

EFU LIFE ASSURANCE LTD

EFU Life House, Plot No. 112, 8th East Street, Phase I, DHA, Karachi.
Email: info@efulife.com, csd@efulife.com



The Secretary
Pakistan Stock Exchange Ltd.
Stock Exchange Building
Stock Exchange Road
Karachi.

March 22, 2019

Dear Sir,

Ref: **Financial Result for the year ended December 31, 2018**

We have to inform you that the Board of Directors of EFU Life Assurance Ltd. in their meeting held on March 22, 2019 at 10:30, at Karachi recommended the following:

- i) **CASH DIVIDEND**
Final Cash Dividend for the year ended December 31, 2018 @ Rs.11.25 per share (i.e. 112.50%). This is in addition to Interim Dividend of Rs.3.75 per share (i.e. 37.5%) already declared and paid.
- ii) **BONUS SHARES**
NIL
- iii) **RIGHT SHARES**
NIL
- iv) **ANY OTHER ENTITLEMENT/CORPORATE ACTION**
N/A
- v) **ANY OTHER PRICE-SENSITIVE INFORMATION**

The external auditors of the Company, M/s. KPMG Taseer Hadi & Co., Chartered Accountants, Karachi, have issued a qualified opinion in their audit report in respect of the Company not recording a liability for sales tax on life insurance premium in the financial statements for the period 1st July 2018 to 31 December 2018. In view of the external auditors, the exemption for sales tax on life insurance premium granted by Sindh Revenue Board ("SRB") has expired on 30 June 2018 and Punjab Revenue Authority ("PRA") and Balochistan Revenue Authority have also introduced sales tax on life insurance premium effective from 01 November 2018 and 01 July 2015 respectively. The qualified opinion states as follows:



Cont'd...P/2



(021) 111-338-111



efulife.com



EFU Life PlanIT



/EFULifeAssurance



EFU LIFE
9898

“Basis for qualified Conclusion

As more fully explained in note 24.1 to the financial statements, the Sindh Revenue Board abolished sales tax exemption on life insurance premium from 01 July 2018. Further, the Punjab and Baluchistan Revenue Authorities have also introduced sales tax on life insurance premium effective from 01 November 2018 and 01 July 2015. The Company has not charged the sales tax on life insurances premium to its customers since the matter of renewal of exemption is under discussion with the sales tax authorities. IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’ requires provision should be recognized when the entity has a present legal obligation as a result of past event. Accordingly, had the above liability been recorded, profit for the year and equity of the Company would have reduced by Rs. 1,315.33 million and the sales tax liability would have been increased by the same amount.

Qualified Conclusion

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof, conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company’s affairs as at 31 December 2018 and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.”

COMPANY’S RESPONSE TO AUDITORS’ QUALIFIED CONCLUSION

As explained in Note 24.1 to the audited annual financial statements for the year ended 31st December 2018, the Company has not provided for and billed their customers for Sindh Sales Tax for the period from 1st July 2018 to 31st December 2018 and Punjab Sales Tax for the period from 1st November 2018 to 31st December 2018 on risk premium of life insurance business. Sindh Revenue Board (“SRB”) has been granting exemption for sales tax on life insurance premium on a year to year basis which had expired on 30 June 2018. However, sales tax on life insurance premium on policies written in Punjab has been made applicable from 01 November, 2018 and Baluchistan Revenue Authority had imposed sales tax on life insurance premium effective 01 January 2015.

Cont’d...P/3



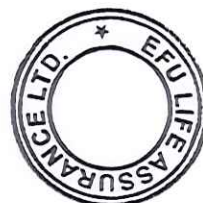
We are of the view that the levy of sales tax on life insurance business is not fair and is unjust. The matter for the renewal of the exemption was taken up at the collective level by the Insurance Association of Pakistan (IAP) with the sales tax authorities. Further, the Sindh Cabinet in its meeting held on 27th Feb 2019 has also deferred the levy of taxes on Health and Life Insurance premium till the next financial year. The Company has also sought a legal opinion from the legal counsel and based on his opinion and, in view of the fact that the matter is under the process of review with the taxation authorities, the Company has not billed sales tax on life insurance premium to its customers amounted to Rs. 1,315.33 million. Based on the IAP's discussions with the sales tax authorities, the decision of the Sindh Cabinet and the legal opinion, we are hopeful that the exemption will be granted. Accordingly, the provision against sales tax liability has not been made by the Company in these financial statements as the discussions are still in progress.

Had the sales tax liability on life insurance premium been recorded, the profit and equity of the Company would have been reduced by Rs. 1,315.55 million. Earnings per share for the year ended 31 December 2018 would have been reduced by Rs.13.15 per share

FINANCIAL RESULTS

The Financial results of the Company are as follows:

	2018	2017
	---(Rupees in '000)---	
		(Re-stated)
Profit before tax	2,326,390	2,794,241
Less: Provision for taxation		
- Current	(656,848)	(791,662)
- Prior year	(131,152)	(71,938)
- Deferred	42,943	(20,679)
Profit for the year after taxation	1,581,333	1,909,962
Un-appropriated profit brought forward from last year	65,648	93,383
Available for Appropriation	1,646,981	2,003,345
Less:		
Interim Dividend already paid	(375,000)	(375,000)
Capital Contribution	(12,809)	(90,116)
Profit transfer to Ledger A/c D for Solvency Margin	(205,738)	(97,581)
Proposed Final Dividend	(1,125,000)	(1,125,000)
Proposed Transfer from/(to) General Reserve	150,000	(250,000)
Total appropriation	(1,568,547)	(1,937,697)
Un-appropriated Profit carried forward	78,434	65,648
Earnings per share basic and diluted (Rupees)	15.81	19.10



(Handwritten signature)

The Statement of Profit and Loss and Statement of Comprehensive Income have been attached (On Page-5).

The Annual General Meeting of the Company will be held at 11.30 am on 23rd April, 2019 at Kamran Centre, 1st Floor, 85 East, Jinnah Avenue, Blue Area, Islamabad.

The Share Transfer books of the Company will be closed from 17th April, 2019 to 23rd April, 2019 (both days inclusive). Transfers received in order by our Shares Registrar, CDC Pakistan Ltd., 99-B, Block 'B', SMCHS. Main Shakra-e-Faisal, Karachi 74400 at the close of business on 16th April 2019 will be treated in time for the entitlement of Dividend to the transferees.

We will be sending you 3 hard copies of printed accounts as required under section 223(7) of the Companies Act, 2017 in due course of time.

Thanking you,

Yours truly


Abbas Hussain
Company Secretary



Cont'd...P/5

EFU LIFE ASSURANCE LIMITED
STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	----- (Rupees in '000) -----	
		(Restated)
Premium / Contribution Revenue	30,790,407	31,420,835
Premium / Retakaful ceded to reinsurers	(626,139)	(607,702)
Net premium revenue	30,164,268	30,813,133
Investment income	6,942,391	6,411,124
Net realised fair value (losses) / gains on financial assets	(3,739,394)	2,993,509
Net fair value losses on financial assets at fair value through profit or loss	(3,058,297)	(13,094,284)
Other income	63,277	33,564
	207,977	(3,656,087)
Net income	30,372,245	27,157,046
Insurance benefits	13,589,766	14,828,672
Recoveries from reinsurers	(504,051)	(599,632)
Claims related expenses	8,736	8,894
Net Insurance Benefits	13,094,451	14,237,934
Net Change in Insurance Liabilities (other than outstanding claims)	6,577,382	3,236,906
Acquisition expenses	6,750,979	5,458,476
Marketing and administration expenses	1,602,816	1,406,542
Other expenses	20,227	22,947
Total Expenses	14,951,404	10,124,871
Profit before tax	2,326,390	2,794,241
Income tax expense	(745,057)	(884,279)
Profit for the year	1,581,333	1,909,962
		(Restated)
Earnings per share – Basic and Diluted	15.81	19.10

EFU LIFE ASSURANCE LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018	31 December 2017
	----- (Rupees in '000) -----	
		(Restated)
Profit for the year	1,581,333	1,909,962
Change in unrealised losses on available for sale financial assets	(23,110)	(700,214)
Related deferred tax	6,702	210,064
Total other comprehensive income	(16,408)	(490,150)
Total comprehensive income for the year	1,564,925	1,419,812

