

Directors' Review, 30 June 2019

The Directors of your Company are pleased to present the Condensed Interim Financial Statements (Un-audited) for the six months ended 30 June 2019.

Your Company's Gross premium income was Rs. 15.28 billion during the first six months of 2019 (2018: Rs. 14.05 billion). New individual life regular premium income was Rs. 3.13 billion (2018: Rs.2.87 billion), an increase of 8.7%. Renewal premium was Rs. 9.75 billion (2018: Rs. 8.15 billion) an increase of 19.6%. Inclusive of renewal premium, the total individual life regular premium business increased by 16.7% to Rs. 12.87 billion (2018: 11.03 billion). Single premium business was Rs. 646 million (2018: Rs. 1.55 billion). Group Benefits business was Rs. 1.88 billion (2018: Rs. 1.56 billion), a growth of 20.4%.

Your Company's window takaful operations are in the fourth year of business and continue to grow year on year. The total family takaful contribution was Rs. 1.83 billion (2018: 1.3 billion). Out of this, Rs. 1.69 billion (2018: Rs. 1.21 billion) was from Individual family takaful business (a growth of 39.7%) while Rs. 142 million (2017: Rs. 94.6 million) was from Group Family Takaful (a growth of 50%). The Company expects this line of business to continue on a growth trajectory during 2019.

Effective January 1, 2019, your Company has adopted IFRS 16, "Leases", which replaces existing leases guidance. The Standard provides a single on Balance Sheet lease accounting model for all leases requiring lessees to recognize a right of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Your Company had a Profit after Tax of Rs. 447.8 million (2018: Rs.584.5 million). The reduction is due to new business strain and strengthening of reserves on the investment linked business. The Earnings per Share is Rs. 4.48 (2018: Rs.5.85).

The Directors have pleasure in declaring a second interim dividend of Rs.1.50/- per share i.e 15 %. This cash dividend is in addition to 1st interim cash dividend of Rs.1.50/- per share i.e 15 % declared in 1st Quarter,2019.

We would like to thank our valued customers for their continued patronage and to the Securities and Exchange Commission of Pakistan for their guidance, and our main reinsurer Munich Re for its support. Your Directors would also like to place on record their appreciation for the efforts made by the officers, all distribution channels and staff who have contributed to the development, growth and continued success of the Company.


Managing Director &
Chief Executive


Director


Director


Chairman



KPMG Taseer Hadi & Co.

Emphasis of matter

We draw attention to note 18.2 to the condensed interim financial statements, which more fully explains the fact that provision for sales tax has not been made based on a legal opinion obtained by the Company.

Our conclusion is not modified in respect of the above matter.


Other Matter

The figures for the three months period ended 30 June 2019 in the condensed interim financial statements have not been reviewed and we do not express a conclusion on them.

The engagement partner on the engagement resulting in this independent auditors' report is Aryn Pirani.

Karachi

Date: 29 August 2019


KPMG Taseer Hadi & Co.
Chartered Accountants

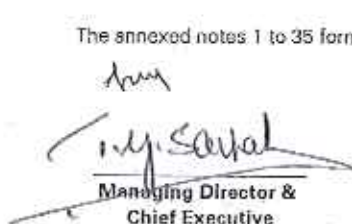
EFU Life Assurance Limited
 Condensed Interim Statement of Financial Position
 As at 30 June 2019 (Unaudited)

	Note	Aggregate 30 June 2019 (Unaudited)	31 December 2018 (Audited)
(Rupees in '000)			
Assets			
Properties and equipments	9	2,855,867	2,431,527
Intangible assets	9	20,775	27,038
Investments			
Equity securities	10	18,953,950	33,542,712
Government securities	11	64,053,300	52,972,966
Debt securities	12	7,639,913	4,078,872
Term deposits	13	17,954,000	15,043,100
Mutual funds	14	372,264	177,087
Insurance / reinsurance receivables		204,744	169,600
Other loans and receivables		1,775,029	3,110,439
Taxation - payments less provision		619,684	337,727
Prepayments		59,387	81,182
Cash & Bank	15	4,063,844	4,756,362
Total Assets		118,572,757	116,764,612
Equity and Liabilities			
Capital and reserves attributable to Company's equity holders			
Authorised share capital [150,000,000 ordinary shares (2018: 150,000,000) of Rs.10 each]		1,500,000	1,500,000
Ordinary share capital Ledger account @	16	1,000,000	1,000,000
Reserves		2,000,000	2,150,000
Surplus on revaluation of available for sale investment net of tax		42,757	75,713
Unappropriated profit/(Accumulated loss)		407,492	1,053,434
Total Equity		5,098,268	5,958,403
Liabilities			
Insurance Liabilities	17	110,080,139	107,695,795
Deferred taxation		741,239	681,368
Premium received in advance		803,605	714,419
Insurance / reinsurance payables		254,150	193,218
Other creditors and accruals		1,595,356	1,521,408
		3,394,350	3,110,413
Total Liabilities		113,474,489	110,606,209
Total Equity and Liabilities		118,572,757	116,764,612

Contingencies and commitments

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The annexed notes 1 to 35 form an integral part of these financial statements


 Managing Director &
 Chief Executive


 Chief Financial
 Officer


 Director


 Director


 Chairman

EFU Life Assurance Limited
 Condensed Interim Profit and Loss Account (Unaudited)
 For the six months period ended 30 June 2019

	Note	Aggregate Six months ended 30 June		Aggregate Three months ended 30 June	
		2019	2018 (Restated)	2019	2018 (Restated)
----- (Rupees in '000) -----					
Premium Revenue		15,277,157	14,047,838	7,820,562	7,019,793
Premium ceded to reinsurers		(358,933)	(404,672)	(194,266)	(170,254)
Net premium revenue	19	14,918,224	13,643,166	7,626,296	6,849,539
Investment income	20	4,819,976	3,218,270	2,599,816	1,636,771
Net realised fair value (losses) on financial assets	21	(5,567,340)	(717,659)	(2,877,378)	(496,676)
Net fair value gains on financial assets at fair value through profit or loss	22	1,021,656	(215,963)	(851,882)	(3,284,842)
Other income	23	30,976	16,755	15,381	7,888
		305,267	2,301,403	(1,114,063)	(2,136,859)
Net income		15,223,491	15,944,569	6,512,233	4,712,680
Insurance benefits		8,186,470	7,307,484	3,827,743	3,368,121
Recoveries from reinsurers		(216,896)	(223,697)	(117,452)	(117,762)
Claims related expenses		4,060	3,182	3,014	3,182
Net Insurance Benefits	24	7,973,634	7,086,969	3,713,305	3,253,551
Net Change in Insurance Liabilities (other than outstanding claims)		2,171,030	4,200,744	111,574	(1,158,369)
Acquisition expenses	25	3,444,858	3,008,377	1,806,250	1,613,671
Marketing and administration expenses	26	850,395	819,456	439,159	479,689
Other expenses	27	13,420	9,303	10,962	6,603
Total Expenses		6,479,703	8,037,880	2,367,945	941,594
Profit before tax		770,154	819,720	430,983	517,535
Income tax expense	28	(322,329)	(235,252)	(227,899)	(144,363)
Profit for the year		447,824	584,468	203,083	373,172
Earnings (after tax) per share - Rupees		4.48	5.84	2.03	3.73

The annexed notes 1 to 35 form an integral part of these financial statements

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 Managing Director &
 Chief Executive


 Chief Financial
 Officer


 Director


 Director


 Chairman

EFU Life Assurance Limited

Condensed Interim Statement of Comprehensive Income (Unaudited)

For the six months period ended 30 June 2019

	Aggregate		Aggregate	
	Six months ended 30 June		Three months ended 30 June	
	2019	2018 (Restated)	2019	2018 (Restated)
	(Rupees in '000)			
Profit after tax for the period	447,824	584,468	203,083	373,172
Item to be reclassified to profit and loss account in subsequent period				
- Net unrealised loss arising during the period on revaluation of available-for-sale investments	(46,417)	29,489	(2,539)	(5,964)
Related Tax	13,461	(8,552)	1,175	1,729
	(32,956)	20,937	(1,364)	(4,235)
Total comprehensive income for the year	414,868	605,405	201,719	368,937

The annexed notes 1 to 35 form an integral part of these financial statements

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Managing Director &
Chief Executive

Chief Financial
Officer

Director

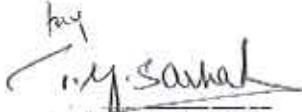
Director


Chairman

EFU Life Assurance Limited
 Condensed Interim Statement of Cash Flow (Unaudited)
 For the six months period ended 30 June 2019

	Aggregate	
	Six months ended 30 June	
	2019	2018 (Restated)
 (Rupees in '000)	
Operating cash flows		
a) Underwriting activities		
Insurance premium / contribution received	15,326,131	14,093,514
Reinsurance premium / Retakaful contribution paid	(292,934)	(197,071)
Claims paid	(7,973,154)	(7,253,634)
Reinsurance and other recoveries received	216,894	223,699
Commission paid	(2,473,789)	(2,279,255)
Marketing and Administrative expenses paid	(850,395)	(813,455)
Other acquisition cost paid	(1,217,043)	(1,039,499)
Net cash flow from underwriting activities	2,735,710	2,778,427
b) Other operating activities		
Income tax paid	(530,956)	(422,445)
Other operating payments	1,699,669	1,610,405
Loans advanced	(64,698)	(30,591)
Loans repayments received	51,129	30,283
Net cash flow from other operating activities	1,155,144	823,662
Total cash flow from all operating activities	3,890,854	3,602,089
Investment activities		
Profit / Return received	4,057,738	2,862,092
Dividends received	514,077	585,004
Payments for investments	(203,126,814)	(149,110,107)
Proceed from investments	198,226,396	133,264,896
Fixed capital expenditure	(238,779)	(127,134)
Proceeds from sale of property and equipment	33,909	8,179
Total cash flow from investing activities	(433,473)	(6,342,770)
Financing activities		
Dividends paid	(1,275,000)	(1,250,000)
Total cash flow from financing activities	(1,275,000)	(1,250,000)
Net cash flow from all activities	2,182,381	(1,210,681)
Cash and cash equivalents at beginning of the period	19,835,462	18,496,913
Cash and cash equivalents at end of the period	22,017,843	14,756,232
Reconciliation to profit and loss account		
Operating cash flows	3,890,854	3,602,089
Depreciation	(219,297)	(97,308)
Amortization	(6,406)	(6,623)
Profit on disposal of property and equipment	17,302	5,320
Other revenue	8,954	5,418
Dividend Income	607,929	659,541
Other investment income	4,456,028	2,788,312
Depreciation in market value of investments	965,168	(333,109)
Provision of impairment in the value of available for sale equity investments	(3,940)	(3,675)
(Loss) / Profit on disposal of investments	(5,567,340)	(717,659)
Decrease in assets other than cash	(1,245,202)	(844,852)
Increase in liabilities	(2,456,226)	(4,223,958)
Profit after taxation	447,824	564,469

The annexed notes 1 to 35 form an integral part of these financial statements


 Managing Director &
 Chief Executive


 Chief Financial
 Officer


 Director


 Director


 Chairman

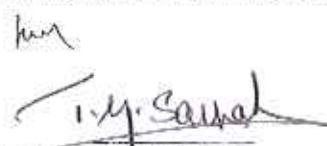
EHU Life Assurance Limited
 Condensed Interim Statement of Changes in Equity (Unaudited)
 For the six months period ended 30 June 2018

Note	Share capital	General reserve	Retained earnings arising from businesses other than participating business attributable to shareholders (Ledger Account D) refer the note below	Surplus on revaluation of available for sale investment	Unappropriated profit	Total
(Rupees in '000)						
Balance as at 1 January 2018 (as earlier reported)	1,000,000	1,000,000	1,529,902	92,121	1,440,648	5,862,671
Adjustment due to change in accounting policy § 1.2	-	-	(34,163)	-	-	(34,163)
Balance as at 1 January 2018 (re-stated)	1,000,000	1,000,000	1,495,739	92,121	1,440,648	5,828,508
Comprehensive Income for the period ended 30 June 2018						
Income for the period ended 30 June 2018	-	-	82,803	-	561,665	644,468
Other Comprehensive Income -						
Fair value (unrealised) gain on available for sale investments during the six month period ended 30 June 2018	-	-	82,003	20,837	-	20,837
	-	-	82,003	20,837	201,665	645,435
Distribution of Bonus Units	-	-	18,702	-	-	18,702
Contribution to increase solvency margin	-	-	69,241	-	(69,241)	-
Transfer to General Reserve	-	750,000	-	-	(250,000)	-
Transactions with shareholders						
Dividend for the year ended 31 December 2017	-	-	-	-	(1,125,000)	(1,125,000)
Interim dividend-1st quarter 2018	-	-	-	-	(125,000)	(125,000)
	-	-	-	-	(1,250,000)	(1,250,000)
Balance as at 30 June 2018	1,000,000	2,150,000	1,668,485	113,058	353,072	5,307,615
Balance as at 1 January 2019 (as reported)	1,000,000	2,150,000	1,748,450	75,713	1,053,431	5,027,594
Adjustment due to change in accounting policy § 1.2	-	-	(59,194)	-	-	(59,194)
Balance as at 1 January 2019 (re-stated)	1,000,000	2,150,000	1,689,256	75,713	1,053,431	5,058,430
Comprehensive Income for the period ended 30 June 2019						
Income for the period ended 30 June 2019	-	-	(86,784)	-	534,608	447,824
Other Comprehensive Income -						
Fair value (unrealised) gain on available for sale investments during the six month period ended 30 June 2019	-	-	-	(32,956)	-	(32,956)
	-	-	(86,784)	(32,956)	534,608	414,868
Contribution to increase solvency margin	-	-	55,547	-	(55,547)	-
Transfer from general reserve	-	(150,000)	-	-	150,000	-
Transactions with shareholders						
Dividend for the year ended 31 December 2018	-	-	-	-	(1,125,000)	(1,125,000)
Interim dividend-1st quarter 2019	-	-	-	-	(150,000)	(150,000)
	-	-	-	-	(1,275,000)	(1,275,000)
Balance as at 30 June 2019	1,000,000	2,000,000	1,648,019	42,767	407,497	5,035,267

Notes:

- This include balances maintained in accordance with the requirements of section 35 of the Insurance Ordinance, 2000 read with rule 14 of the Insurance Rules, 2017 (previously the SEC Insurance Rules, 2002) to meet solvency margins, which are mandatorily maintained for the carrying on of the life insurance business.

The annexed notes 1 to 25 form an integral part of these financial statements


 Managing Director &
 Chief Executive


 Chief Financial
 Officer


 Director


 Director


 Chairman

EFU Life Assurance Limited

Notes To The Condensed Interim Financial Information (Unaudited)

For the six months period ended 30 June 2019

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. 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 Ltd. 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 condensed interim financial information have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
 - Provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations 2017 and Takaful Rules 2012; and
 - Islamic Financial Accounting Standards (IFAS) (as a lease) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations 2017 and Takaful Rules 2012 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 and Insurance Ordinance, 2000, Insurance Rules 2017, Insurance Accounting Regulations 2017 and Takaful Rules 2012, have been followed.

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- 2.2 The condensed interim financial information does not include all the information and disclosures required in the annual financial statements. Accordingly, the condensed interim financial information should be read in conjunction with the Company's annual financial statements as at and for the year ended 31 December 2018.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for the available for sale investments which are stated at their fair values.

4. FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Pakistani Rupees, which is the Company's functional and presentation currency. All financial information presented in Pakistani Rupees has been rounded to the nearest rupees.

5. SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Changes In Accounting Policies

- 5.1.1 On 1 January 2019, the Company adopted IFRS 16 Leases. A number of other new standards/amendments, interpretations are effective from 1 January 2019 but they do not have a material effect on the Company's financial statements.

IFRS 16 introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

The significant judgments in the implementation were determining if a contract contained a lease, and the determination of whether the Company is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The weighted average discount rate applied to lease liabilities on the transition date 1 January 2019 was 12.34% percent.

The impact of IFRS 16 on the Company is primarily where the Company is a lessee in property lease contracts. The Company has elected to adopt simplified approach on transition and has not restated comparative information. On 1 January 2019, the Company recognized a lease liability, being the remaining lease payments, including extension options where the renewal is reasonably certain, discounted using the Company's incremental borrowing rate at the date of initial application. The corresponding right-of-use asset recognized is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The balance sheet increase, as a result of the recognition of lease liability and right-to-use assets as of 1 January 2019, was Rs. 365.34 million, with no adjustment to retained earnings. The asset is presented in 'Fixed Assets' and the liability is presented in 'Other liabilities'. Also in relation to those leases under IFRS 16, the company has recognized depreciation and interest costs, instead of operating lease expenses. During the six months period to 30 June 2019, the Company recognized depreciation expense of Rs. 62.291 million and interest expense of Rs. 20.59 million on these leases.

The Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

Up to 31 December 2018, assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as asset in the statement of financial position. Payments under operating leases were recognized in profit and loss on a straight line basis over term of the lease.

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

	At 30 June 2019 (Rupees in '000)
Impact on Statement of Financial Position	
Increase in fixed assets - right-of-use assets	359,217
Decrease in prepayments	<u>(30,397)</u>
	328,820
Increase in other liabilities - lease liability against right-of-use assets	<u>(344,498)</u>
Decrease in net assets - before tax	<u>(15,678)</u>
	Six months ended 30 June 2019 (Rupees in '000)
Impact on Profit and Loss account	
Increase in mark-up expense - lease liability against right-of-use assets	(20,590)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(62,291)
- Rent expense	67,203
Decrease in profit before tax	<u>(15,678)</u>

In view of the application of above IFRS, the Company's accounting policy for the Right of use asset and related lease liability is as follows:

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases properties for its operations. The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

- 5.1.2** During the period the company changed its practice of the presentation of the surplus in the Participant Takaful Fund. Earlier this was included in the ledger account D based on the SECP's circular number SRO 88(1)/2017 dated 09 February 2017 relating to the Insurance Accounting Regulations 2017, as per which, for published financial statements under rule number 6 (i) and 6 (ii) balance in ledger accounts C and D shall be included as part of shareholder's Equity. For this reason the surplus in the Participant Takaful Fund was earlier also included in shareholders Equity. Subsequently in 2019 SECP issued a draft circular and invited the insurers for their comments. In the said draft circular SECP has mentioned that retained earnings of Participant Takaful Fund should be part of insurance liabilities. Accordingly based on the suggestion in the said draft circular and for better presentation, the company has moved retained earnings of Participant Takaful Fund from shareholder's equity to insurance liabilities. The effect of the changes are given in the statement of changes in equity (reduction of ledger D account balance as of 01 January 2018 as earlier reported by Rs. 15.46 million and by Rs. 69.19 million as of 31 December 2018 net of tax). The liability balance as of 31 December 2018 is now stated at Rs. 92.26 million. Similarly profit for previous six months have reduced by Rs. 13.659 million and EPS is reduced by Rs. 0.14 per share.

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6. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2018 except for the change in estimate for lease hold improvements mentioned in 9.1.1 note to these condensed interim financial information.

7. INSURANCE AND FINANCIAL RISK MANAGEMENT

The insurance and financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Company for the year ended 31 December 2018.

8. NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

8.1 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 2019 but are considered not to be relevant or do not have any significant effect on the Company (except as mentioned in note 8.2 below) and therefore not stated in these financial statements.

8.2 Standards, interpretations and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective in the current year

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

Amendment to IFRS 4 'Insurance Contracts' - Applying IFRS 9 'Financial Instruments with IFRS 4 addresses issue arising from the different effective dates of IFRS 9 and the forthcoming new standard IFRS 17 'Insurance Contracts'. The amendments introduces two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9. The overlay approach allows an entity applying IFRS 9 from 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 determined that it is eligible for the temporary exemption option since the company has not previously applied any version of IFRS 9, its activities are predominantly connected with insurance as the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 90 percent and the company doesn't engage in significant activities unconnected with insurance based on historical available information. Under the temporary exemption option, the company can defers the application of IFRS 9 until the application IFRS 17.

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

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

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

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

- b) all other financial assets.

30-June-2019 (Un-audited)		Pass the SPPI test		Fail the SPPI test	
		Fair value	Change in unrealized gain or loss during the period	Fair value	Change in unrealized gain or loss during the period
(Rupees in '000)					
		19,326,214	994,809	-	-
		372,264	-	-	-
		19,698,478	994,809	4,058,273	-
				71,693,213	34,916
				17,954,000	-
				93,705,486	34,916

Financial assets

- Cash and bank*
- Investments in equity securities and mutual funds
- Investments in debt securities
- Term Deposits
- Mutual Funds
- Total**

30 June 2019 (Unaudited)

Gross carrying amounts of debt instruments that pass the SPPI test		(Rupees in '000)									
		AA+	A+	AA	AA-	AAA	A-	A-1	A-1+	BBB+	Unrated
		-	-	-	-	-	-	1,076,961	2,970,173	11,139	-
		2,959,555	50,000	2,068,010	956,503	1,540,750	65,095	-	-	-	-
		-	100,000	-	-	-	100,000	2,550,000	15,204,000	-	210,000
		2,959,555	150,000	2,068,010	956,503	1,540,750	1,65,095	3,626,961	18,174,173	11,139	210,000

- Cash and bank*
- Investments in debt securities -
- Investments in debt securities -
- Term Deposits / Certificate of investment
- Total gross carrying amounts of financial assets that pass the SPPI test**

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

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9	Properties, Equipments and Intangible Assets		30 June	31 December
			2019	2018
			(Unaudited)	(Audited)
			----- (Rupees in '000) -----	
	Tangible assets	9.1	2,496,650	2,431,627
	Right of use Asset	5.1	359,217	-
	Intangible assets	9.2	20,775	27,038
			<u>2,876,642</u>	<u>2,458,665</u>

9.1 Details of additions and disposals during the six months period ended 30 June 2019 are as follows:

	Nota	Six months ended		Six months ended	
		30 June 2019		30 June 2018	
		Additions	Disposals	Additions	Disposals
		----- (Rupees in '000) -----			
Furniture and fixtures		9,961	-	34,613	-
Office equipments		9,761	189	6,751	430
Computer equipments		78,849	604	9,430	640
Motor vehicles		103,048	46,632	50,188	12,795
Lease hold Improvements	9.1.1	37,160	-	-	-
		<u>238,779</u>	<u>47,425</u>	<u>100,982</u>	<u>13,865</u>

9.1.1 Lease hold improvements are now being separately classified. Initially these were included in Furniture and Fixtures and depreciated under the reducing balance method at 10%. After change in the classification with effect from 01 January 2019 these are being depreciated on a straight line method over 1 to 6.5 years. The financial impact of the re-estimation for the current six months period is Rs. 25.7 million which has been recognised in the profit and loss account as an expense.

9.1.2 Based on the valuations carried out as of 31 December 2018, the market value of land and building is estimated at Rs. 3,322.5 million. The valuations have been carried out by independent valuer.

9.2 During the period additions in intangible assets was Rs. 0.144 million (30 June 2018: Rs.11.152 million).



10. INVESTMENT IN EQUITY SECURITIES

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Cost	Impairment / provision	Carrying value	Cost	Impairment / provision	Carrying value
(Rupees in '000)						
Available for sale						
Related parties	-	-	-	-	-	16,678
Listed Shares	321,764	(272,269)	49,495	334,522	(286,748)	47,774
Others						
Listed Shares	117,970	(17,827)	100,143	162,549	-	162,549
Unlisted Shares	16,008	-	16,008	16,008	-	16,008
Surplus on revaluation	-	-	60,312	-	-	107,914
	455,742	(290,096)	225,958	513,078	(286,748)	334,244
Fair value through profit and loss (designated on initial recognition)						
Related parties						
Listed shares	476,653	-	536,895	539,276	-	589,347
Others						
Listed shares	19,523,097	-	18,191,097	34,961,713	-	32,619,121
	20,455,492	(290,096)	18,953,950	36,014,067	(286,748)	33,542,712

11. GOVERNMENT SECURITIES

	30 June 2019 (Unaudited)				
	Maturity year	Effective yield (%)	Amortised cost	Principal repayment	Carrying value
(Rupees in '000)					
Held to Maturity					
10 Years Pakistan Investment Bond	2028	12.80	11,804	15,000	11,804
20 Years Pakistan Investment Bond	2024	9.75	54,218	53,700	54,218
3 Months Treasury Bills	2019	10.97 - 12.75	4,531,205	4,462,733	4,531,205
3 Years Government (Ijara) Sukuk certificates	2020	5.24	42,587	60,000	42,587
Fair Value through profit and loss (designated on initial recognition)					
05 Years Pakistan Investment Bond	2019	8.18 - 10.8	4,540,788	4,537,500	4,533,870
05 Years Pakistan Investment Bond	2020	7.63 - 8.35	5,024,410	4,987,500	4,858,324
10 Years Pakistan Investment Bond	2019	12.58	14,986	15,000	14,969
10 Years Pakistan Investment Bond	2022	11.42 - 11.76	2,126,731	2,100,000	2,012,010
10 Years Pakistan Investment Bond	2024	11.47	102,001	100,000	93,620
20 Years Pakistan Investment Bond	2024	9.83 - 12.07	387,675	392,000	340,633
3 Months Treasury Bills	2019	10.9 - 12.75	46,028,922	45,202,016	45,998,921
3 Years Government (Ijara) Sukuk certificate	2020	5.24	106,032	90,000	104,614
Neelum Jehlum Hydropower Company Term Finance Certificate	2026	11.92	1,127,248	1,093,750	1,117,135
Pakistan Water And Power Development Authority Bond	2021	12.01	340,815	341,076	339,390
			64,439,422	63,450,275	64,053,300

11.1 Government securities includes Rs.116 million (2018: Rs. 125 million) placed with the State Bank of Pakistan, in accordance with Section 29 of the Insurance Ordinance, 2000.

12. INVESTMENT IN DEBT SECURITIES

Fair value through profit and loss (designated on initial recognition)

	Note	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
		Cost	Impairment/ provision	Carrying value	Cost	Impairment / provision	Carrying value
(Rupees in '000)							
Term Finance Certificates	12.1	3,666,675	-	3,666,675	2,730,195	-	2,730,195
Corporate Sukuks	12.2	3,716,867	-	3,716,867	1,138,677	-	1,138,677
Commercial papers	12.3	46,371	-	46,371	-	-	-
Certificates of investment	12.4	210,000	-	210,000	210,000	-	210,000
		7,639,913	-	7,639,913	4,078,872	-	4,078,872

12.1 Term Finance Certificates

	Note	No. of certificates		Face value	Value of Certificates	
		30 June 2019	31 December 2018		30 June 2019	31 December 2018
		(Unaudited)	(Audited)		(Unaudited)	(Audited)
(Rupees in '000)						
Engro Fertilizers Limited		52,000	52,000	1	45,524	91,000
Bank Al Habib Limited		140,100	60,000	5	696,288	300,289
Al Baraka Bank Limited		50	10,000	374	18,724	22,189
Byco Petroleum Pakistan		1,000	20,000	91	90,750	100,000
Bank Al-Falah Limited		43,063	23,063	5	215,034	115,131
MCB Bank Limited		-	20,000	-	-	101,592
Pak Electron Limited		-	20,000	-	-	99,994
United Bank Limited		250,000	250,000	5	1,250,000	1,250,000
Sonari Bank Limited		10,000	10,000	5	50,000	50,000
Askari Bank Limited		450	500	1,111	500,000	500,000
Dubal Islamic Bank Limited		20,000	20,000	5	100,000	100,000
Habib Bank Limited		2,000	-	100	200,000	-
JS Bank Limited		5,000	-	100	500,355	-
					<u>3,666,675</u>	<u>2,730,195</u>

12.2 Corporate Sukuks

Dawood Hercules Corporation Limited		11,750	2,000	97	1,145,127	200,000
Haseco Petroleum Limited		30,000	30,000	3	83,119	99,499
K Electric Limited		217,629	7,500	3	659,814	78,361
International brands Limited		1,000	100,000	98	97,950	99,182
Pakistan Services Limited		2,500	833	102	256,102	131,958
Moezan Bank Limited		100,000	100,000	5	500,000	500,000
Fauji Fertilizer Company Limited		9,807	9,807	3	24,708	29,677
Iqbal Hub Power Company Limited		170,000	-	5	850,000	-
Engro Polymer and Chemicals Limited		1,000	-	100	100,047	-
					<u>3,716,867</u>	<u>1,138,677</u>

12.3 Commercial Paper

TPL Corp Limited	12.5	46,3709	-	1,000	46,371	-
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12.4 Certificates of Investment

First Habib Modarba		1	-	210	210,000	210,000
					<u>7,639,913</u>	<u>4,078,872</u>

12.5 Represents the payment for commercial paper under initial offer. The investment is yet to be issued and carries profit rate at 15.1% per annum. The investment shall mature at 15 January 2020

13. INVESTMENTS IN TERM DEPOSITS

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
Deposit maturing within 12 months	<u>17,954,000</u>	<u>15,049,100</u>

14. INVESTMENT IN MUTUAL FUNDS

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Cost	Impairment/provision	Carrying value	Cost	Impairment/provision	Carrying value
(Rupees in '000)						
Related Party						
Mutual Fund (designated at fair value on initial recognition)	547	-	896	444	-	805
Others						
Mutual Funds (designated at fair value upon initial recognition)	271,512	-	246,193	59,215	-	60,315
Related Party						
Mutual Funds (Available for sale)	26,717	-	26,717	25,523	-	25,523
Others						
Mutual Funds (Available for sale)	107,570	(10,874)	96,696	100,147	(10,280)	89,867
Surplus on revaluation of available for sale investments	-	-	1,762	-	-	577
	<u>406,346</u>	<u>(10,874)</u>	<u>372,264</u>	<u>185,329</u>	<u>(10,280)</u>	<u>177,087</u>

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	Note	30 June 2019 (Unaudited) ----- (Rupees in '000) -----	31 December 2018 (Audited) (Restated)
15. CASH & BANK			
Cash and Cash Equivalent			
Cash in hand		1,659	299
Policy & Revenue stamps		3,912	5,660
Cash at bank			
Current account		568,957	1,231,704
Saving account		3,489,316	3,548,699
		<u>4,063,844</u>	<u>4,786,362</u>
		30 June 2019 (Unaudited)	31 December 2018 (Audited) (Restated)
		----- (Rupees in '000) -----	
16. RETAINED EARNING LEDGER ACCOUNT D			
Opening balance		2,174,947	2,108,700
Contribution to increase solvency margin		55,547	12,809
Change in solvency margin through profit and loss		(10,526)	53,438
		<u>2,219,968</u>	<u>2,174,947</u>
Related Deferred Tax Liability on:			
Opening balance		(495,691)	(578,798)
Reversal /(charge) to profit and loss account		(76,258)	83,107
Closing balance		(571,949)	(495,691)
Net of tax		<u>1,648,019</u>	<u>1,679,256</u>
17. INSURANCE LIABILITIES			
Reported outstanding claims	17.1	2,504,527	2,281,165
Incurred but not reported claims	17.2	590,050	515,733
Investment component of unit-linked and account value policies		105,557,024	103,569,024
Liabilities under individual conventional insurance contracts	17.3	837,842	784,354
Liabilities under group insurance contracts (other than investment linked)	17.4	444,492	453,261
Participant Takaful Fund Balance	17.5	146,204	92,259
		<u>110,080,139</u>	<u>107,695,796</u>
17.1 Reported Outstanding Claims		30 June 2019 (Unaudited)	31 December 2018 (Audited)
		----- (Rupees in '000) -----	
Gross of Reinsurance			
Payable within one year		2,131,314	1,918,000
Payable over a period of time exceeding one year		639,193	646,563
		<u>2,770,507</u>	<u>2,564,563</u>
Recoverable from Reinsurers			
Receivable over a period of time exceeding one year		(265,980)	(283,398)
Net Reported Outstanding Claims		<u>2,504,527</u>	<u>2,281,165</u>
17.2 Incurred But Not Reported Claims			
Gross of Reinsurance		711,380	634,042
Reinsurance Recoveries		(121,330)	(118,309)
Net of Reinsurance		<u>590,050</u>	<u>515,733</u>

for

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	----- (Rupees in '000) -----	
17.3 Liabilities under Individual Conventional Insurance Contracts		
Gross of Reinsurance	1,078,555	952,718
Reinsurance Credit	<u>(240,713)</u>	<u>(168,364)</u>
Net of Reinsurance	<u>837,842</u>	<u>784,354</u>

17.4 Liabilities under Group Insurance Contracts (other than investment linked)

Gross of Reinsurance	597,515	532,584
Reinsurance Credit	<u>(153,023)</u>	<u>(79,323)</u>
Net of Reinsurance	<u>444,492</u>	<u>453,261</u>

17.5 This comprises of surplus in the Takaful Fund relating to the participants of the Takaful Fund.

18. CONTINGENCIES AND COMMITMENTS

18.1 The income tax assessment of the Company for tax year 2018 has been finalized. In 2013, Income Tax Department imposed an additional tax demand under section 151(1)(d) on account of non-deduction of withholding tax on surrender and maturity amounting to Rs.13.833 million and Rs.15.014 million for Tax Years 2012 and 2013 respectively. The Company filed an appeal before Commissioner Inland Revenue (Appeals) and the same was dismissed. The Company filed second appeal before the Appellate Tribunal against the order of CIT. The learned Appellate Tribunal inland revenue has now decided the case in Company's favour. Subsequent to the period, the department has filed review application against the order in Honourable Court of Sindh. The decision is still pending. The Company expects a favourable decision.

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 (3,802 shares and 17,124 shares respectively) and the IBL Healthcare Ltd. issued bonus shares (46,625 shares and 80,311 shares respectively) after withholding 5 percent of bonus shares (2,331 shares and 4,016 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 judgement 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. The amount involved is Rs.3,279 million.

18.2 Sindh Revenue Board has granted exemption from sales tax on life insurance unallocated premium till 30 June 2019. However, sales tax on life insurance unallocated 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 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 to its customers.

The Company has also obtained a legal opinion which mentions that an insurance policy is a financial arrangement, which is in the nature of a contingent contract, and not a service upon which sales tax can be levied (and that an insurance company is not rendering a service). The opinion also mentions that vast majority of premium received from a policy holder, during the life of the policy, is in fact channeled it to the policy holder's investment account and as such this is critically important in exposing the legal fallacies embodied in the Rules. The opinion further mentions that if entire premium is subjected to the tax, the tax would akin to a direct tax on policy holder rather than sales tax on services rendered by the insurance company. Accordingly based on the above view the amount of sales tax involved is Rs. 287 million which nonetheless the Company maintains, based on the legal view, cannot be levied as the insurance is not a service.

The opinion mentions that there are fairly good chances of success if a case is filed against the imposition of sales tax on life before the High Court. Accordingly, based on the above, the Company has not recorded any provision against sales tax liability in these financial statements.

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

18.4 There were no capital commitments at the period end.

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21. NET REALISED FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS

Available for sale financial assets

Realised gains on:

- Equity securities

33,010 - (127,727) (630,704)

Realised losses on:

- Equity securities

(5,600,350) (716,609) (2,749,651) 135,070

- Government securities

(1,050) - (1,042)

(5,567,340) (717,659) (2,877,378) (496,676)

22. NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - Unrealised

Net unrealised losses on investments in financial assets - Government Securities and Debt Securities (designated upon initial recognition)

34,916 (430,853) (132,403) (150,438)

Net unrealised gains on investments at fair value through profit or loss (designated upon initial recognition) - Equity Securities

994,809 221,623 (714,419) (3,124,475)

Total investment income

1,029,725 (209,230) (846,822) (3,274,913)

Less: Provision for Impairment in value of available for sale securities - equity securities

(3,940) (3,675) (2,939) (7,871)

Investment related expenses

(4,129) (3,058) (2,121) (2,058)

(8,069) (6,733) (5,060) (9,929)

1,021,656 (215,963) (851,882) (3,284,842)

23. OTHER INCOME

Gain on sale of fixed assets

17,303 5,320 7,965 2,251

Return on loans to employees

8,954 6,418 4,711 3,344

Others (Policy Surrender charges)

4,719 5,017 2,705 2,293

30,976 16,755 15,381 7,888

24. NET INSURANCE BENEFITS

Gross claims

Claims under individual policies

by death

426,851 290,481 153,911 137,197

by insured event other than death

12,530 1,842 6,539 (43)

by maturity

603,001 665,891 288,036 327,042

by surrender

6,011,183 5,286,746 2,752,155 2,378,409

Total gross individual policy claims

7,053,565 6,244,960 3,200,641 2,842,605

Claims under group policies

by death

1,085,307 1,012,857 601,438 549,432

by insured event other than death

30,467 46,733 10,615 (25,547)

by maturity

399 114 77 89

by surrender

16,730 2,822 14,968 1,544

Total gross group claims

1,132,903 1,062,526 627,098 525,518

Total gross claims

8,186,468 7,307,486 3,827,739 3,368,123

Less: Reinsurance / retakaful recoveries

On individual life

63,603 39,660 18,599 24,566

On group claims

153,291 184,038 98,851 93,188

On experience refund of premium

- - - -

Total reinsurance / retakaful recoveries

216,894 223,698 117,450 117,753

Add: Claims related expenses

4,060 3,182 3,014 3,182

Net insurance benefit expense

7,973,634 7,086,969 3,713,303 3,253,552

Aggregate (Unaudited)		Aggregate (Audited)	
Six months ended		Three months ended	
30 June		30 June	
2019	2018	2019	2018

(Rupees in '000)

Available for sale financial assets

Realised gains on:

- Equity securities

33,010 - (127,727) (630,704)

Realised losses on:

- Equity securities

(5,600,350) (716,609) (2,749,651) 135,070

- Government securities

(1,050) - (1,042)

(5,567,340) (717,659) (2,877,378) (496,676)

22. NET FAIR VALUE GAINS (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - Unrealised

Net unrealised losses on investments in financial assets - Government Securities and Debt Securities (designated upon initial recognition)

34,916 (430,853) (132,403) (150,438)

Net unrealised gains on investments at fair value through profit or loss (designated upon initial recognition) - Equity Securities

994,809 221,623 (714,419) (3,124,475)

Total investment income

1,029,725 (209,230) (846,822) (3,274,913)

Less: Provision for Impairment in value of available for sale securities - equity securities

(3,940) (3,675) (2,939) (7,871)

Investment related expenses

(4,129) (3,058) (2,121) (2,058)

(8,069) (6,733) (5,060) (9,929)

1,021,656 (215,963) (851,882) (3,284,842)

23. OTHER INCOME

Gain on sale of fixed assets

17,303 5,320 7,965 2,251

Return on loans to employees

8,954 6,418 4,711 3,344

Others (Policy Surrender charges)

4,719 5,017 2,705 2,293

30,976 16,755 15,381 7,888

Aggregate (Unaudited)		Aggregate (Audited)	
Six months ended		Three months ended	
30 June		30 June	
2019	2018	2019	2018

(Rupees in '000)

24. NET INSURANCE BENEFITS

Gross claims

Claims under individual policies

by death

426,851 290,481 153,911 137,197

by insured event other than death

12,530 1,842 6,539 (43)

by maturity

603,001 665,891 288,036 327,042

by surrender

6,011,183 5,286,746 2,752,155 2,378,409

Total gross individual policy claims

7,053,565 6,244,960 3,200,641 2,842,605

Claims under group policies

by death

1,085,307 1,012,857 601,438 549,432

by insured event other than death

30,467 46,733 10,615 (25,547)

by maturity

399 114 77 89

by surrender

16,730 2,822 14,968 1,544

Total gross group claims

1,132,903 1,062,526 627,098 525,518

Total gross claims

8,186,468 7,307,486 3,827,739 3,368,123

Less: Reinsurance / retakaful recoveries

On individual life

63,603 39,660 18,599 24,566

On group claims

153,291 184,038 98,851 93,188

On experience refund of premium

- - - -

Total reinsurance / retakaful recoveries

216,894 223,698 117,450 117,753

Add: Claims related expenses

4,060 3,182 3,014 3,182

Net insurance benefit expense

7,973,634 7,086,969 3,713,303 3,253,552

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25. ACQUISITION EXPENSES

	Aggregate (Unaudited)		Aggregate (Audited)	
	Six months ended		Three months ended	
	30 June		30 June	
	2019	2018	2019	2018
----- (Rupees in '000) -----				
Remuneration to insurance intermediaries on individual policies:				
- commission to agent on first year premiums	1,224,110	1,222,476	642,337	674,383
- commission to agent on second year premiums	295,976	195,972	157,229	98,593
- commission to agent on subsequent renewal premiums	220,240	158,685	110,629	78,788
- commission to agent on single premiums	17,675	47,533	9,921	21,898
- override commission to supervisors	286,099	253,971	143,288	130,021
other benefits to insurance intermediaries				
- salaries, allowances and other benefits	742,540	621,793	380,608	345,058
Remuneration to insurance Intermediaries on group policies:				
- commission	201,015	184,677	102,135	93,592
- other benefits to insurance intermediaries	41,208	33,780	23,050	15,924
- Travelling expenses (including cost of contests, conventions etc.)	29,165	23,154	14,172	12,236
- Printing and stationery	4,533	4,348	915	1,276
- Depreciation	144,940	38,471	116,144	20,780
- Rent, rates and taxes	2,602	50,455	(28,592)	27,196
- Electricity, gas and water	20,036	13,088	13,710	9,668
- Entertainment	19,445	13,220	12,318	7,319
- Vehicle running expenses	8,456	6,183	4,207	3,332
- Office repairs & maintenance	9,166	9,355	4,382	3,633
- postages, telegrams and telephone	20,947	19,103	9,402	9,961
- Medical fees	11,137	12,263	5,291	6,277
- Finance Cost	20,590	-	-	-
- Others	71,230	57,798	37,446	35,959
Other acquisition costs - policy stamps	53,748	42,052	27,068	17,776
	3,444,858	3,008,377	1,785,660	1,613,670

26. MARKETING AND ADMINISTRATION EXPENSES

Employee benefit cost	355,998	316,462	187,550	170,683
Traveling expenses	45,561	50,979	41,550	41,969
Advertisements and sales promotion	44,090	116,821	2,318	87,129
Printing and stationery	33,328	28,389	20,473	18,219
Depreciation	74,357	58,637	42,581	29,708
Amortisation	6,461	6,623	3,230	3,776
Rent, rates and taxes	991	3,800	(1,128)	1,647
Legal and professional charges - business related	59,038	32,475	23,623	18,330
Electricity, gas and water	16,424	14,184	7,499	7,897
Entertainment	19,802	14,765	9,766	6,275
Vehicle running expenses	6,067	1,885	4,398	(2,465)
Office repair and maintenance	32,602	33,647	17,708	13,761
Appointed actuary fees	6,300	5,700	3,450	3,000
Bank charges	9,821	8,372	7,722	594
Postage, internet and telephone	42,609	42,887	19,262	28,880
Fees and subscription	14,876	10,942	5,269	5,351
Annual supervision fee SECP	30,804	28,278	15,732	14,095
Miscellaneous	51,266	44,410	28,156	30,840
	850,395	819,456	439,159	479,689

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	Aggregate (Unaudited)		Aggregate (Audited)	
	Six months ended 30 June		Three months ended 30 June	
	2019	2018	2019	2018
(Rupees in '000)				
27. OTHER EXPENSES				
Traveling	666	890	666	72
Directors' fee	950	1,400	500	700
Auditors' fee	300	1,446	300	1,446
Advertisements and publicity	4,088	1,259	4,088	1,097
Printing and Stationary	128	-	128	-
Donation	5,971	3,611	4,080	2,765
Fees and Subscription	600	-	600	-
Out of Pocket Expense	717	697	600	523
	13,420	9,303	10,962	6,603

28. TAXATION

For the period

Current	249,000	256,520	145,062	167,131
Prior	-	79,180	-	79,180
Deferred	73,329	(100,448)	82,837	(101,948)
	322,329	235,252	227,899	144,363

	Held to maturity	Available to sale	Fair value through profit & loss account	Deposits maturing within 12 months	Total
29 MOVEMENT IN INVESTMENTS	(Rupees in '000)				
At beginning of previous year	3,081,423	446,022	81,992,677	12,439,000	97,959,122
Changes during the year ended 31 December 2018					
Additions	13,577,932	52,737	186,291,656	97,052,200	296,974,525
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)	(3,063,680)	-	(3,086,790)
Impairment losses	-	(14,148)	-	-	(14,148)
At beginning of current period (Audited)	3,740,698	446,795	86,584,045	15,049,100	105,820,637
Changes during the six months ended 2019					
Additions	9,836,733	1,194	98,118,787	93,316,900	201,273,614
Disposals (sale and redemptions)	(9,208,000)	(9,619)	(98,606,396)	(90,412,000)	(198,236,015)
Fair value net gains (excluding net realised gains)	-	(46,417)	165,550	-	119,133
Impairment losses	-	(3,942)	-	-	(3,942)
At end of current period (Unaudited)	4,369,431	388,011	86,261,986	17,954,000	108,973,427

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30. SEGMENTAL INFORMATION

30.1 Revenue Account by Statutory Fund

30 June 2019 (Unaudited)

	Statutory Funds					Aggregate Six months ended 30 June 2019
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Family Takaful Investment Linked Business	
Income						
Premium / Contribution less reinsurance / retakaful	11,793,292	1,335,448	317	329	1,671,966	14,911,095
Policy transfer from other statutory funds	-	-	-	-	7,129	7,129
Bonus units transfer to statutory fund	64,512	117,744	(206)	151	124,191	362,894
Net investment income / wakala income	11,857,804	1,453,192	111	480	1,803,266	15,281,118
Total net income						
	6,653,115	910,795	2,648	151	345,535	7,962,262
	7,312	-	-	-	-	7,312
	3,106,972	350,025	37	164	935,045	4,478,148
	9,767,399	1,260,820	2,685	315	1,280,580	12,447,722
Insurance Benefits and Expenditures						
Claims net of reinsurance recoveries	2,090,405	192,372	(2,574)	165	522,706	2,833,396
Bonus units transfer to statutory fund						
Management expenses	(1,528,028)	(67,127)	2,722	(10)	(521,360)	(2,117,085)
Total Insurance Benefits and Expenditures						
	562,377	125,245	148	155	1,346	716,311
Excess of income over Insurance Benefits and Expenditures						
	1,528,028	67,127	(2,722)	10	521,360	2,117,085
Net Change in Insurance Liabilities (Other than outstanding Claims)						
Surplus / (deficit) before tax						
Movement in policyholders' liabilities						
Transfer of (surplus) / deficit to shareholders' fund	(534,677)	(115,701)	(201)	(154)	55,547	(672,892)
Capital contribution from shareholders' fund	-	-	-	-	-	55,547
Net Transfer to / from shareholders' fund	(534,677)	(115,701)	(201)	(154)	55,547	(617,345)
Balance of statutory funds at beginning of the period						
	102,834,817	1,422,896	24,457	1,480	3,559,726	107,950,744
Balance of statutory funds at end of the period						
	104,390,545	1,499,567	21,682	1,491	4,137,979	110,166,795

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30 June 2018 (Unaudited)

	Statutory Funds						Aggregate
	Investment Linked Business	Conventional Business	Pension Business (Unit Linked)	Accident & Health Business	Family Takaful Investment Linked Business	Family Takaful Protection Business	Six months ended 30 June 2018
Income							
Premium / Contribution less re-insurances / retakaful	11,267,414	1,110,469	356	401	1,189,408	72,076	13,640,124
Policy transfer from other statutory funds	-	-	-	-	3,041	-	3,041
Bonus units transferred to statutory funds	-	-	-	-	26,718	-	26,718
Net investment income	2,100,412	57,199	660	159	136,126	28,996	2,323,572
Total net income	13,367,826	1,167,668	1,036	560	1,355,293	101,072	15,993,455
	(Rupees in '000)						
Insurance Benefits and Expenditures							
Claims net of reinsurance recoveries	6,001,650	839,956	-	356	203,840	34,943	7,080,745
Policy transfer from other statutory funds	3,041	-	-	-	-	-	3,041
Bonus units transferred to statutory funds	2,957,710	306,573	33	170	26,718	-	26,718
Management expenses	8,962,401	1,146,529	33	526	620,052	50,192	3,934,730
Total Insurance Benefits and Expenditures							
	4,405,425	21,139	1,003	34	850,610	85,135	11,045,234
Excess of income over Insurance Benefits and Expenditures							
					504,683	15,937	4,948,221
Net Change in Insurance Liabilities (Other than outstanding Claims)							
	(3,603,185)	(49,444)	778	356	(517,732)	(14,777)	(4,184,004)
Surplus / (Deficit) before tax							
	802,240	128,305	1,781	390	(13,049)	1,160	764,217
Movement in policyholders' liabilities							
	3,603,185	49,444	(778)	(356)	517,732	14,777	4,184,004
Transfer of (surplus) / deficit to shareholders' fund	(762,028)	-	(1,784)	(410)	-	-	(764,222)
Capital contribution from share holders' fund	-	76,930	-	-	513	11,798	69,241
Net Transfer to/from shareholders' fund	(762,028)	76,930	(1,784)	(410)	513	11,798	(674,981)
Balance of statutory funds at beginning of the period	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 period	101,192,398	1,368,553	25,142	1,716	2,802,474	97,812	105,488,095

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At 30 June 2019 (Unaudited)

At 31 December 2018 (Audited)

30.2 Segment statement of financial position

	At 30 June 2019 (Unaudited)		At 31 December 2018 (Audited)	
	Statutory Funds	Shareholders Funds (Rupees in '000)	Statutory Funds	Shareholders Funds (Rupees in '000)
Property and equipment	1,287,693	1,568,174	1,317,467	1,114,160
Intangible assets	-	20,775	-	27,038
Investments	107,504,906	1,468,521	103,402,211	2,418,426
Insurance / reinsurance receivables	204,744	-	169,600	-
Other loans and receivables	1,573,108	201,921	2,928,578	181,860
Taxation - payments less provision	3,288	616,396	934	336,793
Prepayments	59,387	-	81,182	-
Cash & Bank	4,036,082	27,762	4,768,942	17,420
Total Assets	114,669,208	3,903,549	112,668,914	4,095,697
Insurance Liabilities net of reinsurance recoveries	110,080,139	-	107,695,796	-
Deferred taxation	-	741,238	-	681,368
Premium / Contribution received in advance	803,605	-	714,419	-
Insurance / reinsurance payables	254,149	-	193,218	-
Other creditors and accruals	1,172,243	423,114	1,458,118	63,290
Total Liabilities	112,310,136	1,164,352	110,061,551	744,658

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31. RELATED PARTIES 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. Compensation of key management personnel are on employment terms. Contribution to the provident fund is in accordance with the service rules. Change to the defined contribution is in accordance with the actuarial advice. Other transactions are at agreed rates. Details of transactions with related parties during the period, other than those which have been specifically disclosed elsewhere in the financial statements are as follows:

	Six months ended (Unaudited)	
	30 June 2019	30 June 2018
	----- (Rupees in '000) -----	
Transactions		
Holding company		
Premium written	8,857	8,762
Premium paid	45,372	21,994
Claims paid	5,031	3,001
Claims received	1,896	768
Dividend paid	554,271	542,401
Dividend received	36,277	35,107
Associated companies		
Premium written	73,946	71,775
Premium paid	22,524	22,232
Claims paid	10,030	5,252
Claims received	-	94
Commission paid	127,253	132,728
Travelling expenses	434	1,368
Donation paid	1,531	1,164
Dividend paid	542,338	527,796
Interest on bank deposit	382,285	56,361
Investment sold of related parties	25,558	455,357.00
Key management personnel		
Premium written	323	1,812
Loan to Key employees	6,000	-
Loan recovered	2,600	1,897
Compensation paid	84,408	72,414
Dividend paid	8,612	517
Employees' funds		
Contribution to provident fund	18,170	15,874
Contribution to pension fund	16,264	14,502
	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	----- (Rupees in '000) -----	
Balances		
Bank balances	323,251	869,823
Bank deposits (term deposits)	5,800,000	5,150,000
Premium received in advance	2,506	652
Premium receivable	252	1,107
Investment in EFU General Insurance Limited (holding company)	469,781	468,096
Investments in other related parties	130,288	172,190
Claims outstanding- Related party	12,656	5,935
Loan receivable of key employees	26,944	23,544

32. WINDOW TAKAFUL OPERATIONS

The Statement of financial position of Window Takaful Operations as at 30 June 2019 and its financial performance for the period ended 30 June 2019 are as follows:



32.1 Balance Sheet

	Statutory Funds			Aggregate	
	Shareholders' Fund	Family Takaful Investment Linked Business	Family Takaful Protection Business	30 June 2019 (Unaudited)	31 December 2018 (Audited)
----- (Rupees in '000) -----					
Share capital and reserves					
Operator's Fund	50,000	-	-	50,000	50,000
Accumulated deficit	(170,022)	-	-	(170,022)	(157,816)
General reserves	-	-	-	-	-
Net shareholders' equity	(120,022)	-	-	(120,022)	(107,816)
Balance of statutory fund					
[including policyholders' liabilities Rs. 4,020.72 million					
(2018:Rs.3496.08 million)					
Participant Investment Fund	46,802	3,900,803	-	3,947,605	3,431,612
Participant Takaful Fund - Waqf	-	198,175	107,727	305,902	235,482
Cede Money - Waqf	-	2,000	-	2,000	2,000
Shareholder's Fund unit holding in PIF	-	22,425	-	22,425	22,201
	46,802	4,123,403	107,727	4,277,932	3,691,295
Creditors and accruals					
Outstanding Claims	-	48,931	31,567	80,498	69,263
Contribution received in advance	-	78,996	12,772	91,768	94,104
Amounts due to retakaful	-	6,101	40,513	46,614	66,301
Amounts due to agents	-	93,318	5,700	99,018	147,570
Accrued expenses	89,140	-	-	89,140	76,692
Other creditors and accruals	216,762	215,395	620,347	1,052,504	980,323
Capital contribution	192,181	-	-	192,181	179,372
Interfund payable	159,119	-	-	159,119	198,917
Total liabilities	657,202	442,741	710,899	1,810,842	1,812,542
Total equity and liabilities	583,982	4,566,144	818,626	5,968,752	5,396,022
Cash and bank deposits					
Policy stamps in hand	418	-	-	418	91
Current and other accounts	69,687	800,378	198,570	1,068,635	957,097
Deposits maturing within 12 months	103,000	2,066,000	-	2,169,000	1,374,000
	173,105	2,866,378	198,570	3,238,053	2,331,188
Investments					
Government securities	10,001	178,354	-	188,355	326,977
Other fixed income	-	688,436	10,312	698,748	480,000
Listed Equities & Mutual Funds	-	620,026	-	620,026	1,148,408
	10,001	1,486,816	10,312	1,507,129	1,955,385
Current assets - others					
Prepayments	3,192	-	-	3,192	8,019
Contributions due but unpaid	-	-	8,407	8,407	13,318
Sundry receivables	314,494	93,327	444,952	852,773	818,357
Investment income accrued	1,795	116,231	658	118,684	33,425
Shareholder's Fund unit holding in PIF	22,425	-	-	22,425	22,201
Capital contribution	55,547	-	-	55,547	12,809
Income tax assets	3,288	-	-	3,288	933
Advances and deposits	135	-	-	135	1,470
Interfund Receivable	-	3,392	155,727	159,119	198,917
	400,876	212,950	609,744	1,223,570	1,109,449
Total assets	583,982	4,566,144	818,626	5,968,752	5,396,022

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32.2 Revenue Account - Unaudited

32.2.1 Participants' Investment Fund (PIF)

	Statutory Funds		Aggregate		Aggregate	
	Six months ended		Six months ended		Three months ended	
	30 June 2019	30 June 2019	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	Family Takaful Investment Linked Business	Family Takaful Protection Business	2019	2018	2019	2018
(Rupees in '000)						
Income						
Allocated contribution	955,480	-	955,480	715,242	950,933	338,512
Policy transfer to other statutory fund	7,129	-	7,129	3,041	5,532	2,680
Bonus units transfer to Statutory Fund	-	-	-	26,718	-	26,718
Net investment (loss) / income	(22,567)	-	(22,567)	35,057	(60,200)	(53,378)
Total net income	940,042	-	940,042	780,058	806,265	314,532
Less: Claims and Expenditure						
Investment management charges	25,720	-	25,720	18,614	13,044	10,079
Bid offer spread	43,273	-	43,273	34,125	23,553	16,208
Policy admin fee	30,139	-	30,139	19,947	15,080	10,097
Wakalat-ul-Istismar	99,132	-	99,132	72,680	61,677	36,384
Surrender	332,745	-	332,745	196,030	184,788	138,670
	431,877	-	431,877	269,716	236,485	175,054
Excess of income over claims and expenditure	508,165	-	508,165	511,342	669,800	139,478
Add : Technical reserves at the beginning of the period	3,392,638	-	3,392,638	2,185,823	3,663,177	2,557,687
Less : Technical reserves at the end of the period	3,900,803	-	3,900,803	2,697,165	3,900,803	2,697,165
	(608,165)	-	(608,165)	(511,342)	(237,628)	(139,478)
Surplus	-	-	-	-	-	-
Movement in technical reserves	608,165	-	608,165	511,342	237,628	139,478
Balance of PIF at the beginning of the period	3,392,638	-	3,392,638	2,185,823	3,663,177	2,557,687
Balance of PIF at the end of the period (a)	3,900,803	-	3,900,803	2,697,165	3,900,803	2,697,165

32.2.2 Participants' Takaful Fund (PTF) - Unaudited

Income						
Contribution net of retakaful recoveries	88,941	109,743	208,684	127,049	113,485	66,218
Net investment income	7,874	1,092	8,966	2,102	5,953	789
Total net income	108,815	110,835	217,650	129,151	119,438	67,008
Less: Claims and Expenditure						
Claims net of retakaful recoveries	12,790	50,018	62,808	42,753	21,489	23,838
Wakala fee	29,012	65,410	84,422	48,493	48,757	25,284
	41,802	105,428	147,230	91,246	70,246	49,122
Excess of income over claims and expenditure	65,013	5,407	70,420	37,905	48,192	17,886
Add : Technical reserves at the beginning of the period	45,103	58,338	103,439	58,885	119,213	93,958
Less : Technical reserves at the end of the period	58,297	61,618	119,916	80,052	119,916	80,052
Surplus/(Deficit) Retained Profit	51,819	2,126	53,944	16,738	48,490	31,802
Distribution of surplus	-	-	-	(26,718)	-	-
Movement in technical reserves	(65,013)	(5,407)	(70,420)	(37,905)	(49,192)	(17,886)
Surplus / (deficit) before distribution	-	-	-	-	-	-
Distribution of surplus	-	-	-	-	-	-
Surplus / (deficit) after distribution	-	-	-	-	-	-
Movement in technical reserves	13,194	3,282	16,476	21,167	702	(13,916)
Balance of PTF at the beginning of the period	133,162	102,320	236,482	147,473	262,930	160,743
Qard-e-Hasna	-	-	-	16,434	(6,226)	(3,535)
Balance of PTF at the end of the period (b)	198,175	107,727	305,902	175,094	305,902	175,094

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32.2.3 Shareholders' Sub-Fund

	Statutory Funds		Aggregate		Aggregate	
	Six months ended		Six months ended		Three months ended	
	30 June 2019		30 June		30 June	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	2019	2018	2019	2018
	(Rupees in '000)					
Income						
Un-allocated contribution	817,544	-	617,544	419,193	319,321	216,658
Net investment income	10,738	-	10,738	6,785	3,539	2,624
Wakalat-ul-Istamar - PIF	89,132	-	99,132	72,686	51,677	36,384
Wakala Fee - PTF	29,012	65,410	84,422	48,493	48,767	25,284
Total net income	758,428	65,410	811,838	547,157	423,294	280,950
Loan: Expenditure						
Acquisition costs	700,307	25,674	725,981	457,400	378,771	240,222
Administration expenses	108,582	4,822	111,414	91,666	67,795	53,201
	808,899	30,486	837,395	549,066	437,666	293,423
(Shortfall) / Excess of Income over expenditure	(50,473)	24,914	(26,559)	(1,909)	(14,272)	(12,473)
Add : Technical reserves at the beginning of the period	-	-	-	-	-	-
Less : Technical reserves at the end of the period	-	-	-	-	-	-
(Deficit) / surplus transferred to shareholders' fund	(50,473)	24,914	(26,559)	(1,909)	(14,272)	(12,473)
Movement in technical reserves	-	-	-	-	-	-
Transfer to Shareholder's Fund	-	(22,159)	(22,159)	-	(16,811)	-
Capital Contribution	55,547	-	55,547	12,311	30,518	11,151
Qard-e-Hasna	-	-	-	(16,434)	6,226	3,535
Retained earnings on other than participating business	33,926	6,047	38,973	34,059	40,141	25,804
Balance of shareholders' sub fund at the end of the period	(c) 39,000	7,602	46,802	28,027	46,802	28,027
Balance of statutory funds at the end of the period	(a+b+c) 4,137,978	115,529	4,253,607	2,900,286	4,253,607	2,900,286

32.3 Statement of contribution

	Statutory Fund		Aggregate		Aggregate	
	Six months ended		Six months ended		Three months ended	
	30 June 2019		30 June		30 June	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	2019	2018	2019	2018
	(Rupees in '000)					
Gross contribution						
Regular contribution individual policies						
First Year	770,595	-	770,595	547,870	398,888	289,838
Second Year	422,178	-	422,178	317,682	245,475	125,685
Subsequent year renewal	388,044	-	388,044	159,143	193,044	92,803
Single contribution individual policies	108,788	-	108,788	184,801	64,490	84,887
Group policies with cash values	735	-	735	864	435	478
Group policies without cash values	-	141,991	141,991	94,557	88,714	45,900
Total gross contribution	1,688,340	141,991	1,830,331	1,304,917	989,046	639,591

32.3.1 Participants' Investment Fund

Allocated regular contribution	853,821	-	853,821	533,482	469,801	256,305
Allocated single contribution	108,788	-	108,788	184,801	64,490	84,887
Total allocated contribution	962,609	-	962,609	718,283	524,291	341,192

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	Statutory Fund		Aggregate		Aggregate	
	Six months ended		Six months ended		Three months ended	
	30 June 2019		30 June		30 June	
	Family Takaful Investment Linked Business	Family Takaful Protection Business	2019	2018	2019	2018
32.3.2 Participants' Takaful Fund	----- (Rupees in '000) -----					
Allocated gross contribution	108,187	141,991	250,178	167,441	145,434	81,741
Less: Retakaful contribution ceded						
On individual life first year business	10,270	-	10,270	8,749	9,506	4,904
On individual life second year business	-	-	-	7,008	(1,367)	2,780
On individual life subsequent year business	-	-	-	5,628	(1,786)	3,674
On group policies	-	32,248	32,248	22,481	26,277	7,638
Less: Reinsurance commission on risk premium	(1,025)	-	(1,025)	(3,474)	(683)	(1,869)
Total retakaful contribution ceded	9,245	32,248	41,493	40,392	31,947	17,127
Net Risk Contribution of PTF	98,942	109,743	208,685	127,049	113,487	64,614
32.3.3 Shareholders' Sub-Fund						
Unallocated regular contribution	617,544	-	617,544	419,193	319,321	216,658
32.4 Statement of Claims	----- (Rupees in '000) -----					
Claims under Individual Family Takaful	24,082	-	24,082	-	6,537	(4,979)
Claims under Group Family Takaful	-	63,062	63,062	41,648	25,220	19,091
Total Gross Claims	24,082	63,062	87,144	41,648	31,757	14,112
Gross Claims allocated as follows:						
Participant's Investment Fund (PIF)						
Surrenders / Partial withdrawals under Individual Policies	332,745	-	332,745	196,030	184,788	136,670
Participant's Takaful Fund (PTF)						
Under individual policies by death	24,082	-	24,082	13,951	6,537	8,972
Under group policies by death	-	60,242	60,242	40,662	25,220	20,486
Under group policies by event other than death	-	2,820	2,820	985	-	(1,390)
Total gross claims under PTF	24,082	63,062	87,144	55,598	31,757	28,062
Less: Re-Takaful recoveries under PTF						
On Individual policies	11,292	-	11,292	6,141	4,213	4,075
On Individual policies Second Year	-	-	-	-	-	-
On Individual policies Third Year	-	-	-	-	-	-
On group policies	-	13,044	13,044	6,704	6,054	1,754
Profit commission	-	-	-	-	-	-
	11,292	13,044	24,336	12,845	10,267	5,829
Net Claims under PTF	12,790	50,018	62,808	42,753	21,490	22,233
Total Net Claims	345,535	50,018	395,553	224,833	206,278	146,953

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	Statutory Fund		Aggregate		Aggregate	
	Six months ended		Six months ended		Three months ended	
	30 June 2019	2019	30 June	2019	30 June	2018
Acquisition costs						
Family Takaful Investment Linked Business		Family Takaful Protection Business				
	327,618	-	241,982	170,436	130,548	
	71,993	-	36,082	35,831	16,809	
	2,724	-	5,071	1,768	2,354	
	56,917	-	37,939	29,697	19,659	
	184,694	-	85,088	92,781	50,151	
	643,946	-	406,162	331,513	219,521	
Shareholders' Sub-Fund						
Remuneration to insurance intermediaries on individual policies:						
- commission on first year contribution	8	25,084	18,036	17,443	6,113	
- commission on renewal contribution	-	412	365	187	235	
- commission on single contribution	8	25,496	18,401	17,630	6,348	
- override commission						
- other benefits to insurance intermediaries						
	44,145	-	25,322	24,336	12,567	
Remuneration to insurance intermediaries on group policies:						
- commission	11,475	91	7,144	5,960	3,020	
- other benefits to insurance intermediaries	733	87	371	432	225	
	700,307	25,674	457,400	379,771	241,681	
Branch overheads						
Other acquisition costs						
- policy stamps						
- Medical fees						
Total acquisition cost						
	47,203	1,659	40,138	26,266	21,577	
Marketing and Administration expenses						
Salaries and other benefits	7,886	41	6,398	6,470	5,137	
Travelling expenses	2,521	178	1,637	885	1,032	
Advertisements and publicity	5,701	20	3,770	1,030	2,322	
Printing and stationery	8,936	161	6,993	5,249	3,553	
Depreciation	837	-	858	418	489	
Amortization	122	3	472	(150)	208	
Rent, rates and taxes	1,957	2,302	4,085	1,777	2,696	
Legal and professional charges	1,775	70	1,578	843	861	
Electricity, gas and water	2,445	45	1,751	1,319	772	
Entertainment	754	11	208	560	(336)	
Vehicle running Expenses	4,192	1	4,353	2,276	1,777	
Office repairs and maintenance	816	-	739	447	389	
Appointed Actuary's fees	1,391	1	2,427	1,107	1,319	
Bank charges	5,989	8	5,999	2,326	4,485	
Postage, telegrams and telephone	1,845	32	1,383	666	847	
Fees and subscription	3,401	259	2,610	1,978	1,279	
Annual supervision fee SECP	8,821	31	6,267	4,328	3,378	
Miscellaneous	806,399	30,496	549,066	437,566	293,424	
Net Management Expenses						
	837,395		837,395			

(Rupees in '000)

32.6 Statement of investment income

	Statutory Fund		Aggregate		Aggregate	
	Six months ended		Six months ended		Three months ended	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018
Family Takaful Investment Linked Business						
	34,943	34,943	8,292	22,928	6,339	6,339
	65,796	65,796	39,805	32,981	20,559	20,559
	18,458	18,458	7,576	2,966	5,813	5,813
	(985)	(985)	(610)	(985)	(610)	(610)
	(172,820)	(172,820)	(55,863)	(101,752)	(32,415)	(32,415)
	32,042	32,042	35,867	(6,327)	(52,864)	(52,864)
	(22,566)	(22,566)	35,057	(50,199)	(53,378)	(53,378)

(Rupees in '000)

32.6.1 Participants' Investment Fund (PIF)

Return on government securities						
Other fixed income securities						
Dividend income						
Amortization of (premium) / discount						
(Loss) on sale of investment						
Unrealized gain on investment						
Net investment income of PIF						

32.6.2 Participants' Takaful Fund (PTF)

Return on government securities	1,134	1,092	664	946	864	864
Other fixed income securities	989	989	2,198	83	1,180	1,180
Profit on bank deposits	5,752	5,752	(760)	4,915	(1,055)	(1,055)
Net investment income of PTF	7,875	1,092	2,102	5,954	789	789

32.6.3 Shareholders' Sub-Fund

Return on government securities	198	198	67	124	50	50
Other fixed income securities	372	372	324	171	155	155
Dividend income	104	104	62	9	45	45
Amortization of (premium) / discount	(6)	(6)	(5)	(6)	(5)	(5)
(Loss) on sale of investment	(978)	(978)	(455)	(543)	(249)	(249)
Unrealized gain on investment	181	181	292	(54)	(487)	(487)
Profit on bank deposits	10,867	10,867	6,500	3,838	3,115	3,115
Net investment income of shareholders' sub-fund	10,738	10,738	6,785	3,539	2,624	2,624

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(2,861) 43,344 (40,706) (49,965)

33. FAIR VALUE

Investments on the balance sheet are carried at fair value except for investments in non unit-linked funds which are stated at lower of cost or market value and 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 measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical as:

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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:

30 June 2019 (Unaudited)												
	Fair value through profit and loss	Available for Sale	HTM	Loans and receivables	Fair value			Total	Level 1	Level 2	Level 3	Total
					Other financial assets	Other financial liabilities	Total					
(Rupees in '000)												
On balance sheet financial instruments												
Financial assets measured at fair value												
- Investments												
Government Securities (T-bills + PIBs + Sukuks)	59,413,486	-	-	-	-	-	-	59,413,486	-	59,413,486	-	59,413,486
Sukuk Bonds (other than government)	3,440,626	-	-	-	-	-	-	3,440,626	-	3,440,626	-	3,440,626
Listed equity securities	18,711,983	225,959	-	-	-	-	-	18,937,942	18,937,942	-	-	18,937,942
Unlisted equity securities	16,008	-	-	-	-	-	-	16,008	-	-	16,008	16,008
Units of mutual funds	247,089	125,175	-	-	-	-	-	372,264	-	372,264	-	372,264
Debt securities (Listed TFCs)	3,989,287	-	-	-	-	-	-	3,989,287	3,989,287	-	-	3,989,287
Financial assets not measured at fair value												
- Government Securities (T-bills + PIBs + Sukuks)	-	-	4,639,814	-	-	-	-	-	-	4,639,814	-	4,639,814
- Balances with banks *	22,017,844	-	-	-	-	-	-	22,017,844	-	-	-	-
- Certificate of Investment	210,000	-	-	-	-	-	-	210,000	-	-	-	-
- Advances	-	-	-	138,179	2,520,665	-	-	2,658,844	-	-	-	-
	108,046,322	351,134	4,639,814	-	-	-	-	115,696,115	22,527,229	67,855,105	16,008	90,798,342
Financial liabilities not measured at fair value												
- Other liabilities (excluding Liabilities against assets subject to finance lease) *	-	-	-	-	3,394,349	-	-	3,394,349	-	-	-	-
	-	-	-	-	3,394,349	-	-	3,394,349	-	-	-	-
	108,046,322	351,134	4,639,814	-	(3,394,349)	-	-	112,301,766	22,527,229	67,855,105	16,008	90,798,342

On balance sheet financial instruments

31 December 2018 (Audited)

	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		
									20,590			
Financial assets measured at fair value												
- Investments												
Government Securities (T-bills + PIBs + Sukuks)	51,903,147	-	-	-	-	-	51,903,147	-	15,678	4,547	4,546,620	
Sukuk Bonds (other than government)	1,332,919	-	-	-	-	-	1,332,919	-	1,332,919	-	1,332,919	
Listed equity securities	33,519,330	7,374	-	-	-	-	33,526,704	33,526,704	-	-	33,526,704	
Listed equity securities	16,008	-	-	-	-	-	16,008	-	-	16,008	16,008	
Units of mutual funds	177,087	-	-	-	-	-	177,087	-	177,087	-	177,087	
Debt securities (Listed TFCs)	2,535,953	-	-	-	-	-	2,535,953	2,535,953	-	-	2,535,953	
Financial assets not measured at fair value												
- Government Securities (T-bills + PIBs + Sukuks)	-	-	1,063,719	-	-	-	1,063,719	-	1,047,472	-	1,047,472	
- Balances with banks *	19,829,503	-	-	-	-	-	19,829,503	-	-	-	-	
- Certificate of Investment	210,000	-	-	-	-	-	210,000	-	-	-	-	
- Advances	-	-	-	124,610	884,780	-	1,009,370	-	-	-	-	
- Other assets (excluding mark-to accrued) *	-	-	-	-	2,895,536	-	2,895,536	-	-	-	-	
	109,529,947	7,374	1,063,719	124,610	3,580,296	-	114,305,946	36,062,657	2,573,156	20,555	43,182,763	
Financial liabilities not measured at fair value												
- Other liabilities (excluding Liabilities against assets subject to finance lease) *	-	-	-	-	-	3,133,478	3,133,478	-	-	-	-	
	-	-	-	-	-	3,133,478	3,133,478	-	-	-	-	
	109,529,947	7,374	1,063,719	124,610	3,580,296	(3,133,478)	111,172,468	36,062,657	2,573,156	20,555	43,182,763	

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

34. GENERAL

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

35. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial information were authorized for issue by the Board of Directors of the Company in their meeting held on 23 August 2019.

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Managing Director & Chief Executive


Director


Director


Chairman