

Habib Insurance Company Limited

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Habib Insurance Company Limited

Company Information

Board of Directors

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

Habib Insurance Company Limited

DIRECTORS' REVIEW

The Shareholders,

The Directors are pleased to present the unaudited accounts of the Company for the period ended June 30, 2020.

By the Grace of Allah, the underwriting performance of your Company for the first six months of 2020 has been impressive, recording a profit of Rs. 78.9 million compared to Rs. 44.8 million for the corresponding period of last year. The increase in underwriting performance was also contributed by favourable claims experience and higher commission income. The written gross premium for the period was Rs. 788.8 million, a decline of 4% largely attributable to the economic slowdown in the country due to COVID-19.

The Investment Income for the period under review was Rs. 27.2 million as compared to Rs. 50.1 million of last year. This was mainly due to capital loss realized owing to uncertain market conditions prevailing in the earlier part of the year.

The profit before tax was Rs. 50.9 million against Rs. 44.8 million of same period last year. The profit after tax was Rs. 37.6 million resulting in an earning of Rs. 0.30 per share.

Mashallah, the number of COVID-19 cases being reported is decreasing and accordingly the Government has lifted the lockdown. It will take time for the economy to get back to normal and anticipate the year 2020 will have its challenges.

We continue to take a conservative view on our expected investment returns, and the Company will Inshallah pursue its plan to further improve underwriting results through focusing on expansion of business, without compromising on its cautious underwriting. We hope and pray that the situation returns to normal at the earliest.

On behalf of the Board of Directors

Karachi: August 19, 2020

RAFIQ M. HABIB
Chairman

SHABBIR GULAMALI
Chief Executive

حبیب انشورنس کمپنی لمیٹڈ ڈائریکٹرز کا جائزہ

معزز شیئر ہولڈرز،

ڈائریکٹرز ۳۰ جون ۲۰۲۰ء کو ختم ہونے والی مدت کے لئے کمپنی کے غیر آڈٹ شدہ حسابات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

اللہ تعالیٰ کے فضل و کرم سے ۲۰۲۰ء کی پہلی ششماہی کے لئے آپ کی کمپنی کی انڈر رائٹنگ کارکردگی متاثر کن رہی اور 78.9 ملین روپے کا منافع ریکارڈ کیا گیا جو گزشتہ سال کی اس مدت میں اس کے مقابلے میں 44.8 ملین روپے تھا۔ انڈر رائٹنگ کارکردگی میں اضافہ موزوں کلیمز کے تجربے اور کمیشن کی بلند تر آمدنی کی وجہ سے ممکن ہو سکا۔ اس مدت کے لئے زیر تخریر مجموعی پرمیئم 788.8 ملین روپے رہا اور اس میں 4 فیصد کی کمی آئی جو COVID-19 کے باعث ملک میں سست رفتار معیشت سے منسوب ہے۔

زیر جائزہ مدت کیلئے سرمایہ کاری کی آمدنی 27.2 ملین روپے رہی جو گزشتہ سال اس کے مقابلے میں 50.1 ملین روپے تھی۔ یہ بنیادی طور پر سال کے پہلے حصے میں درپیش مارکیٹ کی غیر یقینی صورتحال کے باعث سرمائے کے خسارے کے سبب ہوا تھا۔

منافع قبل از ٹیکس 50.9 ملین روپے رہا جو اس کے مقابلے میں گزشتہ سال کی اس مدت میں 44.8 ملین روپے تھا۔ منافع بعد از ٹیکس 37.6 ملین روپے رہا جس کے نتیجے میں 0.30 روپے فی شیئر کی آمدنی حاصل ہوئی۔

ماشا اللہ COVID-19 کے کیسز میں تیزی سے کمی آرہی ہے اور اسی وجہ سے حکومت نے لاک ڈاؤن اٹھالیا ہے۔ معیشت کو عمومی سطح پر آنے کے لئے کچھ وقت لگے گا اور اندازہ ہے کہ سال ۲۰۲۰ء میں چیلنجز برقرار رہیں گے۔

ہم اپنے متوقع سرمایہ کاری کے منافع جات پر محتاط رویہ کا سلسلہ برقرار رکھیں گے اور کمپنی انشا اللہ کاروبار میں توسیع پر توجہ کے ذریعے محتاط انڈر رائٹنگ پر کسی مفاہمت کے بغیر اپنے زیر تخریر نتائج کو مزید بہتر بنانے کے منصوبے کی کوششیں جاری رکھے گی۔ ہمیں امید ہے اور دعا گو ہیں کہ صورتحال جلد از جلد معمول پر آجائے۔

بورڈ آف ڈائریکٹرز کی جانب سے

شبیر غلام علی
چیف ایگزیکٹو

رفیق ایم حبیب
چیئر مین

کراچی:
۱۹ اگست ۲۰۲۰ء

Habib Insurance Company Limited

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Habib Insurance Company Limited

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Habib Insurance Company Limited ("the Company") as at 30 June 2020 and the related condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Other matter

The figures for the quarters ended 30 June 2020 and 30 June 2019 in the condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditors review's report is Muhammad Taufiq.

Date : 31 August 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Habib Insurance Company Limited

Condensed Interim Statement of Financial Position (Unaudited) as at June 30, 2020

	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
Assets			
Property and equipment	5	154,897	164,825
Intangible assets		2,801	3,095
Investments			
Equity securities	6	755,491	987,699
Debt securities	7	400,497	277,867
Loans and other receivables	8	152,710	157,604
Insurance/ reinsurance receivables	9	1,125,098	1,045,702
Reinsurance recoveries against outstanding claims	16	562,301	355,901
Salvage recoveries accrued		16,975	8,304
Deferred commission expense	17	70,894	74,039
Prepayments	10	410,502	377,555
Cash and bank	11	24,428	121,116
		<u>3,676,594</u>	<u>3,573,707</u>
Total Assets of Window Takaful Operations - Operator's Fund		<u>77,718</u>	<u>66,960</u>
Total assets		<u><u>3,754,312</u></u>	<u><u>3,640,667</u></u>
EQUITIES AND LIABILITIES			
Capital and reserves attributable to Company's equity holders			
Ordinary share capital		619,374	619,374
Reserve		429,570	538,400
Unappropriated profit		67,076	91,407
Total Equity		<u>1,116,020</u>	<u>1,249,181</u>
Liabilities			
Underwriting provisions			
Outstanding claims including IBNR	16	809,548	594,636
Unearned premium reserves	15	723,418	778,636
Premium deficiency reserves		2,236	2,236
Unearned reinsurance commission	17	120,023	105,979
Retirement benefit obligations		110,466	102,396
Deferred taxation - net		55,323	101,949
Borrowings		123,841	208,558
Bank Overdraft		116,541	-
Premium received in advance		21,179	20,605
Insurance/ reinsurance payables	12	304,202	261,265
Other creditors and accruals	13	215,879	191,942
Taxation - provision less payment		11,980	9,611
		<u>2,614,636</u>	<u>2,377,813</u>
Total Liabilities of Window Takaful Operations - Operator's Fund		<u>23,656</u>	<u>13,673</u>
Total Liabilities		<u>2,638,292</u>	<u>2,391,486</u>
Total Equity and Liabilities		<u><u>3,754,312</u></u>	<u><u>3,640,667</u></u>
Contingencies and commitments	14		

The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

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

Habib Insurance Company Limited

Condensed Interim Statement of Comprehensive Income (Unaudited) for the half year ended June 30, 2020

	Note	(Unaudited) Three months period ended June 30,		(Unaudited) Six months period ended June 30,	
		2020 (Rupees in '000)	2019 (Rupees in '000)	2020 (Rupees in '000)	2019 (Rupees in '000)
Net insurance premium	15	184,944	189,114	384,069	357,208
Net insurance claims	16	(73,687)	(97,302)	(187,567)	(189,883)
Net commission income	17	21,641	10,314	35,125	21,247
Insurance claims and acquisition expenses		(52,046)	(86,988)	(152,442)	(168,636)
Management expenses		(73,700)	(70,383)	(152,678)	(143,751)
Underwriting results		59,198	31,743	78,949	44,821
Investment income - net	18	12,297	19,350	27,204	50,092
Other income	20	616	7,187	2,984	11,451
Other expenses		(19,603)	(32,223)	(53,658)	(58,291)
Results of operating activities		52,508	26,057	55,479	48,073
Finance costs		(7,453)	(4,163)	(10,071)	(6,969)
Profit before tax from Window Takaful Operations - Operator's Fund		(225)	1,619	5,467	3,660
Profit before tax		44,830	23,513	50,875	44,764
Income tax expense	19	(10,376)	3,620	(13,269)	(3,484)
Profit after tax		34,454	27,133	37,606	41,280
Other comprehensive income:					
Total items that may be reclassified subsequently to profit and loss account					
Unrealised gain / (losses) on available-for-sale investments		82,124	(166,211)	(128,707)	(161,418)
Less: Net (loss) / gain transferred to profit and loss on disposal / redemption / impairment of investments		-	14,969	(24,559)	13,995
		82,124	(151,242)	(153,266)	(147,423)
Related tax impact		(23,816)	42,388	44,447	37,973
		58,308	(108,854)	(108,819)	(109,450)
Other comprehensive income from Window Takaful Operations - Operator's Fund - net of tax		(245)	-	(11)	-
Other comprehensive income for the period		58,063	(108,854)	(108,830)	(109,450)
Total comprehensive income for the period		92,517	(81,721)	(71,224)	(68,170)
Earning (after tax) per share - Rupees	21	0.28	0.22	0.30	0.33

The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

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

Habib Insurance Company Limited

Condensed Interim Statement of Cash Flow (Unaudited) for the six months period ended June 30, 2020

	(Unaudited) June 30, 2020	(Unaudited) June 30, 2019
	(Rupees in '000)	
Operating cash flows		
(a) Underwriting activities		
Insurance premium received	653,533	685,679
Reinsurance premium paid	(395,297)	(416,651)
Claims paid	(413,962)	(503,623)
Reinsurance and other recoveries received	226,236	329,685
Commission paid	(70,662)	(63,269)
Commission received	128,919	110,409
Net cash flow from underwriting activities	128,767	142,230
(b) Other operating activities		
Income tax paid	(13,079)	(21,343)
Other operating payments	(193,686)	(204,978)
Other operating receipts	31,066	14,429
Loans advanced	(4,546)	(6,205)
Loan repayment received	6,488	10,617
Net cash flow from other operating activities	(173,757)	(207,480)
Total cash flow from all operating activities	(44,990)	(65,250)
Investment activities		
Profit / return received	17,380	8,176
Dividend received	34,397	36,913
Payment for investments	(311,222)	(353,031)
Proceeds from investments	245,631	405,015
Fixed capital expenditure	(2,887)	(5,202)
Proceeds from sale of property, plant and equipment	28	2,207
Total cash flow from investing activities	(16,673)	94,078
Financing activities		
Rentals paid	(10,856)	(9,037)
Loan paid	(80,941)	-
Dividends paid	(59,769)	(90,301)
Total cash flows from financing activities	(151,566)	(99,338)
Net cash flows from all activities	(213,229)	(70,510)
Cash and cash equivalents at beginning of year	121,116	102,396
Cash and cash equivalents at end of period	(92,113)	31,886
Reconciliation to profit and loss account		
Operating cash flows	(44,990)	(65,250)
Depreciation and amortisation expense	(16,261)	(13,438)
Income tax paid	13,079	21,343
Provision for gratuity	(9,978)	(9,977)
Provision for impairment	1,034	(3,603)
Gratuity paid	1,908	2,553
Profit/ return received	17,380	8,176
Dividends received	34,397	36,913
(Loss) / Gain on sale of investments	(24,559)	13,995
Financial charges expense	(10,071)	(6,969)
(Loss) / Profit on disposal of property, plant and equipment	(62)	388
Provision of taxation	(13,269)	(3,484)
Profit from window Takaful Operations - Operator's Fund	5,467	-
Increase / (decrease) in assets other than cash	324,717	104,558
(Increase) / decrease in liabilities other than borrowings	(241,186)	(43,925)
Profit after taxation	37,606	41,280

The annexed notes from 1 to 29 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB <i>Chairman</i>	MANSOOR G. HABIB <i>Director</i>	AUN MOHAMMAD A. HABIB <i>Director</i>	SHABBIR GULAMALI <i>Chief Executive</i>	MURTAZA HUSSAIN <i>Chief Financial Officer</i>
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Habib Insurance Company Limited

Notes to the Condensed Interim Financial Statements for the half year ended June 30, 2020 (Unaudited)

1. LEGAL STATUS AND NATURE OF BUSINESS

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

1.2 The Company operates through the following locations in Pakistan;

Locations	Address
Head Office	State Life Building No. 6, Habib Square, M.A. Jinnah Road, Karachi.
Karachi Branches	Head Office: State Life Building No. 6A Habib Square, M.A. Jinnah Road, Karachi.
Rawalpindi Branch	1st Floor, Majeed Plaza, Bank Road, Rawalpindi Cantt.
Dera Ghazi Khan Branch	Block No. 17, Jampur Road, Dera Ghazi Khan.
Faisalabad Branch	Fatima Tower, 2nd Floor, Kohinoor Plaza, Faisalabad. P-6161, West Canal Road, adjacent to Toyota Faisalabad Motors & behind HBL Canal Road Branch, Faisalabad.
Multan Branch	Fiesta Gardens, OPP Income, Tax Office, L.M.Q. Road, Multan.
Multan Central	Fiesta Gardens, OPP Income, Tax Office, L.M.Q. Road, Multan.
Lahore Branch	Room No. 01, 3rd Floor, Leeds Centre, Main Boulevard, Gulberg III, Lahore. 43, Ground Floor, Al-Noor Building, Bank Square, Lahore.

1.3 During the period, the novel coronavirus (COVID 19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020 whereby potentially impacting the earnings and cash flows of the Company. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the company based on its current assessment considered that there would be no significant impact that will adversely affect its business, result of operations and financial condition of the company.

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

Habib Insurance Company Limited

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 financial statements on the general takaful operations for the six months period ended June 30, 2020 has been annexed to these condensed interim financial statements as per requirements of General Takaful Accounting Regulations, 2019.

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, 2019.

2.1 Basis of measurement

These condensed interim financial statements have been prepared on the historical cost basis except for certain investments 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 financial information presented in Pak Rupees has been rounded to nearest Thousand Rupees, unless otherwise stated.

2.3 Amendments to approved accounting standards that are effective in the current period

There are certain amendments to existing accounting standards that have become applicable to the company for accounting periods beginning on or after January 1, 2020. These are considered either not to 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 approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 01, 2020;

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past condensed interim financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose condensed interim financial statements in accordance with IFRS Standards.

Habib Insurance Company Limited

- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the condensed interim financial statements of the Company.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.

Habib Insurance Company Limited

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the condensed interim financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Annual Improvements to IFRS standards 2018-2020:

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

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the 'amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.
- IFRS 9 'Financial Instruments' is effective for reporting period / year ending on or after 30 June 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 introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the

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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
 - b) all other financial assets.

Financial assets	June 30, 2020 (Unaudited)				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain / (loss) during the year	Carrying value	Cost less Impairment	Change in unrealized gain / (loss) during the year
			(Rupees in '000)		
Cash and bank*	24,428	–	–	–	–
Investment in equity securities					
- available for sale	755,491	(153,266)	–	–	–
Investments in debt securities					
- held to maturity	–	–	400,497	400,497	–
Loans and other receivables*	–	–	152,710	152,710	–
	<u>779,919</u>	<u>(153,266)</u>	<u>553,207</u>	<u>553,207</u>	<u>–</u>

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Financial assets	December 31, 2019 (Audited)				
	Fail the SPPI test		Pass the SPPI test		
	Fair value	Change in unrealized gain / (loss) during the year	Carrying value	Cost less Impairment	Change in unrealized gain / (loss) during the year
			(Rupees in '000)		
Cash and bank*	121,116	-	-	-	-
Investment in equity securities - available for sale	987,699	(93,278)	-	-	-
Investments in debt securities - held to maturity	-	-	277,867	277,867	-
Loans and other receivables*	-	-	157,604	157,604	-
	<u>1,108,815</u>	<u>(93,278)</u>	<u>435,471</u>	<u>435,471</u>	<u>-</u>

	June 30, 2020 (Un-audited)				
	Gross carrying amounts of debt instruments that pass the SPPI test				
	AAA	AA+	AA	A	Unrated
	(Rupees in '000)				
Investments in debt securities - held to maturity	-	-	-	-	400,497
Loans and other receivables*	-	-	-	-	152,710
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>553,207</u>

	December 31, 2019 (Audited)				
	Gross carrying amounts of debt instruments that pass the SPPI test				
	AAA	AA+	AA	A	Unrated
	(Rupees in '000)				
Investments in debt securities - held to maturity	-	-	-	-	277,867
Loans and other receivables*	-	-	-	-	157,604
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>435,471</u>

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

3 SUMMARY OF 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, 2019.

4. CRITICAL ACCOUNTING ESTIMATES 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 Company's accounting policies and the key source of estimation uncertainty were the same as those that were applied to the annual financial statements for the year ended December 31, 2019.

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	Note	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019				
5. Property and equipment							
Operating assets	5.1	29,702	31,426				
Right-of-use assets	5.2	125,195	133,399				
		<u>154,897</u>	<u>164,825</u>				
5.1 Operating Assets							
Opening written down value		31,426	29,322				
Additions during the period	5.1.1	2,357	11,737				
Disposals during the period	5.1.2	(90)	(1,862)				
Write off during the period		-	(2)				
Depreciation for the period		(3,991)	(7,769)				
		<u>29,702</u>	<u>31,426</u>				
5.1.1 The following additions were made to tangible-property and equipment during the period/ year:							
Furniture and fixtures		17	2,567				
Computer equipment		1,540	2,568				
Office equipment		751	1,802				
Motor Vehicles - owned		49	4,800				
		<u>2,357</u>	<u>11,737</u>				
5.1.2 The following disposals of tangible - operating assets were made during the period / year:							
Computer equipment		23	36				
Office equipment		47	25				
Motor Vehicles - owned		20	1,801				
		<u>90</u>	<u>1,862</u>				
5.2 Right-of-use assets							
Balance at January 01, 2020		133,399	110,260				
Additions during the period / year		3,243	46,554				
Depreciation charge for the period / year		(11,447)	(23,415)				
Balance at June 30, 2020		<u>125,195</u>	<u>133,399</u>				
6. INVESTMENT IN EQUITY SECURITIES							
		June 30, 2020 (Unaudited)		December 31, 2019 (Audited)			
		Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
		(Rupees in '000)			(Rupees in '000)		
Related Party							
Listed share		285,735	-	285,735	355,996	-	355,996
Others							
Listed share		222,683	(1,726)	220,957	232,818	(2,760)	230,058
Mutual funds		2,335	-	2,335	1,915	-	1,915
Modaraba certificate		15,014	-	15,014	15,014	-	15,014
		240,032	(1,726)	238,306	249,747	(2,760)	246,987
Surplus on revaluation		-	-	231,450	-	-	384,716
		<u>525,767</u>	<u>(1,726)</u>	<u>755,491</u>	<u>605,743</u>	<u>(2,760)</u>	<u>987,699</u>

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7. INVESTMENT IN DEBT SECURITIES

Note	June 30, 2020 (Unaudited)			December 30, 2019 (Audited)			
	Cost	Impairment / provision (Rupees in '000)	Carrying value	Cost	Impairment / provision (Rupees in '000)	Carrying value	
Government securities	7.1	400,497	-	400,497	277,867	-	277,867

7.1 This represents PIBs having face value of Rs.440.0 million (market value of Rs.453.336 million) [December 31, 2019: Rs. 320.0 million (market value of Rs.259.479 million)]. These carry mark-up ranging from 7.00% to 12% (December 31, 2019: 7.00% to 12%) per annum and will mature between July 19, 2022 to July 12, 2028. PIBs having face value of Rs. 90.0 million have been deposited with the State Bank of Pakistan (SBP) as statutory deposit in accordance with the requirements of Section 29 of the Insurance Ordinance, 2000 and circular No. 15 of 2008 dated July 07, 2008 issued by the SECP.

	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019
8. LOANS AND OTHER RECEIVABLES - Considered good		
Accrued investment income	13,956	13,518
Security Deposits	38,795	33,832
Advances	6,019	6,690
Agents Commission receivable	3,463	8,850
Loan to employees	53,612	53,765
Other receivables	36,865	40,949
	<u>152,710</u>	<u>157,604</u>

9. INSURANCE / REINSURANCE RECEIVABLES - Unsecured and considered good

Due from insurance contract holders	634,884	607,147
Less: Provision for impairment of receivables from insurance contract holders	(15,912)	(15,912)
	618,972	591,235
Due from other insurers / reinsurers	512,626	460,967
Less: Provision for impairment of due from other insurers / reinsurers	(6,500)	(6,500)
	506,126	454,467
	<u>1,125,098</u>	<u>1,045,702</u>

10. PREPAYMENTS

Prepaid reinsurance premium ceded	401,306	366,576
Prepaid insurance on leased vehicles	5,041	2,729
Others	4,155	8,250
	<u>410,502</u>	<u>377,555</u>

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	(Unaudited) June 30, 2020	(Audited) December 31, 2019
	(Rupees in '000)	
11. CASH AND BANK BALANCES		
Cash and cash equivalents		
Cash in hand	1,944	201
Policy Stamps	50	147
	1,994	348
Cash at bank		
Current accounts	9,525	21,946
Savings accounts	12,909	98,822
	22,434	120,768
	24,428	121,116
Cash and short term borrowing include the following for the purposes of the cash flow statement:		
Cash and cash equivalents	24,428	121,116
Short term borrowings of upto three months including running finance	(116,541)	-
	(92,113)	121,116
12. INSURANCE / REINSURANCE PAYABLES		
Due to other insurers / reinsurers		
Foreign reinsurers	171,118	175,904
Local reinsurers	34,828	24,793
Co insurers payable	98,256	60,568
	304,202	261,265
13. OTHER CREDITORS AND ACCRUALS		
Agents commission payable	50,400	44,457
Federal excise duty	46,745	32,654
Federal insurance fee	3,356	2,386
Accrued expenses	20,322	25,693
Withholding tax payable	1,124	1,055
Unclaimed dividend	62,178	60,010
Sundry creditors	25,221	24,746
Others	6,533	941
	215,879	191,942
14. CONTINGENCIES & COMMITMENTS		
14.1 Contingencies		
There are no contingencies outstanding as at June 30, 2020 other than those reported in note 30.2 to the annual financial statements for the year ended December 31, 2019.		
14.2 Commitments		
There are no commitments as at June 30, 2020 (December 31, 2019: Nil)		

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	(Unaudited) Three months period ended June 30,		(Unaudited) Six months period ended June 30,	
	2020	2019	2020	2019
	(Rupees in '000)		(Rupees in '000)	
15. NET INSURANCE PREMIUM				
Written gross premium	448,440	489,875	732,355	783,439
Add: Unearned premium reserve - opening	663,391	581,749	778,636	631,754
Less: Unearned premium reserve - closing	(723,418)	(713,571)	(723,418)	(713,571)
Premium earned	<u>388,413</u>	<u>358,053</u>	<u>787,573</u>	<u>701,622</u>
Less: Reinsurance premium ceded	283,828	258,746	438,234	402,204
Add: Prepaid reinsurance premium - opening	320,947	249,775	366,576	281,792
Less: Prepaid reinsurance premium - closing	(401,306)	(339,582)	(401,306)	(339,582)
Reinsurance expense	<u>203,469</u>	<u>168,939</u>	<u>403,504</u>	<u>344,414</u>
Net insurance premium	<u>184,944</u>	<u>189,114</u>	<u>384,069</u>	<u>357,208</u>
16. NET INSURANCE CLAIMS EXPENSE				
Claims paid	125,997	386,454	413,962	503,623
Add: Outstanding claims including IBNR - closing	809,548	482,507	809,548	482,507
Less: Outstanding claims including IBNR - opening	(668,721)	(660,021)	(594,636)	(543,938)
Claims expense	<u>266,824</u>	<u>208,940</u>	<u>628,874</u>	<u>442,192</u>
Reinsurance and other recoveries received	82,080	299,753	226,236	329,685
Add: Reinsurance and other recoveries in respect of outstanding claims net of impairment - closing	579,276	338,383	579,276	338,383
Less: Reinsurance and other recoveries in respect of outstanding claims net of impairment - opening	(468,219)	(526,498)	(364,205)	(415,759)
Reinsurance and other recoveries revenue	<u>193,137</u>	<u>111,638</u>	<u>441,307</u>	<u>252,309</u>
Net insurance claims expense	<u>73,687</u>	<u>97,302</u>	<u>187,567</u>	<u>189,883</u>
17. NET COMMISSION INCOME				
Commissions paid or payable	44,300	47,261	76,605	72,872
Add: Deferred commission - opening	65,488	53,891	74,039	61,071
Less: Deferred commission - closing	(70,894)	(66,924)	(70,894)	(66,924)
Commission expense	<u>38,894</u>	<u>34,228</u>	<u>79,750</u>	<u>67,019</u>
Less: Commission from reinsurers				
Commission received or receivable	92,884	70,616	128,919	110,409
Add: Unearned reinsurance commission - opening	87,674	73,071	105,979	77,002
Less: Unearned reinsurance commission - closing	(120,023)	(99,145)	(120,023)	(99,145)
Commission from reinsurers	<u>60,535</u>	<u>44,542</u>	<u>114,875</u>	<u>88,266</u>
Net commission income	<u>21,641</u>	<u>10,314</u>	<u>35,125</u>	<u>21,247</u>

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	Three months period ended June 30,		Six months period ended June 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
	(Rupees in '000)		(Rupees in '000)	
18. INVESTMENT INCOME				
Income from equity securities and mutual fund units - available-for-sale				
- Dividend income	4,797	8,192	34,397	36,618
Income from debt securities - held-to-maturity				
- Return on debt securities	6,472	1,439	16,578	3,236
Net realised gain / (losses) on investments				
- Equity securities	(201)	11,076	(24,760)	11,850
- Mutual funds units	201	1,945	201	2,145
	-	13,021	(24,559)	13,995
Total investment income	11,269	22,652	26,416	53,849
Add/ (Less): Reversal / (Impairment) in value of available-for-sale investments equity securities	1,034	(3,603)	1,034	(3,603)
Less: Investment related expenses	(6)	301	(246)	(154)
	12,297	19,350	27,204	50,092
19. TAXATION				
For the period				
Current	11,641	8,461	15,448	14,662
Deferred	(1,265)	(12,081)	(2,179)	(11,178)
	10,376	(3,620)	13,269	3,484

There are no changes in the tax contingencies from those reported as at the end of latest audited financial statements i.e. December 31, 2019 except for the case mentioned below on which proceedings initiated after year end.

- A show cause no 1490668 dated January 30, 2020 for short payment of sales tax Rs. 36.1 million has been issued from the office of Assistant Commissioner Sindh Revenue Board Karachi, for commission received from re-insurers, by Habib Insurance Company Limited during the period January to December 2012 to January to December 2013, the adjudication proceeding are under process, and the tax advisor is confident the outcome of favour to be decided in our favour, hence no provision is recorded in the financial statements.

The Company has filed return of total income for the tax year 2019 (financial year ended December 31, 2018) 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. The return was filed declaring income for the year at Rs. 128,594,162 with tax chargeable at Rs. 36,346,907 and claiming refund at 42,498,350. The order creates demand of Rs. 35,277,590 against which the Company submitted its reply through its legal advisor. The tax advisor believes that modification will be made by the department therefore no provision has been made in the financial statements for the year June 30, 2020.

	Three months period ended June 30,		Six months period ended June 30,	
	2020	2019	2020	2019
	(Unaudited)		(Unaudited)	
	(Rupees in '000)		(Rupees in '000)	
20. OTHER INCOME				
Return on bank balance	67	1,522	1,240	5,054
(Loss) / gain on sale of fixed assets	(22)	(2)	(62)	388
Return on loan to employees	571	425	1,785	744
Miscellaneous	-	5,242	21	5,265
	616	7,187	2,984	11,451

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	Three months period ended June 30,		Six months period ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
	(Rupees in '000)			
21. EARNINGS PER SHARE - BASIC AND DILUTED				
Profit after tax for the period	34,454	27,133	37,606	41,280
	(Number of Shares)		(Number of Shares)	
Weighted average number of ordinary shares of Rs. 5 each	123,874,755	123,874,755	123,874,755	123,874,755
	(Rupees)		(Rupees)	
Basic earnings per share	0.28	0.22	0.30	0.33

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

22. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of associated companies, companies with common directors, major shareholders, staff retirement funds, directors and key management personnel. The Company in the normal course of business carries out transactions with related parties at commercial terms and conditions except for compensation to key management personnel which are on employment terms.

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

	(Unaudited) Three months period ended June 30,		(Unaudited) Six months period ended June 30,	
	2020	2019	2020	2019
	(Rupees in '000)			
Transactions and balances with associated companies				
Transactions during the period with associated companies				
Premium written	72,213	55,672	121,763	111,345
Claims paid	(8,564)	49,231	92,108	98,462
Dividend received	949	1,290	16,058	14,883
Dividend paid	2,868	4,302	2,868	4,302
Investment made	-	-	18,308	8,304
Interest received on bank accounts	67	1,522	1,240	5,054
Bank charges	172	50	350	139
Fees paid	420	120	420	300
Lease rentals paid	6,216	4,369	10,856	9,037
Security deposit paid	1,832	3,069	2,463	3,069
Interest expense	4,028	1,769	5,799	3,072
Remuneration of key management personnel	29,125	24,944	56,140	50,716

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	(Unaudited) June 30, 2020	(Audited) December 31, 2019
	(Rupees in '000)	
Balances with associated companies		
Premium due but unpaid	<u>63,681</u>	<u>137,000</u>
Claims outstanding	<u>111,133</u>	<u>162,653</u>
Bank balances	<u>12,910</u>	<u>117,838</u>
Investment held	<u>347,528</u>	<u>586,456</u>
Security deposit	<u>22,700</u>	<u>20,237</u>
Finance lease liability	<u>78,086</u>	<u>81,695</u>
Borrowings	<u>164,365</u>	<u>80,000</u>

	Three months period ended June 30,		Six months period ended June 30,	
	2020	2019	2020	2019
	(Rupees in '000)			
Transactions during the period with other related parties including key management personnel				
Repayment of loans to employees (secured)	<u>653</u>	<u>1,819</u>	<u>2,508</u>	<u>4,979</u>
Brokerage expenses paid	<u>-</u>	<u>344</u>	<u>240</u>	<u>484</u>
Dividend paid	<u>1,691</u>	<u>4,172</u>	<u>1,691</u>	<u>4,172</u>
Contribution to the provident fund	<u>2,348</u>	<u>2,072</u>	<u>4,530</u>	<u>4,303</u>

	(Unaudited) June 30, 2020	(Audited) December 31, 2019
	(Rupees in '000)	
Balances with other related parties including key management personnel		
Premium due but unpaid	<u>14</u>	<u>15</u>
Loans to employees (secured)	<u>20,769</u>	<u>21,454</u>

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23. SEGMENT REPORTING

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

Habib Insurance Company Limited

June 30, 2019 (Unaudited)

	Fire and property	Marine and transport	Motor	Other Classes	Aggregate
	(Rupees in '000)				
Gross Written Premium (inclusive of administrative Surcharge)	319,474	125,371	259,525	79,069	783,439
Insurance premium earned	247,768	121,281	254,539	78,034	701,622
Insurance premium ceded to reinsurers	(204,209)	(44,674)	(53,911)	(41,620)	(344,414)
Net insurance premium	43,559	76,607	200,628	36,414	357,208
Commission income	51,220	14,917	15,976	6,153	88,266
Net underwriting income	94,779	91,524	216,604	42,567	445,474
Insurance claims	165,478	91,781	149,645	35,288	442,192
Insurance claims recovered from reinsurers	(146,605)	(49,004)	(44,315)	(12,385)	(252,309)
Net Claims	18,873	42,777	105,330	22,903	189,883
Commission expense	(31,963)	(13,420)	(13,510)	(8,126)	(67,019)
Management expenses	(58,619)	(23,004)	(47,619)	(14,509)	(143,751)
Net insurance claims and expenses	(90,582)	(36,424)	(61,129)	(22,635)	(210,770)
Underwriting result	(14,676)	12,323	50,145	(2,971)	44,821
Net Investment income					50,092
Other income					11,451
Other expenses					(58,291)
Results of operating activities					48,073
Finance cost					(6,969)
Profit from Window Takaful Operations - Operator's Fund					3,660
Profit before tax					44,764
Segment assets	678,222	331,986	696,757	213,607	1,920,572
Unallocated assets					1,230,578
Total assets of General Takaful Operations - Operator's Fund					63,153
					3,214,303
Segment liabilities	537,724	263,213	552,419	169,356	1,522,712
Unallocated liabilities					501,668
Total liabilities of General Takaful Operations - Operator's Fund					12,440
					2,036,820

Habib Insurance Company Limited

24 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

Insurance and financial risk management objectives and policies are consistent with those disclosed in the annual financial statements for the year ended December 31, 2019.

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as 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 (i.e. an exit price). Adoption of IFRS 13 has not affected the condensed interim financial information.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

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

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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	As at June 30, 2020 (Unaudited)					Fair value measurement using		
	Available- for-sale	Loans & receivables assets	Other financial liabilities	Other financial	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
Equity securities	506,692	-	-	-	506,692	506,692	-	-
Mutual Funds Units	2,335	-	-	-	2,335	2,335	-	-
Modaraba certificates	15,014	-	-	-	15,014	15,014	-	-
Financial assets not measured at fair value								
Investments								
Debt Securities	-	400,497	-	-	400,497	-	453,336	-
Loans and other receivable	-	152,710	-	-	152,710	-	-	-
Insurance / reinsurance receivables	-	1,125,098	-	-	1,125,098	-	-	-
Reinsurance recoveries against outstanding claims	-	562,301	-	-	562,301	-	-	-
Cash and bank balances	-	-	24,428	-	24,428	-	-	-
Total Assets of Window Takaful Operations - Operator's Fund	55,610	14,578	7,530	-	77,718	-	-	-
	579,651	2,255,184	31,958	-	2,866,793	524,041	453,336	-
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	-	-	-	(809,548)	(809,548)	-	-	-
Premium received in advance	-	-	-	(21,179)	(21,179)	-	-	-
Insurance / reinsurance payables	-	-	-	(304,202)	(304,202)	-	-	-
Other creditors and accruals	-	-	-	(215,879)	(215,879)	-	-	-
Total Liabilities of Window Takaful Operations - Operator's Fund	-	-	-	(23,656)	(23,656)	-	-	-
	579,651	2,255,184	31,958	(1,374,464)	1,492,329	524,041	453,336	-

Habib Insurance Company Limited

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	Decmeber 31, 2019 (Audited)							
	Available- for-sale	Loans & receivables assets	Other financial liabilities	Other financial	Total	Fair value measurement using		
						Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
Equity securities	962,613	-	-	-	962,613	962,613	-	-
Mutual Funds Units	3,738	-	-	-	3,738	-	3,738	-
Modaraba certificates	21,348	-	-	-	21,348	21,348	-	-
Financial assets not measured at fair value								
Investments								
Debt Securities	-	277,867	-	-	277,867	-	259,479	-
Loans and other receivable	-	157,604	-	-	157,604	-	-	-
Insurance / reinsurance receivables	-	1,045,702	-	-	1,045,702	-	-	-
Reinsurance recoveries against outstanding claims	-	355,901	-	-	355,901	-	-	-
Cash and bank balances	-	-	121,116	-	121,116	-	-	-
Total Assets of Window Takaful Operations - Operator's Fund	36,809	25,211	193	-	62,213	-	-	-
	<u>1,024,508</u>	<u>1,862,285</u>	<u>121,309</u>	<u>-</u>	<u>3,008,102</u>	<u>983,961</u>	<u>263,217</u>	<u>-</u>
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	-	-	-	(594,636)	(594,636)	-	-	-
Premium received in advance	-	-	-	(20,605)	(20,605)	-	-	-
Insurance / reinsurance payables	-	-	-	(261,265)	(261,265)	-	-	-
Other creditors and accruals	-	-	-	(191,942)	(191,942)	-	-	-
Total Liabilities of Window Takaful Operations - Operator's Fund	-	-	-	(15,120)	(15,120)	-	-	-
	<u>1,024,508</u>	<u>1,862,285</u>	<u>121,309</u>	<u>(1,083,568)</u>	<u>1,924,534</u>	<u>983,961</u>	<u>263,217</u>	<u>-</u>

The carrying values of remaining financial assets and liabilities reflected in these financial statements approximate to their fair value

Habib Insurance Company Limited

	Held to Maturity	Available- for-sale (Rupees in '000)	Total
26. MOVEMENT IN INVESTMENTS			
As at January 01, 2019	70,763	1,129,856	1,200,619
Additions	206,419	553,144	759,563
Disposals (sale and redemption)	–	(600,020)	(600,020)
Fair value net gains (excluding net realised gains)	–	(93,278)	(93,278)
Impairment of investments	–	(2,003)	(2,003)
Amortisation of premium / discount	685	–	685
As at December 31, 2019	277,867	987,699	1,265,566
Additions	151,056	160,166	311,222
Disposals (sale and redemption)	(30,000)	(215,631)	(245,631)
Fair value net gains (excluding net realised gains)	–	(177,777)	(177,777)
Reversal of impairment of investments	–	1,034	1,034
Amortisation of premium / discount	1,574	–	1,574
As at June 30, 2020	400,497	755,491	1,155,988

27. CORRESPONDING FIGURES

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

28. GENERAL

Figures have been rounded off to the nearest Thousand Rupee.

29. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on August 19, 2020 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

INDEPENDENT AUDITOR'S REVIEW REPORT

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

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Habib Insurance Company Limited – Window Takaful Operations (“the Fund”) as at 30 June 2020 and the related condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in fund, and notes to the condensed interim financial statements for the six-month period then ended (here-in-after referred to as the “interim financial statements”). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

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

Conclusion

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

Emphasis of matter

We draw your attention to Note 20.1 to the condensed interim financial statements which states that the admissible assets of Participant Takaful Fund are less than its liabilities as at 31 December 2019 which is not consistent with the requirements of Rule 10(k) of Takaful Rules 2012. Our report is not modified in respect of this matter.

Other matter

The figures for the quarters ended 30 June 2020 and 30 June 2019 in the condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

The engagement partner on the review resulting in this independent auditors review's report is Muhammad Taufiq.

Date : 31 August 2020

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

Habib Insurance Company Limited

Condensed Interim Statement of Financial Position of OPF and PTF as at June 30, 2020 (Unaudited)

	Note	OPF		PTF	
		(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)	(Unaudited) June 30, 2020 (Rupees in '000)	(Audited) December 31, 2019 (Rupees in '000)
Assets					
Investments					
Equity	5	55,610	36,809	20,221	20,481
Loans and other receivables	6	3,702	3,661	28	334
Takaful / retakaful receivable		-	-	65,519	42,277
Retakaful recoveries against outstanding claims	10	-	-	19,479	10,521
Deferred Wakala expense	12	-	-	2,388	10,518
Taxation - payments less provision		-	-	206	557
Deferred commission expense	11	5,008	4,122	-	-
Receivable from PTF		10,876	21,250	-	-
Prepayments		300	300	20,283	20,810
Cash and Bank	7	2,222	193	12,720	21,133
Total assets		77,718	66,335	140,844	126,631
Equities and Liabilities					
Capital Reserves Attributable to Company's Shareholders					
Share capital		50,000	50,000	-	-
Reserves		596	607	-	-
Retained earnings		3,466	(416)	-	-
Total Shareholders Equity		54,062	50,191	-	-
Participants' Takaful Fund (PTF)					
Seed money		-	-	500	500
Reserves		-	-	(196)	-
Accumulated surplus / (deficit)		-	-	427	(4,510)
Balance of Participants' Takaful Fund		-	-	731	(4,010)
Qard-e-Hasna		-	-	3,652	3,652
Liabilities					
PTF underwriting provisions					
Outstanding claims including IBNR	10	-	-	32,108	17,825
Unearned contribution reserve	8	-	-	47,754	42,069
Reserve for unearned retakaful rebate	9	-	-	3,679	3,535
		-	-	83,541	63,429
Unearned Wakala Fee	12	2,388	10,518	-	-
Contribution received in advance		-	-	4,697	1,802
Takaful / retakaful payable		-	-	35,371	38,422
Other creditors and accrual		19,652	4,633	1,896	2,086
Payable to OPF		-	-	10,876	21,250
Taxation - provision less payments		1,158	539	-	-
Deferred taxation		458	454	80	-
Total liabilities		23,656	16,144	52,920	63,560
Total Equity and liabilities		77,718	66,335	140,844	126,631
Contingency and commitment	14				

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Comprehensive Income (Unaudited) for the half year ended June 30, 2020

Note	(Unaudited) Three months period ended June 30,		(Unaudited) Six months period ended June 30,	
	2020 (Rupees in '000)	2019 (Rupees in '000)	2020 (Rupees in '000)	2019 (Rupees in '000)
PTF				
Contributions earned	23,219	10,176	38,913	17,026
Less: Contributions ceded to retakaful	(13,188)	(7,608)	(27,655)	(13,247)
Net contributions revenue	10,031	2,568	11,258	3,779
Retakaful rebate earned	2,093	1,289	4,517	2,360
Net underwriting income	12,124	3,857	15,775	6,139
Net claims - reported / settled - IBNR	2,511 (3,085)	(3,810) -	(9,761) (3,085)	(5,157) -
	(574)	(3,810)	(12,846)	(5,157)
Surplus / (deficit) before investment income	11,550	47	2,929	982
Investment income	259	615	2,008	726
Surplus transferred to accumulated surplus / (deficit)	11,809	662	4,937	1,708
Other Comprehensive income:				
Unrealised loss on available-for-sale investments during the period	(2,304)	-	(1,680)	-
Net gain transferred to profit and loss on disposal / redemption / impairment of investments	1,404	-	1,404	-
	(900)	-	(276)	-
Related tax impact	261	-	80	-
Others comprehensive loss for the period	(639)	-	(196)	-
Total comprehensive income for the period	11,170	662	4,741	1,708
OPF				
Wakala fee	1,209	2,906	10,876	5,203
Commission expense	(2,543)	(1,230)	(5,213)	(2,210)
General administrative and management expenses	(1,198)	(1,956)	(2,212)	(2,821)
	(2,532)	(280)	3,451	172
Investment income	938	1,251	3,163	2,521
Direct expenses	(661)	(641)	(1,147)	(1,393)
(Loss) / profit before taxation	(2,255)	330	5,467	1,300
Taxation	654	(96)	(1,585)	(377)
(Loss) / profit after taxation attributable to shareholders	(1,601)	234	3,882	923
Other Comprehensive income:				
Unrealised loss on available-for-sale investments during the period	(1,427)	-	(1,098)	-
Net gain transferred to profit and loss on disposal / redemption / impairment of investments	1,083	-	1,083	-
	(344)	-	(15)	-
Related tax impact	99	-	4	-
Others comprehensive loss for the period	(245)	-	(11)	-
Total comprehensive (Loss) / income for the period	(1,846)	234	3,871	923

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

RAFIQ M. HABIB
Chairman

MANSOOR G. HABIB
Director

AUN MOHAMMAD A. HABIB
Director

SHABBIR GULAMALI
Chief Executive

MURTAZA HUSSAIN
Chief Financial Officer

Habib Insurance Company Limited

Condensed Interim Statement of Changes in Shareholders Equity and Participates' Takaful Fund (Unaudited) for the six months period ended June 30, 2020

	Attributable to share holders of the Company			
	Share capital	Reserves	Unappropriated profit	Total
	(Rupees in '000)			
Balance as at January 01, 2019	50,000	(2,947)	521	47,574
Profit for the period	-	3,660	-	3,660
Other comprehensive income				
Less: Net loss transferred to profit and loss on disposal of investments	-	-	(521)	(521)
Balance as at June 30, 2019	<u>50,000</u>	<u>713</u>	<u>-</u>	<u>50,713</u>
Balance as at January 01, 2020	50,000	607	(416)	50,191
Profit for the period	-	-	3,882	3,882
Other comprehensive income				
Less: Net loss transferred to profit and loss on disposal of investments	-	(11)	-	(11)
Balance as at June 30, 2020	<u>50,000</u>	<u>596</u>	<u>3,466</u>	<u>54,062</u>

	Attributable to participants of the PTF			
	Seed money	Reserves	Accumulated surplus / (deficit)	Total
	(Rupees in '000)			
Balance as at January 01, 2019	500	-	(1,689)	(1,189)
Deficit for the period	-	-	(652)	(652)
Balance as at June 30, 2019	<u>500</u>	<u>-</u>	<u>(2,341)</u>	<u>(1,841)</u>
Balance as at January 01, 2020	500	-	(4,510)	(4,010)
Surplus for the period	-	-	4,937	4,937
Other comprehensive income	-	-	-	-
Less: Net loss transferred to profit and loss on disposal of investments	-	(196)	-	(196)
Balance as at June 30, 2020	<u>500</u>	<u>(196)</u>	<u>427</u>	<u>731</u>

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

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

Habib Insurance Company Limited

Condensed Interim Cash Flow Statement (Unaudited) for the half year ended June 30, 2020

	OPF		PTF	
	(Unaudited)			
	June 30, 2020	2019	June 30, 2020	June 30, 2019
	(Rupees in '000)			
Operating Cash flows				
(a) Takaful activities				
Contribution received	-	-	66,062	(10,106)
Retakaful contribution paid	-	-	(30,179)	18,532
Claims paid	-	-	(18,139)	(4,549)
Retakaful and other recoveries received	-	-	10,618	661
Commission paid	(3,186)	-	-	(4,132)
Commission received	4,661	-	-	3,632
Wakala fees received	21,250	-	-	-
Wakala fee paid	-	-	(21,250)	-
Net cash flow from takaful activities	22,725	-	7,112	4,038
(b) Other operating activities				
Other operating receipts	-	-	-	-
Other operating payments	(4,957)	(8,084)	(17,642)	6,519
Net cash flow from other operating activities	(4,957)	(8,084)	(17,642)	6,519
Total cash flow from all operating activities	17,768	(8,084)	(10,530)	10,557
Investment activities				
Profit / return received	9	1,483	729	569
Dividend received	1,985	348	-	-
Proceeds from investments	58,937	20,745	21,404	-
Payments for investments	(76,670)	(10,296)	(20,016)	-
Total cash flow from investing activities	(15,739)	12,280	2,117	569
Net cash flow from all activities	2,029	4,196	(8,413)	11,126
Cash and cash equivalents at beginning of year	193	25,401	21,133	6,260
Cash and cash equivalents at end of period	2,222	29,597	12,720	17,386
Reconciliation to profit and loss account				
Operating cash flows	17,768	(8,084)	(10,530)	10,557
Profit / return received	9	1,483	729	569
Dividends received	1,985	348	-	-
Capital gain	1,083	571	1,404	-
Increase in unearned contribution	-	-	5,685	-
Increase in assets other than cash	(23,856)	15,308	22,001	25,710
Increase in liabilities	6,893	(5,966)	(14,352)	(36,184)
Profit after taxation	3,882	3,660	4,937	652
Attributed to:	3,882	3,660	-	-
Operator's Fund	-	-	4,937	652
Participants' Takaful Fund	3,882	3,660	4,937	652

The annexed notes from 1 to 22 form an integral part of these condensed interim financial statements.

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

Habib Insurance Company Limited

Notes to the Condensed Interim Financial Statements for the six months period ended June 30, 2020 (Unaudited)

1 LEGAL 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 During the period, the novel coronavirus (COVID 19) emerged and since then, the condition has continued to deteriorate. On January 30, 2020, the International Health Regulations Emergency Committee of the WHO declared the outbreak a "Public Health Emergency of International Concern". The COVID-19 pandemic has significantly impacted the market around the world to date and may continue to do so in the coming months of 2020 whereby potentially impacting the earnings and cash flows of the Company. The scale and duration of this outbreak remains uncertain and as it evolves globally in 2020, the company based on its current assessment considered that there would be no significant impact that will adversely affect its business, result of operations and financial condition of the company.

2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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, Takaful Rules, 2012 and the General Takaful Accounting Regulations, 2019. Where the provisions of and directives issued under the Companies Act, 2017, Insurance Ordinance, 2000, Insurance Rules, 2017, and Insurance Accounting Regulations, 2017, Takaful Rules, 2012, and the General Takaful Accounting Regulations, 2019 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 and the General Takaful Accounting Regulations, 2019 have been followed. These condensed interim financial statements reflect the financial position and results of operations of both the company and PTF in a manner that the assets, liabilities, income and expense of the company and PTF remain separately identifiable.

Change in accounting policy

Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 1416(I)/2019 dated November 20, 2019 has issued General Takaful Accounting Regulations 2019. Accordingly, the operator has changed the format for preparation and presentation of condensed interim financial statements to comply with requirements of the regulations. The application of these regulations for the purpose of preparation and presentation of the condensed interim financial statements are effective from January 01, 2020.

2.1 Basis of measurement

These condensed interim financial statements have been prepared on the historical cost basis except for available for sale investments that have been measured at fair value.

Habib Insurance Company Limited

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 Amendments to approved accounting standards that are effective in the current period

There are certain amendments to existing accounting standards that have become applicable to the company for accounting periods beginning on or after January 01, 2020. These are considered either not to 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 approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2020:

- Amendment to IFRS 3 'Business Combinations' — Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past condensed interim financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose condensed interim financial statements in accordance with IFRS Standards.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process — this means that the overall impact on standard setting may take some time to crystallise.
- The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs. Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the condensed interim financial statements of the Company.

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- IFRS 14 Regulatory Deferral Accounts - (effective for annual periods beginning on or after July 01, 2019) provides interim guidance on accounting for regulatory deferral accounts balances while IASB considers more comprehensive guidance on accounting for the effects of rate regulation. In order to apply the interim standard, an entity has to be rate regulated - i.e. the establishment of prices that can be charged to its customers for goods or services is subject to oversight and/or approved by an authorized body. The term 'regulatory deferral account balance' has been chosen as a neutral descriptor for expense (income) or variance account that is included or is expected to be included by the rate regulator in establishing the rate(s) that can be charged to customers and would not otherwise be recognized as an asset or liability under other IFRSs. The standard is not likely to have any effect on Company's financial statements.
- 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 introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from July 01, 2018 onwards to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before IFRS 17 is applied.
- The Company has determined that it is eligible for the temporary exemption option since the Company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the Company can defer the application of IFRS 9 until the application IFRS 17.
- To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset. Indeed, the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding ('SPPI') i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.
- IFRS 9 defines the terms "principal" as being the fair value of the financial asset at initial recognition, and the "interest" as being compensation for (i) the time value of money, and (ii) the credit risk associated with the principal amount outstanding during a particular period of time.
- The tables below set out the fair values as at the end of reporting period and the amount of change in the fair value during that period for the following two groups of financial assets separately:
 - a) financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in IFRS 9, or that is managed and whose performance is evaluated on a fair value basis, and

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b) all other financial assets.

Financial assets	June 30, 2020 (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*	14,942	-	-	-	-
Investment					
- Equity	75,831	770	-	-	-
Other receivables*	-	-	3,730	3,730	-
	<u>90,773</u>	<u>770</u>	<u>3,730</u>	<u>3,730</u>	<u>-</u>

	June 30, 2020 (Unaudited)			
	Gross carrying amounts of debt instruments that pass the SPPI test			
	AAA	AA+	A+	Unrated
	(Rupees in '000)			
Loans and other receivables*	-	-	-	3,730

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

3 SUMMARY OF 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 Operator for the year ended December 31, 2019.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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, 2019.

5. INVESTMENT IN EQUITY SECURITIES AVAILABLE-FOR-SALE

	June 30, 2020 (Unaudited)				December 31, 2019 (Audited)			
	Cost	Impairment / provision	Revaluation surplus	Carrying value	Cost	Impairment / provision	Revaluation surplus	Carrying value
	(Rupees in '000)				(Rupees in '000)			
OPF								
Others								
Habib Islamic Income Fund	55,045	-	565	55,610	26,229	-	-	26,229
Meezan Sovereign Fund	-	-	-	-	10,000	-	580	10,580
Total	<u>55,045</u>	<u>-</u>	<u>565</u>	<u>55,610</u>	<u>36,229</u>	<u>-</u>	<u>580</u>	<u>36,809</u>

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	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)			
	Cost	Impairment / Revaluation provision / surplus	Carrying value	Cost	Impairment / Revaluation provision / surplus	Carrying value	
	(Rupees in '000)			(Rupees in '000)			
PTF							
Others							
NBP Islamic Mahana Amdani Fund	-	-	-	20,000	-	481	20,481
Habib Islamic Income Fund	20,016	-	205	20,221	-	-	-
Total	20,016	-	205	20,000	-	481	20,481

6. LOANS AND OTHER RECEIVABLES

	Note	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
		OPF	PTF	Total	OPF	PTF	Total
		(Rupees in '000)			(Rupees in '000)		
Qard e Hasna	6.1	3,652	-	3,652	3,652	-	3,652
Profit receivable on bank accounts		-	-	-	9	144	153
Other receivables		50	28	78	-	190	190
		3,702	28	3,730	3,661	334	3,995

- 6.1 In accordance with the Takaful Accounting Regulation 2019, 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

	June 30, 2020 (Unaudited)			December 31, 2019 (Audited)		
	OPF	PTF	Total	OPF	PTF	Total
	(Rupees in '000)			(Rupees in '000)		
Cash and cash equivalent						
- Policy stamps	-	37	37	-	95	95
Cash at bank						
- Saving accounts	2,222	12,683	14,905	193	21,038	21,231
	2,222	12,720	14,942	193	21,133	21,326

Three months period ended June 30,		Six months period ended June 30,	
2020	2019	2020	2019
(Unaudited)		(Unaudited)	
(Rupees in '000)		(Rupees in '000)	

8. NET CONTRIBUTION

Written gross contribution	20,968	20,932	55,474	39,513
Less: Wakala Fee	(1,209)	(2,906)	(10,876)	(5,203)
Contribution Net of Wakala Fee	19,759	18,026	44,598	34,310
Add: Unearned contribution reserve opening	51,214	25,121	42,069	15,687
Less: Unearned contribution reserve closing	(47,754)	(32,971)	(47,754)	(32,971)
Contribution Earned	23,219	10,176	38,913	17,026
Retakaful contribution ceded	12,113	12,047	27,128	21,713
Add: Prepaid retakaful contribution opening	21,358	12,815	20,810	8,788
Less: Prepaid retakaful contribution closing	(20,283)	(17,254)	(20,283)	(17,254)
Retakaful expense	13,188	7,608	27,655	13,247
Net Contribution	10,031	2,568	11,258	3,779

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	Three months period ended June 30,		Six months period ended June 30,	
	2020 (Unaudited) (Rupees in '000)	2019 (Unaudited) (Rupees in '000)	2020 (Unaudited) (Rupees in '000)	2019 (Unaudited) (Rupees in '000)
9. RETAKAFUL REBATE				
Retakaful rebate received	1,977	1,972	4,661	3,632
Add: Unearned retakaful rebate opening	3,795	2,157	3,535	1,568
Less: Unearned retakaful rebate closing	(3,679)	(2,840)	(3,679)	(2,840)
Retakaful rebate	<u>2,093</u>	<u>1,289</u>	<u>4,517</u>	<u>2,360</u>
10. TAKAFUL CLAIMS EXPENSE				
Claims Paid	12,347	3,594	18,139	4,549
Add: Outstanding claims including IBNR closing	32,108	6,467	32,108	6,467
Less: Outstanding claims including IBNR opening	(23,760)	(2,025)	(17,825)	(1,615)
Claims Expense	<u>20,695</u>	<u>8,036</u>	<u>32,422</u>	<u>9,401</u>
Retakaful and other recoveries received	7,934	640	10,618	661
Add: Retakaful and other recoveries in respect of outstanding claims - Closing	19,479	3,881	19,479	3,881
Less: Retakaful and other recoveries in respect of outstanding claims - Opening	(7,292)	(295)	(10,521)	(298)
Retakaful and other recoveries revenue	<u>20,121</u>	<u>4,226</u>	<u>19,576</u>	<u>4,244</u>
Net Claim Expense	<u>574</u>	<u>3,810</u>	<u>12,846</u>	<u>5,157</u>
11. COMMISSION EXPENSE				
Commission paid or payable	2,265	2,216	6,099	4,162
Add: Deferred commission expense opening	5,286	2,221	4,122	1,255
Less: Deferred commission expense closing	(5,008)	(3,207)	(5,008)	(3,207)
Commission expense	<u>2,543</u>	<u>1,230</u>	<u>5,213</u>	<u>2,210</u>
12. WAKALA FEE				
Gross Wakala Fee	1,036	4,869	2,746	9,524
Add: Deferred wakala fee - opening	2,561	6,280	10,518	3,922
Less: Deferred wakala fee - closing	(2,388)	(8,243)	(2,388)	(8,243)
Net wakala fee	<u>1,209</u>	<u>2,906</u>	<u>10,876</u>	<u>5,203</u>
	OPF		PTF	
	June 30, 2020 (Rupees in '000)	June 30, 2019 (Rupees in '000)	June 30, 2020 (Rupees in '000)	June 30, 2019 (Rupees in '000)
13. INVESTMENT INCOME				
Income from equity securities - Dividend income	1,966	919	19	-
Return on bank balances	114	1,602	585	726
Net realised gains / (losses) on investments				
Available for sale financial assets				
Realised gains on:				
- Equity securities	1,083	-	1,404	-
Less: Investment related expenses	-	-	-	-
	<u>3,163</u>	<u>2,521</u>	<u>2,008</u>	<u>726</u>

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14 CONTINGENCY & COMMITMENT

There is no contingency and commitment as at June 30, 2020 (December 31, 2019: Nil).

15 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:

	(Unaudited) June 30, 2020	(Unaudited) June 30, 2019
	(Rupees in '000)	
15.1 Operator's Fund		
Transactions		
Wakala fee charged during the period	10,876	5,203
Balances		
Associated companies		
Bank balances	2,222	193
15.2 Participants' Takaful Fund		
Transactions		
Associated companies		
Contribution written	7,075	801
Claim paid	1,286	1,870
Profit on bank accounts	585	726
Balances		
Associated companies		
Contribution due but unpaid	1,616	3,889
Claim outstanding	476	1,136
Bank balance	12,683	21,231

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16 SEGMENT INFORMATION

16.1 Participants' Takful Fund

	Six months period ended June 30, 2020 (Unaudited)				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Contribution receivable (inclusive of federal excise duty and administrative surcharge)	18,953	8,968	30,842	4,445	63,208
Less: Federal Excise Duty	(2,292)	(1,064)	(3,517)	(338)	(7,211)
Federal Insurance Fee	(159)	(78)	(260)	(26)	(523)
Gross written contribution (inclusive of administrative surcharge)	<u>16,502</u>	<u>7,826</u>	<u>27,065</u>	<u>4,081</u>	<u>55,474</u>
Wakala fees	(1,685)	(753)	(8,308)	(130)	(10,876)
Takaful contribution earned	19,180	8,596	20,602	1,411	49,789
Takaful contribution ceded to retakaful operators	<u>(15,750)</u>	<u>(7,063)</u>	<u>(3,695)</u>	<u>(1,147)</u>	<u>(27,655)</u>
Net takaful contribution	1,745	780	8,599	134	11,258
Retakaful rebate	<u>2,664</u>	<u>1,547</u>	<u>57</u>	<u>249</u>	<u>4,517</u>
Net underwriting income	4,409	2,327	8,656	383	15,775
Takaful claims	(12,345)	(4,488)	(14,625)	(964)	(32,422)
Takaful claims recovered from retakaful	<u>11,233</u>	<u>3,759</u>	<u>3,867</u>	<u>717</u>	<u>19,576</u>
Net claims	(1,112)	(729)	(10,758)	(247)	(12,846)
Surplus before investment income	3,297	1,598	(2,102)	136	2,929
Net investment income	<u>2,260</u>	<u>1,096</u>	<u>(1,441)</u>	<u>93</u>	<u>2,008</u>
Surplus transferred to balance of PTF	<u>5,557</u>	<u>2,694</u>	<u>(3,543)</u>	<u>229</u>	<u>4,937</u>
Segment assets	33,664	15,087	36,158	2,476	87,385
Unallocated assets					53,459
Total assets					<u>140,844</u>
Segment liabilities	15,436	6,918	16,579	1,135	40,068
Unallocated liabilities					12,852
Total liabilities					<u>52,920</u>
16.2 Operator's Fund					
Wakala fee	4,191	1,878	4,500	308	10,876
Commission expense	(2,919)	(1,274)	(994)	(26)	(5,213)
Management expenses	<u>(657)</u>	<u>(312)</u>	<u>(1,080)</u>	<u>(163)</u>	<u>(2,212)</u>
Underwriting result	615	292	2,426	119	3,451
Investment income					3,163
Direct expenses					<u>(1,147)</u>
Profit before taxation					5,467
Income tax expense					<u>(1,585)</u>
Profit after tax for the period					<u>3,882</u>
Segment assets	1,929	865	2,072	142	5,008
Unallocated assets					72,710
Total assets					<u>77,718</u>
Segment liabilities	920	412	988	68	2,388
Unallocated liabilities					21,268
Total liabilities					<u>23,656</u>

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16 SEGMENT INFORMATION

16.1 Participants' Takful Fund

	Six months period ended June 30, 2019 (Unaudited)				
	Fire and property	Marine and transport	Motor	Other classes	Aggregate
	(Rupees in '000)				
Contribution receivable (inclusive of federal excise duty and administrative surcharge)	18,884	7,169	17,949	1,473	45,475
Less: Federal Excise Duty	(2,414)	(859)	(2,126)	(169)	(5,568)
Federal Insurance Fee	(163)	(62)	(156)	(13)	(394)
Gross Written Contribution (inclusive of Administrative Surcharge)	<u>16,307</u>	<u>6,248</u>	<u>15,667</u>	<u>1,291</u>	<u>39,513</u>
Wakala fees	(2,116)	(1,323)	(1,699)	(65)	(5,203)
Takaful contribution earned	8,829	5,533	7,579	288	22,229
Takaful contribution ceded to retakaful operators	(7,519)	(4,667)	(824)	(237)	(13,247)
Net takaful contribution	(806)	(457)	5,056	(14)	3,779
Retakaful rebate	1,316	963	28	53	2,360
Net underwriting income	<u>510</u>	<u>506</u>	<u>5,084</u>	<u>39</u>	<u>6,139</u>
Takaful claims	(3,090)	(1,936)	(4,274)	(101)	(9,401)
Takaful claims recovered from retakaful	2,500	1,547	119	78	4,244
Net claims	<u>(590)</u>	<u>(389)</u>	<u>(4,155)</u>	<u>(23)</u>	<u>(5,157)</u>
Surplus before investment income	(80)	117	929	16	982
Net investment income	(59)	86	687	12	726
Surplus transferred to balance of PTF	<u>(139)</u>	<u>203</u>	<u>1,616</u>	<u>28</u>	<u>1,708</u>
Segment assets	14,611	9,158	12,544	478	36,791
Unallocated assets					34,797
Total assets					<u>71,588</u>
Segment liabilities	21,519	13,488	18,475	702	54,184
Unallocated liabilities					19,245
Total liabilities					<u>73,429</u>
Operator's Fund					
Wakala fee	2,116	1,323	1,699	65	5,203
Commission expense	(1,118)	(812)	(227)	(53)	(2,210)
Management expenses	(1,087)	(487)	(1,167)	(80)	(2,821)
Underwriting result	<u>(89)</u>	<u>24</u>	<u>305</u>	<u>(68)</u>	<u>172</u>
Investment income					2,521
Direct expenses					(1,393)
Profit before taxation					1,300
Income tax expense					(377)
Profit after tax for the period					<u>923</u>
Segment assets	9,093	6,656	5,036	250	21,035
Unallocated assets					42,118
Total assets					<u>63,153</u>
Segment liabilities	3,564	2,608	1,973	98	8,243
Unallocated liabilities					4,197
Total liabilities					<u>12,440</u>

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17 MANAGEMENT OF INSURANCE AND FINANCIAL RISK

Insurance and financial risk management objectives and policies are consistent with those disclosed unconsolidated financial statements for the year ended December 31, 2019.

	OPF	PTF
	(Rupees in '000)	
18. MOVEMENT IN INVESTMENTS		
As at January 01, 2019	20,695	–
Additions	56,311	20,000
Disposals (sale and redemption)	(40,777)	–
Fair value net gains (excluding net realised gains)	580	481
Impairment of investments	–	–
Amortisation of premium / discount	–	–
As at December 31, 2019	–	–
	<u>36,809</u>	<u>20,481</u>
Additions	76,669	20,016
Disposals (sale and redemption)	(58,937)	(21,403)
Fair value net gains (excluding net realised gains)	1,069	1,127
As at June 30, 2020	<u>55,610</u>	<u>20,221</u>

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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	June 30, 2020 (Unaudited)							
	Available- for-sale	Loans & receivables assets	Other financial liabilities	Other financial	Total	Fair value measurement using		
						Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
Equity	-	75,831	-	-	75,831	75,831	-	-
Financial assets not measured at fair value								
Takaful / retakaful receivables	-	65,519	-	-	65,519	-	-	-
Loans and other receivable	-	3,730	-	-	3,730	-	-	-
Retakaful recoveries against outstanding claims	-	19,479	-	-	19,479	-	-	-
Cash and bank balances	-	-	14,942	-	14,942	-	-	-
	-	164,559	14,942	-	179,501	75,831	-	-
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	-	-	-	(32,108)	(32,108)	-	-	-
Contribution received in advance	-	-	-	(4,697)	(4,697)	-	-	-
Takaful / retakaful payables	-	-	-	(35,371)	(35,371)	-	-	-
Other creditors and accruals	-	-	-	(32,424)	(32,424)	-	-	-
	-	164,559	14,942	(104,600)	74,901	75,831	-	-

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	December 31, 2019 (Audited)				Fair value measurement using			
	Available- for-sale	Loans & receivables assets	Other financial liabilities	Other financial	Total	Level 1	Level 2	Level 3
	(Rupees in '000)							
Financial assets measured at fair value								
Investments								
Equity	57,290	-	-	-	57,290	-	57,290	-
Financial assets not measured at fair value								
Loans and other receivable	-	-	25,245	-	25,245	-	-	-
Retakaful recoveries against outstanding claims	-	10,521	-	-	10,521	-	-	-
Cash and bank balances	-	-	21,326	-	21,326	-	-	-
	<u>57,290</u>	<u>10,521</u>	<u>46,571</u>	<u>-</u>	<u>114,382</u>	<u>-</u>	<u>57,290</u>	<u>-</u>
Financial liabilities not measured at fair value								
Outstanding claims including IBNR	-	-	-	(17,825)	(17,825)	-	-	-
Contribution received in advance	-	-	-	(1,802)	(1,802)	-	-	-
Takaful / retakaful payables	-	-	-	(38,422)	(38,422)	-	-	-
Other creditors and accruals	-	-	-	(27,969)	(27,969)	-	-	-
	<u>57,290</u>	<u>10,521</u>	<u>46,571</u>	<u>(86,018)</u>	<u>28,364</u>	<u>-</u>	<u>57,290</u>	<u>-</u>

The carrying values of remaining financial assets and liabilities reflected in these financial statements approximate to their fair value.

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20 GENERAL

Figures have been rounded off to the nearest Thousand Rupee.

- 20.1** Rule 10(k) of Takaful Rules 2012 requires that an Operator shall ensure that there is in each Participant Takaful Fund, at all times, a surplus of admissible assets excess of its liabilities. However, certain portion of contribution due but unpaid for more than 3 months and investments in listed companies in aggregate have been considered as inadmissible assets as per guidelines provided for determination of solvency. Resultantly, as at 30 June 2020, the admissible assets of Participants Takaful Fund (PTF) are less than its liabilities by Rs. 15.9 million which is not consistent with the requirements of the said Rule. The Operator is making efforts to mitigate the deficit including providing Qard-e-hasna and it is expected that the deficit would be met in the near future.

21 CORRESPONDING FIGURES

The General Takaful Accounting Regulations 2019 have introduced certain presentation and classification requirements for the elements of condensed interim financial statements. Accordingly, the corresponding figures have been rearranged and reclassified wherever considered necessary to comply with the requirement of General Takaful Accounting Regulations, 2019.

Following major reclassifications have been made during the period other than disclosed elsewhere in these condensed interim financial statements.

	<u>Reclassified from</u>	<u>Reclassified to</u>	(Rupees in '000)	
			<u>OPF</u>	<u>PTF</u>
	Loans and other receivables	Receivable from PTF	10,876	–
	Other creditors and accrual	Payable to OPF	–	10,876

22 DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on August 19, 2020 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