindh. Based on the opinion of tax advisor, no demand has been raised till date, consequently, no provision in these financial statements has been made in this regard.

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For tax year 2017, the Company had filed the appeals before the Commissioner (Appeals-I), Karachi, against the order passed under section 122(5A) of the Income Tax Ordinance, 2001 (ITO), for the tax year 2017, whereby a demand of Rs.3.3 million has raised. The recovery has automatically been stayed till the decision on payment of 10% demand. In response thereto, the Company filed second appeal before the ATIR, Karachi, against the Order of Commissioner (Appeals-I), Karachi, who has maintained the demand raised under section 161/205 of the ITO for the tax year 2017. The recovery has automatically been stayed till the decision on payment of 10% demand. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company.

The Company has filed return of total income for the tax year 2018 (financial year ended December 31, 2017) against which a notice under section 122(5A) has been served on the Company for amendments in the return filed by the Company for the said tax year, the amendments mainly relate to non withholding of tax on commission paid, addition on amount of cash withdrawal and admissibility of various provision / expenses / credits etc. Furthermore, in respect of tax years 2011 to 2016 the tax authorities have issued orders disallowing certain expenses claimed by the Company. The Company has filed appeals against the said orders before the ATIR which are yet to fixed for hearing. Based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company.

Further during the period, the tax authorities have also issued show cause notice u/s 14(1) of the Federal Excise Act, 2005 for the tax year 2017 for short payment of Federal Excise Duty amounting to Rs.75,545,059 on aggregate premium revenue received. The Company have obtained stay order from Honorable High Court of Sindh against the show cause notice. However, based on the opinion of tax advisor, the management believes that the case will be decided in favour of the Company.

	Three months period ended September 30, 2019 (Unaudited)		Nine months period ended September 30, 2019 (Unaudited)	
	(Rupees in '000)			
23. EARNINGS PER SHARE - BASIC AND DILUTED				
Profit after tax for the period	11,839	21,243	53,119	86,674
	(Number of Shares)			
Weighted average number of ordinary shares of Rs. 5 each	123,874,755	123,874,755	123,874,755	123,874,755
	(Rupees)		(Rupees)	
Basic earnings per share	<u>0.10</u>	<u>0.17</u>	<u>0.43</u>	<u>0.70</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.

23. RELATED PARTY TRANSACTIONS

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

Details of balances and transactions with related parties during the nine months ended September 30, 2019 are as follows:

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	Three months period ended September 30,		Nine months period ended September 30,	
	2019	2018	2019	2018
	(Rupees in '000)			
Transactions with related parties				
Associated Companies				
Dividend received	–	–	14,883	33,910
Dividend paid	–	–	8,474	12,250
Bank charges	50	50	271	257
Investment made	7,814	58,096	16,118	156,484
Interest received on bank	1,870	1,034	6,924	3,184
Investment related expenses paid	67	196	239	368
Lease rentals paid	5,690	3,510	14,727	6,827
Security deposit paid	1,251	4,961	4,320	21,431
Premium written	29,378	22,247	140,723	185,011
Claims paid	31,597	40,659	130,059	116,270
Investment sold	41,878	75,681	70,724	212,875
Key Management Personnel				
Compensation	13,738	29,533	64,454	81,126
Others				
Employee's fund				
Contribution to Provident Fund	2,277	2,175	6,580	5,574
	(Unaudited) September 30, 2019		(Audited) December 31, 2018	
	(Rupees in '000)			
Balances				
Associated Companies				
Bank balances		8,927		101,303
Premium due but unpaid		66,404		114,880
Claims outstanding		93,937		108,870
Investment held		349,738		564,104
Security deposit		20,237		17,162
Finance lease liability		84,387		68,950
Others				
Loans to employees		19,880		25,519
Brokerage expenses payables		–		370

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

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24. SEGMENT REPORTING

	September 30, 2019 (Unaudited)				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Gross Written Premium (inclusive of Administrative Surcharge)	<u>509,040</u>	<u>176,331</u>	<u>373,366</u>	<u>123,530</u>	<u>1,182,267</u>
Insurance premium earned	396,789	183,701	388,083	119,414	1,089,987
Insurance premium ceded to reinsurers	(314,801)	(65,388)	(80,392)	(65,472)	(526,053)
Net insurance premium	<u>81,988</u>	<u>118,313</u>	<u>307,691</u>	<u>53,942</u>	<u>561,934</u>
Commission income	81,862	22,409	24,170	10,926	139,367
Net underwriting income	<u>163,850</u>	<u>140,722</u>	<u>331,861</u>	<u>64,868</u>	<u>701,301</u>
Insurance claims	248,431	173,170	261,612	69,207	752,420
Insurance claims recovered from reinsurers	(222,262)	(116,061)	(65,152)	(30,425)	(433,900)
Net Claims	<u>26,169</u>	<u>57,109</u>	<u>196,460</u>	<u>38,782</u>	<u>318,520</u>
Commission expense	(51,271)	(20,889)	(19,918)	(13,342)	(105,420)
Management expenses	(92,666)	(32,099)	(67,967)	(22,487)	(215,219)
Net insurance claims and expenses	(143,937)	(52,988)	(87,885)	(35,829)	(320,639)
Underwriting result	<u>(6,256)</u>	<u>30,625</u>	<u>47,516</u>	<u>(9,743)</u>	<u>62,142</u>
Investment income					69,101
Other income					18,140
Other expenses					(79,519)
Results of operating activities					<u>69,864</u>
Finance cost					(10,330)
Profit from Window Takaful Operations- Operator's Fund					6,612
Profit before tax					<u>66,146</u>
Segment assets	723,993	335,187	708,108	217,886	1,985,174
Segment assets of General Takaful Operations					
- Operator's Fund	10,417	5,060	8,745	392	24,614
Unallocated assets					1,246,097
Unallocated assets of General Takaful Operations					
- Operator's Fund					41,008
					<u>3,296,893</u>
Segment liabilities	631,541	292,383	617,683	190,063	1,731,670
Segment liabilities of General Takaful Operations					
- Operator's Fund	3,295	1,601	2,766	124	7,786
Unallocated liabilities					473,714
Unallocated liabilities of General Takaful Operations					
- Operator's Fund					4,171
					<u>2,217,341</u>

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	September 30, 2018 (Unaudited)				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Gross Written Premium (inclusive of Administrative Surcharge)	372,576	154,580	324,034	107,048	958,238
Insurance premium earned	300,799	156,997	310,898	90,489	859,183
Insurance premium ceded to reinsurers	(266,772)	(68,836)	(110,872)	(29,995)	(476,475)
Net insurance premium	34,027	88,161	200,026	60,494	382,708
Commission income	67,082	21,147	32,976	5,199	126,404
Net underwriting income	101,109	109,308	233,002	65,693	509,112
Insurance claims	65,761	118,898	228,749	1,386	414,794
Insurance claims recovered from reinsurers	(48,475)	(66,342)	(94,911)	21,244	(188,484)
Net Claims	17,286	52,556	133,838	22,630	226,310
Commission expense	(37,262)	(17,166)	(11,909)	(8,354)	(74,691)
Management expenses	(70,735)	(29,348)	(61,519)	(20,324)	(181,926)
Net insurance claims and expenses	(107,997)	(46,514)	(73,428)	(28,678)	(256,617)
Underwriting result	(24,174)	10,238	25,736	14,385	26,185
Investment income					161,368
Other income					5,864
Other expenses					(67,651)
Results of operating activities					125,766
Finance cost					(2,119)
Profit before tax					123,647

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

	December 31, 2018 (Audited)				
Segment assets	630,613	332,846	650,355	190,638	1,804,452
Segment assets of General Takaful Operations					
- Operator's Fund	4,902	694	1,907	149	7,652
Unallocated assets					1,423,903
Unallocated assets of General Takaful Operations					
- Operator's Fund					46,396
					3,282,403
Segment liabilities	515,718	272,203	531,863	155,904	1,475,688
Segment liabilities of General Takaful Operations					
- Operator's Fund	2,512	356	978	76	3,922
Unallocated liabilities					462,204
Unallocated liabilities of General Takaful Operations					
- Operator's Fund					2,030
					1,943,844

25. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

As at September 30, 2019 (Unaudited)							Fair value measurement using		
	Available- for-sale	Held to Maturity	Loans & receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
(Rupees in '000)									
Financial assets measured at fair value									
Investments									
Equity securities	817,329	—	—	—	—	817,329	817,329		
Mutual Funds	1,480	—	—	—	—	1,480		1,480	
Financial assets not measured at fair value									
Debt Securities	—	276,171	—	—	—	276,171		267,290	
Loans and other receivable	—	—	126,043	—	—	126,043			
Insurance / reinsurance receivables	—	—	925,824	—	—	925,824			
Reinsurance recoveries against outstanding claims	—	—	394,579	—	—	394,579			
Cash and bank balances	—	—	—	10,906	—	10,906			
Total Assets of Window Takaful	20,559	—	21,413	17,493	—	59,465			
Operations - Operator's Fund	839,368	276,171	1,467,859	28,399	—	2,629,292			
Financial liabilities measured at fair value									
Outstanding claims including IBNR	—	—	—	—	(607,752)	(607,752)			
Premium received in advance	—	—	—	—	(4,116)	(4,116)			
Insurance / reinsurance payables	—	—	—	—	(281,903)	(281,903)			
Other creditors and accruals	—	—	—	—	(170,289)	(170,289)			
Total Liabilities of Window Takaful	—	—	—	—	(4,197)	(4,197)			
Operations - Operator's Fund	839,368	276,171	1,467,859	28,399	(1,068,257)	1,543,540			

Habib Insurance Company Limited

As at December 31, 2018 (Audited)								
	Available- for-sale	Held for Maturity	Loans & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using	
							Level 1	Level 2 Level 3
(Rupees in '000)								
Financial assets measured at fair value								
Investments								
Equity securities	1,069,937	–	–	–	–	1,069,937	1,069,937	
Mutual Funds	59,919	–	–	–	–	59,919		59,919
Financial assets not measured at fair value								
Debt Securities	–	70,763	–	–	–	70,763		69,322
Loans and other receivable	–	–	110,522	–	–	110,522		
Insurance / reinsurance receivables	–	–	932,311	–	–	932,311		
Reinsurance recoveries against outstanding claims	–	–	406,143	–	–	406,143		
Cash and bank balances	–	–	–	102,396	–	102,396		
Total Assets of Window Takaful	20,695	–	7,652	25,701	–	54,048		
Operations - Operator's Fund	1,150,551	70,763	1,456,628	128,097	–	2,806,039		
Financial liabilities measured at fair value								
Outstanding claims including IBNR	–	–	–	–	(543,938)	(543,938)		
Premium received in advance	–	–	–	–	(424)	(424)		
Insurance / reinsurance payables	–	–	–	–	(222,570)	(222,570)		
Other creditors and accruals	–	–	–	–	(166,118)	(166,118)		
Total Liabilities of Window Takaful	–	–	–	–	(2,552)	(2,552)		
Operations - Operator's Fund	1,150,551	70,763	1,456,628	128,097	(935,602)	1,870,437		

Habib Insurance Company Limited

26. CORRESPONDING FIGURES

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

27. GENERAL

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

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

28. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements have been authorised for issue on October 31, 2019 by the Board of Directors of the Company.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Financial Statements

Window Takaful Operations

Habib Insurance Company Limited

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

		September 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	Note	Operator's Fund	Participants' Takaful Fund	Aggregate	Operator's Fund	Participants' Takaful Fund	Aggregate
		(Rupees in '000)			(Rupees in '000)		
ASSETS							
Investments - mutual funds	5	20,559	—	20,559	20,695	—	20,695
Other receivables including Qard-e-Hasna to PTF	6	21,413	—	21,413	7,652	—	7,652
Takaful / retakaful receivable		—	31,444	31,444	—	14,561	14,561
Retakaful recoveries against outstanding claims	9	—	6,628	6,628	—	297	297
Deferred Wakala expense	11	—	7,786	7,786	—	3,922	3,922
Deferred commission expense	10	3,200	—	3,200	—	1,255	1,255
Taxtion - payments less provision		1,007	—	1,007	—	21	21
Prepayments	8	1,350	16,537	17,887	—	9,088	9,088
Cash and bank	7	17,493	26,583	44,076	25,401	6,260	31,661
Advances		600	—	600	300	—	300
Total assets		65,622	88,978	154,600	54,048	35,404	89,452
EQUITIES AND LIABILITIES							
RESERVES ATTRIBUTABLE TO OPERATORS' FUND (OPF)							
Statutory Fund		50,000	—	50,000	50,000	—	50,000
Accumulated surplus / (deficit)		3,665	—	3,665	(2,947)	—	(2,947)
Available-for-sale reserve		—	—	—	521	—	521
		53,665	—	53,665	47,574	—	47,574
WAQF / PARTICIPANT'S TAKAFUL FUND (PTF)							
Ceded money		—	500	500	—	500	500
Accumulated deficit		—	(6,910)	(6,910)	—	(1,689)	(1,689)
Balance of WAQF / PTF		—	(6,410)	(6,410)	—	(1,189)	(1,189)
LIABILITIES							
PTF underwriting provisions							
Outstanding claims including IBNR	9	—	10,359	10,359	—	1,614	1,614
Unearned contribution reserve	8	—	31,145	31,145	—	15,687	15,687
Unearned retakaful commission	10	—	2,831	2,831	—	1,568	1,568
Unearned Wakala Fee	11	7,786	—	7,786	3,922	—	3,922
Qard-e-Hasna		—	3,652	3,652	—	3,000	3,000
Contribution received in advance		—	1,117	1,117	—	50	50
Takaful / retakaful payable		—	25,011	25,011	—	8,239	8,239
Other creditors and accrual		4,171	21,274	25,445	2,030	6,435	8,465
Payable to Habib Insurance Company Limited		—	—	—	522	—	522
Total liabilities		11,957	95,389	107,346	6,474	36,593	43,067
Total fund and liabilities		65,622	88,979	154,601	54,048	35,404	89,452
Contingencies and commitments							
	12						

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

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Comprehensive Income (Unaudited) for the nine months ended September 30, 2019

		Three months period ended Sept. 30,	Nine months period ended Sept. 30,
	Note	2019 (Unaudited) (Rupees in '000)	2019 (Unaudited) (Rupees in '000)
Participants' Takaful Fund			
Net takaful contribution	8	2,989	11,971
Net takaful claims	9	(3,960)	(9,117)
Wakala fee	11	(4,042)	(9,245)
Underwriting result		(5,013)	(6,391)
Profit on bank accounts		444	1,170
Deficit for the period		(4,4569)	(5,221)
Other Comprehensive income		—	—
Total comprehensive loss for the period		(4,569)	(5,221)
Operator's Fund			
Wakala fee		4,042	9,245
Net commission		(44)	106
Management expenses		(567)	(1,960)
Other expenses		(1,134)	(3,955)
Investment income		310	1,229
Profit on bank balances		345	1,947
Profit before taxation		2,952	6,612
Income tax expense		—	—
Profit after tax for the period		2,952	6,612
Other comprehensive income		—	—
Total comprehensive income for the period		2,952	6,612

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

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Director

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Director

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Chief Executive

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Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Changes in Fund (Unaudited) for the nine months ended September 30, 2019

	Operator's Fund			Total
	Statutory Fund	Available-for-sale reserve	Accumulated (deficit) / surplus (Rupees in '000)	
Balance as at January 1, 2019	50,000	521	(2,947)	47,574
Profit for the period	–	–	6,612	6,612
Other comprehensive income				
Less: Net gain transferred to profit and loss on disposal of investments	–	(521)	–	(521)
Balance as at September 30, 2019	<u>50,000</u>	<u>–</u>	<u>3,665</u>	<u>53,665</u>

	Participants' Takaful Fund		Total
	Ceded money	Accumulated surplus / Deficit (Rupees in '000)	
Balance as at January 1, 2019	500	(1,689)	(1,189)
Deficit for the period	–	(5,221)	(5,221)
Balance as at September 30, 2019	<u>500</u>	<u>(6,910)</u>	<u>(6,410)</u>

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

RAFIQ M. HABIB
Chairman

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Director

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Chief Executive

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Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Cash Flow Statement (Unaudited) for the nine months ended September 30, 2019

	Operator's Fund	Participants' Takaful Fund	September 30, 2019 Aggregate
	(Rupees in '000)		
Operating Cash flows			
(a) Takaful activities			
Contribution received	–	38,553	38,553
Retakaful contribution paid	–	(17,918)	(17,918)
Claims paid	–	(7,432)	(7,432)
Retakaful and other recoveries received	–	729	729
Commission paid	(2,862)	–	(2,862)
Commission received	5,229	–	5,229
Net cash inflows from takaful activities	2,367	13,932	16,299
(b) Other operating activities			
Other operating (payments) / receipts	(13,185)	5,064	(8,121)
Net cash flows from other operating activities	(13,185)	5,064	(8,121)
Total cash flows from operating activities	(10,818)	18,996	8,178
Investment activities			
Profit / return received	2,066	1,327	3,393
Dividend received	657	–	657
Proceeds from investments	20,746	–	20,746
Payments for investments	(20,559)	–	(20,559)
Total cash flows from investing activities	2,910	1,327	4,237
Net cash flows from all activities	(7,908)	20,323	12,415
Cash and cash equivalents at beginning of year	25,401	6,260	31,661
Cash and cash equivalents at end of period	17,493	26,583	44,076
Reconciliation to profit and loss account			
Operating cash flows	(10,818)	18,996	8,178
Profit / return received	2,066	1,327	3,393
Dividends received	657	–	657
Capital gain	572	–	572
Increase in assets other than cash	8,652	30,120	38,772
Increase in liabilities	5,483	(55,664)	(50,181)
Profit after taxation	6,612	(5,221)	1,391
Attributed to:			
Operator's Fund			6,612
Participants' Takaful Fund			(5,221)
			1,391

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

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Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Notes to the Condensed Interim Financial Statements for the nine months ended September 30, 2019 (Unaudited)

1. STATUS AND NATURE OF BUSINESS

- 1.1 Habib Insurance Company Limited (the Operator) was incorporated in Pakistan in 1942 as a public limited company under the Companies Ordinance, 1984 (now Companies Act, 2017) to carry on general insurance business. The Operator was allowed to work as Window Takaful Operator on July 18, 2018 by Securities and Exchange Commission of Pakistan (SECP) under SECP Takaful Rules, 2012 to carry on General Window Takaful Operations (WTO) in Pakistan. The Operator is listed at Pakistan Stock Exchange Limited. The registered office of the Operator is situated at Habib Square, M.A. Jinnah Road, Karachi.
- 1.2 The Operator transferred statutory fund of Rs. 50 million in a separate bank account for the Window Takaful Operations as per the requirement of circular 8 of 2014. The Operator has formed a Waqf for Participants' Fund by executing the Waqf deed dated June 12, 2018 and deposited a cede money of Rs. 0.5 million. The cede money is required to be invested in Shari'ah compliant remunerative instrument which may be used to acquire immovable Waqf property if Shari'ah and law so warrants. Waqf Deed governs the relationship of Operator and participants for management of takaful operations, investments of participants' funds and investments of the Operator's funds approved by the shari'ah advisor of the Operator. The Operator commenced activities of WTO on October 01, 2018, therefore, no comparative information is given in these financial statements.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in line with the format issued by the SECP through Insurance Rules, 2017, and SECP Circular No. 25 of 2015 dated July 09, 2015.

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

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

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

In terms of the requirements of the Takaful Rules 2012, read with SECP Circular No. 25 of 2015 dated July 09, 2015, the assets, liabilities and profit and loss and other comprehensive income of the Operator's Fund have been presented as a single line item in the balance sheet and statement of comprehensive income of the Operator respectively.

Habib Insurance Company Limited

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

2.1 Basis of measurement

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

2.2 Functional and presentation currency

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

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

There are certain other new standards and interpretations of and amendments to existing accounting standards that have become applicable for accounting periods beginning on or after January 01, 2019. These are considered either to not be relevant or not to have any significant impact on the these condensed interim financial statements.

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

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

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

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

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

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

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

Habib Insurance Company Limited

b) all other financial assets.

Financial assets	September 30, 2019 (Unaudited)				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain or loss during the period	Carrying value	Cost less Impairment	Change in unrealized gain or loss during the period
	(Rupees in '000)				
Cash and bank*	44,076	—	—	—	—
Investment in mutual funds - available for sale	20,559	—	—	—	—
Other receivables*	—	—	21,413	21,413	—
Total	64,635	—	21,413	21,413	—

	September 30, 2019 (Unaudited)			
	Gross carrying amounts of debt instruments that pass the SPPI test			
	AAA	AA+	A+	Unrated
	(Rupees in '000)			
Loans and other receivables*	—	—	—	21,413

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

3. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT

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

4. ESTIMATE AND JUDGEMENTS

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

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

Habib Insurance Company Limited

5. INVESTMENT IN MUTUAL FUNDS - OPERATOR'S FUND

	September 30, 2019 (Unaudited)				December 31, 2018 (Audited)			
	Cost	Impairment / provision (Rupees in '000)	Revaluation surplus	Carrying value	Cost	Impairment / provision (Rupees in '000)	Revaluation surplus	Carrying value
Meezan Rozana Amdani Fund	20,559	-	-	20,559	-	-	-	-
First Habib Islamic Income Fund	-	-	-	-	20,174	-	521	20,695

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

Note	September 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	OPF (Rupees in '000)	PTF (Rupees in '000)	Total (Rupees in '000)	OPF (Rupees in '000)	PTF (Rupees in '000)	Total (Rupees in '000)
Wakala fee	17,761	-	17,761	4,652	-	4,652
Qard e Hasna	3,652	-	3,652	3,000	-	3,000
Other receivables	-	-	-	-	-	-
	21,413	-	21,413	7,652	-	7,652

- 6.1 In accordance with the Takaful Rules, 2012, if at any point in time, assets in participant takaful fund are not sufficient to cover its liabilities, the deficit shall be funded by way of an interest free loan (Qard-e-Hasna) from Operator Fund. In the event of future surplus in the Participant Takaful Fund to which a Qard-e-Hasna has been made, the Qard-e-Hasna shall be repaid prior to distribution of surplus to participants.

7. CASH AND BANK

	September 30, 2019 (Unaudited)			December 31, 2018 (Audited)		
	OPF (Rupees in '000)	PTF (Rupees in '000)	Total (Rupees in '000)	OPF (Rupees in '000)	PTF (Rupees in '000)	Total (Rupees in '000)
Cash at bank - saving accounts	17,493	26,583	44,076	25,401	6,260	31,661

8. NET TAKAFUL CONTRIBUTION - PTF

	Three months period ended Sept 30, 2019 (Unaudited) (Rupees in '000)	Nine months period ended Sept 30, 2019 (Unaudited) (Rupees in '000)
Written gross contribution	14,857	54,370
Add: Unearned contribution reserve opening	32,971	15,687
Less: Unearned contribution reserve closing	(31,145)	(31,145)
Contribution earned	16,683	38,912
Less: Reinsurance contribution ceded	12,977	34,690
Add: Prepaid retakaful contribution opening	17,254	8,788
Less: Prepaid retakaful contribution closing	(16,537)	(16,537)
Retakaful expense	13,694	26,941
Net takaful contribution	2,989	11,971

Habib Insurance Company Limited

	Three months period ended Sept. 30,	Nine months period ended Sept. 30,
	2019 (Unaudited)	2019 (Unaudited)
	(Rupees in '000)	
9. NET TAKAFUL CLAIMS EXPENSE - PTF		
Claims paid	2,883	7,432
Add: Outstanding claims including IBNR closing	10,359	10,359
Less: Outstanding claims including IBNR opening	(6,467)	(1,615)
Claims expense	6,775	16,176
Less: Retakaful and other recoveries received	68	729
Add: Retakaful and other recoveries in respect of outstanding claims net of impairment - closing	6,628	6,628
Less: Retakaful and other recoveries in respect of outstanding claims net of impairment - opening	(3,881)	(298)
Retakaful and other recoveries revenue	2,815	7,059
Net Takaful claims	3,960	9,117
10. NET COMMISSION INCOME - PTF		
Commission paid or payable	1,643	5,805
Add: Deferred commission - opening	3,207	1,255
Less: Deferred commission - closing	(3,200)	(3,200)
Commission expense	1,650	3,860
Less: Commission from reinsurers		
Commission received or receivable	1,597	5,229
Add: Unearned retakaful commission - opening	2,840	1,568
Less: Unearned retakaful commission - closing	(2,831)	(2,831)
Commission from reinsurers	1,606	3,966
Net commission income	(44)	106
11. NET WAKALA FEE		
Gross Wakala Fee	3,585	13,109
Add: Deferred wakala fee - opening	8,243	3,922
Less: Deferred wakala fee - closing	(7,786)	(7,786)
Net wakala fee	4,042	9,245

12. CONTINGENCIES & COMMITMENTS

There is no contingency and commitment as at September 30, 2019 (December 31, 2018: Nil).

13. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of directors, major share holders, key management personnel, associated companies, entities with common directors and employee retirement benefit funds. The transactions with related parties are carried out at commercial terms and conditions. The transactions and balances with related parties are as follows:

Habib Insurance Company Limited

		(Unaudited) September 30, 2019 (Rupees in '000)	
13.1	Operator's Fund		
	Transactions		
	<i>Associated companies</i>		
	Wakala fee charged during the period		9,245
	Profit on bank accounts		1,947
		(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
	Balances		
	<i>Associated companies</i>		
	Bank balances	17,493	25,401
		(Unaudited) September 30, 2019 (Rupees in '000)	
13.2	Participants' Takaful Fund		
	Transactions		
	<i>Associated companies</i>		
	- Contribution written		966
	- Claim paid		2,681
	- Profit on bank accounts		1,170
		(Unaudited) September 30, 2019 (Rupees in '000)	(Audited) December 31, 2018
	Balances		
	<i>Associated companies</i>		
	- Contribution due but unpaid	1,491	6,544
	- Claim outstanding	646	1,227
	- Bank balance	26,583	6,260

Habib Insurance Company Limited

14 SEGMENT INFORMATION

14.1 Participants' Takful Fund

	September 30, 2019 (Unaudited)				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Gross Written Contribution (inclusive of Administrative Surcharge)	<u>23,232</u>	<u>9,149</u>	<u>20,481</u>	<u>1,508</u>	<u>54,370</u>
Contribution earned	16,468	7,999	13,825	620	38,912
Retakaful expense	(14,044)	(7,041)	(5,346)	(510)	(26,941)
Net takaful contribution	2,424	958	8,479	110	11,971
Net underwriting income	<u>2,424</u>	<u>958</u>	<u>8,479</u>	<u>110</u>	<u>11,971</u>
Claim expense	(5,291)	(1,963)	(7,596)	(1,326)	(16,176)
Retakaful and other recoveries revenue	4,370	1,570	119	1,000	7,059
Net claims	<u>(921)</u>	<u>(393)</u>	<u>(7,477)</u>	<u>(326)</u>	<u>(9,117)</u>
Wakala fee	(3,990)	(1,905)	(3,206)	(144)	(9,245)
Underwriting result	<u>(2,487)</u>	<u>(1,340)</u>	<u>(2,204)</u>	<u>(360)</u>	<u>(6,391)</u>
Profit on bank balances					1,170
Loss before taxation					<u>(5,221)</u>
Segment assets	10,416	5,060	8,745	392	24,613
Unallocated assets					41,009
Total assets					<u>65,622</u>
Segment liabilities	3,295	1,601	2,766	124	7,786
Unallocated liabilities					4,171
Total liabilities					<u>11,957</u>
14.2 Operator's Fund					
Wakala fee	3,990	1,905	3,206	144	9,245
Commission income	2,423	1,373	57	113	3,966
Commission expense	(2,174)	(1,151)	(428)	(107)	(3,860)
Management expenses	(838)	(330)	(738)	(54)	(1,960)
Underwriting result	<u>3,401</u>	<u>1,797</u>	<u>2,097</u>	<u>96</u>	<u>7,391</u>
Investment income					1,229
Profit on bank balances					1,947
Other expenses					(3,955)
Profit before taxation					<u>6,612</u>
Segment assets	19,407	9,427	16,293	731	45,858
Unallocated assets					43,120
Total assets					<u>88,978</u>
Segment liabilities	29,820	14,485	25,035	1,123	70,463
Unallocated liabilities					24,925
Total liabilities					<u>95,388</u>

15. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

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

15.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Operator's Funds

	As at September 30, 2019 (Unaudited)						Fair value measurement using		
	Available- for-sale	Held to Maturity	Loans & receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
(Rupees in '000)									
Financial assets measured at fair value									
Investments									
Mutual Funds	20,559	—	—	—	—	20,559		20,559	
Financial assets not measured at fair value									
Other receivables including Qard-e-Hasna to PTF	—	—	21,413	—	—	21,413			
Cash and bank balances	—	—	—	17,493	—	17,493			
Advances	—	—	—	600	—	600			
	<u>20,559</u>	<u>—</u>	<u>21,413</u>	<u>18,093</u>	<u>—</u>	<u>60,065</u>			
Financial liabilities measured at fair value									
Other creditors and accruals	—	—	—	—	(4,171)	(4,171)			
	<u>20,559</u>	<u>—</u>	<u>21,413</u>	<u>18,093</u>	<u>(4,171)</u>	<u>55,894</u>			

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Operator's Funds

As at December 31, 2018 (Audited)

	Available- for-sale	Held to Maturity	Loans & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using		
							Level 1	Level 2	Level 3
(Rupees in '000)									
Financial assets measured at fair value									
Investments									
Mutual Funds	20,695	–	–	–	–	20,695		20,695	
Financial assets not measured at fair value									
Other receivables including Qard-e-Hasna to PTF	–	–	–	7,652	–	7,652			
Loans and other receivables	–	–	–	–	–	–			
Insurance / reinsurance receivables	–	–	–	–	–	–			
Reinsurance recoveries against outstanding claims	–	–	–	–	–	–			
Cash and bank balances	–	–	–	25,401	–	25,401			
Advances	–	–	–	300	–	300			
	<u>20,695</u>	<u>–</u>	<u>–</u>	<u>33,353</u>	<u>–</u>	<u>54,048</u>			
Financial liabilities measured at fair value									
Other creditors and accruals	–	–	–	–	–	–			
	<u>20,695</u>	<u>–</u>	<u>–</u>	<u>33,053</u>	<u>–</u>	<u>54,048</u>			

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Participants' Takaful Fund

	As at September 30, 2019 (Unaudited)						Fair value measurement using		
	Available- for-sale	Held to Maturity	Loans & receivables	Other financial assets	Other financial liabilities	Total	Level 1	Level 2	Level 3
	(Rupees in '000)								
Financial assets not measured at fair value									
Other receivables including Qard-e-Hasna to PTF	–	–	–	–	–	–			
Takaful / retakaful receivable	–	–	–	31,444	–	31,444			
Retakaful recoveries against outstanding claims	–	–	–	6,628	–	6,628			
Cash and bank balances	–	–	–	26,583	–	26,583			
	–	–	–	64,655	–	64,655			
Financial liabilities measured at fair value									
Outstanding claims including IBNR	–	–	–	–	(10,359)	(10,359)			
Qard-e-Hasna	–	–	–	–	(3,652)	(3,652)			
Contribution received in advance	–	–	–	–	(1,117)	(1,117)			
Takaful / retakaful payable	–	–	–	–	(25,011)	(25,011)			
Other creditors and accruals	–	–	–	–	(21,274)	(21,274)			
	–	–	–	64,655	(61,413)	3,424			

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Participants' Takaful Fund

As at December 31, 2018 (Audited)									
	Available- for-sale	Held to Maturity	Loans & receivables	Other financial assets	Other financial liabilities	Total	Fair value measurement using		
							Level 1	Level 2	Level 3
(Rupees in '000)									
Financial assets not measured at fair value									
Takaful / retakaful receivable	-	-	-	14,561	-	14,561			
Retakaful recoveries against outstanding claims	-	-	-	297	-	297			
Cash and bank balances	-	-	-	6,260	-	6,260			
	-	-	-	21,118	-	21,118			
Financial liabilities measured at fair value									
Outstanding claims including IBNR	-	-	-	-	(1,614)	(1,614)			
Qard-e-Hasna	-	-	-	-	(3,000)	(3,000)			
Contribution received in advance	-	-	-	-	(50)	(50)			
Takaful / retakaful payable	-	-	-	-	(8,239)	(8,239)			
Other creditors and accruals	-	-	-	-	(6,435)	(6,435)			
	-	-	-	21,118	(19,338)	1,780			

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16 GENERAL

16.1 Figures in these condensed interim financial statements for the nine months ended 30 September 2019 have not been subjected to limited scope review of the auditors.

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

17 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on October 31, 2019 by the Board of Directors of the Company.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer