

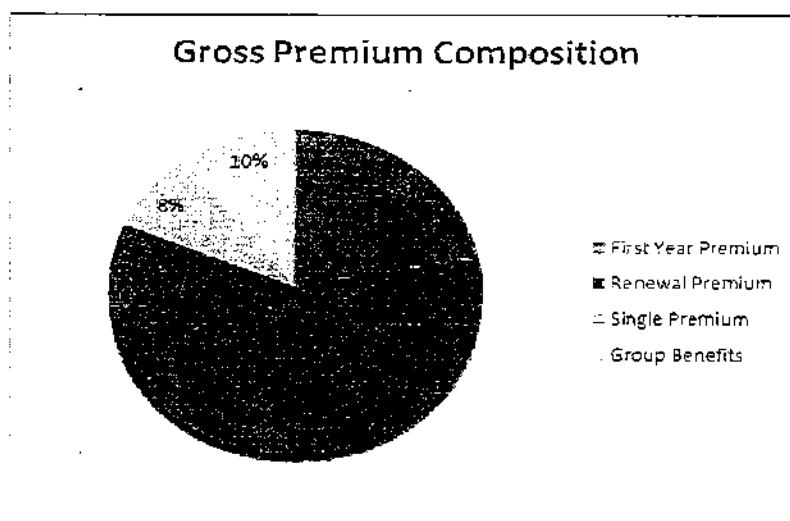
EFU Life Assurance Ltd

## **Directors' Report – Annual 2018**

The Directors of your Company are pleased to present to you the Twenty Seventh Annual Report of the Company for the year ended 31 December 2018. The company is a subsidiary of EFU General Insurance Limited on the basis of its ability to control the composition of Directors of EFU Life Assurance Limited effective 31 March 2018.

### **Business Performance:**

Your Company's gross premium (including Takaful contributions) was Rs. 30.79 billion (2017: Rs. 31.42 billion). The gross premium composition in 2018 was as follows:



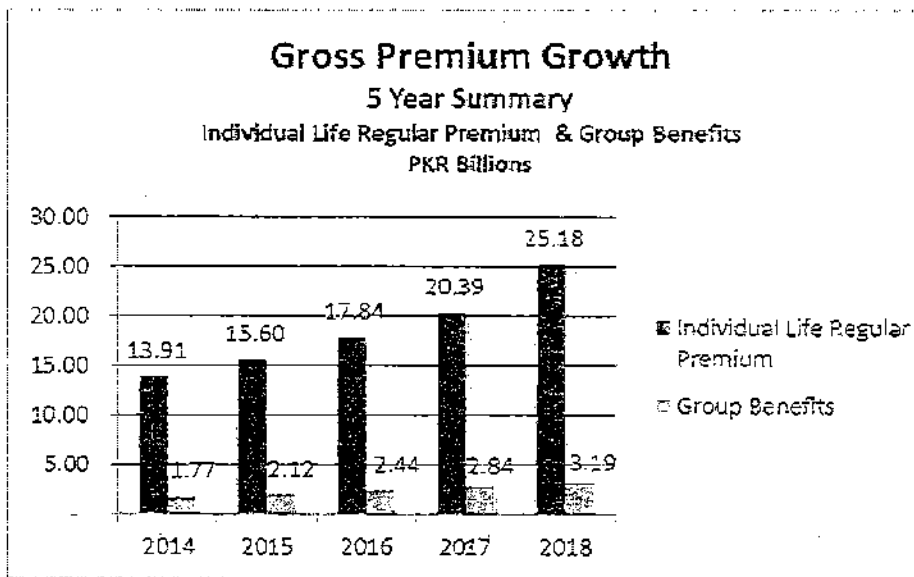
Individual Life regular premiums (including Takaful contributions) increased by 24% reaching a total premium of Rs.25.18 billion (2017: Rs. 20.4 billion).

Individual life New Business recorded a growth of 28% reaching a premium of Rs. 6.85 billion (2017: Rs. 5.34 billion). Bancassurance has been the driving force behind this growth.

Renewal premium base increased to Rs. 18.33 billion (2017: Rs. 15.05 billion), recording a steady growth of 22%. Apart from maintaining a good persistency in the Sales Force channels, the Company has made significant efforts to improve the Bancassurance channel persistency during 2018. These efforts have resulted in better client retention resulting in an overall (2<sup>nd</sup> year and onwards) persistency of 90%.

The Group Benefits line of business achieved a gross premium, including Takaful contributions, of Rs. 3.19 billion (2017: Rs 2.84 billion), registering a growth of 12%.

The Gross Premium growth trend over the last 5 years is as follows (including Takaful contributions):

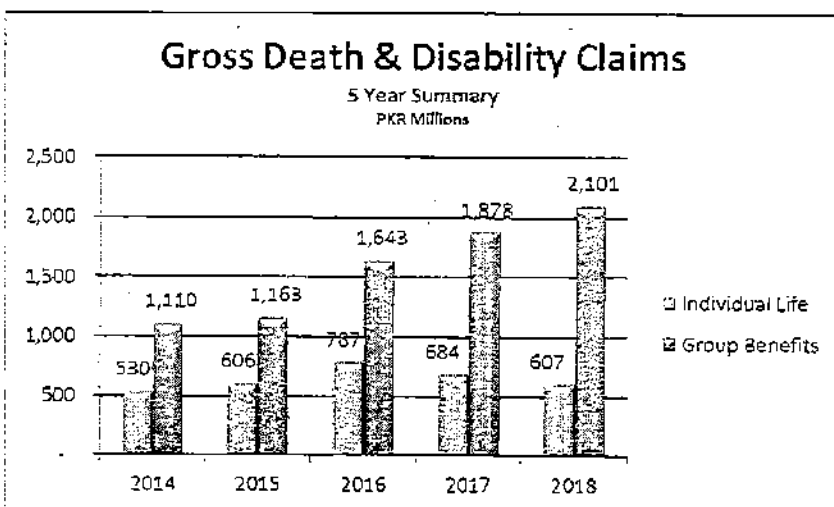


Single Premium was Rs. 2.59 billion (2017: Rs. 8.26 billion).

The Window Takaful line of business, under the dedicated brand Hemayah, has shown consistent growth and penetration into the various market segments. In 2018, the Company achieved an Individual Family takaful new business of Rs. 1.43 billion (2017: Rs. 831 million), a growth of 72%. For Group Family Takaful, the Company achieved a business of Rs. 224 million. (2017: Rs. 165 million), a growth of 36%. The Company expects this line of business to continue its growth trajectory during 2019.

#### Claim payments:

Prompt claim settlement lies at the core of the Company's business model. The Company paid total death and disability claims of Rs. 2.55 billion (2017: Rs. 2.60 billion) with individual and group life claims amounting to Rs. 665 million and Rs. 1.882 billion, respectively in 2018.



### Investment Performance:

The Company follows a prudent and pro-active approach for investment management considering that investment income is one of the key components of profitability. 2018 proved to be a challenging year for the capital markets as the PSX-100 index posted consecutive negative returns for two years after more than twenty years. The index reached its peak in April however following a brief rally post General Elections, declined as investors preferred safer avenues amidst sharp devaluation of the rupee and steep interest rate hikes leading the index to post negative return of 8.41% in 2018.

The net asset value of all unit linked funds under management increased from Rs. 99.2 billion to Rs. 104 billion in 2018, a growth of 4.8%. At the same time, Net Investment Income was Rs. 145 million, a significant reversal over the loss of Rs. 3.6 billion in 2017.

This net asset value of funds under management continues to place your Company amongst the leading asset managers in Pakistan. The Company offers the following funds to its clients, varying by the investment strategy and risk appetite of the clients:

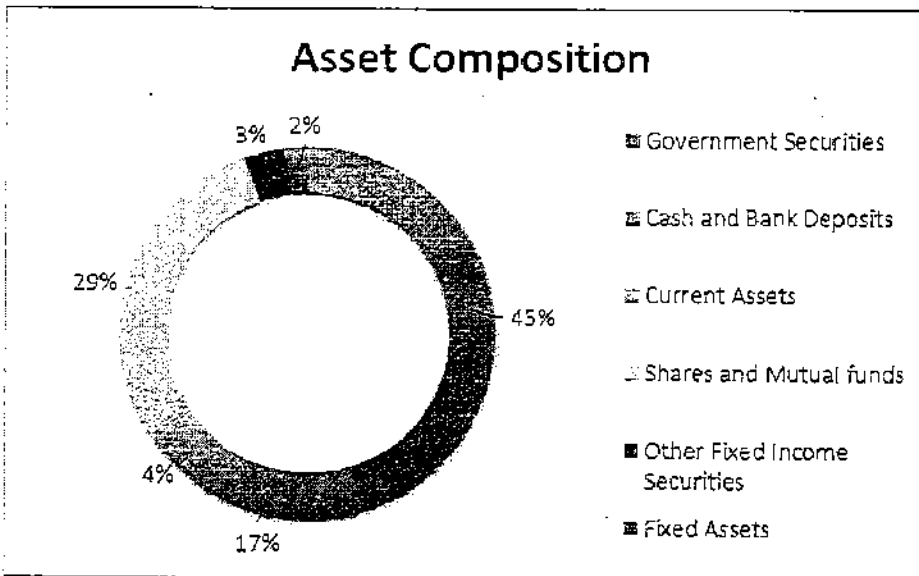
For Conventional unit linked business:

- Managed Growth Fund
- Guaranteed Growth Fund
- Aitemad Growth Fund
- Aggressive Growth Fund

For Takaful unit linked business:

- Takaful Growth Fund
- Aggressive Growth Fund

The Company has a strong balance sheet size with total assets of Rs. 116.76 Billion (2017: Rs. 109.55 billion), a growth of 7%. The composition of assets is as follows:



### **OBSERVATION IN THE AUDITORS' REPORT:**

The statutory auditors have issued qualified opinion on account of Sales Tax on Life Insurance Premium due to reason explained below:

#### **Sales Tax on Life Insurance Premium**

The Company has not provided for and billed their customers for Sindh Sales Tax for the period from 1<sup>st</sup> July 2018 to 31<sup>st</sup> December 2018 and Punjab Sales Tax for the period from 1<sup>st</sup> November 2018 to 31<sup>st</sup> 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 Balochistan Revenue Authority had imposed sales tax on life insurance premium effective 01 January 2015.

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 27<sup>th</sup> 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. 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.

#### **Profitability:**

During the year, the Company's statutory funds generated a surplus of Rs. 2.14 billion.

Out of this surplus, Rs. 1.98 billion was transferred to the Shareholders' Fund after retaining the amount necessary to meet 100% Solvency Margin requirement. Your Company made an after-tax profit of Rs. 1.58 billion.

#### **Earnings Per Share**

The earnings per share for the year was Rs 15.81 (2017: Rs 19.10)

#### **Appropriation and Dividend:**

Your Directors have pleasure in recommending a dividend of Rs. 11.25 per share i.e. 112.50% to the Shareholders of the Company whose names appear in the Share Register of the Company at the close of business on 16/04/2019. This cash dividend is in addition to interim cash dividend of Rs. 3.75 per share (37.5%) declared during the year.

	Rupees '000
<b>The amount available for appropriation is</b>	
Amount brought forward from previous year	93,383
Profit after tax for the year	1,909,962
Capital Contribution- Window Family Takaful	(90,116)
Retained Earnings on Account of Ledger D – Solvency Margin	<u>(97,581)</u>
Amount available for appropriation	1,815,648

Interim Dividend for 2017 @ 37.5% (2016: 30%)	375,000
Final cash dividend for 2017 @ 112.5 % (2016: 120%)	1,125,000
Transfer to general reserve	<u>250,000</u>
	<u>1,750,000</u>

Unappropriated profit Carried forward	65,648
Profit after tax for the year	1,581,333
Capital Contribution - Window Family Takaful	(12,809)
Retained Earnings on Account of Ledger D – Solvency Margin	<u>(205,738)</u>
Available for appropriation	1,428,434

The Directors recommend that this amount to be appropriated in the following manner

Interim Dividend for 2018 @ 37.5% (2017: 37.5%)	375,000
Proposed Final cash Dividend 2018@ 112.50%(2017:112.50%)	1,125,000
Proposed transfer from General Reserve	<u>(150,000)</u>
	<u>(1,350,000)</u>
	<u>78,434</u>

### Market Share

Based on the figures compiled by the Insurance Association of Pakistan, as of 30 September 2018 the Company has a market share of 30% in the private life insurance sector companies based on the gross premium income.

### Increasing outreach

Pakistan offers tremendous opportunity longer term for growth of life insurance due to its low insurance penetration and a burgeoning middle class, through protection and savings solutions.

The Company has a robust product range covering key financial planning needs and focusing on the main segments of the society – ranging from micro up to the high net worth segment. The

Company offers conventional and takaful products which focus on the needs of savings and wealth accumulation, child education and marriage, retirement planning, as well as protection. For the micro insurance segment, the company focuses on protection solutions such as term life, personal accident and hospital cash.

During 2018, the Company further consolidated its product range by augmenting the existing menu offered through the sales force as well as bancassurance partners. At the same time, the Company strengthened its presence in the micro and mass market segments, and launched innovative financial solutions with telecommunication companies, branchless banks, microfinance institutions and technology platforms.

The Company has various distribution channels for its two main lines of businesses – Individual Life and Group Life. For its Individual Life business, the Company utilizes the Agency Sales Force and Bancassurance channels. As part of the Agency Sales Force, the Company also has a dedicated team for Takaful.

For its Group Life line of business, the Company utilizes its dedicated marketing team, commercial banks, and other intermediaries such as telecommunication companies, Branchless Banks, MFIs and MFBs, as well as digital and payment platforms.

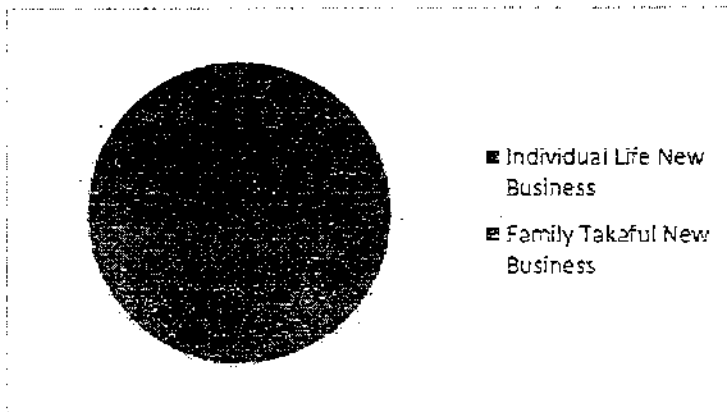
The Company has an individual life branch network of over 200 locations across the country. For Bancassurance, the Company has a partnership with 14 banks.

Recognizing the penetration of e-commerce and evolution of online market places, along with increasing internet density and insurance awareness, the Company ventured into the digital space for online distribution of insurance products and launched “BuyNow” platform on its website. The Company believes that over a period of time, the online channels will contribute to the digital financial inclusion strategy and help to expand the insurance safety net to a larger segment of the population

### **Family Takaful**

The Company offers its takaful range of products under a dedicated brand “Hemayah”, through its individual life and takaful sales force, bank partners and group benefits setup. 2018 is the fourth year of Window Takaful Operations.

During 2018, the new business contribution of takaful in the total Individual Life/Family takaful segment was as follows:



The Company expects this new line of business to grow over a period of time and contribute positively to the top line as well as bottom line.

**Critical performance measures:** The Company evaluates its performance on certain key defined measures such as:

- Growth in premium for each line of business
- Number of lives insured
- Persistency of individual life business by distribution channel
- Loss ratio analysis for short term business
- Expense ratios and trends
- Mortality and morbidity experience
- Growth in profitability for each line of business

The Company expects these parameters to be relevant for future as well and will continue its internal performance measurement based on these criteria.

### **Insurer Financial Strength Rating:**

The Company has an IFS rating of AA+ (Outlook: Stable) by JCR VIS Credit Rating Agency. The rating takes into account the Company's strong capitalization level vis-à-vis the nature of risks underwritten and the very high capacity to meet policyholders' obligations. The rating reaffirmation recognizes the Company's strong financial footing, long-term sustainable business strategies, innovative products, superior systems and IT infrastructure, satisfied clients and prudent investment policies resulting in good medium to long term returns to our clients.

### **Awards and Achievements:**

Your Company's performance and market leadership was recognized by various independent entities during the year. The Company received the following prestigious awards during 2018:

- Corporate Excellence Award by Management Association of Pakistan
- Consumer Choice Award 2017' for Best Life Insurance Company in Pakistan for 10th consecutive time, for excellence in management practices and service quality.
- Brand of the Year award 2017

- EFU Life Assurance's Annual Report 2017, '25 Years of Growing Together' ranked in the Top three in the Best Corporate Report (BCR) Award 2017 in the Non-Banking Financial Institutions Category by ICAP & ICMAP for best presented accounts
- 'Certificate of Merit' by South Asian Federation of Accountants (SAFA) for Best Presented Accounts 2017 in the insurance sector, within South Asian countries
- Winner of 'Best Life Insurance Company 2018 in Pakistan' at the 2018 International Finance Awards
- CSR Award 2018 for Social Impact
- Digital Innovation Award 2018 for mobile app
- Upgrade of ISO Certification to ISO-9001:2015

### **Operational Efficiency and Technology:**

In 2018, the Company continued its focus on creating Operational efficiencies using technology as an enabler. Some key developments are as follows:

The Company continued to consolidate the services provided by its Tier III compliance level state of the art Data Center. The Company achieved 99% uptime for the data center providing uninterrupted services to its various internal and external customers.

The Company had significantly enhanced its Network Security framework in 2017 and in 2018 continued with its 360-degree strategy to defend against various Cyberattacks, by managing the connectivity and integration of all stakeholders with the Head Office that include branches, agents' devices, clients, bancassurance and other business partners.

The Branch infrastructure has been upgraded and more than 100 locations are in the Smart Branch category with centrally managed services to enhance user performance and to provide better services. Moreover, critical branches have been deployed with redundant fiber connectivity to increase their uptime and manage their auto fail-over.

The Company further continued its focus on mobile apps. A new app was launched for the Takaful Sales Force which provides hierarchy-wise details and access to all business-related information, portfolio management, claims intimation, leads follow-up, as well as facility of uploading documents. In addition, tie ups with branchless banks' mobile wallets for premium collection were done during the year. Sales consultants can also collect card-based payments via their Agent App. A link with NADRA has been created and setup in Sales Branches for verification of client identity for Maturity and Surrenders.

### **Human Resource Management:**

Your Company believes that investment in developing and motivating staff plays a pivotal role in their positive contribution to the current and future success of the Company. During 2018, the Company continued to focus on the career development of its professional life insurance management team. Our staff includes experienced insurance sales personnel, accountants, IT professionals, underwriters, medical doctors, lawyers, business management graduates and actuaries, to name a few.

The Company actively supports its staff to acquire relevant professional qualifications and has in place career programs linked to international professional bodies in the field of actuarial science, finance, accounting, underwriting and claims management.

The Company has in place a succession plan for key individuals of the management team. In 2018, succession planning was also introduced at a departmental level to ensure the continuity of middle management and to reinforce managerial capacity.

The performance management system was overhauled with a key emphasis on ensuring individual and team productivity and growth, greater transparencies of performance evaluation and ensuring continuous, relevant and timely performance feedback to our employees.

Capacity enhancement and learning and development was a key area of focus during the year. A comprehensive capacity enhancement program was initiated to help build and reinforce professional and managerial capacities in our staff and management. The annual employee engagement survey was conducted for the second time in 2018 and recorded high levels of employee satisfaction and engagement comparable to international benchmarks and gave useful insights that are being used to ensure employee retention and productivity. A similar survey was also rolled out for the sales force subsequently.

The Company also began several health and wellness initiatives for our staff in 2018 that will continue into 2019. Several employee engagement activities were routinely conducted throughout the year to ensure that our team remained motivated, productive and engaged with the Company.

### **Environment**

The Company has consciously invested in technology to reduce the usage of paper in its offices. The Enterprise Content Management technology from IBM FileNet has over time expanded into key functions of the Company, to digitalize paper documents and automate business processes and operational workflows (BPM). The Company has a keen eye on ensuring that the work environment stays green. Due to this system, the Company has minimized the usage of filing cabinets, shelves, physical space, paper documents and files which eventually cause paper-pollution and deforestation; thus, creating a positive impact on the green house environment which exacerbates global warming.

### **Capital Management and Liquidity**

The Company has adequate capital to support its existing operations. The Company's paid up capital of Rs. 1 billion is the highest in the private life insurance sector.

The Company's liquidity position also remained very strong with cash and cash equivalents at the end of 2018 of Rs. 19.8 billion (2017: Rs. 18.5 billion).

### **Related Party Transaction**

At each Board meeting the Board of Directors approve the Company's transactions made with Associated Companies and Related Parties. All such transactions are executed on arm's length basis.

## **Internal Audit function**

The Board is responsible for effective implementation of a sound internal control system including compliance with control procedures. The Audit Committee is assisted by the Internal Auditor in reviewing the adequacy of operational controls and in monitoring and managing risks to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Company and to add value and improve the Company's operations by providing independent and objective assurance. The principal responsibility of the Internal Auditor is to conduct periodic audits and to ensure adequacy in operational controls, consistency in application of policies and procedures, compliance with laws and regulations.

As part of Corporate Governance, your Company has Underwriting Committee, Claims Settlement Committee, Reinsurance Committee, Risk Management and Compliance Committee.

## **Risks to business:**

Business risks and mitigation factors are described in detail on page (30) of this Annual Report.

## **CSR Initiatives**

The Company focuses on three key areas for developing sustainable projects for community development - education, health and environment. We encourage our employees to volunteer regularly and are continuously exploring avenues for empowering individuals to become resourceful individuals of the community.

The key CSR initiatives during 2018 are as follows:

### **Commemorating World Thalassaemia Day**

An awareness session on Thalassaemia was conducted for the employees, followed by Thalassaemia screening and a blood donation drive. In addition to this, Afzaal Memorial Trust Blood Bank is supported by EFU Life.

### **Celebrated the 6th 'Insurance Day' with students of SOS Children's village**

EFU Life has been supporting SOS Children's Village for many years. This insurance day, the Company arranged a carnival at a Theme Park in Karachi, whereby the employees set up different stalls of food and fun activities, and also put up a musical show to entertain the children of SOS Children's Village.

### **Family Educational Services Foundation (FESF) Craft store**

A daylong session was arranged with FESF held at EFU Life Head Office to create awareness about FESF initiatives, along with the setup of a craft store, whereby employees were encouraged to buy the merchandise developed by the children of FESF. All proceeds from the sale were given to FESF.

### **'Join Hands for a Life' Social Media Campaign**

The Company ran a Ramadan Campaign on EFU Life Social Media pages, with SIUT, LRBT, FESF, and Dar ul Sukun, to create awareness about the NGO's, with donations made to the respective NGO's on every engagement on the posts in terms of Likes, Shares and Comments.

### **Fund Raising for LRBT**

LRBT Fund Raising Musical Event Sponsored by EFU Life to create awareness about the LRBT initiatives.

### **Supporting the cause of Education with TCF**

EFU Life has a longstanding partnership with TCF, whereby we donate Rs.50 on every education policy sold through any of our distribution channels.

Other than the financial contribution to TCF, the Company actively participates in TCF Rahbar Program, where employees volunteer in the many schools of TCF.

### **Meri Shaan Mera Pakistan – Beautifying the city through Wall Art**

'Meri Shaan Mera Pakistan' campaign was initiated in 2016, with 3 projects conducted so far with an objective to reclaim the walls of major public areas of the city through thematic wall art, aimed at eradicating wall chalking and negativity on walls. The campaign rejoiced the spirit of patriotism and depicts the rich cultural heritage of Pakistan. The project is on-going, and the walls are regularly maintained by the Company to keep them vibrant.

### **Business Ethics, Consumer Protection and anti-corruption measures**

The Board has adopted the statement of ethics and business practices. All employees are informed of this statement and are required to observe these rules of conduct in relation to business and regulations. Statement of Ethics and business practices are based on integrity, dignity, culture of excellence and ethical dealing with clients, peers and the public.

### **Relationship with other Stakeholders**

Your Company strives to maintain good relationship with:

- Its employees by providing a positive work environment
- Its clients through building trust and providing quality service
- The business community through honest and fair dealing
- The Government through promoting free enterprise along with competitive market system and complying with all applicable laws; and
- Society in general through providing safe and healthy workplace and provide employees the opportunity to improve their skills

### **Contribution to National Exchequer**

Your Company contributes substantially to the national economy in terms of taxes and duties and the contribution is increasing as the company grows. This year the Company contributed Rs.902 Million to the national exchequer in the form of Income Tax, Federal Excise Duty, Sales Tax, stamp duty etc.

### **Compliance with Code of Corporate Governance**

The requirements of the Code of Corporate Governance set out by the regulatory authorities have been duly complied with. A statement to this effect is annexed with the report.

The Directors of your Company were elected at the Extra Ordinary General Meeting held on June 20, 2017 for a term of three years expiring on June 21, 2020.

The number of meeting attended by each Director is given hereunder:

Sr. No	Name of Directors	Number of meetings attended
1.	Rafique R Bhimjee	4 out of 4
2.	Saifuddin N Zoomkawala	3 out of 4
3.	Taher G Sachak	4 out of 4
4.	Ali Raza Siddiqui	3 out of 4
5.	Muneer R Bhimjee	3 out of 4
6.	Hasanali Abdullah	4 out of 4
7.	Heinz Walter Dollberg	2 out of 4
8.	Salman Rasheed	4 out of 4
9.	Kamal Afsar	4 out of 4

#### Board Committees

Your Company maintains the following three Board Committees.

➤ Audit Committee:

The Board is responsible for effective implementation of a sound internal control system including compliance with control procedures. The Audit Committee is assisted by the Internal Auditor in reviewing the adequacy of operational controls and in monitoring and managing risks to provide reasonable assurance that such system continues to operate satisfactorily and effectively in the Company and to add value and improve the Company's operations by providing independent and objective assurance. The principal responsibility of the Internal Auditor is to conduct periodic audit to ensure adequacy in operational controls, consistency in application of policies and procedures, compliance with the laws and regulations. The Committee comprises of the following members:

1. Kamal Afsar (Chairman)
2. Saifuddin N Zoomkawala
3. Muneer R Bhimjee
4. Hasanali Abdullah
5. Ali Raza Siddiqui

➤ Investment Committee

The Company has a Board level Investment Committee that meets on by-monthly basis to review the investment portfolio. The Committee is also responsible for developing the investment policy for the various funds managed by the Company. The Committee comprises of the following members:

1. Rafique R Bhimjee (Chairman)
2. Saifuddin N Zoomkawala
3. Taher G Sachak
4. Hasanali Abdullah
5. Omer Morshed – Appointed Actuary
6. S. Shahid Abbas – Management Executive

7. Mohammed Ali Ahmed – Management Executive
8. S. Mohammed Owais – Management Executive

➤ **Ethics, HR & Remuneration Committee**

The Committee is responsible for recommending to the Board resource management policies of the Company as well as selection, evaluation and compensation of the key officers of the Company. The Committee comprises of the following members:

1. Kamal Afsar (Chairman)
2. Rafique R Bhimjee
3. Saifuddin N Zoomkawala
4. Taher G Sachak

**Management Committees:**

As part of Corporate Governance, your Company maintains following four Management Committees which meet at least once every quarter:

- Underwriting Committee
- Claim Settlement Committee
- Reinsurance Committee
- Risk Management and Compliance Committee

The Board has approved the re-composition of the Risk Management and Compliance Committee by including the name of Syed Abdul Mujeeb (Manager in Actuarial department) who is responsible for ERM (Enterprise Risk Management) function. After his induction, re-constituted committee consists of the following members:

**Risk Management & Compliance Committee**

- Taher G. Sachak (Chairman)
- Mohammed Ali Ahmed
- S. Shahid Abbas
- Zain Ibrahim
- Ali Qureshi
- Abbas Hussain
- Abdul Mujeeb

**Corporate and Financial Reporting Frame Work**

- a) The financial statements prepared by the management of the Company present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- b) Proper books of accounts have been maintained by the Company.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) The International Accounting Standards, as applicable in Pakistan, have been

followed in preparation of financial statements and any departure there from has been adequately disclosed.

- e) System of internal control is sound in design and has been effectively implemented and monitored.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h) The key operating and financial data for the last six years is annexed.
- i) The value of investments of provident and pension funds based on their un-audited accounts as on December 31, 2018 were the following.

Provident Fund	Rs. 464 Million
Pension Fund	Rs. 303 Million

The value of investments includes accrued interest.

- j) Trading of Shares by Chief Executive, Directors, Chief Financial Officer, Company Secretary, their spouses and minor children:

1ST OCTOBER 2018 TO 31ST DECEMBER 2018

<b>PURCHASE OS SHARES</b>	<b>No. Of Shares</b>
EFU General Insurance Ltd.	24,800
Rafique R. Bhimjee	15,200
Mohammed Ali Ahmed	2,900

<b>SALE OS SHARES</b>	<b>No. Of Shares</b>
NIL	NIL

- k) The statement of shareholding in the Company as at 31 December 2018 is included with the Report.

Our external auditors' KPMG Taseer Hadi & Co. Chartered Accountants completed their tenure of five years as of 31st December 2018 which is the maximum period allowed as per CCG for insurers, 2016. The CCG for Insurers requires the insurer to change their external auditors every five years. However, the Listed Companies (CCG) Regulations, 2017 requires that all inter-related companies/ institutions, engaged in business of providing financial services shall appoint the same firm of auditors to conduct the audit of their accounts. As auditors of our Holding Company, EFU General Insurance Limited are KPMG Taseer Hadi & Co, Chartered Accountants,

who have completed two years as of 31<sup>st</sup> December 2018. To comply with the above requirements, we sought clearance from SECP for the reappointment of our existing statutory auditors' KPMG Taseer Hadi & Co. Chartered Accountants with partner rotation which got approved through letter Ref No. ID/OSM/EFULife/2019/220 dated January 18, 2019.

### **Future Outlook of the industry:**

Your Company continues to maintain a positive outlook on the next 5 years of the life insurance and family takaful industry. Distribution channels and their effective utilization will continue to be the primary driving force resulting in an increased insurance penetration and expansion of the financial protection safety net. At the same time, alternative mass market channels focusing on including a larger number of lives under the insurance net will continue to be explored by the companies, as part of the Government's National Financial Inclusion Strategy, using technology as an enabler. With the expansion of the distribution channels, the Company expects the industry players to focus more on improving the productivity.

With the opening up of window takaful operations during 2015, and several window takaful operators having started operations, the Company expects takaful outreach to expand and contribute positively in increasing the size of the insurance pie. Technology will play a key role in the industry's future strategy. The Company expects investments in enhancing the technology base for back-end operations and for front-end sales and services to clients.

### **Acknowledgements:**

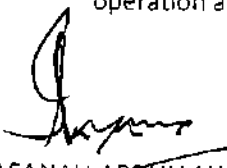
We wish to recognize and place on record our appreciation of the contribution made by our Appointed Actuary Mr. Omer Morshed for his invaluable advice on the overall strategy of the Company.

We would also like to record our appreciation and gratitude to Munich Re who are your Company's main reinsurers and who continue to provide full support to your Company.

Our gratitude is also due to EFU General Insurance Ltd. for their continuous support and guidance, which has enabled the Company to establish a strong presence in the market.

The Directors wish to record their appreciation for the tremendous contribution made by the able and eminent officers, staff and field force of the Company towards its development and growth. Their continuous commitment to high ethical standards, client service and hard work has helped your Company emerge and maintain its position as a leading player amongst the private sector life insurers.

Finally, we would like to thank our clients for the confidence expressed in us and also to the Insurance Division of the Securities and Exchange Commission of Pakistan for their guidance, co-operation and understanding extended to us throughout the year.

  
HASAN ALI ABDULLAH  
Director

  
SAIFUDDIN N. ZOOMKAWALA  
Director

  
TAHER G. SACHAK  
Managing Director &  
Chief Executive

  
RAFIQUE R. BHANJEE  
Chairman

## EFU LIFE ASSURANCE LTD

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



### Statement of Compliance with the Shariah Principles

The financial arrangements, contracts and transactions, entered into by EFU Life Assurance Limited-Window Takaful Operations ('the Company') for the year from 1 January 2018 to 31 December 2018 are in compliance with the takaful rules, 2012.

Further we confirmed that:

- The Company has developed and implemented all the policies and procedures in accordance with takaful rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such ruling and takaful rules, 2012 in their overall operations with zero tolerance. Further, the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the audit Committee / Shariah Advisor and the Board of Directors have been implemented;
- The Company has imparted training / orientations and ensured availability of all manuals / arrangements approved by Shariah advisor / Board of Directors to maintain the adequate level of awareness, capacity and sensitization of the staff, management;
- All the products and policies have been approved by the Shariah Advisor and the financial arrangements including investment made, policies, contracts and transactions, entered into by Window takaful Operations are in accordance with the policies approved by Shariah Advisor.
- The assets and liabilities of Window takaful Operations (Participants takaful fund and Operator's Sub fund) are segregated from its other assets and liabilities, at all times in accordance with the provisions of the takaful rules, 2012.

This has been duly confirmed by the Shariah Advisor of the Company.

Dated: March 22, 2019

  
Managing Director  
(Chief Executive Officer)



**LIFE**

Zaroori Hai





# Shariah Advisory Report to the Board of Directors

MUFTI MUHAMMAD IBRAHIM ESSA  
Graduate from Jamiah Darul Uloom Karachi, Pakistan  
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المفتي ابراهيم عيسى  
خريج الجامعة دار العلوم كراتشي  
المشير الشرعي للاموار المالية الاسلامية

## Annual Shari'ah Review Report For the year ended December 31, 2018

الحمد لله رب العالمين والعاقبة للمتقين والصلاة والسلام على اشرف الانبياء والمرسلين وعلى آله  
 واصحابه اجمعين .امابعد

EFU Life Assurance Ltd started its Window Takaful Operations on 6th February 2015. By the grace of Allah, the year under review was the fourth successful year of Family Takaful in EFU Life. In this year, the Management, Distribution Channels and Board of Directors demonstrated their sincere efforts for the promotion of Takaful and underwritten good numbers in Takaful.

### Progress of the Year 2018:

During the year under review; EFU Life Window Takaful Operations (EFU Life-WTO) has achieved significant successes, details of which are as follow:

1. Under the guidance of the undersigned EFU Life-WTO developed different Takaful Products especially in the Individual and BancaTakaful segments focusing on the need of Savings, protection and investment based plans.
2. All the distribution channels of EFU Life-WTO including BancaTakaful, Individual and Group Family Takaful segments performed very well and underwritten good figures in Takaful.
3. Number of Religious institutions (Madaris) continued their fatawa in favor of Takaful Products of EFU Life-WTO. Their Fatawa can be viewed on the website and Takaful booklet of the Company.
4. EFU Life-WTO invested a lot on individual Takaful sales force and appointed new dedicated team to promote its Takaful range country wide. In short period of time, this new team performed well and written good numbers in Individual Takaful segment.

### Shariah Certification:

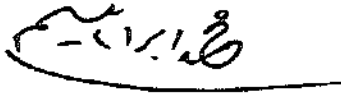
As Shari'ah Advisor of EFU Life-WTO; I confirm that:

- I have carefully reviewed all the product documents of EFU Life-WTO including Takaful Policies, Brochures, Marketing materials, Agreements of BancaTakaful and Group Takaful etc. and Alhamdulillah I have found them in accordance with Shariah Principles.
- Before launching of any Takaful Product, EFU Life-WTO took guidance and advice of Shari'ah from the undersigned and developed the Takaful Products in accordance with the guidelines provided by me as Shariah Advisor.
- Segregation of Window Takaful Operations is the essential part of valid Takaful contracts. I am pleased to state that EFU Life has realized criticalities of this issue and from the day one, Alhamdulillah, all the Takaful Funds, Investments, Bank Accounts, Systems and other related issues are kept separate from its conventional insurance business, as per requirement of Shariah.

- Conducting Training and Development is an imperative for understanding the principles of Takaful and its practical outline. For this purpose EFU Life-WTO arranged classroom training sessions for its Distribution Channels working in their respective fields and I personally felt that participants gained significantly from these training sessions. I hope EFU Life-WTO will continue this practice in the future.
- All investments under Takaful Growth Fund and Takaful Aggressive Fund fulfill the requirements of Shari'ah. Moreover, the investments of all other Takaful Funds are separate from the conventional insurance business and they are in line with Shariah.
- Few cases which were required to be consulted from the Shariah perspective were discussed with the management and duly resolved.

In the end; I pray to Allah Almighty to grant us success and help us at every step, keep us away from every hindrance and difficulty, and give financial success to EFU Life Window Takaful Operations.

والمسلم عليكم ورحمة الله وبركاته



Muhammad Ibrahim Essa  
Shariah Advisor  
EFU Life Assurance Limited-Window Takaful Operations  
20th March, 2019

## Profile of Shariah Advisor

The Shari'ah Advisor of EFU Family Takaful is Mufti Muhammad Ibrahim Essa, a prominent scholar from Jamiah Darul Uloom Karachi specializing in Islamic Finance and Takaful. Mufti Ibrahim has completed his Darse Nizami (Masters in Quran and Sunnah) and Takhassus Fil Fiqh (Specialization in Islamic Jurisprudence) from Jamiah Darul Uloom Karachi under the close supervision of Mufti Muhammad Taqi Usmani.

Mufti Ibrahim is also a teacher and member of Darul Ifta, Darul Uloom Karachi (September 2006 to date). He is also associated as Shariah Advisor with different Islamic Financial Institutions, an Islamic Bank, Mudarabas and an auditing Firm.

## **Chairman's Review**

I am pleased to present to you the Twenty Seventh Annual Report of the Company for the year ended 31 December 2018.

### **Economic review:**

The economic deterioration which started in 2017 gathered momentum in 2018 where by June 2018 current account deficit increased to USD 18.9 Bn (~6% of GDP) whereas foreign currency reserves declined to USD 16.4 Bn. As a result, PKR devalued considerably against the Dollar and State bank increased the policy rate by 425 bps in CY18. The Government is engaging friendly countries and the IMF to address the twin deficits and providing incentives to revive economic growth; however, the policy measures put into effect in 2018 will affect GDP growth in 2019.

### **Insurance Opportunity:**

Pakistan, with its population of over 200 million, and 60% under the age of 25 years, provides a fertile market for a significant potential for life insurance business. The burgeoning middle class and increasing awareness on financial services, such and banking and insurance, is creating an environment conducive for growth of the life insurance sector. Pakistan has a life insurance penetration rate (gross premiums as % of GDP) of 0.5%, which is low by international and regional standards, and thus provides an opportunity for growth in the years to come. The Government has adopted a strategy of creating an enabling environment for financial inclusion of the underserved population, and insurance can act as a pillar of this strategy resulting in further expansion of the life insurance pie in the next 5 to 10 years.

### **Insurance and Takaful industry:**

The life insurance and family takaful industry of the Country comprises of nine players. With a 27 year rich history of successful life insurance operations, your Company is one of the leading players in the private life insurance sector. The life insurance industry gross premium has crossed the Rs. 200 Billion mark, registering a 5 year annualized growth of over 20%, and the future outlook is positive.

The regulatory environment for life insurance remained conducive to growth, with the Securities and Exchange Commission of Pakistan taking a lead on many fronts in engaging with the industry and strengthening the regulatory regime in various areas.

### **Company's performance:**

Your Company's gross premium (including Takaful contributions) was Rs. 30.79 billion. All distribution channels contributed positively to this performance. During the year, the Company's statutory funds generated a surplus of Rs. 2.14 billion. Out of this surplus, Rs. 1.98 billion was transferred to the Profit & Loss Account after retaining the amount necessary to meet 100% Solvency Margin requirement. After including the performance of the Shareholders' fund, your Company made an after tax profit of Rs. 1.58 billion.

The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. These are aimed at providing the management of the Company a strategic direction and a long-term vision for the business.



Keeping in view this direction from the Board, the Company continues to excel in the private life insurance sector of the country. The overall insurance industry is on a growth trajectory and the Company has a positive outlook for the industry over the next 5 years. The Board will continue to play its vital role in steering the strategic direction of the Company to ensure that it remains amongst the leading life insurance companies and solidifies its market position in the years to come.

On behalf of the Company, I would like to record my appreciation for the tremendous contribution made by the able and eminent officers, staff and distribution channels of the Company towards its development and growth. My gratitude is also due to EFU General Insurance Ltd. for their continuous support and guidance, which has enabled the Company to establish a strong presence in the market.

*Ahmed Ali*

**EFU Life Assurance Limited**  
**Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 &**  
**Listed Companies (Code of Corporate Governance) Regulations, 2017,**  
**For the year ended 31 December 2018**

This statement is being presented in compliance with the Code of Corporate Governance for Insurers, 2016 (the Code) for the purpose of establishing a framework of good governance, whereby an insurer is managed in compliance with the best practices of corporate governance and the Listed Companies (Code of Corporate Governance) Regulations, 2017.

The Company, being an insurer, has applied the principles contained in the said Codes in the following manner:

1. The Company encourages representation of independent and non-executive Directors and directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Name
Independent Director	Mr. Kamal Afsar
Executive Director	Mr. Taher G. Sachak
Non-Executive Directors	Mr. Rafique R. Bhimjee
Non-Executive Directors	Mr. Saifuddin N. Zoomkawala
Non-Executive Directors	Mr. Muneer R. Bhimjee
Non-Executive Directors	Mr. Hasanali Abdullah
Non-Executive Directors	Mr. Heinz Walter Dollberg
Non-Executive Directors	Mr. S. Salman Rashid
Non-Executive Directors	Mr. Ali Raza Siddiqui

The independent director meets the criteria of independence under the Code and the Listed Companies (CCG) Regulations, 2017.

2. The directors have confirmed that none of them is serving as a director on more than five (5) listed companies, including this company.
3. All the resident directors of the company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs. None of the directors or their spouses is engaged in business of stock brokerage.
4. There was no casual vacancy occurred on the Board during the year.
5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it- throughout the company along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant

policies along with the dates on which they were presented on the Board for approval or amendment has been maintained.

7. All powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of Chief Executive Officer, other executive and nonexecutive directors and the key officers, have been taken by the Board except the decision on terms of and the circumstances in which a law suit may be compromised and claim / right in favor of the company may be waived, released, extinguished or relinquished, which shall be made within timeline provided in Code.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board has established a system of sound internal control, which is effectively implemented at all levels within the Company. The Company has adopted and complied with all the necessary aspects of internal controls given in the Code.
10. The Board arranged an Orientation course for all its directors in the form of booklet, which was submitted to the Board of Director during the year to apprise them of their duties and responsibilities and also about changes in Code of Corporate Governance.
11. The Board has put in place a mechanism for an annual evaluation of the board's own performance as required under the Listed Companies (CCG) Regulations, 2017.
12. There was no change of Chief Financial Officer, Company Secretary and Head of Internal Audit during the year 2018. The Board had approved the remuneration of CFO & Company Secretary and the Head of Internal Audit Department. The Board have now appointed Mr. Abbas Hussain as Corporate Secretary of the Company.
13. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and the Listed Companies (CCG) Regulations, 2017 and fully describes the salient matters required to be disclosed.
14. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.
15. The Directors, Chief Executive Officer and other executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
16. The Company has complied with all the corporate and financial reporting requirements of the Code and Listed Companies (CCG) Regulations, 2017.
17. The Board has formed the following Management Committees under the Code:

Underwriting Committee:

Name of the Member	Category
Taher G. Sachak	Chairman (Chief Executive Officer)
Dr Tajuddin A, Manji	Member
Zain Ibrahim	Member
Hasan Sheikh	Member
Dr Asadul Hadi Siddiqui	Member

Claim Settlement Committee:

Name of the Member	Category
Taher G. Sachak	Chairman (Chief Executive Officer)
Arshad Iqbal	Member
Dr Ammara Moazzum	Member
Sajjad Hussain	Member

Reinsurance Committee:

Name of the Member	Category
Taher G. Sachak	Chairman (Chief Executive Officer)
Mohammad Ali Ahmed	Member
Zain Ibrahim	Member
Raza Hasan	Member
Ali Qureshi	Member

Risk Management & Compliance Committee:

Name of the Member	Category
Taher G. Sachak	Chairman (Chief Executive Officer)
Mohammed Ali Ahmed	Member
S. Shahid Abbas	Member
Zain Ibrahim	Member
Ali Qureshi	Member
Abbas Hussain	Member
Abdul Mujeeb	Member

18. The Board has formed the following Board Committees under the Code / Listed Companies (CCG) Regulations, 2017:

Ethics, Human Resource & Remuneration Committee:

Name of the Member	Category
Kamal Afsar	Chairman (Independent Director)
Rafique R. Bhimjee	Member (Non-Executive Director)
Saifuddin N. Zoomkawala	Member (Non-Executive Director)
Taher G. Sachak	Member (Chief Executive Officer)

Investment Committee:

Name of the Member	Category
Rafique R. Bhimjee	Chairman (Non-Executive Director)
Saifuddin N. Zookawala	Member (Non-Executive Director)
Taher G. Sachak	Member (Chief Executive Officer)
Hasanali Abdullah	Member (Non-Executive Director)
Omer Morshed	Member
S. Shahid Abbas	Member (CFO)
Mohammed Ali Ahmed	Member (Actuary)
S. Muhammad Owais	Member

19. The Board has formed an Audit Committee. It comprises of four members, of whom one is independent director and three are non-executive Directors. The chairman of the committee is a non-executive director. The composition of the Audit Committee is as follows:

Audit Committee:

Name of the Member	Category
Kamal Afsar	Chairman (Independent Director)
Hasanali Abdullah	Member (Non-Executive Director)
Saifuddin N. Zoomkawala	Member (Non-Executive Director)
Muneer R. Bhimjee	Member (Non-Executive Director)
Ali Raza Siddiqui	Member (Non-Executive Director)

20. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
21. The meetings of the Committees, except Ethics, Human Resource and Remuneration Committee, were held at least once every quarter prior to approval of interim and final results of the insurer and as required by the Code / Listed Companies (CCG)

Regulations, 2017. Ethics, Human Resource and Remuneration Committee was held once a year

22. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
23. The Chief Executive Officer, Chief Financial Officer, Compliance Officer and the Head of Internal Audit possess such qualification and experience as is required under the Code. The Appointed Actuary of the Company also meets the conditions as laid down in the said Code. Moreover, the persons heading the underwriting, claim, reinsurance, risk management and grievance functions / departments possess qualification and experience of direct relevance to their respective functions, as required under section 12 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000):

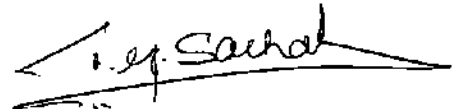
Name of the Person	Designation
Taher G. Sachak	Chief Executive Officer
S. Shahid Abbas	Chief Financial Officer
Abbas Husain	Compliance Officer
Mohammed Ali Ahmed	Actuary
Abbas Husain	Company Secretary
Mohammad Abbas	Head of Internal Audit
Zain Ibrahim	Head of Underwriting
Dr Ammara Moazzum	Head of Claims
Ali Qureshi	Head of Reinsurance
Ali Qureshi	Head of Risk Management
Arshad Iqbal	Head of Grievance Dept.

24. The statutory auditors of the Company have been appointed from the panel of auditors approved by the Commission in terms of section 48 of the Insurance Ordinance, 2000 (Ordinance No. XXXIX of 2000). The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the insurer and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
25. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
26. The Appointed Actuary of the Company has confirmed that he/she or his/her spouse and minor children do not hold shares of the Company.

27. The Board ensures that the Appointed Actuary' complies with the requirement set out for him/her in the Code.
28. The Board ensures that the investment policy of the Company has been drawn up in accordance with the provisions of the Code.
29. The Board ensures that the risk management system of the Company is in place as per the requirement of the Code.
30. The Company already has risk management function, which carries out the tasks as covered under the code.
31. The Board ensures that as part of the risk management system, the Company gets rated from JCR-VIS which is being used by its risk management function/department and the respective Committee as a risk monitoring tool. The rating assigned by the said rating agency on 28 November 2017 is AA+ with Stable outlook. which carries out its tasks as covered under the Code.
32. The Board has set up a grievance department/function, which fully complies with the requirements of the Code.
33. The Company has not obtained any exemption from the Securities and Exchange Commission of Pakistan in respect of the requirements of the Code.
34. All directors are either already certified or exempt from the said requirement under Code of Corporate Governance contained in Listing Regulations.
35. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and the Pakistan stock exchange as required by the Listed Companies (CCG) Regulations, 2017.
36. Material/price sensitive information has been disseminated among all market participants at once through the Pakistan stock exchange' as required by Listed Companies (CCG) Regulations, 2017.
37. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
38. The Company is in the process of complying with the requirements and regulations laid down in Section 208 of the Companies Act, 2017. The compliance is dependent on clarification from the Securities and Exchange Commission of Pakistan (SECP) with respect to definition of related parties. In the meantime, the Company has continued to present the details of all related party transactions as disclosed in the financial statements before the Audit Committee and upon their recommendation to the Board for review and approval.

39. We confirm that all other material principles contained in the Code and the Listed Companies (CCG) Regulations, 2017 have been complied with.

By Order of the Board



Name and Signature of the  
Chairman of the Board  
or Chief Executive

Date: 22 March 2019



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## **INDEPENDENT REASONABLE ASSURANCE REPORT ON STATEMENT OF FREE FLOAT OF SHARES**

**To the Chief Executive of EFU Life Assurance Limited.**

### **Introduction**

We have been engaged to perform a reasonable assurance engagement on the annexed Statement of Free Float of Shares ('the Statement') of EFU Life Assurance Limited ('the Company') as of 31 March 2018, 30 June 2018, 30 September 2018 and 31 December 2018.

### **Applicable Criteria**

The criteria against which the Statement is assessed is Regulation No. 5.7.2(c)(ii) of Pakistan Stock Exchange Limited Regulations (PSX Regulations) which requires every listed company to submit directly to Pakistan Stock Exchange ('PSX') an annual Free - Float Certificate duly verified by the auditor along with the annual audited accounts as prescribed under regulation 5.6.4(a) of the PSX Regulations.

### **Management's Responsibility for the Statement**

Management is responsible for the preparation of the Statement as of 31 March 2018, 30 June 2018, 30 September 2018 and 31 December 2018 in accordance with the applicable criteria. This responsibility includes maintaining adequate records and internal controls as determined necessary to enable the preparation of the Statement such that it is free from material misstatement, whether due to fraud or error.

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.



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## **Our Responsibility and Summary of the work performed**

Our responsibility is to carry out an independent reasonable assurance engagement and to express an opinion as to whether the Statement is prepared in accordance with the applicable criteria, based on the procedures we have performed and the evidence we have obtained.

We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), 'Assurance Engagements other than audits or reviews of historical financial statements' (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Statement is free from material misstatement.

A reasonable assurance engagement in accordance with ISAE 3000 (Revised) involves performing procedures to obtain evidence about the free float of shares and related information in the Statement. The nature, timing and extent of procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the Statement. In making those risk assessments, we considered internal control relevant to EFU Life Assurance Limited's preparation of the Statement. A reasonable assurance engagement also includes assessing the applicable criteria used and significant estimates made by management, as well as, evaluating the overall presentation of the Statement.

We have carried out the procedures considered necessary for the purpose of providing reasonable assurance on the Statement. Our assurance procedures performed included verification of information in the Statement with the underlying data and record comprising of Central Depository Company statements, forms submitted by the Company with Securities and Exchange Commission of Pakistan relating to its pattern of shareholding and other related information. Verification that the computation of free float of shares is in accordance with the PSX regulations also forms part of our assurance procedures.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Opinion**

In our opinion, the Statement as of 31 March 2018, 30 June 2018, 30 September 2018 and 31 December 2018 is prepared, in all material respects, in accordance with the PSX Regulations.



KPMG Taseer Hadi & Co.

**Restriction on use and distribution**

This report is issued in relation to the requirements as stipulated under Regulation No. 5.7.2(c)(ii) of the PSX Regulations and is not to be used or distributed for any other purpose. This report is restricted to the facts stated herein and the attachments.

**Date: 29 March 2019**

**Karachi**

*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

# EFU LIFE ASSURANCE LTD

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



## EFU Life Assurance Ltd. Statement of Free Float of shares for the year 2018

	Quarter-1 31-Mar-18	Quarter-2 30-Jun-18	Quarter-3 30-Sep-18	Quarter-4 31-Dec-18
Total Outstanding Shares	100,000,000	100,000,000	100,000,000	100,000,000
Less: Government Holdings	-	-	-	-
Less: Shares held by Directors/ Sponsors/ Senior Management Officers and their associates	21,377,339	21,312,420	21,357,152	21,391,171
Less: Shares in Physical form	1,692,507	1,704,273	1,398,279	1,311,973
Less: Shares held by Associate companies/ Group Companies (Cross holdings)	65,029,108	65,044,080	65,214,980	65,249,208
Less: Shares issued under ESOS that cannot be sold in the open market in normal course	-	-	-	-
Less: Treasury shares	-	-	-	-
Less: Any other category that are barred from selling at the review date	6,664	6,664	6,664	6,664
<b>Free Float</b>	<b>11,894,382</b>	<b>11,932,563</b>	<b>12,022,925</b>	<b>12,040,984</b>

Basis of Preparation: This Statement is prepared in accordance with the requirements of Regulation No. 5.7.(c)(ii) of Pakistan Stock Exchange Limited.

  
Taher G. Sachak  
Managing Director & Chief Executive



  
S. Shafiq Abbas  
Corporate Secretary

Note:

"Sponsors" has the same meaning as defined in The Companies (Issue of Capital Rules, 1996.

"Senior Management Officers" and "Associates" have the same meaning as defined in the Securities Act, 2015.



**LIFE**

Zaroori Hai



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## **INDEPENDENT AUDITOR'S REVIEW REPORT**

**To the members of EFU Life Assurance Limited**

**Review Report on the Statement of Compliance contained in the Code of Corporate Governance for Insurers, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2017**

We have reviewed the enclosed Statement of Compliance with the Code of Corporate Governance for Insurers, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of EFU Life Assurance Limited for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.



KPMG Taseer Hadi & Co.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2018.

**Date: 22 March 2019**

**Karachi**

KPMG Taseer Hadi & Co. / 1  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



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**Independent Reasonable Assurance Report to the Board of Directors on the  
Statement of Management's Assessment of Compliance with the Shariah  
Principles**

We were engaged by the Board of Directors of EFU Life Assurance Limited ("the Company") to report on the management's assessment of compliance of the Window Takaful Operations ("Takaful Operations") of the Company, as set out in the annexed statement prepared by the management for the year ended 31 December 2018, with the Takaful Rules, 2012, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of compliance of the Operations with the Takaful Rules, 2012, in all material respects.

**Applicable Criteria**

The criteria against which the subject matter information (the Statement) is assessed comprise of the provisions of Takaful Rules, 2012.

**Responsibilities of the Management**

The Board of Directors / management of the Company are responsible for designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Takaful Operations with the Takaful Rules, 2012.

The Board of Directors / management of the Company are also responsible for preventing and detecting fraud and for identifying and ensuring that the Takaful Operations comply with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Takaful Operations compliance with the Takaful Rules, 2012 are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and



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procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Our responsibilities**

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Takaful Rules, 2012, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Takaful Operations compliance with the Takaful Rules, 2012, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control over the Takaful Operations' compliance with the Takaful Rules, 2012. Reasonable assurance is less than absolute assurance.

A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Takaful Rules, 2012, and consequently cannot provide absolute assurance that the objective of compliance with Takaful Rules, 2012, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed included:

- Evaluate the systems, procedures and practices in place with respect to the Takaful operations against the Takaful Rules, 2012 and Shariah advisor's guidelines;
- Evaluating the governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee/ Shari'ah Advisor and the board of directors;
- Test for a sample of transactions relating to Takaful operations to ensure that these are carried out in accordance with the laid down procedures and practices including the regulations relating to Takaful operations as laid down in Takaful Rules, 2012; and



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- Review the statement of management's assessment of compliance of the Takaful transactions for the year ended 31 December 2018 with the Takaful Rules, 2012.

**Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended 31 December 2018, presents fairly the status of compliance of the Takaful Operations with the Takaful Rules, 2012, in all material respects.

**Date: 22 March 2019**

**Karachi**

KPMG Taseer Hadi & Co.  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



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## INDEPENDENT AUDITOR'S REPORT

**To the members of EFU Life Assurance Limited**

**Report on the Audit of the Financial Statements**

### **Qualified Opinion**

We have audited the annexed financial statements of **EFU Life Assurance Limited** (the "Company"), which comprise the statement of financial position as at 31 December 2018, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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 cash flow statement 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.

### **Basis for Qualified Opinion**

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 Balochistan 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 recognised 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.



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We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Following are the key audit matters:

<b>S. No.</b>	<b>Key audit matters</b>	<b>How the matters were addressed in our audit</b>
<b>1.</b>	<p><b>Insurance Liabilities</b></p> <p>Refer notes 3.1.4 and 20 to the financial statements relating to insurance liabilities.</p> <p>The Company's insurance liabilities represent 97% of its total liabilities. Approximately 96% of these liabilities are for unit linked business. Valuation of insurance / takaful contract liabilities involve significant judgment, actuarial assumptions such as; mortality, persistency, morbidity, investment returns, expense levels and inflation, and the use of methods adopted for actuarial valuations.</p>	<p>Our procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"><li>• Obtained an understanding, assessed the design and tested the operating effectiveness of controls established for unit linked business for allocation and surrender of units and calculation of bid value per unit;</li><li>• Assessed the adequacy of the reserve for bid value of allocated units of unit linked business, by applying the bid value to the total number of units extracted from the system;</li><li>• Assessed the adequacy of reserving of various components of Insurance liabilities, other than bid value reserves including reserves of non-</li></ul>



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<b>S. No.</b>	<b>Key audit matters</b>	<b>How the matters were addressed in our audit</b>
		<p>linked businesses, by testing calculations on the relevant data obtained from system generated reports;</p> <ul style="list-style-type: none"> <li>• Obtained an understanding, evaluated the design and tested the controls related to reinsurance arrangements;</li> <li>• Obtained understanding of the work performed by the appointed actuary;</li> <li>• Used an external actuarial specialist to assist us in challenging the general principles, actuarial assumptions and methods adopted for actuarial valuations by the appointed actuary of the Company; and</li> <li>• Challenged the assumptions used for incurred but not reported claims of businesses where fully credible experience is not available with the Company's historical data of claims.</li> </ul>
<p><b>2.</b></p>	<p><b>Insurance Benefits</b></p> <p>Refer notes 3.1.21 and 30 to the financial statements relating to insurance benefits.</p> <p>The total claims expense net of reinsurances and related expenses for the year in respect of death, non-death, maturity, surrenders and partial surrender claims amounted to Rs. 13.094 billion.</p> <p>Claim expenses are recognized on intimation of the insured event except for individual life businesses where the same are recognized at the earlier of the</p>	<p>Our procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to the claims;</li> <li>• For a risk based sample of claims outstanding at the year-end, other than for unit linked business, compared the liability recorded with the terms of the policy; and</li> <li>• For a risk based sample of claims reported near to year end and subsequent to year end, evaluated</li> </ul>



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<b>S. No.</b>	<b>Key audit matters</b>	<b>How the matters were addressed in our audit</b>
	<p>maturity of contract and intimation of insured event.</p> <p>The recognition of insurance benefits involves judgment and a risk that claims may not be recognized in the appropriate period.</p>	<p>that these are recorded in the appropriate period.</p>
<p><b>3.</b></p>	<p><b>Revenue Recognition</b></p> <p>Refer notes 3.1.9, 3.2.4, 3.2.7 and 25 to the financial statements relating to revenue recognition.</p> <p>The Company receives its revenue primarily from two main sources namely; premiums / contributions and investments income.</p> <p>We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<p>Our procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to premiums and investment income;</li> <li>• For a risk based sample of policies of non-unit linked business where premium is outstanding at the year end, compared receivable recorded with the terms of policy;</li> <li>• For a risk based sample of policies of which premium / contribution was received / due near to period end and subsequent to period end, evaluated that these were recorded in the appropriate period; and</li> <li>• For a sample of investment income transactions, tested that investment income is recorded based on the effective interest method or where right to receive the dividend is established.</li> </ul>
<p><b>4.</b></p>	<p><b>Changes in accounting policy due to introduction of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017</b></p> <p>Refer note 3.1.12 and 5 to the financial statements relating to</p>	<p>Our procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the adequacy and completeness of the disclosures relating to changes in accounting policies and adjustments required in</li> </ul>



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S. No.	Key audit matters	How the matters were addressed in our audit
	<p>changes in accounting policy due to introduction of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017.</p> <p>Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 became effective for the year ended 31 December 2018. These regulations contained a new format of financial statements and changed the presentation basis. The changes also required changes in basis of valuation of various investments.</p> <p>Because of the significance of the change, this was identified as key audit matter.</p>	<p>accordance with accounting and reporting standards as applicable in Pakistan; and</p> <ul style="list-style-type: none"> <li>• Evaluated the adequacy and completeness of additional disclosures as required under new accounting regulations.</li> </ul>

**Information Other than the Financial Statements and Auditor’s Report Thereon**

Management is responsible for the Other Information. The Other Information comprises the information included in the Annual Report but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have concluded that the Other Information is materially misstated for the same reason with respect to the amounts or other items in the Company’s Annual Report affected by the matter described in the Basis for Qualified Opinion section of our report.



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### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit, in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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**Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the cash flow statement together with the notes thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;
- c) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary;
- d) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- e) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

**Date: 22 March 2019**

**Karachi**

*KPMG Taseer Hadi & Co.*  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



KPMG Taseer Hadi & Co.

**EFU Life Assurance Limited**

**Financial Statements**

**For the year ended  
31 December 2018**

## **INDEPENDENT AUDITOR'S REPORT**

**To the members of EFU Life Assurance Limited**

**Report on the Audit of the Financial Statements**

### **Qualified Opinion**

We have audited the annexed financial statements of **EFU Life Assurance Limited** (the "Company"), which comprise the statement of financial position as at 31 December 2018, the profit and loss account, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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.

### **Basis for Qualified Opinion**

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 Balochistan 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 recognised 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.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the

Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Following are the key audit matters:

<b>S. No.</b>	<b>Key audit matters</b>	<b>How the matters were addressed in our audit</b>
1.	<p><b>Insurance Liabilities</b></p> <p>Refer notes __ and __ to the financial statements relating to insurance liabilities.</p> <p>The Company's insurance liabilities represent 97% of its total liabilities. Approximately 96% of these liabilities are for unit linked business. Valuation of insurance / takaful contract liabilities involve significant judgment, actuarial assumptions such as; mortality, persistency, morbidity, investment returns, expense levels and inflation, and the use of methods adopted for actuarial valuations.</p>	<p>Our procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding, assessed the design and tested the operating effectiveness of controls established for unit linked business for allocation and surrender of units and calculation of bid value per unit;</li> <li>• Assessed the adequacy of the reserve for bid value of allocated units of unit linked business, by applying the bid value to the total number of units extracted from the system;</li> <li>• Assessed the adequacy of reserving of various components of Insurance liabilities, other than bid value reserves including reserves of non-linked businesses, by testing calculations on the relevant data obtained from system generated reports;</li> <li>• Obtained an understanding, evaluated the design and tested the</li> </ul>

S. No.	Key audit matters	How the matters were addressed in our audit
		<p>controls related to reinsurance arrangements;</p> <ul style="list-style-type: none"> <li>• Obtained understanding of the work performed by the appointed actuary;</li> <li>• Used an external actuarial specialist to assist us in challenging the general principles, actuarial assumptions and methods adopted for actuarial valuations by the appointed actuary of the Company; and</li> <li>• Challenged the assumptions used for incurred but not reported claims of businesses where fully credible experience is not available with the Company's historical data of claims.</li> </ul>
2.	<p><b>Insurance Benefits</b></p> <p>Refer notes __ and __ to the financial statements relating to insurance benefits.</p> <p>The total claims expense net of reinsurances and related expenses for the year in respect of death, non-death, maturity, surrenders and partial surrender claims amounted to Rs. 13.094 billion.</p> <p>Claim expenses are recognized on intimation of the insured event except for individual life businesses where the same are recognized at the earlier of the maturity of contract and intimation of insured event.</p> <p>The recognition of insurance benefits involves judgment and a</p>	<p>Our procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to the claims;</li> <li>• For a risk based sample of claims outstanding at the year-end, other than for unit linked business, compared the liability recorded with the terms of the policy; and</li> <li>• For a risk based sample of claims reported near to year end and subsequent to year end, evaluated that these are recorded in the appropriate period.</li> </ul>

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>risk that claims may not be recognized in the appropriate period.</p>	
3.	<p><b>Revenue Recognition</b></p> <p>Refer notes __ and __ to the financial statements relating to revenue recognition.</p> <p>The Company receives its revenue primarily from two main sources namely; premiums / contributions and investments income.</p> <p>We identified revenue recognition as a key audit matter as it is one of the key performance indicators of the Company and because of the potential risk that revenue transactions may not be recognized in the appropriate period.</p>	<p>Our procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding, evaluated the design and tested the controls over the process of capturing, processing and recording of information related to premiums and investment income;</li> <li>• For a risk based sample of policies of non-unit linked business where premium is outstanding at the year end, compared receivable recorded with the terms of policy;</li> <li>• For a risk based sample of policies of which premium / contribution was received / due near to period end and subsequent to period end, evaluated that these were recorded in the appropriate period; and</li> <li>• For a sample of investment income transactions, tested that investment income is recorded based on the effective interest method or where right to receive the dividend is established.</li> </ul>
4.	<p><b>Changes in accounting policy due to introduction of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017</b></p> <p>Refer notes __ and __ to the financial statements relating to changes in accounting policy due</p>	<p>Our procedures in respect of this matter included the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the adequacy and completeness of the disclosures relating to changes in accounting policies and adjustments required in accordance with accounting and</li> </ul>

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>to introduction of Insurance Rules, 2017 and Insurance Accounting Regulations, 2017.</p> <p>Insurance Rules, 2017 and Insurance Accounting Regulations, 2017 became effective for the year ended 31 December 2018. These regulations contained a new format of financial statements and changed the presentation basis. The changes also required changes in basis of valuation of various investments.</p> <p>Because of the significance of the change, this was identified as key audit matter.</p>	<p>reporting standards as applicable in Pakistan; and</p> <ul style="list-style-type: none"> <li>• Evaluated the adequacy and completeness of additional disclosures as required under new accounting regulations.</li> </ul>

#### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the Other Information. The Other Information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have concluded that the Other Information is materially misstated for the same reason with respect to the amounts or other items in the Company's Annual Report affected by the matter described in the Basis for Qualified Opinion section of our report.

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in

Pakistan and the requirements of Insurance Ordinance, 2000 and, Companies Act, 2017 (XIX of 2017), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit, in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Insurance Ordinance, 2000 and the Companies Act, 2017 (XIX of 2017);
- b) 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 thereon have been drawn up in conformity with the Insurance Ordinance, 2000, the Companies Act, 2017 (XXI of 2017), and are in agreement with the books of account;

- c) the apportionment of assets, liabilities, revenue and expenses between two or more funds has been performed in accordance with the advice of the appointed actuary;
- d) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- e) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

**Date:**

**Karachi**

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**KPMG Taseer Hadi & Co.  
Chartered Accountants**

DRAFT

**EFU LIFE ASSURANCE LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2018**

	Note	31 December 2018	31 December 2017 (Restated)	1 January 2017 (Restated)
(Rupees in '000)				
<b>Assets</b>				
Property and equipment	6	2,431,627	2,197,214	2,132,747
Intangible assets	7	27,038	11,628	21,645
<b>Investments</b>				
Equity securities	8	33,542,712	27,836,364	39,093,084
Government securities	9	52,972,866	56,454,577	48,870,068
Debt securities	10	4,078,872	1,092,135	1,575,511
Term deposits	11	15,049,100	12,439,000	9,358,100
Mutual funds	12	177,087	137,046	124,336
Insurance & reinsurance / retakaful receivables	13	169,600	224,831	167,786
Other loans and receivables	14	3,110,438	2,771,909	2,139,138
Taxation - payments less provision		337,727	278,075	58,550
Prepayments	16	81,182	44,492	36,280
Cash and bank	17	4,786,362	6,057,913	3,037,489
<b>Total Assets</b>		<b>116,764,611</b>	<b>109,545,184</b>	<b>106,614,734</b>
<b>Equity and Liabilities</b>				
Capital and reserves attributable to Company's equity holders				
Authorised share capital [150,000,000 ordinary shares (2017: 150,000,000) of Rs.10 each]				
		1,500,000	1,500,000	1,500,000
Ordinary share capital	18	1,000,000	1,000,000	1,000,000
Ledger account D	18.3	1,748,449	1,529,902	1,342,205
Reserves	19	2,150,000	1,900,000	1,650,000
Surplus on revaluation of available for sale investment - net of tax		75,713	92,121	582,271
Unappropriated profit		1,053,434	1,440,648	1,543,383
<b>Total Equity</b>		<b>6,027,596</b>	<b>5,962,671</b>	<b>6,117,859</b>
<b>Liabilities</b>				
<b>Insurance Liabilities</b>				
Deferred taxation	15	704,433	754,078	943,464
Premium / contribution received in advance		714,419	656,323	575,806
Insurance & reinsurance / retakaful payables	21	193,218	78,865	148,023
Other creditors and accruals	22	1,521,408	1,232,860	1,265,616
		3,133,478	2,722,126	2,932,909
<b>Total Liabilities</b>		<b>110,737,015</b>	<b>103,582,513</b>	<b>100,496,875</b>
<b>Total Equity and Liabilities</b>		<b>116,764,611</b>	<b>109,545,184</b>	<b>106,614,734</b>
<b>Contingencies and commitments</b>	24			

The annexed notes 1 to 46 form an integral part of these financial statements.

KAM







**Managing Director & Chief Executive**      **Chief Financial Officer**      **Director**      **Director**      **Chairman**

HA      SNZ

**EFU LIFE ASSURANCE LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	31 December 2018	31 December 2017 (Restated)
Note	----- (Rupees in '000) -----	
Premium / Contribution Revenue	30,790,407	31,420,835
Premium / Retakaful ceded to reinsurers	(626,139)	(607,702)
<b>Net premium revenue</b>	<b>30,164,268</b>	<b>30,813,133</b>
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
	<u>207,977</u>	<u>(3,656,087)</u>
<b>Net income</b>	<b>30,372,245</b>	<b>27,157,046</b>
Insurance benefits	13,589,766	14,828,672
Recoveries from reinsurers	(504,051)	(599,632)
Claims related expenses	8,736	8,894
<b>Net Insurance Benefits</b>	<b>13,094,451</b>	<b>14,237,934</b>
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
<b>Total Expenses</b>	<b>14,951,404</b>	<b>10,124,871</b>
<b>Profit before tax</b>	<b>2,326,390</b>	<b>2,794,241</b>
Income tax expense	(745,057)	(884,279)
<b>Profit for the year</b>	<b>1,581,333</b>	<b>1,909,962</b>
	(Rupees)	
	(Restated)	
<b>Earnings per share (after tax) – Basic and Diluted</b>	<b>15.81</b>	<b>19.10</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

*Sam*

 Manjiv Sachal Managing Director & Chief Executive	 Chief Financial Officer	 Director HA	 Director SAIZ	 Chairman
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**EFU LIFE ASSURANCE LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

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

The annexed notes 1 to 46 form an integral part of these financial statements.

*km*

  
 Managing Director &  
 Chief Executive

  
 Chief Financial  
 Officer

  
 Director  
 UA

  
 Director  
 SNZ

  
 Chairman

**EFU LIFE ASSURANCE LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**


	Revenue Reserves					Total
	Share Capital	General Reserve	Surplus on revaluation of available for sale investment	Unappropriated Profit	Retained Earning Ledger Account D*	
	(Rupees in '000)					
Balance as at 1 January 2017 (As reported)	1,000,000	1,650,000	-	1,543,383	-	4,193,383
Adjustment due to change in accounting policy - Refer Note 5	-	-	582,271	-	1,342,205	1,924,476
Balance as at 1 January 2017 (Restated)	1,000,000	1,650,000	582,271	1,543,383	1,342,205	6,117,859
Contribution to increase solvency margin	-	-	-	(90,116)	90,116	-
<b>Total Comprehensive Income for the year (Restated)</b>						
Profit for the year - after tax (Restated)	-	-	-	1,812,381	97,581	1,909,962
Other Comprehensive Income (Restated)	-	-	(490,150)	-	-	(490,150)
	-	-	(490,150)	1,812,381	97,581	1,419,812
<b>Transactions with owners of the Company</b>						
Transfer to General Reserve	-	250,000	-	(250,000)	-	-
Dividend for the year ended 31 December 2016 at the rate of Rs. 12.00 per share	-	-	-	(1,200,000)	-	(1,200,000)
Interim Dividend - 1st Quarter 2017 at the rate of Rs. 1.25 per share	-	-	-	(125,000)	-	(125,000)
Interim Dividend - 2nd Quarter 2017 at the rate of Rs. 1.25 per share	-	-	-	(125,000)	-	(125,000)
Interim Dividend - 3rd Quarter 2017 at the rate of Rs. 1.25 per share	-	-	-	(125,000)	-	(125,000)
	-	250,000	-	(1,825,000)	-	(1,575,000)
<b>Balance as at 31 December 2017 (Restated)</b>	<b>1,000,000</b>	<b>1,900,000</b>	<b>92,121</b>	<b>1,440,648</b>	<b>1,529,902</b>	<b>5,962,871</b>
Balance as at 1 January 2018 (As reported)	1,000,000	1,900,000	-	1,440,648	-	4,340,848
Adjustment due to change in accounting policy - Refer Note 5	-	-	92,121	-	1,529,902	1,622,023
Balance as at 1 January 2018 (Restated)	1,000,000	1,900,000	92,121	1,440,648	1,529,902	5,962,871
Contribution to increase solvency margin	-	-	-	(12,809)	12,809	-
<b>Total Comprehensive Income for the year</b>						
Profit for the year - after tax	-	-	-	1,375,595	205,738	1,581,333
Other Comprehensive Income	-	-	(16,408)	-	-	(16,408)
	-	-	(16,408)	1,375,595	205,738	1,564,925
<b>Transactions with owners of the Company</b>						
Transfer to General Reserve	-	250,000	-	(250,000)	-	-
Dividend for the year ended 31 December 2017 at the rate of Rs. 11.25 per share	-	-	-	(1,125,000)	-	(1,125,000)
Interim Dividend - 1st Quarter 2018 at the rate of Rs. 1.25 per share	-	-	-	(125,000)	-	(125,000)
Interim Dividend - 2nd Quarter 2018 at the rate of Rs. 1.25 per share	-	-	-	(125,000)	-	(125,000)
Interim Dividend - 3rd Quarter 2018 at the rate of Rs. 1.25 per share	-	-	-	(125,000)	-	(125,000)
	-	250,000	-	(1,750,000)	-	(1,500,000)
<b>Balance as at 31 December 2018</b>	<b>1,000,000</b>	<b>2,150,000</b>	<b>75,713</b>	<b>1,053,434</b>	<b>1,748,449</b>	<b>6,027,596</b>

\*This include balances maintained in accordance with the Insurance Rules, 2017 (previously the SEC Insurance Rules,2002) to meet solvency margins and surplus of the family takaful investment linked business - Participant takaful fund amounting to Rs. 75.4 million, which relates only to the participants of the individual family takaful investment linked business.

The annexed notes 1 to 46 form an integral part of these financial statements.

  
 Managing Director &  
 Chief Executive

  
 Chief Financial  
 Officer

  
 Director

  
 Director

  
 Chairman

**EFU LIFE ASSURANCE LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

	31 December 2018	31 December 2017 (Restated)
	----- (Rupees in '000) -----	
<b>Operating cash flows</b>		
<b>a) Underwriting activities</b>		
Insurance premium / contribution received	30,790,754	31,573,616
Reinsurance premium / Retakaful contribution paid	(398,806)	(727,546)
Claims paid	(13,423,998)	(14,847,781)
Reinsurance and other recoveries received	504,051	599,632
Commission paid	(4,601,893)	(3,826,444)
Marketing and Administrative expenses paid	(1,602,816)	(1,406,542)
Other acquisition cost paid	(1,948,126)	(1,598,808)
<b>Net cash flow from underwriting activities</b>	<b>9,319,166</b>	<b>9,766,127</b>
<b>b) Other operating activities</b>		
Income tax paid	(847,653)	(1,083,125)
Other operating payments	(605,734)	(1,380,308)
Loans advanced	(52,844)	(73,332)
Loans repayments received	22,872	70,606
<b>Net cash flow from other operating activities</b>	<b>(1,483,359)</b>	<b>(2,466,159)</b>
<b>Total cash flow from all operating activities</b>	<b>7,835,807</b>	<b>7,299,968</b>
<b>Investment activities</b>		
Profit / Return received	6,236,055	5,889,847
Dividends received	1,483,755	1,690,587
Payments for investments	(298,284,716)	(151,278,517)
Proceed from investments	286,012,072	144,324,449
Fixed capital expenditure	(516,318)	(271,018)
Proceeds from sale of property and equipment	71,894	21,008
<b>Total cash flow from investing activities</b>	<b>(4,997,258)</b>	<b>376,356</b>
<b>Financing activities</b>		
Dividends paid	(1,500,000)	(1,575,000)
<b>Total cash flow from financing activities</b>	<b>(1,500,000)</b>	<b>(1,575,000)</b>
<b>Net cash flow from all activities</b>	<b>1,338,549</b>	<b>6,101,324</b>
Cash and cash equivalents at beginning of the year	18,496,913	12,395,589
Cash and cash equivalents at end of the year	17.2 <b>19,835,462</b>	<b>18,496,913</b>
<b>Reconciliation to profit and loss account</b>		
Operating cash flows	7,835,807	7,299,968
Depreciation	(220,306)	(194,544)
Amortization	(14,286)	(11,759)
Profit on disposal of property and equipment	39,990	10,743
Other revenue	14,137	12,961
Dividend Income	1,473,722	1,615,827
Other investment income	5,974,163	5,311,561
Diminution in market value of investments	(3,244,298)	(13,510,538)
Reversal / (Charge) of impairment in the value of available for sale equity investments	(14,427)	120,300
(Loss) / Profit on disposal of investments	(3,739,394)	2,993,508
Increase in assets other than cash	477,238	1,863,440
Increase in liabilities	(7,001,013)	(3,601,505)
<b>Profit for the year</b>	<b>1,581,333</b>	<b>1,909,962</b>

The annexed notes 1 to 46 form an integral part of these financial statements.

*KMN*  
  
**Managing Director &  
 Chief Executive**

  
**Chief Financial  
 Officer**

  
**Director**  
*UB*

  
**Director**  
*SHZ*

  
**Chairman**

**EFU LIFE ASSURANCE LIMITED**  
**NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

1.1 EFU Life Assurance Limited (the Company) was incorporated in Pakistan on 09 August 1992 as a public limited Company under the Repealed Companies Ordinance, 1984 and started its operation from 18 November 1992. The shares of the Company are quoted on Pakistan Stock Exchange Limited. The registered office of the Company is located at Al-Malik Centre, 70W, F-7/G-7 Jinnah Avenue, Islamabad while principal place of business is located at EFU Life house Plot No.112, 8th East street, phase 1, DHA, Karachi.

1.2 The Company is a subsidiary of EFU General Insurance Limited on the basis of its ability to control the composition of the Board of Directors of EFU Life Assurance Limited effective 31 March 2018.

1.3 The Company is engaged in life insurance business including ordinary life business, pension fund business and accident and health business and has established following statutory funds, as required by the Insurance Ordinance, 2000:

- Investment Linked business (includes individual life business)
- Conventional business (includes group life and individual life businesses)
- Pension business (unit linked)\*
- Accident and health business
- Family Takaful Investment Linked Business (Refer note 1.4)
- Family Takaful Protection Business (Refer note 1.4)

\* The Company had discontinued pension business and accordingly no new business has been written under this fund.

1.4 The Company was granted authorisation on 19 January 2015 under Rule 6 of the Takaful Rules, 2012 to undertake Takaful Window Operation in respect of family takaful products by Securities and Exchange Commission of Pakistan (SECP) and subsequently the Company commenced Window Takaful Operations on 6 February 2015 under the brand name "Hemayah". For the purpose of carrying on takaful business, the Company has formed a Waqf namely EFU Life - Window Family Takaful Limited Waqf (here-in-after referred to as the Participant Takaful Fund (PTF) was formed on 6 February 2015 under a Waqf deed executed by the Company with a cede amount of Rs. 2 million. The cede money is required to be invested in Shariah compliant investments and any profit thereon can be utilized only to pay benefits to participants or defray PTF expenses. Waqf deed also governs the relationship of the Company and policyholders for the management of Takaful operations, investment of policyholders' funds and shareholders' funds as approved by the Shariah Advisor appointed by the Company.

**2 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

2.1 These financial statements have been prepared on the format of financial statements issued by the Securities and Exchange Commission of Pakistan (SECP) through the Insurance Rules, 2017 vide its S.R.O. 89(1) / 2017 dated 09 February 2017.

2.2 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Takaful Rules, 2012 and Insurance Accounting Regulations, 2017.

In case requirements differ, the provisions or directives of the Companies Act, 2017, the Insurance Ordinance, 2000, the Insurance Rules, 2017, the Insurance Accounting Regulations, 2017, shall prevail.

**2.3 Basis of measurement**

These financial statements have been prepared on the basis of the historical cost convention except as disclosed in accounting policies relating to investments.

**2.4 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

**2.5 Standards, Interpretations and Amendments effective in 2018**

There are certain new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 01 January 2018 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements. During the year, certain new standards and amendments to existing standards became effective. However, they did not have material effect on these financial statements.

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SECP vide its S.R.O. 88(1) / 2017 and S.R.O. 89(1) / 2017 dated 09 February 2017 has issued Insurance Accounting Regulations, 2017 and Insurance Rules, 2017 which prescribed a new format for the financial statements of Insurance Companies, effective from the year ended 31 December 2018. Accordingly, these financial statements are prepared in accordance with the new format.

The Company has adopted these Rules and Accounting regulations 2017 and accordingly has changed its accounting policies refer note 5.

In addition, Companies Act, 2017 also became effective for the financial statements for the year ended 31 December 2017. As the financial statements are prepared in accordance with the format prescribed by SECP, it did not have a direct impact on the financial statements.

## 2.6 Standards, Interpretations and amendments not effective at year end

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 01 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 Construction Contracts' and IFRIC '13 'Customer Loyalty Programmes'. The application of interpretation is not likely to have an impact on the Company's financial statements.
- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 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. However, SECP through its notification no. S.R.O 229 (I)/2019 dated 14 February 2019 has deferred the applicability of IFRS 9 for reporting period / year ending on or after 30 June 2019. The Company is currently in the process of analysing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- Amendment to IFRS 4 'Insurance Contracts'- Applying IFRS 9 'Financial Instruments' with IFRS 4 (effective for annual periods beginning on or after 1 July 2018). The amendment address 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. The overlay approach allows an entity applying IFRS 9 from 1 July 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 adopted the temporary exemption which allows the Company to defer the application of both IFRS 9 and IFRS 17 until 31 December 2021.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.
- Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a Company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.

- 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 1 January 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 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 1 January 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 financial statements in accordance with IFRS Standards.
- Annual Improvements to IFRS Standards 2015 - 2017 Cycle - the improvements address amendments to following approved accounting standards:
  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a Company increases its interest in a joint operation that meets the definition of a business. A Company remeasures its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
  - IAS 23 Borrowing Costs - the amendment clarifies that a Company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except for the policies and standards disclosed in note 5 of these financial statements which have been adopted by the Company during the current year.

#### 3.1.1 Property and Equipment

These are stated at cost less accumulated depreciation and accumulated impairment loss, if any.

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected useful lives at the rates specified in note 6.1 to the financial statements, after taking into account residual value, if any. The useful lives, residual values and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the quarter in which an asset is available for use while no depreciation is charged for the quarter in which asset is disposed off.

Subsequent cost are included in the assets carrying amount or recognized as separate asset, as appropriate, only when it is possible that the future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. Revenue expenditures are charged to profit and loss account.

An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gain and losses on disposal, if any, of assets are included in profit and loss account currently.

The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amount.

#### 3.1.2 Intangible assets

These are stated at cost less accumulated amortization and any impairment in value. Amortization on intangible fixed assets is charged to profit and loss account applying the straight line method at the rates specified in note 7 to the financial statements after taking into account residual value, if any.

Amortization is charged from the quarter the assets are available for use and no amortization is charged for the quarter in which the asset is disposed off. The useful life and amortization method is reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying values of intangible fixed assets are reviewed for impairment when events or changes in circumstances indicate that this carrying value may not be recoverable, if any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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### 3.1.3 Insurance Contracts

#### Classification

The Company currently issues contracts that are classified as insurance and takaful contracts as they transfer significant insurance risk (against death, disability and sickness) from the policyholder to the Company. All contracts which include an investment element are unit-linked contracts linked to internal mutual funds.

The Company classifies its business into Individual Life and Group Life businesses, in both cases the form of contract consisting of main plans and supplementary riders (which are generally optional).

Individual life business mainly consists of unit-linked products and conventional protection products, in both cases with optional supplementary riders which generally provide protection only. Group Life business consists primarily of protection products and a relatively small number of unit-linked policies.

#### 3.1.3.1 Contract details and measurement

The insurance contracts offered by the Company are described below:

##### Individual Life Policies

These consist of the following types of policies:

##### (a) Unit-Linked Products

These are medium to long term unit-linked plans designed to address a variety of future policyholder needs, such as retirement planning, education planning for children, marriage planning for children, life protection and investments and savings for future. Premiums received from policyholders and after deduction of specified charges including risk charges, are invested in internal unit funds of the Company. The basic plan contains life cover over and above the unit value, with additional protection (for death, disability and sickness) being provided through the addition of optional riders.

##### (b) Conventional Protection Products

Two types of products are offered under Individual life conventional business, these being medium to long term contracts with level premiums being paid over the policy period. The Company offers a standard term life assurance product that offers protection in event of death as well as a decreasing term life assurance policy that covers outstanding loan balances.

##### (c) Family Takaful Investment linked Products

These are medium to long term unit-linked plans operated through Window Takaful Operations of EFU Life Assurance Limited.

The Company offers Unit-Linked Takaful Plans which provide shariah compliant financial protection and investment vehicle to individual participants. These plans carry cash value, and offer investment choices to the participants to direct their investment related contributions based on their risk / return objectives. The investment risk is borne by the participants.

##### (d) Accident and Health Products

These consist of long term and short term Accident and Health products providing cover against accidental death, disability, sickness and critical illness, offered both as long term as well as yearly renewable plans.

##### (e) Other Supplementary Benefits

The Company also offers a variety of supplementary benefits attached with main plans including additional term life assurance, income benefits, critical illness, sickness and accidental death and disability related benefits.

#### Group Life and Group Family Takaful Protection Policies

##### (a) Nature of Contracts:

The Company's group life and group takaful business consists of one year term life contracts which provide coverage, in the event of death or disability, to:

- employees of a common employer, benefits payable under these contracts being either fixed, in case of death, or linked to the extent of loss incurred by the policyholder, in case of disability;
- customers of financial institutions, the contracts being issued to financial institutions to protect their customers' outstanding loan balances, such as on personal loan, mortgages and credit cards.

Unit Linked Group Life policies are similar in nature to Individual Life Unit linked Products.

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### 3.1.4 Policyholders' Liability

Policyholders' liabilities are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date. In determining the value, both acquired policy values (which forms the bulk of policyholders' liabilities) as well as estimated values which will be payable against risks which the Company underwrites are taken into account. The bases used are applied consistently from year to year.

The basic liability consists of the estimated actuarial liability against each contract which is in force. To this are added:

- a) The cash value of policies which have lapsed over the last two years and where the liability would be reinstated in case of the policy being revived; and
- b) A reserve for potential losses on a policy by policy basis.

### 3.1.5 Reinsurance contracts held

The Company has entered into reinsurance / retakaful (hereinafter referred to as "reinsurance") arrangements, for both its individual and group businesses, in order to manage risks associated with the frequency and severity of claims. These arrangements include cover under treaties as well as on a facultative basis. The terms of reinsurance treaties vary by type of business, the objective being to maintain a reasonable risk profile suiting the risk appetite and overall exposure to adverse movements in mortality or morbidity.

Primarily, reinsurance assets are amounts due from reinsurers with respect to recoveries under claims and profit commission. Reinsurance recoveries are measured according to the terms and conditions of the reinsurance contracts.

Reinsurance liabilities consist of amounts due to reinsurers on account of reinsurance premiums due which are measured according to the terms of the arrangements.

### 3.1.6 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amount due to and from agents and policyholders.

### 3.1.7 Operating Segments

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company accounts for segment reporting using the classes or sub classes of business (statutory funds) as specified under the Insurance Ordinance, 2000 and Insurance Rules, 2017 under regulatory accounts.

Based on its classification of Insurance contracts issued, the Company has six business segments for reporting purposes namely investment linked business, conventional business, pension business, accident and health business, Family takaful investment linked business and Family takaful protection business.

### 3.1.8 Cash and Cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents include the following:

- Cash at bank in current and saving accounts;
- Policy stamps in hand; and
- Term Deposits Receipts with original maturity upto three months.

### 3.1.9 Revenue recognition

- First year individual life premiums / Contributions are recognized once the related policies have been issued and the premium is received. Renewal premiums are recognized upon receipt of premium provided the policy is still in force. Single premiums are recognized once the related policies are issued against the receipts of premium.
- Group life premiums are recognized when due. A provision for unearned premiums is included in the policyholders' liabilities.
- Interest / profit income on bank deposits is recorded on a time proportion basis.
- Fixed income securities are recorded on a time proportion basis using effective interest rate method.
- Dividend income is recognized when right to receive such dividend is established.

3.1.10 Experience refund of premium payable to Policyholders except for individual life unit linked is included in outstanding claims.

3.1.11 Reinsurance expense is recognized as a liability in accordance with the treaty arrangement of reinsurers.

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### 3.1.12 Investments

All investments are initially recognized at cost, being the fair value of the consideration given and include transaction costs. All purchase and sale of investments that require delivery within the required time frame established by regulations or market convention are accounted for at the trade date. Trade date is the date when the Company commits to purchase or sell the investments. Subsequently the investments are classified as follows:

#### - In equity securities

##### **Fair Value through profit and loss**

Investments in equity securities relating to units assigned to policies of investment linked business, pension business and Family takaful investment linked business are subsequently measured at their fair values and the difference is charged to profit or loss account under the heading 'Fair value through Profit and loss Account'.

##### **Available for sale**

Investment related to non-unit linked fund subsequently measured at fair value and the difference is charged to Other comprehensive income under the heading 'Available for sale'.

#### - In debt securities

##### **Held-to-maturity**

Investment classified as held-to-maturity are subsequently measured at amortised cost less impairment, if any, taking into account any discount and premium on acquisition, using the effective rate of interest method.

##### **Fair value through profit and loss account**

Investments in debt securities relating to units assigned to policies of investment linked business, pension business and Family takaful investment linked business are subsequently measured at their fair values and the difference is charged to profit and loss account.

#### - In term deposits

It represents investment in term deposits with banks held for short term usually less than 12 months.

#### - In mutual funds

##### **Fair Value through profit and loss**

Investments in mutual funds relating to units assigned to policies of investment linked business, pension business and Family takaful investment linked business are subsequently measured at their fair values and the difference taken in fair value through profit and loss account.

##### **Available for sale**

Investment related to non - unit linked fund subsequently measured at fair value and the difference is charged to Other comprehensive income under the heading 'Available for sale'.

#### - Fair / market value measurements

For investments in Government securities, fair / market value is determined by reference to quotations obtained from Reuters page (PKRV) where applicable. For investments in quoted marketable securities, other than Term Finance Certificates, fair / market value is determined by reference to Stock Exchange quoted market price at the close of business on balance sheet date. The fair market value of Term Finance Certificates is as per the rates issued by the Mutual Funds Association of Pakistan (MUFAP).

#### - Reclassification of Available for sale portfolio of non unit-linked funds

During the year, the Company has changed its accounting policy for the valuation of the available for sale investments of Non Unit-linked business to comply, as disclosed in note 5 to these financial statements with the requirements of the Insurance Accounting Regulations, 2017 issued by the SECP vide its SRO 88(1)/2017 dated February 9, 2017. In line with the requirements of the Rules, subsequent to initial recognition, the quoted available for sale investments are to be valued at market value. On derecognition or impairment of available for sale investments, the cumulative gains or losses previously reported in revaluation reserve are reclassified to the profit and loss account for the year.

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### 3.1.13 Off - setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, if the Company has a legally enforceable right to set off and the Company intends either to settle the assets and liabilities on a net basis or to realize the asset and settle the liability simultaneously.

### 3.1.14 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

### 3.1.15 Taxation

#### Current

Provision of current tax is based on the taxable income for the year determined in accordance with the Income Tax Ordinance, 2001. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years.

#### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

### 3.1.16 Employees' retirement benefits - defined contribution plans

3.1.16.1 The Company operates a contributory provident fund for all eligible employees to which equal monthly contributions at the rate of 8.33% of basic salary are made by both the Company and the employees. The contributions are recognized as employee benefit expense when they are due.

3.1.16.2 The Company also operate an approved funded contributory pension scheme, whereby, fixed monthly contributions at the rate of 10% of the basic salary are made by the Company and the employees also have an option to contribute in the fund at the rate of 5%. At the time of retirement, employees are paid in full for their contribution, if any, and Company's contribution accumulated in the fund is paid to employees over the period of time in accordance with the rules of the fund.

### 3.1.17 Impairment of assets

The carrying amount of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If such indication exists, the recoverable amount of the asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

### 3.1.18 Dividends and other appropriations

Cash dividend to shareholders is recognized as liability in the period in which it is approved. Similarly all other appropriations other than those required by law including reserve for issue of bonus shares are recognized in the period in which they are approved.

### 3.1.19 Reinsurance assets

Reinsurance contracts entered into by the Company with reinsurers for compensation of losses suffered on insurance contracts issued. Claim recoveries receivable from the reinsurers are recognized at the same time as the claim which give rise to the right of recovery and are measured at the amount expected to be recovered.

Reinsurance assets represent balances due from reinsurance companies which are stated on the basis of amounts receivable under the respective contract after considering any impairment in the value of such assets.

### 3.1.20 Statutory funds

The Company maintains statutory funds for all classes of life insurance business. Assets, liabilities, revenues and expenses are recorded in respective funds, if referable or, on the basis of actuarial advice if not referable. Other assets, liabilities, revenues and expenses are allocated to shareholders' fund. Policyholders' liabilities have been included in statutory funds on the basis of the actuarial valuation carried out by the appointed actuary of the Company on the balance sheet date as required by Section 50 of the Insurance Ordinance, 2000. A capital transfer provided to statutory funds by the shareholders' fund is recorded as a reduction in the shareholders' equity. Changes in the amount of capital contributed to statutory funds is recorded by the shareholders' funds directly in equity.

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### 3.1.21 Provision for outstanding claims

A liability for outstanding claims is recognized in respect of all claims incurred up to the balance sheet date, except for accident and health claims which are recognized as soon as reliable estimates of the claim amount can be made. Claims where intimation of the event giving rise to the claim is received or in respect of investment linked business when the policy ceases to participate in the earnings of the statutory fund are reported as claims in the revenue account. The liability for claims incurred but not reported at the year end is determined by the Appointed Actuary and are included in the policyholders' liabilities. Experience refund of premium calculated by appointed actuary is included in outstanding claims. Experience refund of premium receivable from reinsurers is included in the reinsurance recoveries of claim.

### 3.1.22 Acquisition costs

These are costs incurred in acquiring insurance policies, maintaining such policies, and include without limitation all forms of remuneration paid to insurance agents.

Commissions and other expenses are recognized as an expense in the earlier of the financial year in which they are paid and financial year in which they become due and payable, except that commission and other expenses which are directly referable to the acquisition or renewal of specific contracts are recognized not later than the period in which the premium to which they refer is recognized as revenue.

### 3.1.23 Foreign currency transactions

#### 3.1.23.1 Functional and presentation currency

These financial statements are presented in Pakistan Rupees, which is the Company's functional and presentation currency.

#### 3.1.23.2 Foreign currency translations

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gain and losses on translation are taken into profit & loss account currently. Non monetary - items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non - monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### 3.1.24 Financial Instruments

Financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual right to future cash flows from the asset expire or is transferred along with the risk and reward of the ownership of the asset. Financial liabilities are derecognized when obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of the financial asset and liabilities is recognized in the profit and loss account of the current year.

## 3.2 Significant Accounting Policies - Window Family Takaful Operations

### 3.2.1 Takaful Contracts

The takaful contracts are based on the principles of Wakala Waqf Model. Takaful is a program based on Shariah compliant, approved concept founded on the principles of mutual cooperation, solidarity and brotherhood.

The obligation of Waqf for Waqf participants' liabilities is limited to the amount available in the Waqf fund. In the event where there is insufficient funds in Waqf to meet their current payments less receipts, the deficit is funded by way of an interest free loan (Qard-e-Hasna) from the Operator sub fund to participant takaful fund and group family takaful. The amount of Qard-e-Hasna is refundable to the Operator sub fund.

Technical reserves are stated at a value determined by the appointed actuary through an actuarial valuation carried out as at each balance sheet date, in accordance with section 50 of the Insurance Ordinance, 2000.

### 3.2.2 Group Takaful

The group family takaful contracts are issued typically on yearly renewable term basis. The Company offers group term life and group credit plans to its participants.

### 3.2.3 Individual Takaful Contracts Unit - Linked

The Company offers unit-linked Takaful plans which provide Shariah compliant financial protection and investment vehicle to individual participants contribution received from policyholders, after deducting specific charges and takaful donations, are invested in internal unit funds of the Company.

The basic plan contains family takaful cover over and above the unit value with additional protection.

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### 3.2.4 Retakaful

These contracts are entered into by the Company with retakaful operator under which the retakaful operator cedes the takaful risk assumed during normal course of its business and according to which the Waqf is compensated for losses on contract issued by it are classified as retakaful contracts held.

#### Retakaful Contribution

Retakaful contribution is recorded at the time the retakaful is ceded. Surplus from retakaful operator is recognized in the revenue account.

#### Retakaful Expenses

Retakaful expenses are recognized as a liability in accordance with the pattern of recognition of related contribution.

#### Retakaful assets and liabilities

Retakaful assets represent balances due from retakaful operators. Recoverable amounts are estimated in a manner consistent with the associated retakaful treaties.

Retakaful liabilities represent balances due to retakaful operators. Amounts payable are calculated in a manner consistent with the associated retakaful treaties.

Retakaful assets are not offset against related retakaful liabilities. Income or expenses from retakaful contract are not offset against expenses or income from related retakaful contracts as required by Insurance Ordinance, 2000.

Retakaful assets and liabilities are derecognized when the contractual rights are extinguished or expired.

### 3.2.5 Business Segment - Window Family Takaful Operation

The Company has two primary business segment for reporting purposes; Family Takaful Investment Linked Business and Family Takaful Protection Business.

- a) The Family Takaful Investment Linked Business segments provides family takaful coverage to individuals under unit-linked policies issued by the PTF.
- b) The Family Takaful Protection Business segment provides family takaful coverage to member of business enterprises, corporate entities and common interest groups under group family takaful scheme operated by the Company.

### 3.2.6 Takaful operator's fee

The shareholders of the Company manage the family takaful operations for the participants and act as Wakeel of the Waqf fund. The Company is entitled for the wakala fee for the management of takaful operation under Waqf fund to meet its general and administrative expenses.

The window takaful operator is also entitled for Wakalt-ul-Istismar fee as it manages Participant Investment Fund.

### 3.2.7 Revenue recognition

Individual first year contribution are recognized once the related policies have been issued and the contribution received. Renewal contribution are recognized upon receipt of contribution provided the policy is still in force. Individual single contribution are recognized once the related policies are issued against the receipts of contribution.

Group contribution are recognized when due. A provision for unearned contribution is included in the policyholders' liabilities.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with accounting and reporting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and any future periods affected.

In the process of applying the Company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

	Note
Policyholders' liabilities and underlying actuarial assumptions	3.1.4
Provision for outstanding claims	20.1
Classification and impairment of investments	3.1.12, 8, 9, 10, 11, 12, 26, 27, 28
Taxation and deferred taxation	3.1.15
Determining the residual value and useful lives of fixed assets	3.1.1 & 3.1.2

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5 CHANGE IN ACCOUNTING POLICY

- a) The SECP vide S.R.O. 89(1)/2017 dated February 9, 2017 has issued Insurance Rules, 2017 (the Rules) which requires every insurer to prepare their financial statements as per the presentation and disclosure requirements prescribed in Annexure II of the Rules. In view of the applicability of the Rules, the Company has changed its presentation and disclosure format to comply with the requirements of the said Rules.
- b) As a result, retained earnings on other than participating business which was previously reported in Balance of Life Fund, will now be reported in Statement of Changes in Equity net of deferred tax as Ledger Account D. Further any loss on statutory fund will be transferred to Profit and Loss Account, which was previously retained in statutory fund as capital contribution.
- c) During the year, the Company has changed its accounting policy for the valuation of the Available for Sale investments of Non Unit-linked business to comply with the requirements of the Insurance Accounting Regulations, 2017 issued by the SECP vide its SRO 88(1)/2017 dated February 9, 2017, which requires the valuation of Available for Sale investments at fair value. In line with the requirements provided in the Rules, subsequent to initial recognition, the quoted Available for Sale investments are to be valued at market value and any unrealised gains or losses arising on the revaluation of Available for Sale investments is charged to Other Comprehensive Income and transferred to revaluation reserve. On derecognition or impairment of Available for Sale investments, the cumulative gains or losses previously reported in revaluation reserve are reclassified to the Profit and Loss Account for the period. This change in accounting policy has been applied retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and comparatives have been restated to confirm to the changed policy. Further previously Available for Sale investment relating to the units assigned to policies of Unit-linked businesses were subsequently measured at fair value and the difference was recorded in the Revenue Account. During the year, the Company has reclassified such investments portfolio as Financial Assets at Fair Value through Profit and Loss account, designated upon initial recognition to meet the requirements of Insurance Accounting Regulation, 2017. However, it has no effects on the financial results.
- d) Previously, subsequent to initial recognition, the quoted Available for Sale investments for Non Unit-linked portfolio were stated at lower of cost or market value (Market value being taken as lower if the reduction is other than temporary) in accordance with the requirements of the SEC Insurance Rules, 2002.

Accordingly, retrospective adjustments have been made in these annual financial information and comparatives have been revised as follows:

	<u>Balance as reported</u>	<u>Adjustments</u>	<u>Balance (Restated)</u>
	(Rupees in '000)		
<u>As at 31 December 2016</u>			
<i>In Statement of Financial Position</i>			
Investments - Equity securities and Mutual Funds	38,385,604	831,816	39,217,420
Retained Earning Ledger Account D - previously solvency margin	(1,905,124)	562,919	(1,342,205)
Surplus on revaluation of available for sale investment	-	(582,271)	(582,271)
Deferred taxation	(131,000)	(812,464)	(943,464)

As at 31 December 2017

*In Statement of Financial Position*

Investments - Equity securities and Mutual Funds	27,841,809	131,601	27,973,410
Retained Earning Ledger Account D - previously solvency margin	(2,108,700)	578,798	(1,529,902)
Surplus on revaluation of available for sale investment	-	(92,121)	(92,121)
Deferred taxation	(135,800)	(618,278)	(754,078)

For the period ended 31 December 2017

Rupees in '000

*Impact on Profit and Loss Account due to:*

Change in Retained Earnings on other than participating business (Ledger Account D)	97,581
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*Impact on Other Comprehensive Income due to:*

Unrealized gain on available for sale investment	(700,214)
Related tax impact	210,064

*Impact on Earnings per Share (after tax) - Basic and Diluted*

Rupees

Change in Basic EPS	0.98
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6 PROPERTY AND EQUIPMENT

	Note	31 December 2018	31 December 2017
		(Rupees in '000)	
Operating assets	6.1	2,431,627	2,197,214
		<u>2,431,627</u>	<u>2,197,214</u>

6.1 Operating assets

	31 December 2018									
	Cost			Depreciation			Written down value as at 31 December 2018	Depreciation rate %		
	As at 1 January 2018	Additions	Disposals	As at 31 December 2018	As at 1 January 2018	Charge for the year			On Disposals	As at 31 December 2018
	(Rupees in '000)									
Lease hold land	126,505	-	-	126,505	-	-	-	-	126,505	-
Building	1,318,700	15,000	-	1,333,700	80,254	62,485	-	142,739	1,190,961	5
Office equipment	311,643	19,855	(430)	331,068	64,233	25,702	(281)	89,654	241,414	10
Computers	163,128	37,497	(640)	199,985	106,809	21,810	(588)	128,034	71,951	30
Furniture and fixture	416,643	79,758	-	496,411	173,147	28,421	-	201,888	294,643	10
Vehicles	501,957	334,503	(104,856)	731,604	216,919	81,888	(73,156)	225,651	505,953	20
<b>Total</b>	<b>2,838,576</b>	<b>486,623</b>	<b>(105,926)</b>	<b>3,219,273</b>	<b>541,382</b>	<b>220,306</b>	<b>(74,022)</b>	<b>787,646</b>	<b>2,431,627</b>	

	31 December 2017									
	Cost			Depreciation			Written down value as at 31 December 2017	Depreciation rate %		
	As at 1 January 2017	Additions	Disposals	As at 31 December 2017	As at 1 January 2017	Charge for the year			On Disposals	As at 31 December 2017
	(Rupees in '000)									
Lease hold land	126,505	-	-	126,505	-	-	-	-	126,505	-
Building	1,269,990	48,710	-	1,318,700	15,875	64,379	-	80,254	1,238,446	5
Office equipment	276,511	38,403	(2,271)	311,643	39,188	26,326	(1,281)	84,233	247,410	10
Computers	135,416	27,874	(162)	163,128	87,134	19,809	(134)	106,809	56,319	30
Furniture and fixture	372,951	44,628	(936)	416,643	149,263	24,437	(553)	173,147	243,496	10
Vehicles	424,010	109,661	(31,714)	501,957	180,176	59,593	(22,850)	216,919	285,038	20
<b>Total</b>	<b>2,604,383</b>	<b>269,276</b>	<b>(35,083)</b>	<b>2,838,576</b>	<b>471,636</b>	<b>194,544</b>	<b>(24,818)</b>	<b>641,362</b>	<b>2,197,214</b>	

6.1.1 The market value of land and building is estimated at Rs. 3,322 million as at 31 December 2018. The valuations have been carried out by independent valuer.

6.1.2 Disposal of fixed assets

	Original Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss) on Sale	Mode of Disposal	Particulars of purchaser	
	(Rupees in '000)							
Vehicles	380	332	28	225	197	Negotiation	Waqar Aatif Malik	Employee
Vehicles	651	591	60	450	390	Negotiation	Aysha Chaudary	Employee
Vehicles	494	434	60	250	190	Negotiation	Sajjad Haider Barcha	Employee
Vehicles	494	438	56	260	204	Negotiation	Afnan Aftab	Employee
Vehicles	494	431	63	225	162	Negotiation	Shahid Abbas Chughta	External
Vehicles	1,324	1,173	151	920	799	Negotiation	Kh. Shoab Mumtaz	Employee
Vehicles	905	802	103	480	377	Negotiation	Asim Maqbool	Employee
Vehicles	815	710	105	480	375	Negotiation	Akbar Ali	Employee
Vehicles	588	504	84	380	296	Negotiation	Sajid Romaze	Employee
Vehicles	850	729	121	500	379	Negotiation	Masood Sheraz	Employee
Vehicles	850	729	121	500	379	Negotiation	Rana Abdus	External
Vehicles	1,764	1,448	316	1,050	734	Negotiation	Muhammad Kashif	Employee
Vehicles	1,764	1,481	283	1,000	717	Negotiation	Rizwan Ali Bukhari	Employee
Vehicles	485	403	82	250	168	Negotiation	Tanveer Hyder	Employee
Vehicles	516	408	108	300	192	Negotiation	Abdul Dasit	External
Vehicles	516	424	92	275	183	Negotiation	Anwar Ahmed	External
Vehicles	1,078	838	240	715	475	Negotiation	Rehan Siddiqui	Employee
Vehicles	1,078	838	240	725	485	Negotiation	Sunita Kumari	Employee
Vehicles	1,078	874	204	740	536	Negotiation	Rizwan Malik	Employee
Vehicles	1,078	874	204	740	536	Negotiation	Irfan Bashir	Employee
Vehicles	1,078	838	240	750	510	Negotiation	Khawaja Khurram Amin	Employee
Vehicles	877	710	167	500	333	Negotiation	Tariq Mustafa	Employee
Vehicles	891	712	179	565	386	Negotiation	Mr. Idress	Employee
Vehicles	1,718	1,313	405	1,150	745	Negotiation	Noor Ur Rehman	Employee
Vehicles	680	552	128	503	365	Negotiation	Rana Abdus	External
Vehicles	885	708	177	525	348	Negotiation	Syed Waqar Hyder Naqvi	Employee
Vehicles	885	708	177	540	363	Negotiation	Burhan Zahid	Employee
Vehicles	1,354	1,017	337	1,000	663	Negotiation	Ali Haider	Employee
Vehicles	885	698	187	565	378	Negotiation	Majid Ayub	Employee
Vehicles	885	698	187	525	338	Negotiation	Asad Ali Jaffery	Employee
Vehicles	707	540	167	410	243	Negotiation	Mohammad Aleem	Employee
Vehicles	707	549	158	500	384	Negotiation	Faizan Masood	Employee
Vehicles	925	719	206	600	394	Negotiation	Khurram Cayyum	Employee
Vehicles	925	719	206	625	419	Negotiation	Asif Hamid	External
Vehicles	1,056	821	235	800	565	Negotiation	Zahid Khan	Employee
Vehicles	732	569	163	360	197	Negotiation	Shamsuddin Shaikh	Employee
Vehicles	732	569	163	475	312	Negotiation	Samina Rafi	Employee
Vehicles	1,156	898	258	750	492	Negotiation	Mustansar Butt	Employee
Vehicles	1,608	1,227	381	1,100	719	Negotiation	Khurram Rashid Khan	Employee
Vehicles	562	429	133	350	217	Negotiation	Nadeem Sultan	External
Vehicles	562	429	133	350	217	Negotiation	Mastoi	Employee
Vehicles	562	429	133	360	227	Negotiation	Syed Muhammad Wasif Umar	Employee

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	Original Cost	Accumulated Depreciation	Book Value (Rupees in '000)	Sale Proceeds	Gain / (Loss) on Sale	Mode of Disposal	Particulars of purchaser	
Vehicles	562	429	133	350	217	Negotiation	Ali Asghar	Employee
Vehicles	1,478	1,128	350	1,050	700	Negotiation	Zafarullah	Employee
Vehicles	965	723	242	630	388	Negotiation	Khawar Mehmood	Employee
Vehicles	1,447	1,084	363	1,000	637	Negotiation	Abdul Jabbar	Employee
Vehicles	607	455	152	350	198	Negotiation	Karan Kumar	Employee
Vehicles	1,131	847	284	770	486	Negotiation	Abdul Hameed	External
Vehicles	1,131	847	284	725	441	Negotiation	Naveed Akhtar	Employee
Vehicles	1,673	1,253	420	1,150	730	Negotiation	Jagdeesh	Employee
Vehicles	652	470	182	425	243	Negotiation	Shoab Akhter Ali	Employee
Vehicles	1,768	1,218	550	1,160	610	Negotiation	Adeel Ishaque	Employee
Vehicles	652	449	203	500	297	Insurance Claim	Efu General Insurance	Insurance Claim
Vehicles	652	470	182	400	218	Negotiation	Faruq Khan Ghauri	Employee
Vehicles	652	470	182	425	243	Negotiation	Aqeel Sanji	Employee
Vehicles	652	470	182	425	243	Negotiation	Sarosh Shamim	Employee
Vehicles	652	470	182	400	218	Negotiation	Ahsan Javaid	Employee
Vehicles	1,010	729	281	650	369	Negotiation	Wasqas Khan	External
Vehicles	1,010	711	299	580	281	Negotiation	Qamar Abbas	External
Vehicles	652	459	193	425	232	Negotiation	Mumtaz Ali Khosa	Employee
Vehicles	1,005	708	297	690	393	Negotiation	Bilal Sanwar	Employee
Vehicles	1,507	1,061	446	1,100	654	Negotiation	Tarveer Ahmed Khan	Employee
Vehicles	1,010	711	299	650	351	Negotiation	Madiha Ghulam	Employee
Vehicles	1,171	824	347	850	503	Negotiation	Sajjad Ali Sheikh	Employee
Vehicles	2,102	1,443	659	1,500	841	Negotiation	Adnan Manzoor	Employee
Vehicles	652	448	204	400	196	Negotiation	Said Mahmood	Employee
Vehicles	652	459	193	400	207	Negotiation	Rizwan Sadiq	Employee
Vehicles	1,010	711	299	675	376	Negotiation	Fahad Amjad	External
Vehicles	652	436	216	425	209	Negotiation	Mian M. Afzal	Employee
Vehicles	1,702	1,168	534	1,250	716	Negotiation	Zeeshan	Employee
Vehicles	656	451	205	380	175	Negotiation	Arslan Lateef	Employee
Vehicles	1,184	813	371	825	454	Negotiation	M. Kashif Khan	Employee
Vehicles	656	451	205	400	195	Negotiation	Shahzad Ahmed	Employee
Vehicles	1,019	700	319	650	331	Negotiation	M Amir	Employee
Vehicles	668	447	221	360	139	Negotiation	Shahzadomal	Employee
Vehicles	1,703	1,110	593	1,350	757	Negotiation	Tahir Sultan	Employee
Vehicles	683	445	238	450	212	Negotiation	Khizar Abbas	Employee
Vehicles	683	431	252	475	223	Negotiation	Abid Ali	Employee
Vehicles	683	445	238	430	192	Negotiation	Nadeem Sultan	External
Vehicles	683	445	238	475	237	Negotiation	Muhammad Imran	Employee
Vehicles	1,302	849	453	700	247	Negotiation	Altaulah Sheikh	Employee
Vehicles	1,221	796	425	900	475	Negotiation	Muhammad Shahzad	Employee
Vehicles	1,221	796	425	900	475	Negotiation	Imran Razaq	Employee
Vehicles	1,044	658	386	700	314	Negotiation	Mujeeb Ur Rehman	Employee
Vehicles	2,156	1,312	844	1,600	756	Negotiation	Faisal Tahir	Employee
Vehicles	678	427	251	460	209	Negotiation	Ghulam Abu	Employee
Vehicles	678	427	251	440	189	Negotiation	Abdul Ali	Employee
Vehicles	678	427	251	450	199	Negotiation	Zahid Pasha	Employee
Vehicles	1,039	655	384	700	316	Negotiation	Ehsan Hyder	Employee
Vehicles	678	427	251	475	224	Negotiation	Muhammad Ishaq	Employee
Vehicles	1,039	655	384	740	356	Negotiation	Asad Hadi	Employee
Vehicles	1,332	752	580	950	370	Negotiation	Mian Kashif Naseer	Employee
Vehicles	688	371	317	540	223	Negotiation	Sumera Falak	Employee
Vehicles	1,622	872	750	1,350	600	Negotiation	Qazafi Khan	Employee
Vehicles	1,622	872	750	1,400	650	Negotiation	Ali Raza	Employee
Vehicles	1,271	649	622	985	353	Negotiation	Shahid Lazir	Employee
Vehicles	1,552	792	760	1,350	590	Negotiation	Azmi Mufti	Employee
Vehicles	688	351	337	515	178	Negotiation	Mahmood Butt	Employee
Vehicles	1,054	508	546	832	386	Negotiation	Yousuf Javed	Employee
Vehicles	1,824	931	893	1,500	607	Negotiation	Dr. Noreen Tahir	External
Vehicles	1,347	568	779	1,050	271	Negotiation	Asim Khan	Employee
Vehicles	1,566	661	905	1,425	520	Negotiation	Rashid Sheikh	Employee
Vehicles	1,566	661	905	1,450	545	Negotiation	Aamer Manzoor Farid	Employee
Vehicles	1,347	568	779	1,050	271	Negotiation	Aulim Solangi	Employee
Vehicles	652	470	182	400	218	Negotiation	Sajid Mahmood	Employee

Assets having written down value less than Rs.50,000

Office Equipment	430	281	149	74	(75)	Various
Computer	640	584	56	40	(16)	Various
2018	105,926	74,022	31,904	71,884	39,990	
2017	35,083	24,818	10,265	21,008	10,743	

7 INTANGIBLE ASSETS

	Cost			31 December 2018				Written down value as at 31 December 2018	Amortization rate %	
	As at 1 January 2018	Additions	Disposals	As at 31 December 2018	Accumulated Amortization					
					As at 1 January 2018	Charge for the year	On Disposals			As at 31 December 2018
(Rupees in '000)										
Computer software	78,019	29,695	-	107,714	66,390	14,286	-	80,676	27,038	33
	Cost			31 December 2017				Written down value as at 31 December 2017	Amortization rate %	
	As at 1 January 2017	Additions / Disposal	Disposals	As at 31 December 2017	Accumulated Amortization					
					As at 1 January 2017	Charge for the year	On Disposals			As at 31 December 2017
(Rupees in '000)										
Computer software	78,276	1,742	-	78,018	54,631	11,759	-	66,390	11,628	33

7.1 Fully amortised intangible assets

Type	Cost	Depreciation 2015	Depreciation 2016	Depreciation 2017	Depreciation 2018	Total Depreciation	Book value
Intangible Asset	25,237	1,965	8,412	8,412	8,448	25,237	-

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	Note	31 December 2018	31 December 2017 (Restated)
----- (Rupees in '000) -----			
<b>8 INVESTMENT IN EQUITY SECURITIES</b>			
Available for Sale			
At fair value through profit or loss	8.1	334,244	370,412
	8.2	33,208,468	27,465,952
		<u>33,542,712</u>	<u>27,836,364</u>

	31 December 2018			31 December 2017			
	Note	Cost	Impairment / provision	Carrying Value	Cost	Impairment / provision (Restated)	Carrying Value
----- (Rupees in '000) -----							
<b>8.1 Available for sale</b>							
<b>Related Parties</b>							
Listed Shares		334,522	(286,748)	47,774	306,470	(249,548)	56,922
<b>Others</b>							
Listed Shares		168,162	-	168,162	209,800	(27,543)	182,257
Unlisted Shares	8.3 & 8.4	16,008	-	16,008	11,008	-	11,008
Surplus on revaluation		-	-	102,300	-	-	120,225
<b>8.2 Fair Value through Profit and Loss</b>							
<b>Related Parties</b>							
Listed Shares		539,276	-	589,347	1,100,276	-	1,165,781
<b>Others</b>							
Listed Shares		34,961,713	-	32,619,121	26,774,500	-	26,300,171
		<u>36,019,681</u>	<u>(286,748)</u>	<u>33,542,712</u>	<u>28,402,054</u>	<u>(277,091)</u>	<u>27,836,364</u>

	31 December 2018	31 December 2017 (Restated)
----- (Rupees in '000) -----		
<b>Reconciliation of provision for impairment</b>		
Balance at the beginning of the year	277,092	396,624
(Reversal) / charge for impairment on available for sale investments	9,656	(119,532)
Balance at the end of the year	<u>286,748</u>	<u>277,092</u>

- 8.3 Listed equities include investment in EFU General Insurance Limited (the Holding Company) at carrying value of Rs. 468.10 million on behalf of Policyholders (2017: Rs. 715.71 million) representing 2.34% (2017: 2.34 %) of the issued capital of the EFU General Insurance Limited.
- 8.4 This represents investment in ordinary shares of Security General Insurance Company Limited. The breakup value of each ordinary share of Rs.10 is Rs 215.69 based on the latest un-audited interim financial statements available for the period ended June 30, 2018. The Company's holding as at the year end is 0.67% (number of shares: 457,038) [(2017: 0.67%) (number of shares: 457,038)]. The Chief Executive Officer of Security General Insurance Company Limited is Mr. Farukh Aleem.
- 8.5 This represents investment in ordinary shares of Planet- N (Private) Limited. The breakup value of each ordinary share of Rs.10 is Rs 1.25 based on the latest audited financial statements available for the period ended 30 June 2018. The Company's holding as at the year end is 0.28% (number of shares: 50,191) [(2017: 0.28%) (number of shares: 50,191)]. The Chief Executive Officer of PLANET-N (Private) Limited is Mr. Nadeem Hussain.

	Note	31 December 2018	31 December 2017
----- (Rupees in '000) -----			
<b>9 GOVERNMENT SECURITIES</b>			
Held to Maturity			
At fair value through profit or loss	9.1	5,122,953	3,083,004
	9.2	47,849,913	53,371,573
		<u>52,972,866</u>	<u>56,454,577</u>

	31 December 2018				
	Maturity Year	Effective Yield	Amortised Cost	Principal Repayment	Carrying Value
----- (Rupees in '000) -----					
<b>9.1 Held to Maturity</b>					
03 Years Pakistan Investment Bond	2019	7.00%	999,447	1,000,000	999,447
15 Years Pakistan Investment Bond	2019	6.45%	10,014	10,000	10,014
20 Years Pakistan Investment Bond	2024	10.00%	54,258	53,700	54,258
3 Months Treasury Bills	2019	7.50%	3,824,395	3,834,000	3,824,395
03 Years Government Ijara	2019	5.59%	235,159	235,000	234,839
<b>9.2 Fair Value through Profit and Loss</b>					
03 Years Pakistan Investment Bond	2019	7.00%	9,294,470	9,275,000	9,177,613
05 Years Pakistan Investment Bond	2019	7.33%	4,577,792	4,537,500	4,557,919
05 Years Pakistan Investment Bond	2020	7.20%	5,048,142	4,987,500	4,870,294
10 Years Pakistan Investment Bond	2019	12.59%	14,946	15,000	15,119
10 Years Pakistan Investment Bond	2024	11.45%	102,145	100,000	96,950
10 Years Pakistan Investment Bond	2022	11.42%	2,130,305	2,100,000	2,081,940
15 Years Pakistan Investment Bond	2019	6.45%	267,541	266,400	265,493
20 Years Pakistan Investment Bond	2024	10.00%	387,319	392,000	350,920
3 Months Treasury Bills	2019	7.66%	26,153,400	26,134,023	26,130,452
03 Years Government Ijara	2019	5.59-6.1%	174,188	175,000	175,011
08 Years Pakistan Water And Power Development Authority	2021	8.31%	128,640	128,640	128,202
			<u>53,402,161</u>	<u>53,243,763</u>	<u>52,972,866</u>

9.3 Market value of government securities carried at amortized cost amounted to Rs. 5,105 million (2017: Rs. 3,097 million).

9.4 Government securities includes Rs.125 million (2017: Rs. 125 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

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10 INVESTMENT IN DEBT SECURITIES

Note	31 December 2018			31 December 2017			
	Cost	Impairment / Provision	Carrying Value	Cost	Impairment / Provision	Carrying Value	
	(Rupees in '000)						
<b>Others</b>							
<b>Fair Value through Profit and Loss</b>							
Term Finance Certificates / Corporate Sukuks	10.1	3,865,297	-	3,868,872	873,535	-	882,135
<b>Held to Maturity</b>							
Certificate of Investment	10.2	210,000	-	210,000	210,000	-	210,000
		<u>4,075,297</u>	<u>-</u>	<u>4,078,872</u>	<u>1,083,535</u>	<u>-</u>	<u>1,092,135</u>

10.1 Term Finance Certificates / Corporate Sukuks

	No. Of Certificates		Face Value	Value of Certificates	
	31 December 2018	31 December 2017		31 December 2018	31 December 2017
	(Rupees in '000)				
<b>Others</b>					
Hascol Petroleum	30,000	30,000	4	99,499	131,340
Falima Fertilizer Company	9,807	9,807	3	29,677	40,307
Engro Fertilizers Limited	52,000	52,000	2	91,000	186,375
Bank Al Habib Limited	60,000	20,000	5	300,289	200,000
Al Baraka Bank	10,000	10,000	2	22,189	28,560
Byco Oil Pakistan	20,000	20,000	5	100,000	100,000
K Electric	7,500	7,500	1	78,361	78,360
Bank Al-Falah Limited	23,063	3,063	5	115,131	15,559
MCB Bank Limited	20,000	20,000	5	101,592	101,634
International brands	100,000	-	100	99,182	-
Dawood Hercules	2,000	-	200	200,000	-
Pakistan Services Limited	833	-	100	131,958	-
Pak. Electron Limited.	20,000	-	10	99,994	-
United Bank Limited	250,000	-	5	1,250,000	-
Soneri Bank Limited	10,000	-	5	50,000	-
Askari Bank Limited.	500	-	1,000	500,000	-
Dubai Islamic Bank Limited	20,000	-	5	100,000	-
Meezan Bank Limited	100,000	-	5	500,000	-
				<u>3,868,872</u>	<u>882,135</u>

10.2 Certificate of Investment

First Habib Modarba	1	1	210,000	210,000	210,000
				<u>4,078,872</u>	<u>1,092,135</u>
				<u>31 December 2018</u>	<u>31 December 2017</u>
				(Rupees in '000)	

11 INVESTMENTS IN TERM DEPOSITS

Deposit maturing within 12 months	11.1	15,049,100	12,439,000
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11.1 These have tenure of one to three months (2017: one to three month) and carry mark-up at the rate 7.5% to 12% (2017: 5% to 8%) per annum and includes term deposit receipts of Rs. 5.15 billion (2017: Rs. 2.15 billion) held with JS Bank Limited (a related party) which carries mark-up at the rate 10 to 11% (2017: 6.20%).

12 INVESTMENT IN MUTUAL FUNDS

	31 December 2018			31 December 2017 (Restated)		
	Cost	Impairment/ provision	Carrying Value	Cost	Impairment/ provision	Carrying Value
	(Rupees in '000)					
<b>Fair Value through Profit and Loss</b>						
<b>Related Party</b>						
Mutual Funds	444	-	805	547	-	1,041
<b>Others</b>						
Mutual Funds	59,215	-	60,315	49,936	-	59,924
<b>Available for Sale</b>						
<b>Related Parties</b>						
Mutual Funds	25,523	-	25,523	523	-	523
<b>Others</b>						
Mutual Funds	100,147	(10,280)	89,867	69,691	(5,509)	64,182
Surplus on revaluation	-	-	577	-	-	11,376
	<u>185,329</u>	<u>(10,280)</u>	<u>177,087</u>	<u>120,697</u>	<u>(5,509)</u>	<u>137,046</u>

Reconciliation of provision for impairment

	31 December 2018	31 December 2017 (Restated)
	(Rupees in '000)	
Balance at the beginning of the year	5,509	6,277
Charge / (reversal) for impairment on available for sale investments	4,771	(768)
Balance at the end of the year	<u>10,280</u>	<u>5,509</u>

	Note	31 December 2018	31 December 2017 (Restated)
----- (Rupees in '000) -----			
<b>13 INSURANCE &amp; REINSURANCE / RETAKAFUL RECEIVABLES</b>			
Due from insurance Policyholders		156,138	98,389
Due from reinsurers / retakaful		13,462	126,442
		<u>169,600</u>	<u>224,831</u>
<b>14 OTHER LOANS AND RECEIVABLES</b>			
Accrued investment income		884,760	1,142,548
Security deposits		35,329	42,356
Advance to supplier		108,610	100,078
Loans to agents	14.1	32,453	22,256
Loans to employees	14.1	136,737	105,386
Other receivables		1,912,549	1,359,285
		<u>3,110,438</u>	<u>2,771,909</u>
<b>14.1</b>	This represent housing, vehicle and domestic purpose loans to employees and agents at the interest rate ranging between 8% to 12.5% (2017: 8% to 12.5%) per annum. These loans are recoverable over a period of one to ten years (2017: one to ten years) and are secured against retirement benefit payable to respective employees and security documents of property / vehicle.		
<b>15 DEFERRED TAXATION</b>			
Deferred credits arising due to:			
	Note	31 December 2018	31 December 2017 (Restated)
----- (Rupees in '000) -----			
- Fixed Assets		152,900	135,800
- Surplus on revaluation of available for sale investment		32,778	39,480
- Retained earning ledger Account D		518,755	578,798
		<u>704,433</u>	<u>754,078</u>
<b>16 PREPAYMENTS</b>			
Prepaid rent		56,435	22,967
Prepaid miscellaneous expenses		24,747	21,525
		<u>81,182</u>	<u>44,492</u>
<b>17 CASH &amp; BANK</b>			
Cash and Cash Equivalent			
Cash in hand		299	-
Policy & Revenue stamps		5,660	7,472
Cash at bank			
Current account		1,231,704	2,552,729
Saving account	17.1	3,548,699	3,497,712
		<u>4,786,362</u>	<u>6,057,913</u>
<b>17.1</b>	These carry mark-up ranging from 7.5% to 9% (2017: 4.5% to 6%) per annum and include balance of Rs.364.36 million (2017: Rs. 184.59 million) held with JS Bank Limited (a related party).		
		31 December 2018	31 December 2017 (Restated)
----- (Rupees in '000) -----			
<b>17.2 Cash and cash equivalents for cash flow purpose comprise of the following:</b>			
- Cash and others		5,959	7,472
- Cash at bank		4,780,403	6,050,441
- Term deposits maturing within three months		15,048,100	12,439,000
		<u>19,835,462</u>	<u>18,496,913</u>

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18 SHARE CAPITAL

Authorised Capital

2018	2017		31 December 2018	31 December 2017
(Number of Shares)			(Rupees in '000)	
150,000,000	150,000,000	Ordinary shares of Rs. 10 each	1,500,000	1,500,000

Issued, subscribed and paid-up capital

2018	2017		31 December 2018	31 December 2017
(Number of Shares)			(Rupees in '000)	
15,000,000	15,000,000	Issued, subscribed and paid-up Ordinary shares of Rs 10 each issued for cash	150,000	150,000
85,000,000	85,000,000	Ordinary shares of Rs 10 each issued as fully paid bonus shares	850,000	850,000
100,000,000	100,000,000		1,000,000	1,000,000

18.1 As of balance sheet date 43,416,840 (2017: 43,092,040) ordinary shares of Rs. 10/- each were held by the Holding Company.

18.2 Employees Stock Option Scheme

The Company's Employees Stock Option Scheme (ESOS) was duly approved by the Company's Shareholders in their Annual General Meeting held on 5 April 2014. Under the ESOS, the Company shall grant share options to the employees selected by the Board's Compensation Committee. The SECP has accordingly approved the ESOS vide its Letter No.SMD/CIW/ESOS/01/2014 dated: 10 February 2017. The scheme is applicable from the year 2018. No options were granted to employees as at 31 December 2018.

	Note	31 December 2018	31 December 2017 (Restated)
(Rupees in '000)			
<b>18.3 RETAINED EARNING LEDGER ACCOUNT D</b>			
Opening balance		2,108,700	1,905,124
Contribution to increase solvency margin		12,809	90,116
Change in solvency margin through profit and loss account		145,696	113,460
		2,267,205	2,108,700
Related Deferred Tax Liability on:			
Opening balance		(578,798)	(562,919)
Reversal / (charge) to profit and loss account		60,042	(15,879)
Closing balance		(518,756)	(578,798)
Net of tax		1,748,449	1,529,902
<b>19 RESERVES</b>			
General reserve		2,150,000	1,900,000
<b>20 INSURANCE LIABILITIES</b>			
Reported outstanding claims	20.1	2,281,165	2,105,117
Incurred but not reported claims	20.2	515,733	362,228
Investment component of unit - linked and account value policies	20.3	103,569,024	97,073,403
Liabilities under individual conventional insurance contracts	20.4	784,354	821,042
Liabilities under group insurance contracts (other than investment linked)	20.5	453,261	498,597
		107,603,537	100,860,387
<b>20.1 Reported Outstanding Claims</b>			
Gross of Reinsurance			
Payable within one year		1,918,000	1,752,232
Payable over a period of time exceeding one year		646,563	655,030
		2,564,563	2,407,262
Recoverable from Reinsurers			
Receivable over a period of time exceeding one year		(283,398)	(302,145)
		(283,398)	(302,145)
Net Reported Outstanding Claims		2,281,165	2,105,117
<b>20.2 Incurred But Not Reported Claims</b>			
Gross of Reinsurance		634,042	465,603
Reinsurance Recoveries		(118,309)	(103,375)
Net of Reinsurance		515,733	362,228
<b>20.3 Investment Component of Unit-Linked and Account Value Policies</b>			
Investment Component of Unit Linked Policies		103,569,024	97,073,403
		103,569,024	97,073,403

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	Note	31 December 2018	31 December 2017 (Restated)
----- (Rupees in '000) -----			
<b>20.4 Liabilities under Individual Conventional Insurance Contracts</b>			
Gross of Reinsurance		952,718	977,253
Reinsurance Credit		(168,364)	(156,211)
Net of Reinsurance		<u>784,354</u>	<u>821,042</u>
<b>20.5 Liabilities under Group Insurance Contracts (other than Investment linked)</b>			
Gross of Reinsurance		532,584	618,117
Reinsurance Credit		(79,323)	(119,520)
Net of Reinsurance		<u>453,261</u>	<u>498,597</u>

**20.6 Claim Development Group Business**

The claim development pattern for the last five years:

Accident Year	2014	2015	2016	2017	2018
----- (Rupees in '000) -----					
Estimate of ultimate claims costs:					
At end of accident year	1,117,967	1,130,170	1,616,251	1,823,809	2,194,987
One year later	1,134,084	1,291,178	1,716,076	1,866,091	-
Two years later	1,145,461	1,299,436	1,740,491	-	-
Three years later	1,142,527	1,323,341	-	-	-
Four year later	1,225,974	-	-	-	-
Current estimate of Cumulative claims	1,225,974	1,323,341	1,740,491	1,866,091	2,194,987
Less: Cumulative payments to date	1,121,658	1,268,432	1,657,043	1,645,563	1,242,855
Liability recognised in the statement of financial position	<u>104,316</u>	<u>54,909</u>	<u>83,448</u>	<u>220,528</u>	<u>952,132</u>

**20.7 Claim Development Individual Business**

The claim development pattern for the last five years:

Accident Year	2014	2015	2016	2017	2018
----- (Rupees in '000) -----					
Estimate of ultimate claims costs:					
At end of accident year	562,879	699,248	824,705	611,981	668,646
One year later	573,147	715,002	842,299	605,581	-
Two years later	563,080	717,658	839,187	-	-
Three years later	562,095	712,285	-	-	-
Four years later	560,487	-	-	-	-
Current estimate of Cumulative claims	560,487	712,285	839,187	605,581	668,646
Less: Cumulative payments to date	433,558	573,318	710,742	424,653	228,438
Liability recognised in the statement of financial position	<u>126,929</u>	<u>138,967</u>	<u>128,445</u>	<u>180,928</u>	<u>440,208</u>

**20.8 Statement of Age wise Break up of Unclaimed Insurance Benefits  
As on 31 December 2018**

This represents outstanding claims in respect of which cheques have been issued by the Company for claim settlement. However, the same have not been encashed by the claimant. Following is the aging as required by the SECP Circular no.11 of 2014 dated 19 May 2014.

Particulars	Total Amount	1 to 6 months	7 to 12 months	13 to 24 months	25 to 35 months	Beyond 36 months
----- (Rupees in '000) -----						
Unclaimed Maturity Benefits	149,645	93,268	46,190	6,706	1,349	2,124
Unclaimed Death Benefits	-	-	-	-	-	-
Unclaimed Disability Benefits	-	-	-	-	-	-
Claims not encashed	8,739	-	1,634	686	-	6,419
Other Unclaimed benefits	-	-	-	-	-	-
<b>Total</b>	<u>158,384</u>	<u>93,268</u>	<u>47,832</u>	<u>7,392</u>	<u>1,349</u>	<u>8,543</u>

	31 December 2018	31 December 2017 (Restated)
----- (Rupees in '000) -----		
<b>21 INSURANCE &amp; REINSURANCE / RETAKAFUL PAYABLES</b>		
Due to reinsurers / retakaful	193,218	78,865
	<u>193,218</u>	<u>78,865</u>
<b>22 OTHER CREDITORS AND ACCURALS</b>		
Amount due to agents	726,258	633,979
Accrued expenses	602,191	403,223
Unpaid Dividend	8,570	-
Unclaimed Dividend	33,326	27,469
Other creditors and accruals	151,063	168,189
	<u>1,521,408</u>	<u>1,232,860</u>

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## 23 RETIREMENT BENEFIT OBLIGATIONS

### 23.1 Provident Fund

The following information based on un-audited financial statements of the fund as at 31 December 2018:

	2018	%	2017	%
	(Rupees in '000)		(Rupees in '000)	
Size of the fund - total assets	468,383		415,217	
Cost of investments	412,738	88.12	349,548	84.18
Fair value of investments	464,256	99.12	412,648	99.38

#### 23.1.1 The breakup of fair value of investment in Provident Fund is as follows:

	2018	%	2017	%
	(Rupees in '000)		(Rupees in '000)	
Open end mutual fund	117,910	25.40	126,677	30.70
Shares	779	0.17	923	0.22
Government securities	345,567	74.43	285,048	69.08

The above investments out of provident fund have been made in accordance with the requirement of Section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

### 23.2 Pension Fund

	2018	%	2017	%
	(Rupees in '000)		(Rupees in '000)	
Size of the fund - total assets	305,708		295,622	
Cost of investments	277,773	90.86	257,597	87.14
Fair value of investments	302,562	98.97	288,869	97.72

#### 23.2.1 The breakup of fair value of investment in Pension Fund is as follows:

	2018	%	2017	%
	(Rupees in '000)		(Rupees in '000)	
Open end mutual fund	65,178	21.54	70,361	24.36
Shares	263	0.09	305	0.11
Government securities	235,900	77.97	216,980	75.11
Term Finance Certificates	1,222	0.40	1,223	0.42

## 24 CONTINGENCIES AND COMMITMENTS

24.1 The Income tax assessment of the Company for tax year 2018 has been finalized. The tax department has reopened the assessment order issued under Sec 122(5A) for the tax year 2009-2016 and has raised a demand of Rs. 56.31 million against dividend income so received by the Company to be taxed at corporate rate instead of reduced rates available in the First schedule of Income Tax Ordinance 2001. The Company filed an appeal for tax year 2009-2013 before CIT appeals where the case was decided against the Company. The Company has filed an appeal before Appellate Tribunal for the same tax years where the case was decided in favour of the Company. For tax year 2014 and tax year 2016, the Company filed an appeal before CIT appeals against the order, where the case was decided in favour of the Company. For the tax year 2015, the Company has filed an appeal before CIT appeal. No provision has been made in respect of aforementioned additional demand.

In 2015 and 2016, The Searle Company Limited issued bonus shares (76,031 shares and 342,480 shares respectively) after withholding 5 percent of bonus shares (3,801.55 shares and 18,707.44 shares respectively) and the IBL Healthcare Limited. Issued bonus shares (46,625 shares and 80,311 shares respectively) after withholding 5 percent of bonus shares (2,331.26 shares and 4,031 shares respectively). In this regard, a constitutional petition had been filed by the Company in Sindh High Court challenging the applicability of withholding tax provision on bonus shares received by the Company. The honorable high court decided the case against the Company. Subsequently, the Company filed an appeal with a larger bench of the Sindh High Court and in response the Sindh High Court has suspended the earlier judgment until the next date of hearing, which has not yet been decided. The Company is of the view that the case will be decided in its favour and no provision has been made for the aforementioned tax.

Sindh Revenue Board has been granting exemption for sales tax on life insurance premium on a year to year basis which had expired on 30 June 2018. Similarly, sales tax on life insurance premium was also exempt in Punjab. However, sales tax on life insurance premium on policies written in Punjab has been made applicable from November 2018. Further, Balochistan Revenue Authority has also imposed sales tax on life insurance premium effective 01 July 2015. 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 of the respective provinces. In view of the fact that the matter is under the process of review with the taxation authorities, the Company has not started billing sales tax on life insurance premium to its customers. At 31 December 2018, the aggregate amount of sales tax on life insurance premium not yet billed by the Company to its customers amounted to Rs. 1,315.33 million. Based on the IAP's discussions with the sales tax authorities, the Company is hopeful that the exemption will be granted for the current year. Accordingly, the Company has not recorded any provision against sales tax liability in these financial statements.

24.2 Bank guarantees amounting to Rs.17.27 million has been given in respect of Group Life coverage. These bank guarantees will expire by 16 January 2020.

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	<u>31 December 2018</u>	<u>31 December 2017</u> (Restated)
	----- (Rupees in '000) -----	
<b>25 NET INSURANCE PREMIUM / CONTRIBUTION REVENUE</b>		
<b>Gross premium / contribution</b>		
<b>Regular premium / contribution individual policies</b>		
First year	6,845,943	5,340,075
Second year renewal	4,267,430	3,243,216
Subsequent year renewal	14,067,312	11,810,042
<b>Single premium / contribution individual policies</b>	<b>2,588,947</b>	<b>8,263,773</b>
Group policies with cash values	61,538	55,922
Group policies without cash values	3,125,315	2,786,431
Less: Experience Refund	(166,078)	(78,624)
<b>Total gross premium / contribution</b>	<u><b>30,790,407</b></u>	<u><b>31,420,835</b></u>
<b>Less: Reinsurance premium / retakaful contribution ceded</b>		
On individual life first year business	50,966	52,207
On individual life second year business	39,947	50,197
On individual life renewal business	199,403	186,174
On group policies	469,073	451,151
Less: Experience refund from reinsurers	(113,106)	(112,051)
Less: Reinsurance commission on risk premium	(20,144)	(19,976)
	<b>626,139</b>	<b>607,702</b>
<b>Net premium / contribution</b>	<u><b>30,164,268</b></u>	<u><b>30,813,133</b></u>
<b>26 INVESTMENT INCOME</b>		
<b>Income from equity securities</b>		
<b>Fair Value through Profit and Loss</b>		
Dividend income	1,460,907	1,556,579
<b>Available for sale</b>		
Dividend income	22,848	134,008
<b>Income from debt securities</b>		
<b>Fair Value through Profit and Loss</b>		
Return on debt securities	524,761	297,468
On government securities	3,888,358	3,631,010
<b>Held to Maturity</b>		
On government securities	320,128	214,013
<b>Income from term deposits</b>		
Return on term deposits	725,389	578,046
	<u><b>6,942,391</b></u>	<u><b>6,411,124</b></u>

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	31 December 2018	31 December 2017 (Restated)
	----- (Rupees in '000) -----	
<b>27 NET REALISED FAIR VALUE (LOSSES) / GAINS ON FINANCIAL ASSETS</b>		
<b>At fair value through profit and loss</b>		
<b>Financial assets</b>		
Realised gains on:		
- Equity securities	2,235,330	4,933,487
- Government securities	-	-
Realised losses on:		
- Equity securities	(5,971,322)	(1,939,978)
- Government securities	(3,402)	-
	<u>(3,739,394)</u>	<u>2,993,509</u>
<b>28 NET FAIR VALUE LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS</b>		
Net unrealised losses on investments in financial assets	(1,174,039)	(665,036)
Net unrealised losses on investments at fair value through profit or loss	(1,889,638)	(12,548,123)
Total investment income	(3,063,677)	(13,213,159)
Exchange Gain	26,908	6,084
Less: Impairment in value of available for sale securities	(14,427)	120,300
Less: Investment related expenses	(7,101)	(7,509)
	<u>(3,058,297)</u>	<u>(13,094,284)</u>
<b>29 OTHER INCOME</b>		
Gain on sale of fixed assets	39,990	10,743
Return on loans to employees	14,137	12,961
Fees charged to Policyholders	9,150	9,860
	<u>63,277</u>	<u>33,564</u>
<b>30 NET INSURANCE BENEFITS</b>		
<b>Gross claims</b>		
Claims under individual policies		
by death	602,244	676,329
by insured event other than death	4,360	7,720
by maturity	1,289,748	869,376
by surrender	9,577,998	11,390,496
<b>Total gross individual policy claims</b>	<u>11,474,350</u>	<u>12,943,921</u>
Claims under group policies		
by death	1,997,744	1,757,739
by insured event other than death	102,957	120,554
by maturity	114	-
by surrender	14,601	6,458
<b>Total gross group claims</b>	<u>2,115,416</u>	<u>1,884,751</u>
<b>Total gross claims</b>	<u>13,589,766</u>	<u>14,828,672</u>
<b>Less: Reinsurance / retakaful recoveries</b>		
On individual life claims	106,753	107,858
On group claims	397,298	491,774
	<u>504,051</u>	<u>599,632</u>
Add: Claims related expenses	8,736	8,894
<b>Net insurance benefit expense</b>	<u>13,094,451</u>	<u>14,237,934</u>

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	Note	31 December 2018	31 December 2017 (Restated)
----- (Rupees in '000) -----			
<b>31 ACQUISITION EXPENSES</b>			
Remuneration to insurance intermediaries on individual policies:			
- commission to agent on first year premiums		2,847,314	2,224,927
- commission to agent on second year premiums		451,418	329,472
- commission to agent on subsequent renewal premiums		386,606	308,897
- commission to agent on single premiums		76,816	290,824
- override commission to supervisors		546,778	448,816
Other benefits to insurance intermediaries			
- salaries, allowances and other benefits		1,335,376	922,248
Remuneration to insurance intermediaries on group policies:			
- commission		385,240	301,023
- other benefits to insurance intermediaries		73,452	70,935
- Travelling expenses (including cost of contests, conventions etc.)		45,382	38,671
- Printing and stationery		17,267	21,787
- Depreciation		94,130	73,441
- Rent, rates and taxes		111,322	95,862
- Electricity, gas and water		35,035	31,024
- Entertainment		30,317	29,647
- Vehicle running expenses		12,310	13,441
- Office repairs & maintenance		22,441	21,468
- Postages, telegrams and telephone		39,601	37,926
- Others		128,233	104,498
- Stamp duty		88,974	75,346
- Initial Medical Fee		22,967	18,223
		<u>6,750,979</u>	<u>5,458,476</u>
<b>32 MARKETING AND ADMINISTRATION EXPENSES</b>			
Employee benefit cost	32.1	634,886	567,887
Travelling expenses		86,715	79,867
Advertisements and sales promotion		189,438	155,383
Printing and stationery		47,491	48,921
Depreciation		126,176	121,103
Amortisation		14,285	11,759
Rent, rates and taxes		15,987	18,625
Legal and Professional charges - business related		82,971	58,355
Electricity, gas and water		31,627	33,054
Entertainment		33,080	27,662
Vehicle running expenses		7,157	11,502
Office repair and maintenance		62,784	47,327
Appointed actuary fees		11,399	10,800
Bank charges		13,339	13,431
Postage, internet and telephone		76,079	60,452
Fees and subscription		25,541	20,127
Annual supervision fee SECP		50,000	50,000
Miscellaneous		93,861	70,287
		<u>1,602,816</u>	<u>1,406,542</u>
<b>32.1 Employee Benefit Cost</b>			
Salaries, allowances and other benefits		628,697	531,256
Charges for post employment benefits		6,189	36,631
		<u>634,886</u>	<u>567,887</u>
<b>33 OTHER EXPENSES</b>			
Printing and Stationary		758	3,055
Advertisements and publicity		1,259	1,836
Travelling		890	272
Auditor's remuneration	33.1	7,755	6,909
Directors' fee		2,700	3,075
Donation	33.2	6,865	7,800
		<u>20,227</u>	<u>22,947</u>

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	31 December 2018	31 December 2017 (Restated)
	----- (Rupees in '000) -----	
<b>33.1 Auditor's remuneration</b>		
Annual Audit Fee	1,650	1,500
Half yearly review	250	250
Review of code of corporate governance	250	225
Other certifications	4,755	4,181
Out-of-pocket expenses	850	753
	<u>7,755</u>	<u>6,909</u>

**33.2 Donations**

Donations include the following in whom the directors are interested:

<u>Name of Directors</u>	<u>Interest in donee</u>	<u>Name and Address of donee</u>	31 December 2018	31 December 2017
			----- (Rupees in '000) -----	
Saifuddin N.Zomkawala	Board Member	Sindh Institute of Urology and Transplantation, Civil Hospital Karachi	1,114	1,663
Syed Salman Rashid	Spouse (Trustee)	Anjuman Kashana -E- Atfal-O-Naunihal	50	-
Rafique R. Bhimjee	Spouse (Trustee)	The Garage School	500	-

**33.3 Donations to a single party exceeding Rs.500,000**

The Citizen Foundation	-	908
Family Educational Services Foundation	570	-
Dar Ul Sukun	848	829
Afzaal Memorial Thalassaemia Foundation	1,000	1,000
Layton Rahmatullah Benevolent Trust	1,080	1,448

**34 TAXATION**

**For the year**

	31 December 2018	31 December 2017 (Restated)
	----- (Rupees in '000) -----	
Current	656,848	791,662
Deferred	(42,943)	20,679
	<u>613,905</u>	<u>812,341</u>

**For the prior years**

Current	131,152	71,938
	<u>745,057</u>	<u>884,279</u>

**34.1 Relationship between tax expenses and accounting profit**

	31 December 2018	31 December 2017 (Restated)
	----- (Rupees in '000) -----	
	Effective tax rate %	
Tax at applicable rate 29% (2017: 30%)	29.00	30.00
Tax effect of income subject to lower tax rates	-	-
Prior year adjustment	5.64	2.57
Others	(2.61)	(0.93)
Tax charge for the year	<u>32.03</u>	<u>31.64</u>

**35 EARNINGS PER SHARE**

	31 December 2018	31 December 2017 (Restated)
	----- (Rupees in '000) -----	
Profit (after tax) for the year	<u>1,581,333</u>	<u>1,909,962</u>
	(Numbers in '000)	
Weighted average number of ordinary shares	<u>100,000</u>	<u>100,000</u>
	----- (Rupees) -----	
Earnings per share – basic and diluted	<u>15.81</u>	<u>19.10</u>

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36 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND EXECUTIVES

	31 December 2018			31 December 2017		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees in '000)					
Fees	-	2,700	-	-	3,075	-
Managerial remuneration	26,693	-	403,075	24,594	-	310,220
Bonus	8,722	-	38,782	7,872	-	30,158
Retirement benefits	4,382	-	23,555	3,997	-	17,989
Utilities	824	-	1,837	764	-	1,343
Medical expenses	872	-	5,762	581	-	3,975
Leave passage	585	-	115	325	-	809
	<u>42,078</u>	<u>2,700</u>	<u>473,126</u>	<u>38,133</u>	<u>3,075</u>	<u>364,494</u>
Number of persons	<u>1</u>	<u>8</u>	<u>62</u>	<u>1</u>	<u>8</u>	<u>51</u>

The Chief Executive is provided with Company maintained cars, furnished accommodation and medical insurance cover. The Executives are provided with Company maintained cars, Medical insurance cover and in certain cases, household items and furniture in accordance with their terms of employment. The chairman is provided with free use of Company car, medical insurance cover and residential utilities.

36.1 The Non Executive Directors were paid directors meeting fee of Rs. 2.7 million (2017: Rs. 3.075 million). No other remuneration were paid to Non Executive Directors.

37 RELATED PARTY TRANSACTIONS

The related parties comprise of holding Company, directors, key management personnel, associated companies / associated undertakings, and entities with common directors and retirement benefit fund. The transactions with related parties are carried out at commercial terms and conditions except for compensation to key management personnel which are on employment terms. The detail of transactions with related parties during the period, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

	31 December	31 December
	2018	2017
	(Rupees in '000)	
<b>37.1 Transactions with related parties</b>		
<b>Holding Company</b>		
Premium written	16,479	-
Premium paid	10,274	-
Claims received	1,612	-
Claims paid	7,764	-
Dividend paid	650,881	-
Dividend received	46,810	-
<b>Associated companies</b>		
Premium written	86,076	82,072
Premium paid	38,189	48,167
Claims paid	19,326	19,595
Claims received	208	2,290
Commission paid	239,150	116,438
Travelling expenses	1,739	2,604
Donation paid	2,903	1,663
Dividend paid	628,480	1,022,705
Dividend received	-	146,579
Interest on bank deposit	214,373	133,353
Investment sold	244,483	1,264,308
<b>Key management personnel</b>		
Premium written	2,930	2,198
Loan advanced	2,000	550
Loan recovered	4,897	3,003
Dividend paid	10,072	10,569
<b>Employees' funds</b>		
Contribution to provident fund	31,535	25,529
(Recovery) / Contribution to pension fund	(10,023)	21,116
<b>37.2 Balances with related parties</b>		
Bank balances	869,823	661,499
Bank deposits	5,150,000	2,150,000
Premium payable	652	21
Premium receivable	1,107	1,146
Investment in EFU General Insurance Limited designated to unit funds	468,096	715,719
Investment in related party	172,190	508,571
Claims outstanding	5,935	6,024
Loan receivable key employees	23,544	26,441

38 SEGMENTAL INFORMATION

38.1 Revenue Account by Statutory Fund

	31 December 2018						Aggregate
	Statutory Funds						
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December 2018
<b>Income</b>							
Premium / Contribution less reinsurance / retakaful	24,739,353	2,341,580	941	848	2,887,629	186,791	30,187,142
Policy transfer from other statutory funds	-	-	-	-	7,128	-	7,128
Bonus units transfer to statutory fund	-	-	-	-	26,718	-	26,718
Net investment income / wakala income	(310,871)	145,344	361	379	367,655	91,410	295,088
Total net income	24,428,882	2,487,524	1,302	1,227	3,289,138	278,201	30,466,074
<b>Insurance Benefits and Expenditures</b>							
Claims net of reinsurance / retakaful recoveries	10,932,970	1,633,386	394	538	441,307	69,984	13,078,589
Policy transfer to other statutory funds	7,128	-	-	-	-	-	7,128
Bonus units transfer to statutory fund	-	-	-	-	26,718	-	26,718
Management expenses	6,308,249	628,505	76	271	1,571,473	149,372	8,658,446
Total Insurance Benefits and Expenditures	17,248,445	2,262,301	470	809	2,039,498	219,356	21,770,879
Excess of income over Insurance Benefits and Expenditures	7,180,237	225,223	832	418	1,249,640	58,845	8,715,196
<b>Net Change in Insurance Liabilities (Other than outstanding Claims)</b>							
	(5,209,455)	(118,564)	1,454	552	(1,225,699)	(25,670)	(6,577,382)
<b>Surplus / (Deficit) before tax</b>							
	1,970,782	106,659	2,286	970	23,941	33,175	2,137,813
<b>Movement in policyholders' liabilities</b>							
	5,209,455	118,564	(1,454)	(552)	1,225,699	25,670	6,577,382
<b>Transfer of (surplus) to shareholders' fund</b>							
Surplus appropriated to shareholder's fund	(1,894,421)	(72,510)	(2,300)	(1,029)	-	(21,557)	(1,992,117)
Capital contribution from share holders' fund	-	-	-	-	12,809	-	12,809
Net Transfer to / from shareholders' fund	(1,894,421)	(72,510)	(2,300)	(1,029)	12,809	(21,557)	(1,979,308)
Balance of statutory funds at beginning of the year	97,549,001	1,270,484	25,923	2,092	2,297,278	70,077	101,214,855
Balance of statutory funds at end of the year	102,834,817	1,422,997	24,455	1,481	3,559,727	107,355	107,950,742

	31 December 2017						Aggregate
	Statutory Funds						
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December 2017
<b>Income</b>							
Premium / Contribution less reinsurance / retakaful	26,279,344	2,174,062	1,099	658	2,208,328	142,099	30,805,590
Policy transfer from other statutory funds	-	-	-	-	7,543	-	7,543
Net investment income / wakala income	(3,816,157)	82,724	452	90	54,434	74,970	(3,605,487)
Total net income	22,463,187	2,256,786	1,551	748	2,270,305	217,069	27,207,646
<b>Insurance Benefits and Expenditures</b>							
Claims net of reinsurance / retakaful recoveries	12,452,800	1,334,091	287	1	362,590	51,039	14,221,698
Policy transfer from other statutory funds	7,543	-	-	-	-	-	7,543
Management expenses	5,440,028	502,314	75	315	1,029,938	111,690	7,084,306
Total Insurance Benefits and Expenditures	17,900,451	1,837,005	372	316	1,412,528	162,729	21,313,401
Excess of income over Insurance Benefits and Expenditures	4,562,736	419,781	1,179	432	857,777	54,340	5,894,245
<b>Net Change in Insurance Liabilities (Other than outstanding Claims)</b>							
	(2,194,353)	(112,657)	(909)	41	(904,373)	(24,655)	(3,236,906)
<b>Surplus / (Deficit) before tax</b>							
	2,368,383	307,124	270	473	(46,596)	29,685	2,657,339
<b>Movement in policyholders' liabilities</b>							
	2,194,353	112,657	909	(41)	904,373	24,655	3,236,906
<b>Transfer of (surplus) shareholders' fund</b>							
Surplus appropriated to shareholder's fund	(2,361,570)	(177,448)	(256)	(510)	-	(3,986)	(2,543,879)
Capital contribution from / to share holders' fund	-	-	-	-	93,823	(3,807)	90,116
Net Transfer to / from shareholders' fund	(2,361,570)	(177,448)	(256)	(510)	93,823	(7,802)	(2,453,763)
Balance of statutory funds at beginning of the year	95,349,835	1,028,151	25,900	2,270	1,345,578	23,539	97,774,373
Balance of statutory funds at end of the year	97,549,001	1,270,484	25,923	2,092	2,297,278	70,077	101,214,855

38.2 Segmental Results By Line Of Business

	Statutory Funds			Statutory Funds		
	Individual Life Direct sales force	Conventional Individual Life Bancassurance	Total 2018	Individual Life Direct sales force	Conventional Individual Life Bancassurance	Total 2017
<b>Income</b>						
Gross Premiums						
- First Year Individual Regular Premiums	2,485,673	2,932,708	5,418,382	2,302,076	2,207,051	4,509,127
- Individual Renewal Premiums	9,320,382	7,838,447	17,158,829	8,251,685	6,286,410	14,538,095
- Individual Single Premiums	577,896	1,681,389	2,259,275	994,745	6,375,965	7,370,710
- Group Premiums	-	-	-	-	-	-
Total Gross Premiums	12,384,041	12,452,545	24,836,586	11,548,506	14,869,426	26,417,932
Reinsurance Premiums						
- Individual	119,178	32,007	151,185	155,910	31,251	187,161
- Group	-	-	-	-	-	-
Total Reinsurance Premiums	119,178	32,007	151,185	155,910	31,251	187,161
Net Premium Revenues	12,264,863	12,420,538	24,685,401	11,392,596	14,838,175	26,230,771
Policy Transfers from Other Statutory Funds	-	-	-	-	-	-
Net Investment Income	(174,180)	(135,751)	(309,931)	(2,103,959)	(1,713,655)	(3,817,614)
Total Net Income	12,090,683	12,284,787	24,375,470	9,288,637	13,124,520	22,413,157
<b>Insurance benefits and Expenditures</b>						
Insurance benefits, including bonuses, net of reinsurance	5,060,051	5,859,063	10,919,164	5,016,284	7,429,637	12,445,931
Policy Transfers to Other Statutory Funds	-	7,128	7,128	-	-	7,543
Management Expenses less Recoveries	3,310,550	2,994,301	6,304,851	2,941,378	2,494,729	5,436,107
Total Insurance benefits and Expenditures	8,370,797	8,853,364	17,231,141	7,957,662	9,924,366	17,886,581
Excess of Income over Insurance benefits and Expenditure	3,719,886	3,431,423	7,144,329	1,330,875	3,204,154	4,526,576
Add: Policyholder Liabilities at Beginning of Year	57,590,735	38,495,720	96,086,458	57,577,536	36,317,029	93,894,565
Less: Policyholder Liabilities at End of Year	60,243,382	41,054,078	101,297,460	57,593,735	38,495,720	96,089,455
Surplus/(Deficit) Before Tax	1,063,278	873,045	1,936,324	1,307,223	1,021,483	2,328,686

38.3 Segment statement of financial position

	As at 31 December 2018			As at 31 December 2017 (Restated)		
	Statutory Funds	Shareholders Funds	Total	Statutory Funds	Shareholders Funds	Total
<b>Property and equipment</b>						
Intangible assets	1,317,467	1,114,160	2,431,627	1,364,951	832,263	2,197,214
Investments	-	27,038	27,038	-	11,628	11,628
Insurance & Reinsurance / Retakaful receivables	103,402,211	2,418,428	105,820,637	96,312,046	1,647,076	97,959,122
Other loans and receivables	169,600	-	169,600	224,811	-	224,811
Taxation - payments less provision	2,928,578	181,860	3,110,438	1,908,493	863,416	2,771,909
Prepayments	634	336,793	337,227	-	278,075	278,075
Cash & Bank	81,182	-	81,182	44,492	-	44,492
Total Assets	112,686,914	4,095,697	116,782,611	105,587,870	3,857,314	109,545,184
<b>Insurance liabilities net of reinsurance / retakaful recoveries</b>						
Deferred taxation	107,603,537	-	107,603,537	100,860,387	-	100,860,387
Premium / Contribution received in advance	-	704,433	704,433	-	754,078	754,078
Insurance & Reinsurance / Retakaful payables	714,419	-	714,419	658,323	-	658,323
Other creditors and accruals	193,218	-	193,218	78,265	-	78,265
Total Liabilities	1,458,118	83,290	1,541,408	1,167,616	45,224	1,212,840
Total Liabilities	109,568,292	767,723	110,336,015	102,788,211	799,302	103,587,513

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	Held to maturity	Available for Sale	Fair value through profit & loss account	Deposit maturing within 12 months	Total
(Rupees in '000)					
<b>39 MOVEMENT IN INVESTMENTS</b>					
<b>At beginning of previous year (Restated)</b>	3,369,231.00	1,949,926.00	84,359,786	9,358,100.00	99,037,043.0
Additions	5,296,292.00	464,197.00	138,377,113	49,564,000	193,701,602
Disposals (sale and redemptions)	(5,584,100)	(1,372,242)	(127,531,064)	(46,483,100)	(180,970,506)
Fair value net gains (excluding net realised gains)	-	(716,159.00)	(13,213,158)	-	(13,929,317)
Impairment losses	-	120,300.00	-	-	120,300.00
<b>At beginning of current year (Restated)</b>	<b>3,081,423</b>	<b>446,022</b>	<b>81,992,677</b>	<b>12,439,000</b>	<b>97,959,122</b>
Additions	13,577,932	53,016	186,291,653	97,052,200	296,974,801
Disposals (sale and redemptions)	(12,918,657)	(14,707)	(178,636,608)	(94,442,100)	(286,012,072)
Fair value net gains (excluding net realised gains)	-	(23,110)	(3,063,677)	-	(3,086,787)
Impairment losses	-	(14,427)	-	-	(14,427)
<b>At end of current year</b>	<b>3,740,698</b>	<b>446,794</b>	<b>86,584,045</b>	<b>15,049,100</b>	<b>105,820,637</b>

#### 40 MANAGEMENT OF INSURANCE RISK AND FINANCIAL RISK

##### 40.1 INSURANCE RISK

##### 40.1.1 Insurance Contracts and Takaful Contracts

##### 40.1.1.1 Classification

The Company currently issues contracts that are classified as insurance and takaful contracts as they transfer significant insurance risk (against death, disability and sickness) from the policyholder to the Company. In the past the Company has issued contracts where the insurance risk transferred is insignificant, these therefore being classified as investment contracts. All contracts which include an investment element being unit - linked contracts linked to internal mutual funds.

The Company classifies its business into Individual Life and Group Life businesses, in both cases the form of contract consisting of main plans and supplementary riders (which are generally optional).

Individual life business mainly consists of unit - linked products and conventional protection products, in both cases with optional supplementary riders which generally provide protection only. Group Life business consists primarily of protection products and a relatively small number of unit - linked policies.

##### 40.1.1.2 Contract details and measurement

The insurance contracts offered by the Company are described below:

##### 40.1.1.2. Individual Life Policies

These consist of the following types of policies:

##### (a) Unit - Linked Products:

These are medium to long term unit - linked plans designed to address a variety of future policyholder needs, such as retirement planning, education planning for children, marriage planning for children, life protection and investments and savings for future. Premiums received from policyholders and after deduction of specified charges including risk charges, are invested in internal unit funds of the Company. The basic plan contains life cover over and above the unit value, with additional protection (for death, disability and sickness) being provided through the addition of optional riders.

Policyholder Liabilities for these plans (excluding attached riders) are measured as the sum of the fair value of units attached and the unearned part of any risk premiums charged.

##### (b) Conventional Protection Products:

Two types of products are offered under Individual life conventional business, these being medium to long term contracts with level premiums being paid over the policy period. The Company offers a standard term life assurance product that offers protection in event of death as well as a decreasing term life assurance policy that covers outstanding loan balances.

Policyholder liabilities for both products are determined on a net premium basis by determining the present value of benefits less the present value of future net premiums, a theoretical net premium being calculated using conservative assumptions for mortality and the discount rate.

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**(c) Family Takaful Investment linked Products:**

These are medium to long term unit - linked plans operated through Window Takaful Operations of EFU Life Assurance.

The Member liabilities are divided into two broad categories, unit reserves and non - unit reserves. The unit reserve comprises of the total units allocated to the Membership in the Participants' Investment Fund (PIF). The value of these units, at the bid price prevailing on the valuation date, forms the unit reserve. The non - unit reserve is the actuarial reserve in the Participants' Takaful Fund (PTF). The net non - unit reserve is calculated as the unearned mortality reserve which is the calculated as the unexpired portion of the net mortality charges (Net of Wakala Fee and Retakaful Contribution) deposited into the PTF. The gross non - unit reserve is calculated as the net reserve plus the unearned retakaful contribution paid.

**(d) Accident and Health Products:**

These consist of long term and short term Accident and Health products providing cover against accidental death, disability, sickness and critical illness, offered both as long term as well as yearly renewable plans.

Policyholder Liabilities for short term contracts are evaluated using the unearned premium reserve method, taking into account the unexpired future period of risk, with a premium deficiency reserve being provided for where the Company's management perceives that the premium being charged is not adequate. For the critical illness long term contracts, liabilities are evaluated using a net premium method i.e. expected present value of benefits payable less expected present value of net premiums receivable.

**(e) Other Supplementary Benefits:**

The Company also offers a variety of supplementary benefits attached with main plans including additional term life assurance, income benefits, critical illness, sickness and accidental death and disability related benefits.

The methods used to determine policy holder liabilities differ with the nature and terms of these benefits. Most supplementary benefits related to death and critical illness, are identical to some main plans offered in individual life business, the valuation methods used for these being consistent with their related main plans. Measurement of liabilities for benefits related to accident disability, accidental death and sickness are based on unearned premium method.

**(f) Reserve for Outstanding Losses (Individual life)**

The Company records reported losses as payable upon intimation of any claim. Unpaid claims are assessed from time to time and the liability measured in accordance with management's estimates of whether claims are payable or not.

Claims payable over a duration of more than one year are measured at the discounted value of expected payments.

The Company also provides, as part of policyholder liabilities, a reserve for incurred but not reported claims (IBNR). Due to insufficient claim history of Individual life business, however, the general lag method for IBNR is not used. The Company adopts a methodology based on best estimates of future incurred but not reported claims, as suggested by the appointed actuary of the Company

**40.1.1.2. Group Life and Group Family Takaful Protection Policies**

**Nature of Contracts:**

The Company's group life and group takaful business consists of one year term life contracts which provide coverage, in the event of death or disability, to:

- 1) Employees of a common employer, benefits payable under these contracts being either fixed, in case of death, or linked to the extent of loss incurred by the policyholder, in case of disability;
- 2) Customers of financial institutions, the contracts being issued to financial institutions to protect their customers' outstanding loan balances, such as on personal loan, mortgages and credit cards.

Unit - Linked Group Life policies are similar in nature to Individual Life Unit linked Products.

**Policyholder Liabilities:**

Policyholder liabilities consist of the following components:

**Net Unearned Premium Reserve**

The unearned premium reserve is the portion of premium that had been booked in the current period but pertains to a period that extends beyond the valuation date. The fraction of premium that is to be consumed in the succeeding period is considered to be unearned. The unearned premium is the aggregate for both posted and fluctuations in the unearned premium.

The unearned premium reserve is computed both gross and net of reinsurance, the methodology used for both being similar.

**Unit - Linked Group Life Policies**

Policyholder Liabilities for these policies are measured as the sum of the fair value of units attached and the unearned part of any risk premiums charged.

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#### Profit Commission Reserve (Accrued for Policyholders)

This is the total accrued profit commission that is payable to Policyholders at a future date. Profit commission for any policy normally becomes payable at the end of three policy years. However, accrued profit commission is calculated at the end of each policy year to account for the liability that has been created for that year. The sum of all such accrued profit commissions for all schemes is the Profit Commission reserve.

#### Profit Commission Reserve (Accrued from Reinsurer)

This is the total profit commission due from reinsurer on all reinsured schemes. Profit commission rates are applied on insured groups, based on their size. The total profit commission accrued from reinsurer is the sum of profit commissions for each group.

#### Premium Deficiency Reserve

The need for premium deficiency reserve arises when the Company expects to incur claims in excess of reserves set aside using conventional methods. The Company analyzed its current portfolio of group contracts and evaluated loss ratios of group business. The Company does not expect excessive claims on any schemes and hence no provision for Premium Deficiency Reserve is set aside.

#### Incurred But Not Reported (IBNR) Reserve

The IBNR (incurred but not reported) reserve is an estimate of those claims that might have occurred but not yet reported. This is estimated by using the claim intimation lag from the date of death for the claims that have been reported in the last two years. The system generated IBNR triangle report is used to calculate the ratio of delay to estimate the probable claims pertaining to and not reported up to the valuation date.

#### 40.1.1.3 Liability Adequacy Test

Liability adequacy test is applied to all long term contracts where necessary. The test is carried out using current best estimates of assumptions and future net cash flows, including premiums receivable and benefits payable.

To determine the adequacy of liabilities, assumptions must be based on realistic best estimates. At the moment, the Company does not have sufficient mortality data for comparison with assumed life table EFU (61-66). The Company compares EFU (61-66) with recent mortality studies for similar groups. The comparison suggests that current actual mortality experience is better than the experience reflected in EFU (61-66). Thus the Company uses a modified version of EFU (61-66) as a best estimate of mortality for liability adequacy test.

The investment return currently assumed for valuation is 3.75% p.a. This assumption reflects a long term conservative return that the Company expects to earn on assets backing these liabilities. On a more realistic view of current financial markets, the Company estimates that a long term return on these assets of 6% is reasonable. Liabilities are reevaluated at investment return assumption of 6% for Liability Adequacy Test.

The table below compares total policyholder liabilities under existing valuation basis with policyholder liabilities calculated using best estimate assumptions:

<u>Assumption</u>	<u>Policy holder liabilities on existing valuation basis</u>	<u>Policy holder liabilities using best estimate assumptions</u>
	(Rupees in '000)	
Mortality	105,683,548	105,477,373
Investment returns	105,683,548	105,671,303

The liabilities evaluated under these assumptions suggest that recognized liabilities are adequate and no further provision is required.

#### 40.1.2 Reinsurance / Retakaful contracts held:

The Company has entered into reinsurance / retakaful (hereinafter referred to as "reinsurance") arrangements, for both its individual and group businesses, in order to manage risks associated with the frequency and severity of claims. These arrangements include cover under treaties as well as on a facultative basis. The terms of reinsurance treaties vary by type of business, the objective being to maintain a reasonable risk profile suiting the risk appetite and overall exposure to adverse movements in mortality or morbidity.

Primarily, reinsurance assets are amounts due from reinsurers with respect to recoveries under claims and profit commission. Reinsurance recoveries are measured according to the terms and conditions of the reinsurance contracts.

Reinsurance liabilities consist of amounts due to reinsurers on account of reinsurance premiums due which are measured accounting to the terms of the arrangements.

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The details related to reinsurance assets and liabilities are shown below:

<u>Reinsurer rating</u>	<u>Amounts due from reinsurers</u>	<u>Amounts due to reinsurers</u>
'A' or above	13,462	193,218

The Company assesses impairment on its reinsurance assets on a regular basis to identify any losses in recoveries. As of now, Company's all reinsurance assets are due from reinsurers with a credit rating of "A or Above". The reinsurers maintain a sound credit history and hence no impairment provision is required for now.

#### 40.1.3 Accounting estimates and judgments

The Company makes several estimates of assumptions to evaluate its assets and liabilities reported in its financial statements. On the liability side, there are a number of factors that have a direct impact on policyholder liabilities. Assumptions are continually evaluated using internal analysis and monitoring processes to test validity of these assumptions.

##### 40.1.3.1 Mortality, Disability and Critical Illness

Mortality and disability rates are basic assumptions used in valuation of policyholder liabilities. For mortality, life table EFU (61-66) is being currently used. The life table was published more than 40 years ago and may not reflect mortality improvements. For reserving purposes, a 10% mortality loading is used over EFU (61-66) rates to build in conservatism. An analysis of past mortality experience, reveals that 10% mortality loading for reserving purposes is appropriate to ensure prudence.

Sudden adverse experience in mortality might occur due to epidemics, causing deaths on a mass scale due to incurable contagious illnesses. Mortality may also deteriorate over a period of time, due to wide scale changes in living life styles, eating and health habits.

Sensitivity test with respect to mortality is carried out and impact on policyholder liabilities is observed. When mortality rates increase by 10%, policyholder liabilities increase by 0.063%. Likewise, when mortality rates decrease by 10%, policyholder liabilities decrease by 0.063%.

In absence of credible disability and critical illness incidence rates, the Company uses reinsurance rates for actuarial liability valuation of disability and critical illness benefits.

##### 40.1.3.2 Investment income

Investment income is an important assumption for valuation of long term conventional plans. This is the rate at which future expected benefits and expected premiums are discounted. Currently, the valuation assumption used for investment income is 3.75% p.a.

Sensitivity test with respect to investment income is carried out and its impact on policyholder liabilities observed. When investment rate is increased by 10%, policyholder liabilities decrease by 0.002%. Likewise, when investment income rate is decreased by 10%, policyholder liabilities increase by 0.002%.

##### 40.1.4 Frequency and Severity of claims

Frequency and severity can have a significant impact on total claims paid out by the Company. High frequency of claims could occur due to adverse experience of mortality or disability. Adverse mortality experience, in short-term, could be due to a wide-range spread of fatal contagious disease, an epidemic. Over a longer term, overall health practices, eating and living habits could potentially have an adverse effect on mortality.

About 90% of Company's business is concentrated in the provinces of Sindh and Punjab. This concentration is largely in line with the population of these provinces relative to country's total population. The Company's diversified portfolio of contracts helps limit the frequency and severity of claims. However, in event of large number of deaths or disabilities, Company does face the risk of paying out excessive claims. To manage and mitigate this exposure, arrangements in form of reinsurance and catastrophe cover are in place.

In Group life business, frequency and severity of claims can be affected by concentration of business in a specifically risky class of industry. Claim frequency can rise substantially from businesses in industries that are more prone to accidents due to the nature of work they perform. Likewise, severity of claims can also be associated with business concentration in a specific class of industry. The Company continually monitors its concentration risk and takes measures to keep its business portfolio well diversified.

Contracts in group life, are mainly one year term life contracts, where premium rates are generally guaranteed for one year only. The Company retains the right of changing premium rates by incorporating the claim experience of a group insured, thereby allowing the Company to charge a specific group in line with its claim experience.

The Company regularly carries out an exercise to monitor time lags between intimation and settlement claim dates. The study reveals that a significant portion of claims are settled within twelve months of claim intimation.

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#### 40.1.5 Sources of uncertainty in estimation of future benefit payments and premium receipts

The uncertainty with respect to future premiums and benefits may arise due to unexpected changes in mortality or disability experience. Adverse mortality experience will result in excess benefit payments, and reduced future premium income.

Likewise, unexpected changes in surrender and lapse could also have a significant impact on future realized premiums. Estimates of lapses and surrenders are based on internal experience studies carried out annually. Factors that could affect policyholder behavior include market factors such as interest rates, policyholder preferences in terms of the monetary value that a policyholder relates with the insurance policy, the frequency of premium payments and the age of the individual.

#### 40.1.6 Process used to decide on assumptions

Assumptions used to determine policyholder liabilities include mortality, disability, and critical illness rates, investment returns for conventional business, investment returns for investment linked business, expenses and mortality loading.

Mortality assumptions should in principle reflect adequate conservatism in liabilities. The Company considers EFU (61-66) life table to be appropriate for actuarial valuation of policyholder liabilities.

Disability and Critical illness rates used for liability valuation are the reinsurance rates provided by the reinsurer. Due to lack of sufficient claim experience for these disabilities and critical illnesses, the Company considers this as the best estimate available.

The Company uses an investment return assumption of 3.75% per annum to evaluate actuarial liabilities of its conventional plans. Liabilities of conventional products should in principle reflect a long term conservative interest rate, to reflect adequate conservatism. An investment return of 3.75% per annum is hence considered appropriate.

For Unit - Linked products where the death benefit is paid in form of annuity, the Company uses a discount rate of 6% to evaluate present value of future stream of cash flows. In principle, the interest rate assumption set to discount cash flows should reflect the expected returns on assets backing these liabilities. The Company expects to earn at least a 6% return on assets backing these unit - linked liabilities.

In valuation of unearned premium reserve for unit - linked plans a loading of 10% is applied on rates from EFU (61-66). In opinion of Company's management and appointed actuary this assumption is prudent.

Since from Annual 2014 onwards the Company shall maintain 100% retention on its books on account of Solvency Margin, the Company will no longer keep an extra reserve on account of mortality fluctuation. It is the opinion of Company's management and appointed actuary that this assumption is prudent.

The Company reserves for any increase in actuarial liability resulting from the possible reinstatement of lapsed policies. The current liability valuation also takes into account cash value of units pertaining to policies lapsed in last 2 years. A unit - linked policy lapses when the second annual premium of policy is not received. In principle, cash value of a lapsed policy is not surrenderable, as per provisions and conditions, unless the second premium is paid and policy is reinstated. However, the Company recognizes the possibility of these lapsed policies to be reinstated and hence carries out periodic studies to determine expected renewals. In opinion of the Company's management and appointed actuary assumptions used to set aside a liability against these lapsed policies is prudent.

For the purpose of liability adequacy tests the Company makes assumptions relating to expenses. For this purpose regular expense analyses are carried out based on actual expenses and transaction volumes.

#### 40.1.7 Sensitivity Analysis

The basic assumptions used in valuation of liabilities are mortality, disability, critical illness rates and investment returns assumed in discounting future cash flows. The table below presents sensitivity results with respect to above mentioned factors, with their impact observed on policyholder liabilities:

<u>Sensitivity variable</u>	<u>% change in sensitivity variable</u>	<u>% change in policyholder liabilities</u>
Worsening of mortality and critical illness rates	10%	0.063%
Improvement in mortality and critical illness rates	10%	-0.063%
Increase in investment returns	10%	-0.002%
Decrease in investment returns	10%	0.002%

#### 40.1.8 Management of insurance, financial and other risks

##### 40.1.8.1 Insurance Risk

The risk that Company faces is due to randomness in occurrence of insured events. In principle, the Company faces the risk that total claims exceed the reserves set aside at any point in time.

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The occurrence of any single claim and amount paid on a single claim is a random event. However, as the number of contracts and independent lives increase, the estimated claim amounts and the number of claims get closer to the actual figures. This phenomenon is observed when pool of contracts is large enough and lives are independent. To manage this risk, Company monitors its concentration risk, on several parameters, and maintains diversity in its portfolio of insurance contracts.

In order to maintain this diversification, the Company takes a number of steps to manage the overall insurance risk of its portfolio of insurance contracts. The risk of an individual life is broadly assessed in light of its: medical condition, which include living habits, physical health and medical history; occupational condition, which assesses an individual's job profile and whether any characteristics of the job could have a significant impact on that individuals mortality; financial condition, which determines the individuals ability and affordability to purchase and maintain an insurance contract over the long-term.

The Company identifies and defines parameters in its underwriting strategy to clearly identify individuals (sub-standard lives) which could potentially increase the overall risk of insurance portfolio. Based on certain parameters, such individuals pay an extra charge called Extra Mortality Premium, in order to compensate for extra risk added to existing pool of insured individuals. These measures allow the Company to charge an individual life in line with the risk contributed to its insurance portfolio. These underwriting measures also discourage accumulation of sub-standard lives in the insured pool, thereby managing the overall insurance risk of Company in the long-term.

The Company also manages its geographical concentration of risk. Currently the Company's geographical concentration of risk for its Individual Life sales force business is as follows:

#### Individual Conventional Business

Azad Kashmir  
Baluchistan  
Gilgit Baltistan  
Khyber Pakhtunkhwa  
Punjab  
Sindh

#### Diversification of Risk Portfolio

	Before	After
	1.88%	2.36%
	5.05%	6.13%
	1.49%	2.04%
	2.19%	2.60%
	42.09%	42.31%
	47.29%	44.56%

#### Individual Family Takaful business:

Azad Kashmir  
Baluchistan  
Gilgit Baltistan  
Khyber Pakhtunkhwa  
Punjab  
Sindh

#### Diversification of Risk Portfolio

	Before	After
	3.43%	3.46%
	0.99%	1.22%
	0.00%	0.01%
	2.82%	4.60%
	47.04%	50.32%
	45.72%	40.39%

For Group Life business, the Company's geographical concentration of risk is as follows:

#### Conventional Business

Sindh  
Punjab

#### Diversification of Risk Portfolio

	Before	After
	56.49%	56.51%
	43.51%	43.49%

#### Group Family Takaful Business

Sindh  
Punjab

	96.62%	79.55%
	3.38%	20.45%

The Company also has reinsurance arrangements with its reinsurance partners, to whom the Company passes any excess insurance risk beyond its retention levels. Limits are continually monitored and kept in line with the overall risk tolerance. This allows the Company to retain the risk according to its risk capacity and minimizes excessive claim payouts. Currently, the total risk retained on individual life products is Rs. 2,000,000 per life for the death risk, Rs. 500,000 for individual takaful policies and Rs. 1,000,000 for risks associated with critical illness plans. For Group Life, the Company currently retains Rs. 2,000,000 of total life risk on each life and Rs. 1,000,000 for Group Family Takaful business. For critical life cover, 50% of the sum covered is retained for both, Group Life and Group Family Takaful business.

The Company also has arrangements for claims in event of a catastrophic scenario under an Excess of Loss Catastrophe cover which is triggered in event of excessive claims, limiting total amount of claims paid out if such an event occurs.

#### 40.1.8.2 Other risks

The Company faces a number of financial risks in its assets and liabilities, apart from insurance risk. These risks can be broadly categorized as expense risk, lapse risk, market risk, credit risk and liquidity risk. This section describes these risks on the Company level and identifies and describes the processes and strategy of management to manage these risks.

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#### 40.1.8.3 Expense risk

The risk that the Company faces is that future expenses may be higher than those used in pricing of products causing an expense overrun. The Company mitigates this risk by incorporating a certain level of acceptable conservatism in building future policy expense factors in pricing and expects to maintain its actual expenses within these limits. Regular monitoring of expenses allows the Company to adjust its pricing in time to account for higher than expected expenses.

The Company closely monitors its expenses by regularly carrying out an expense analysis for its business. The assumptions for future policy expense levels are determined from the Company's most recent annual expense analysis, with an extra margin built-in to account for variability in future expenses. A review of product pricing is carried out each year based on the latest available expense factors. Constant monitoring of expenses enables the Company to take corrective actions in time.

Based on the results of expense analysis, the Company apportions its management expenses to different lines of business.

#### 40.1.8.4 Lapse risk

The risk the Company faces is that future persistency rates may be lower than assumed in pricing, thus impacting the emergence of profit from its portfolio of individual life policies. The Company however is confident that this risk is insignificant as the Company places tremendous emphasis on quality customer services and retention of clients by making persistency standard an integral part of the sales force culture. The Company has been consistently maintaining good levels of persistency and will continue a similar trend in future.

The Company has robust systems in place to regularly monitor the lapse experience. Regular focus on persistency is embedded in the Company culture and is an integral part of the monitoring of the sales force performance and remuneration.

#### 40.1.8.5 Market risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk in relation to its investments with respect to products other than unit linked products (in unit - linked products, investment risk is borne by the policyholder). The Company limits market risk by maintaining a diversified portfolio and by continuously monitoring developments in government securities, equity and term finance certificates. The Company, along with minimizing market risk by careful diversification in assets, also periodically carries out an Asset Liability management exercise, to match its duration of assets and liabilities.

#### 40.1.8.6 Credit risk and concentration of credit risk

Credit risk arises when one party fails to discharge its obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties have similar types of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet their contractual obligations. The Company is exposed to credit risk on premiums receivable from group clients, commission and claims recoverable from insurers and investment in term finance certificates. The management monitors exposure to credit risk through regular review of credit exposure, assessing credit worthiness of counter parties and prudent estimates of provision for doubtful debts. The Company believes it is not exposed to any major concentration of credit risk.

#### 40.1.8.7 Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its funding requirements, without incurring a material loss in disposing off its illiquid assets. To guard against this risk, the Company maintains a healthy balance of cash and cash equivalents and readily marketable securities. Liquidity is monitored regularly and assets are frequently rebalanced to maintain a certain level of liquidity at all times. Going forward, the Company also plans to set up a contingency plan, whereby alternate sources of liquidity will be identified and assets would be analyzed and ranked in their liquidity order, to determine which assets would need to be disposed off first in case of a liquidity crisis.

The expected payouts in liabilities along with maturity profile of assets and liabilities are monitored to ensure that adequate liquidity is maintained within the Company, to avoid the need of liquidating assets below their actual market value.

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The following extract, classifies the assets and liabilities of the Company by type of product in each Statutory Fund as at 31 December 2018. The table below also presents details of assets under Shareholder's Fund:

2018	Investment Linked Products (All unit main linked plans)	Conventional Products (Individual, Group Life, Riders)	Shareholders' Fund	Total
(Rupees in '000)				
Available for sale:				
- Government Securities	49,262,169	-	-	49,262,169
- Other fixed income securities	18,921,372	196,600	10,000	19,127,972
Held to maturity:				
- Government Securities	-	1,514,268	2,196,429	3,710,697
- Other fixed income securities	-	-	-	-
Available for sale:				
- Listed equities	33,330,491	80,451	115,762	33,526,704
- mutual funds	96,860	-	80,227	177,087
- Unlisted equities and mutual funds	-	-	16,008	16,008
Loans and receivables	-	-	169,190	169,190
- Insurance receivables	-	156,138	-	156,138
Reinsurance assets	-	13,462	-	13,462
Cash and cash equivalents	3,906,188	862,754	17,420	4,786,362
Other assets	1,628,540	-	4,190,282	5,818,822
<b>Total assets</b>	<b>107,145,620</b>	<b>2,823,673</b>	<b>6,795,318</b>	<b>116,764,611</b>

	Investment Linked Products (All unit main linked plans)	Conventional Products (Individual, Group Life, Riders)	Shareholders' Fund	Total
(Rupees in '000)				
<b>Long-term insurance contracts and investment contracts:</b>				
Fixed term	60,693,131	289,389	-	60,982,520
Whole of life	43,424,056	-	-	43,424,056
Short-term insurance contracts	-	948,429	-	948,429
Riders	-	328,544	-	328,544
Equity	-	-	6,027,596	6,027,596
Other liabilities	3,028,433	1,257,311	767,722	5,053,466
<b>Total liabilities</b>	<b>107,145,620</b>	<b>2,823,673</b>	<b>6,795,318</b>	<b>116,764,611</b>

#### 41 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

##### 41.1 Financial risk management objectives and policies

The Company is exposed to a variety of financial risks: market risk (Comprising currency risk, interest rate risk, and other price risk), liquidity risk and credit risk in relation to the financial statements on its balance sheet.

The Company's overall risk management seeks to minimize potential adverse effects on the Company's financial performance of such risk.

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework. There are Board Committees and Management Committees for developing risk management policies and its monitoring.

##### 41.1.1 Market Risk

Market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market risk with respect to its investments and with respect to products other than unit linked products (Where the investment risk is passed on to policyholders). The Company limits market risk by maintaining a diversified portfolio and by continuously monitoring developments in government securities, equity and term finance certificates. The Company, along with minimizing market risk by careful diversification in assets, also periodically carries out an Asset Liability management exercise, to match its duration of assets and liabilities.

##### 41.1.1.1 Interest Rate Risk Exposure

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company invests in securities and has bank balances and deposits that are subject to interest / mark-up rate risk. The Company limits interest / mark-up rate risk by monitoring changes in interest / mark-up rates in the currencies in which its cash and investments are denominated.

The information about Company's exposure to interest rate risk (other than relating to policyholders' liabilities) based on contractual reprising or maturity dates as of 31 December 2018, whichever is earlier, is as follows:

On balance sheet financial instruments	31 December 2018						Total
	Interest / Markup Bearing			Non Interest / Non Markup Bearing			
	Maturity Up to 1 Year	Maturity after 1 Year	Sub Total	Maturity Up to 1 Year	Maturity after 1 Year	Sub Total	
(Rupees in '000)							
<b>Assets</b>							
Investments	60,763,586	11,337,251	72,100,837	33,719,800	-	33,719,800	105,820,637
Loans and Other Receivables	35,196	88,688	123,884	2,986,554	-	2,986,554	3,110,438
Insurance Receivables	-	-	-	156,138	-	156,138	156,138
Cash	299	-	299	-	-	-	299
Others	4,786,063	-	4,786,063	13,462	-	13,462	4,799,525
	<b>65,585,144</b>	<b>11,425,939</b>	<b>77,011,083</b>	<b>36,875,954</b>	<b>-</b>	<b>36,875,954</b>	<b>113,887,037</b>
<b>Liability</b>							
Premium received in advance	-	-	-	714,419	-	714,419	714,419
Others	-	-	-	1,672,730	-	1,672,730	1,672,730
	-	-	-	<b>2,387,149</b>	<b>-</b>	<b>2,387,149</b>	<b>2,387,149</b>
Interest risk sensitivity gap	<b>65,585,144</b>	<b>11,425,939</b>	<b>77,011,083</b>	<b>34,488,805</b>	<b>-</b>	<b>34,488,805</b>	<b>111,499,888</b>
Cumulative interest risk sensitivity gap	<b>65,585,144</b>	<b>77,011,083</b>					

Off balance sheet financial instruments	31 December 2017 (Restated)						Total
	Interest / Markup Bearing			Non Interest / Non Markup Bearing			
	Maturity Up to 1 Year	Maturity after 1 Year	Sub Total	Maturity Up to 1 Year	Maturity after 1 Year	Sub Total	
(Rupees in '000)							
<b>Assets</b>							
Investments	58,040,336	11,945,376	69,985,712	27,973,409	-	27,973,409	97,959,121
Loans and Other Receivables	33,348	61,290	94,638	2,677,271	-	2,677,271	2,771,909
Insurance Receivables	-	-	-	224,831	-	224,831	224,831
Cash	-	-	-	-	-	-	-
Others	6,057,913	-	6,057,913	-	-	-	6,057,913
	<b>64,131,597</b>	<b>12,006,666</b>	<b>76,138,263</b>	<b>30,875,511</b>	<b>-</b>	<b>30,875,511</b>	<b>107,013,774</b>
<b>Liability</b>							
Premium received in advance	-	-	-	656,323	-	656,323	656,323
Others	-	-	-	1,284,256	-	1,284,256	1,284,256
	-	-	-	<b>1,940,579</b>	<b>-</b>	<b>1,940,579</b>	<b>1,940,579</b>
Interest risk sensitivity gap	<b>64,131,597</b>	<b>12,006,666</b>	<b>76,138,263</b>	<b>28,934,932</b>	<b>-</b>	<b>28,934,932</b>	<b>105,073,195</b>
Cumulative interest risk sensitivity gap	<b>64,131,597</b>	<b>76,138,263</b>					

The effective interest rate range (per annum) for the financial assets is as follows:

	2018	2017
Saving and other accounts	7.5% to 9%	4.5% to 6%
Deposits	6.5% to 12%	5% to 8%
Loans and advances	8% to 12.5%	8% to 12.5%
Investments	7.7% to 12.81%	5.58% to 12%

#### 41.1.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Company, at present is not materially exposed to currency risk as majority of the transactions are carried out in Pak Rupees.

#### 41.1.1.3 Other Price Risk

Other price risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

#### 41.1.1.4 Equity Price Risk

The Company's listed securities are susceptible to market price risk arising from uncertainties about the future value of investment securities. The Company limits market risk by maintaining a diversified portfolio. In addition, the Company actively monitors the key factors that affect stock market. In the equity portfolio, the top three sectors by exposure are Oil and Gas, Banks and Chemicals.

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#### 41.1.2 Credit Risk

Credit risk arises when one party fails to discharge its obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties have similar types of business activities. As a result, any change in economic, political or other conditions would affect their ability to meet their contractual obligations. The Company is exposed to credit risk on premiums receivable from group clients, commission and claims recoverable from insurers and investment in term finance certificates. The management monitors exposure to credit risk through regular review of credit exposure, assessing credit worthiness of counter parties and prudent estimates of provision for doubtful debts. The Company believes it is not exposed to any major concentration of credit risk.

The credit quality of Company's bank balances (including Term Deposit Receipts) can be assessed with reference to external credit ratings as follows:

Rating of Banks*	2018	2017
	(Rupees in '000)	
A	1,331,824	-
A+	723,302	2,144,395
AA	2,165,156	2,770,348
AA-	6,194,290	4,577,239
AA+	3,202,129	3,109,793
AAA	6,212,802	5,887,666
	<u>19,829,503</u>	<u>18,489,441</u>

\*Rating of banks performed by PACRA, JCR-VIS and Standard and Pools.

The credit quality of Company's exposure on TFCs can be assessed with reference to rating issued by rating agency as follows:

Issuer of TFC	Rating	Rating Agency	2018	2017
			(Rupees in '000)	
Al Baraka Bank	A	JCR-VIS	22,189	28,560
Bank Al-Falah Limited	AA	PACRA	15,132	15,559
Bank Al-Habib Limited	AA+	PACRA	200,289	100,000
Hascol Petroleum Limited Sukuk	AA	PACRA	99,499	131,339
Engro Fertilizer Sukuk	AA-	JCR-VIS	91,000	186,375
Fatima Fertilizer Sukuk	AA-	PACRA	29,677	40,307
K Electric	AA+	JCR-VIS	78,361	78,360
First Habib Modarba	AA+	PACRA	210,000	210,000
Byco Oil Pakistan Sukuk	AAA	PACRA	100,000	100,000
NIB Bank Limited	AAA	JCR-VIS	101,592	101,635
International Brands	AA	Moody's	99,182	100,000
Dawood Hercules	AA	PACRA	200,000	-
Pakistan Services Limited	AA-	PACRA	131,958	-
Pak. Elektron Limited	AA-	PACRA	99,994	-
Bank Alfalah	AA+	PACRA	99,999	-
Bank Al-Habib Limited	AA	PACRA	100,000	-
United Bank Limited	AA+	JCR-VIS	1,250,000	-
Soneri Bank Limited	A	PACRA	50,000	-
Askari Bank Limited.	AA-	PACRA	500,000	-
Dubai Islamic Limited	A	JCR-VIS	100,000	-
Meezan Bank Limited	AA	JCR-VIS	500,000	-
			<u>4,078,872</u>	<u>1,092,135</u>

Investment in Government securities are not exposed to any credit risk.

The management monitors exposure to credit risk in premium receivable from group clients through regular review of credit exposure and prudent estimates of provision for doubtful debts. As of 31 December 2018, there was no provision for doubtful premiums as all the premiums receivable were considered good.

#### 41.1.3 Capital risk managements

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development its businesses. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders or issue new shares.

Currently the Company has a paid up capital of Rs. 1 billion against the minimum required paid-up capital of Rs. 500 million set by the SECP for the life insurance Companies for the year ended 31 December 2018.

In addition, the Company is also required to maintain minimum solvency in accordance with the rules and regulations set by the SECP, which are fully met by the Company.

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41.14 Fair value

Investments on the balance sheet are carried at fair value except for unquoted investments which are stated at cost. The Company is of the view that the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are essentially short term in nature.

The Company's accounting policy on fair value measurements of its investments is discussed in note 3.1.12 to these financial statements.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

On balance sheet financial instruments

Fair Value through profit and loss	Available for Sale	HTM	Loans and Receivables	Other financial Assets	Other financial liabilities	Total	Fair value		
							Level 1	Level 2	Level 3
31 December 2018									
(Rupees in '000)									

- Investments
- Government Securities (Tbills + PIBs + Sukuks)
- Sukuk Bonds (Other than government)
- Listed equity securities
- Unlisted equity securities
- Units of mutual funds
- Debt securities (Listed TFCs)

- Financial assets not measured at fair value
- Government Securities (Tbills + PIBs + Sukuks)
- Balances with Banks \*
- Certificate of Investment
- Advances
- Other assets (Excluding markup accrued) \*

51,909,147	-	-	-	-	-	51,909,147	-	51,909,147	-	51,909,147
1,332,919	-	-	-	-	-	1,332,919	-	1,332,919	-	1,332,919
33,526,704	7,374	-	-	-	-	33,526,704	7,374	-	-	33,526,704
16,008	-	-	-	-	-	16,008	-	-	-	16,008
177,087	-	-	-	-	-	177,087	-	177,087	-	177,087
2,535,953	-	-	-	-	-	2,535,953	-	-	-	2,535,953
		1,053,719	-	-	-	1,053,719	-	1,047,472	-	1,047,472
19,829,503	-	-	-	-	-	19,829,503	-	-	-	-
210,000	-	-	-	-	-	210,000	-	-	-	-
			124,610	884,760	-	1,009,370	-	-	-	-
				2,695,536	-	2,695,536	-	-	-	-
109,529,947	7,374	1,053,719	124,610	3,580,296	-	114,305,546	36,062,657	64,466,625	16,008	90,545,290
					3,133,478	3,133,478				
					3,133,478	3,133,478				
109,529,947	7,374	1,053,719	124,610	3,580,296	(3,133,478)	111,172,488	36,062,657	64,466,625	16,008	90,545,290

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On balance sheet financial instruments

31 December 2017 (Restated)

	Fair Value through profit and loss	Available for Sale	HTM	Loans and Receivables	Other financial Assets	Other financial liabilities	Total	Fair value			Total
								Level 1	Level 2	Level 3	
(Rupees in '000)											
<b>Financial assets measured at fair value</b>											
- Investments											
Government Securities (T-bills + PIBs + Sukikes)	53,371,573	-	-	-	-	-	53,371,573	-	-	-	53,371,573
Sukuk Bonds (Other than government)	136,381	-	-	-	-	-	136,381	-	136,381	-	136,381
Listed equity securities	27,740,992	84,364	-	-	-	-	27,825,356	27,825,356	-	-	27,825,356
Unlisted equity securities	11,008	-	-	-	-	-	11,008	-	-	-	11,008
Units of mutual funds	137,046	-	-	-	-	-	137,046	-	137,046	-	137,046
Debt securities (Listed TFCs)	745,754	-	-	-	-	-	745,754	745,754	-	-	745,754
<b>Financial assets not measured at fair value</b>											
- Government Securities (T-bills + PIBs + Sukikes)	-	-	3,083,004	-	-	-	3,083,004	-	3,097,470	-	3,097,470
- Balances with banks *	18,489,441	-	-	-	-	-	18,489,441	-	-	-	-
- Certificate of Investment	210,000	-	-	-	-	-	210,000	-	-	-	-
- Advances	-	-	-	94,638	1,142,548	-	1,237,186	-	-	-	-
- Other assets (Excluding markup accrued) *	100,842,195	84,364	3,083,004	94,638	2,089,592	-	2,089,592	-	-	-	-
							107,336,341	28,571,110	56,742,470	11,008	85,324,588
<b>Financial liabilities not measured at fair value</b>											
- Other liabilities (Excluding Liabilities against assets subject to finance lease) *	-	-	-	-	-	2,722,126	2,722,126	-	-	-	-
	100,842,195	84,364	3,083,004	94,638	3,232,140	(2,722,126)	104,614,215	28,571,110	56,742,470	11,008	85,324,588

41.14.1 The Company has not disclosed the fair values for these financial assets and liabilities, as these are for short term or repices over short term. Therefore their carrying amounts are reasonable approximation of fair value.

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42 WINDOW TAKAFUL OPERATIONS

The Statement of financial position of Window Takaful Operations as at 31 December 2018 and its financial performance for the year ended 31 December 2018 are as follows:

42.1 Balance Sheet

Shareholders' Fund	Statutory Funds		Aggregate		
	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December 2018	31 December 2017	
	(Rupees in '000)				
<b>Share capital and reserves</b>					
Operator's Fund	50,000	-	50,000	50,000	
Accumulated surplus	21,557	-	21,557	3,995	
Net shareholders' equity	71,557	-	71,557	53,995	
<b>Balance of statutory fund</b>					
<b>[including policyholders' liabilities</b>					
<b>Rs. 3,496.08 million (2017: Rs. 2,244.71 million)</b>					
Participant Investment Fund	38,974	3,392,638	-	3,431,612	2,219,882
Participant Takaful Fund - Waqf	-	133,162	102,320	235,482	147,473
Cede Money - Waqf	-	2,000	-	2,000	2,000
Shareholder's Fund unit holding in PIF	-	22,201	-	22,201	16,182
	38,974	3,550,001	102,320	3,691,295	2,385,537
<b>Creditors and accruals</b>					
Outstanding Claims	-	42,420	26,843	69,263	27,247
Contribution received in advance	-	84,788	9,316	94,104	30,516
Amounts due to retakaful	-	18,293	48,008	66,301	28,012
Amounts due to agents	-	134,719	12,851	147,570	87,404
Accrued expenses	76,692	-	-	76,692	16,837
Other creditors and accruals	181,282	328,571	470,470	980,323	514,564
Capital contribution	-	-	-	-	18,309
Interfund payable	183,074	15,843	-	198,917	149,703
<b>Total liabilities</b>	441,048	624,634	567,488	1,633,170	872,592
<b>Total equity and liabilities</b>	551,579	4,174,635	669,808	5,396,022	3,312,124
<b>Cash and bank deposits</b>					
Policy stamps in hand	91	-	-	91	58
Current and other accounts	68,677	854,077	34,343	957,097	511,060
Deposits maturing within 12 months	103,000	1,271,000	-	1,374,000	1,489,000
	171,768	2,125,077	34,343	2,331,188	2,000,118
<b>Investments</b>					
Government securities	45,023	211,621	70,333	326,977	158,050
Other Fixed Income	-	480,000	-	480,000	25,000
Listed Equities & Mutual Funds	-	1,148,408	-	1,148,408	508,542
	45,023	1,840,029	70,333	1,955,385	691,592
<b>Current assets - others</b>					
Prepayments	8,019	-	-	8,019	1,909
Contributions due but unpaid	-	-	13,318	13,318	4,091
Sundry receivables	287,491	180,380	350,486	818,357	433,817
Investment income accrued	1,865	29,149	2,411	33,425	14,306
Shareholder's Fund unit holding in PIF	22,201	-	-	22,201	16,182
Capital contribution	12,809	-	-	12,809	-
Income Tax Assets	933	-	-	933	-
Advances and deposits	1,470	-	-	1,470	406
Interfund Receivable	-	-	198,917	198,917	149,703
	334,788	209,529	565,132	1,109,449	620,414
<b>Total assets</b>	551,579	4,174,635	669,808	5,396,022	3,312,124

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42.2 Revenue Account

42.2.1 Participants' Investment Fund (PIF)

Income

Allocated contribution  
Policy transfer to other statutory fund  
Bonus units transfer to Statutory Fund  
Net investment income / (loss)  
Total net income

Statutory Funds		Aggregate	
Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December	
		2018	2017

1,636,490	-	1,636,490	1,491,774
7,126	-	7,126	7,543
26,718	-	26,718	-
126,548	-	126,548	(106,765)
1,796,882	-	1,796,882	1,392,552

Less: Claims and Expenditure

Investment management charges  
Bid offer spread  
Policy admin fee  
Wakalat-ul-Istismar  
Surrender

40,166	-	40,166	24,996
77,991	-	77,991	72,988
49,991	-	49,991	25,575
168,148	-	168,148	123,559
421,919	-	421,919	370,277
590,067	-	590,067	493,836

Excess of income over claims  
and expenditure

Add : Technical reserves at the beginning  
of the year

Less : Technical reserves at the end  
of the year

1,206,815	-	1,206,815	898,716
2,185,823	-	2,185,823	1,287,106
3,392,638	-	3,392,638	2,185,822
(1,206,815)	-	(1,206,815)	(898,716)

Surplus / (Deficit)

Movement in technical reserves

Balance of PIF at the beginning of the year

Balance of PIF at the end of the year

(a)

-	-	-	-
1,206,815	-	1,206,815	898,717
2,185,823	-	2,185,823	1,287,106
3,392,638	-	3,392,638	2,185,823

42.2.2 Participants' Takaful Fund (PTF)

Income

Contribution net of retakaful recoveries  
Net investment income  
Total net income

Statutory Funds		Aggregate	
Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December	
		2018	2017

142,017	186,791	328,808	217,672
8,520	3,689	12,209	3,853
150,537	190,480	341,017	221,525

Less: Claims and Expenditure

Claims net of retakaful recoveries  
Wakala fee

19,389	69,984	89,373	62,768
49,197	87,721	136,918	102,834
68,586	157,705	226,291	165,602

Excess of income over claims  
and expenditure

Add : Technical reserves at the beginning  
of the year

Less : Technical reserves at the end  
of the year

81,951	32,775	114,726	55,923
26,219	32,667	58,886	28,574
45,103	58,336	103,439	58,885
(18,884)	(25,669)	(44,553)	(30,311)

Surplus / (Deficit) before distribution

Distribution of surplus  
Surplus / (Deficit) after distribution

Movement in technical reserves

Balance of PTF at the beginning of the year

Qard-e-Hasna

Balance of PTF at the end of the year

(b)

63,067	7,106	70,173	25,612
(28,718)	-	(28,718)	-
36,349	7,106	43,455	25,612
18,884	25,669	44,553	30,311
77,928	69,546	147,474	51,767
-	-	-	39,783
133,161	102,321	235,482	147,473

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42.2.3 Shareholders' Sub-Fund

	Statutory Funds		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December	
			2018	2017
	(Rupees in '000)			
<b>Income</b>				
Un-allocated contribution	1,109,122	-	1,109,122	640,397
Net investment income	15,252	-	15,252	5,923
Wakalat-ul-Istismar - PIF	168,148	-	168,148	123,558
Wakala Fee - PTF	49,197	87,721	136,918	102,834
Total net income	1,341,719	87,721	1,429,440	872,712
<b>Less: Expenditure</b>				
Acquisition costs	1,161,495	53,036	1,214,531	758,369
Administration expenses	192,634	8,614	201,248	156,866
	1,354,129	61,650	1,415,779	915,235
<b>Excess / (Shortfall) of income over expenditure</b>	(12,410)	26,071	13,661	(42,523)
Add : Technical reserves at the beginning of the year	-	-	-	-
Less : Technical reserves at the end of the year	-	-	-	-
	-	-	-	-
<b>Surplus / (Deficit) transferred to shareholders' fund</b>	(12,410)	26,071	13,661	(42,523)
Movement in technical reserves	-	-	-	-
Transfer to Shareholder's Fund	-	(21,557)	(21,557)	(3,995)
Capital Contribution	12,809	-	12,809	90,116
Qard-e-Hasna	-	-	-	(39,783)
Retained earnings on other than participating business	33,528	533	34,061	30,244
Balance of shareholders' sub fund at the end of the year	(c) <b>33,927</b>	<b>5,047</b>	<b>38,974</b>	<b>34,059</b>
Balance of statutory funds at the end of the year	(a+b+c) <b>3,559,726</b>	<b>107,368</b>	<b>3,667,094</b>	<b>2,367,355</b>

42.3 Statement of contribution

	Statutory Fund		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December	
			2018	2017
	(Rupees in '000)			
	(Restated)			
<b>Gross contribution</b>				
<b>Regular contribution individual policies</b>				
First Year	1,427,561	-	1,427,561	830,949
Second Year	693,899	-	693,899	399,091
Subsequent year renewal	482,014	-	482,014	116,072
Single contribution individual policies	329,572	-	329,572	893,062
Group policies with cash values	1,494	-	1,494	1,832
Group policies without cash values	-	223,822	223,822	165,205
Total gross contribution	<b>2,934,540</b>	<b>223,822</b>	<b>3,158,362</b>	<b>2,408,211</b>
<b>42.3.1 Participants' Investment Fund</b>				
Allocated regular contribution	1,314,044	-	1,314,044	606,254
Allocated single contribution	329,572	-	329,572	893,063
Total allocated contribution	<b>1,643,616</b>	-	<b>1,643,616</b>	<b>1,499,317</b>
<b>42.3.2 Participants' Takaful Fund</b>				
Allocated gross contribution	181,802	223,822	405,624	266,497
<b>Less: Retakaful contribution ceded</b>				
On individual life first year business	23,518	-	23,518	18,347
On individual life second year business	13,170	-	13,170	11,433
On individual life subsequent year business	12,830	-	12,830	3,691
Commission from reinsurers	(9,733)	-	(9,733)	(7,752)
On group policies	-	37,031	37,031	23,106
Total retakaful contribution ceded	39,785	37,031	76,816	48,825
<b>Net Risk Contribution of PTF</b>	<b>142,017</b>	<b>186,791</b>	<b>328,808</b>	<b>217,672</b>
<b>42.3.3 Shareholders' Sub-Fund</b>				
Unallocated regular contribution	1,109,122	-	1,109,122	640,397

42.4 Statement of Claims

	Statutory Fund		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December	
			2018	2017 (Restated)
(Rupees in '000)				
Claims under Individual Family Takaful	43,270	-	43,270	29,959
Claims under Group Family Takaful	220	84,089	84,309	60,822
<b>Total Gross Claims</b>	<b>43,490</b>	<b>84,089</b>	<b>127,579</b>	<b>90,781</b>
Gross Claims allocated as follows:				
Participant's Investment Fund (PIF)				
Surrenders / Partial withdrawals under Individual Policies	421,919	-	421,919	370,277
Participant's Takaful Fund (PTF)				
Under Individual policies by death	43,270	-	43,270	29,959
Under group policies by death	220	79,965	80,185	58,440
Under group policies by event other than death	-	4,124	4,124	2,382
<b>Total gross claims under PTF</b>	<b>43,490</b>	<b>84,089</b>	<b>127,579</b>	<b>90,781</b>
Less: Re-Takaful recoveries under PTF				
On Individual policies	24,101	-	24,101	17,646
Profit commission	-	-	-	9,783
On group policies	-	14,105	14,105	584
	24,101	14,105	38,206	28,013
<b>Net Claims under PTF</b>	<b>19,389</b>	<b>69,984</b>	<b>89,373</b>	<b>62,768</b>
<b>Total Net Claims</b>	<b>441,308</b>	<b>69,984</b>	<b>511,292</b>	<b>433,045</b>

42.5 Statement of Expenses

	Statutory Fund		Aggregate	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	31 December	
			2018	2017 (Restated)
(Rupees in '000)				
Acquisition costs				
Shareholders' Sub-Fund				
Remuneration to insurance intermediaries				
on individual policies:				
- commission on first year contribution	610,556	-	619,556	369,735.00
- commission on renewal contribution	90,029	-	90,029	39,138.00
- commission on single contribution	8,512	-	8,512	30,448.00
- override commission	91,720	-	91,720	59,644.00
- other benefits to insurance intermediaries	271,822	-	271,822	157,153.00
	1,081,639	-	1,081,639	656,116
Remuneration to insurance intermediaries				
on group policies:				
- commission	215	52,077	52,292	32,141.00
- other benefits to insurance intermediaries	-	587	587	414.00
	215	52,664	52,879	32,555
Branch overheads	59,777	-	59,777	49,144
Other acquisition costs				
- policy stamps	18,996	151	19,147	12,799
- Medical fees	868	221	1,089	415
<b>Total acquisition cost</b>	<b>1,161,495</b>	<b>53,036</b>	<b>1,214,531</b>	<b>751,031</b>
Marketing and Administration expenses				
Salaries and other benefits	85,639	3,101	88,740	71,301
Travelling expenses	12,252	70	12,322	10,263
Advertisements and publicity	11,284	767	12,051	1,016
Printing and stationery	6,459	99	6,558	6,532
Depreciation	14,822	316	15,138	14,513
Amortization	1,851	-	1,851	1,524
Rent, rates and taxes	2,187	7	2,194	2,309
Legal and professional charges	4,227	3,528	7,755	12,374
Electricity, gas and water	3,464	129	3,593	3,695
Entertainment	3,778	94	3,872	3,173
Vehicle running Expenses	855	15	870	1,458
Office repairs and maintenance	8,085	10	8,095	6,472
Appointed Actuary's fees	1,477	-	1,477	1,400
Bank charges	2,240	6	2,246	1,741
Postage, telegrams and telephone	10,923	27	10,950	8,038
Fees and subscription	3,215	37	3,252	2,551
Annual supervision fee SECP	4,626	353	4,979	3,819
Miscellaneous	15,250	55	15,305	12,082
<b>Gross Management Expenses</b>	<b>1,354,129</b>	<b>61,850</b>	<b>1,415,779</b>	<b>915,292</b>
Fees charged to Policyholders	-	-	-	(59)
<b>Net Management Expenses</b>	<b>1,354,129</b>	<b>61,850</b>	<b>1,415,779</b>	<b>915,233</b>

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42.6 Statement of Investment Income

42.6.1 Participants' Investment Fund (PIF)

Return on government securities / Sukuk	27,885	-	27,885	8,838
Other fixed income securities	90,969	-	90,969	46,018
Dividend income	26,915	-	26,915	18,590
Amortization of (premium) / discount	(342)	-	(342)	-
Loss on sale of investment	(101,920)	-	(101,920)	(14,472)
Unrealized gain / (loss) on investment	83,041	-	83,041	(165,738)
<b>Net investment income of PIF</b>	<b>126,548</b>	<b>-</b>	<b>126,548</b>	<b>(106,765)</b>

42.6.2 Participants' Takaful Fund (PTF)

Return on government securities / Sukuk	1,586	3,689	5,275	97
Other fixed income securities	4,615	-	4,615	2,090
Listed equities securities and mutual fund units	-	-	-	-
Profit on bank deposits	2,319	-	2,319	1,666
<b>Net investment income of PTF</b>	<b>8,520</b>	<b>3,689</b>	<b>12,209</b>	<b>3,853</b>

42.6.3 Shareholders' Sub-Fund

Return on government securities / Sukuk	184	-	184	87
Other fixed income securities	600	-	600	455
Dividend income	177	-	177	184
Amortization of (premium) / discount	(2)	-	(2)	-
loss on sale of investment	(672)	-	(672)	(143)
Unrealized gain / (loss) on investment	547	-	547	(1,637)
Profit on bank deposits	14,418	-	14,418	6,977

<b>Net investment income of shareholders' sub-fund</b>	<b>15,252</b>	<b>-</b>	<b>15,252</b>	<b>5,923</b>
<b>Net Investment Income</b>	<b>150,320</b>	<b>3,689</b>	<b>154,009</b>	<b>(96,989)</b>

Statutory Fund	Aggregate	
	31 December 2018	2017
Family Takaful Investment Linked Business	Family Takaful Protection Business	(Restated)
(Rupees in '000)		

	(a)			
Return on government securities / Sukuk	27,885	-	27,885	8,838
Other fixed income securities	90,969	-	90,969	46,018
Dividend income	26,915	-	26,915	18,590
Amortization of (premium) / discount	(342)	-	(342)	-
Loss on sale of investment	(101,920)	-	(101,920)	(14,472)
Unrealized gain / (loss) on investment	83,041	-	83,041	(165,738)
<b>Net investment income of PIF</b>	<b>126,548</b>	<b>-</b>	<b>126,548</b>	<b>(106,765)</b>

	(b)			
Return on government securities / Sukuk	1,586	3,689	5,275	97
Other fixed income securities	4,615	-	4,615	2,090
Listed equities securities and mutual fund units	-	-	-	-
Profit on bank deposits	2,319	-	2,319	1,666
<b>Net investment income of PTF</b>	<b>8,520</b>	<b>3,689</b>	<b>12,209</b>	<b>3,853</b>

	(c)			
Return on government securities / Sukuk	184	-	184	87
Other fixed income securities	600	-	600	455
Dividend income	177	-	177	184
Amortization of (premium) / discount	(2)	-	(2)	-
loss on sale of investment	(672)	-	(672)	(143)
Unrealized gain / (loss) on investment	547	-	547	(1,637)
Profit on bank deposits	14,418	-	14,418	6,977

<b>Net investment income of shareholders' sub-fund</b>	<b>15,252</b>	<b>-</b>	<b>15,252</b>	<b>5,923</b>
<b>Net Investment Income</b>	<b>150,320</b>	<b>3,689</b>	<b>154,009</b>	<b>(96,989)</b>

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Assets	Statutory Fund							Aggregate 31 December 2018
	Shareholders Fund	Investment Linked Business	Conventional Business	Pension Business	Accident & Health Business	Individual Family Takaful	Group Family Takaful	
Property and equipment	1,114,160	1,317,466	-	-	-	-	-	2,431,626
Intangible assets	27,038	-	-	-	-	-	-	27,038
Investments								
Equity securities	211,997	32,273,865	80,451	5,079	5,478	1,148,408	-	33,719,800
Government securities	2,196,429	49,012,707	1,415,946	15,331	-	234,132	92,944	52,972,867
Debt securities	10,000	3,568,872	20,000	-	-	480,000	-	4,078,872
Term deposits	-	13,550,000	125,100	-	-	1,322,500	-	15,049,100
Insurance & reinsurance / re/taakaful receivables	-	-	156,282	-	-	63,076	4,078	169,600
Other loans and receivables	614,274	3,032,850	60,329	19	-	467	467	3,774,664
Taxation - provision less payment	336,793	-	-	-	-	337,727	-	337,727
Prepayments	-	71,523	1,530	3	-	8,019	-	337,727
Cash & Bank	17,420	3,012,395	792,952	5,286	1,120	888,506	68,882	4,788,361
Total Assets (A)	4,528,111	105,839,678	2,652,690	25,718	6,643	4,145,108	230,889	117,428,837

In- admissible assets as per following clause of section 32 (2) of Insurance Ordinance, 2000

32 (2) (c)	(432,414)	-	-	-	-	-	-	-	(432,414)
32 (2) (u)	(1,114,160)	-	-	-	-	-	-	-	(1,114,160)
32 (2) (i)	(27,038)	-	-	-	-	-	-	-	(27,038)
32 (2) (b)	(122,836)	-	-	-	-	-	-	-	(122,836)
32 (2) (d)	(16,179)	-	-	-	-	-	-	-	(16,179)
32 (2) (h)	-	(9,850)	(54,679)	(1)	(3)	(3)	(5,047)	-	(59,726)
34 (2) (a)	(4,428)	-	(3,697)	(1)	(3)	(3)	(17,979)	-	(17,979)
Total of In-admissible assets (B)	(1,717,055)	(9,850)	(58,376)	(1)	(3)	(3)	(5,047)	-	(1,790,332)
Total Admissible Assets (C=A-B)	2,811,056	105,829,828	2,594,314	25,717	6,640	4,145,108	225,842	115,638,505	
Total Liabilities									
Insurance Liabilities net of reinsurance recoveries	-	-	-	-	-	-	-	-	-
Retirement benefit obligations	-	-	-	-	-	-	-	-	-
Deferred taxation	186,678	-	-	-	-	-	-	-	186,678
Premium / contribution received in advance	-	580,432	39,882	-	-	84,788	9,316	-	714,418
Insurance & reinsurance / re/taakaful payables	-	67,147	59,770	-	-	18,293	48,008	-	193,218
Other creditors and accruals	63,289	2,357,282	1,130,142	1,260	5,153	458,100	66,198	-	4,081,434
Taxation - provision less payment	-	-	-	-	-	-	-	-	-
Total Liabilities (D)	248,967	3,004,861	1,229,794	1,260	5,153	561,181	123,522	-	5,174,748
Total Net Admissible Assets (E=C-D)	2,562,089	102,824,967	1,364,520	24,457	1,487	3,583,927	102,320	110,463,757	
Minimum Solvency Requirement									
Shareholder's Fund	165,000	-	-	-	-	-	-	-	165,000
Policyholders Liability	-	101,266,863	895,301	24,065	1,231	3,437,741	58,336	-	105,683,537
Solvency Margin	-	1,558,104	469,219	392	246	51,121	39,478	-	2,118,560
Excess / (Deficit) in Net Admissible Assets Over Minimum Requirements	2,397,089	-	-	-	-	95,065	4,506	-	2,496,560

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	31 December 2018	31 December 2017
<b>Number of Employees</b>		

**44 NUMBER OF EMPLOYEES**

Number of employees as at 31 December

2,229 1,709

Average number of employees as at 31 December

1,969 1,628

**45 GENERAL**

45.1 The effects of changes stated in note 5 have been accounted for retrospectively in accordance with IAS-8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in restatement of financial statements of prior periods. Resultantly, the cumulative effect of adjustments that arose as at 01 January 2018 and 01 January 2017 have been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustment through other comprehensive income and profit or loss is restated and disclosed as part of the Statement of Comprehensive Income and Profit and Loss Account respectively. The Statement of Financial Position also presents the prior year numbers as restated, due to the said change.

45.2 Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.

45.3 Certain prior year's figures have been rearranged and reclassified, wherever necessary, to facilitate comparisons.

45.4 The Board of Directors has proposed a cash dividend of Rs. 11.25 per share (2017:Rs.11.25/- per share) amounting to Rs. 1,125 million (2017: Rs.1,125 million) at its meeting held on 22nd March 2019 for the approval of the members at the Annual General Meeting to be held on 23rd April 2019. These financial statements do not reflect this appropriation as explained in note 3.1.18.


**46 DATE OF AUTHORIZATION FOR ISSUE**


These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 22nd March 2019.

*KRM*

  
 Managing Director &  
 Chief Executive

  
 Chief Financial  
 Officer

  
 Director

  
 Director

  
 Chairman